Time to buy all or half of USA Network

It sets up joint venture with Paramount for cable network; if motion picture firm backs out, Time will own 100%

Time Inc. has agreed to purchase UA-Columbia Cablevision's half interest in the USA Network for $15 million and operate the advertiser-supported cable network in a joint venture with Paramount Pictures Corp.

The partnership is contingent upon Paramount's takeover of Madison Square Garden Productions Inc.'s half interest in the network. According to a Paramount spokesman, a decision on whether to acquire the half share will not be made for two or three weeks.

If Paramount eventually decides not to acquire the MSG interest, the joint venture agreement will be nullified and Time will buy it and become sole owner of the network.

The decision to acquire or not to acquire the MSG interest is an intra-corporate one. Paramount and MSG are both subsidiaries of Gulf & Western Industries Inc.

Indications last week were that Paramount would go ahead with the acquisition and the joint venture.

A spokesman for Paramount said that "everybody is excited" about the prospects of the joint venture, but that Paramount is still unsure about "what role it should play" and is still evaluating the situation.

Thayer Bigelow, assistant to Time Video Group head Gerald Levin, said: "We expect to do it. We want to do it, but we haven't finally decided to do it yet!"

If the venture between Paramount and Time materializes, it will mark one of the stranger pairings of the joint-venture trend of the cable industry has seen—a member of the ill-starred Premiere pay television consortium of movie producers, Paramount was a vociferous critic of Time's pay venture, HBO.

Time, which is the parent of Home Box Office Inc., the pre-eminent pay cable company, eyes the USA Network to cash in on the industry's increasing advertising revenues. Aside from the sale of local advertising by its individual cable systems, Bigelow said, Time's Video Group "isn't doing anything that is generating advertising dollars. We think it's important that we begin to do that." The television advertising market, he said, is huge—$12 billion a year.

If Paramount becomes a joint venture, it will bring to the network its tremendous film library as well as its prodigious production capabilities. Business Week lists Paramount's $300-million library as one of the nation's eighth largest, even though the company sold all its pre-1948 films to Metro-Goldwyn-Mayer during the 1950's.

The company produced a number of recent box-office hits and now has one hour and seven half-hour programs in productions for the major television networks.

Regardless of whether the new boss is Time or the joint venture, spokesman for the USA Network said that there will be no immediate shakeup of the network's management. Kay Koplovitz will continue as president, reporting to the board of directors. "We think they have a very fine staff," Bigelow said. "We don't think there are any changes needed."

Robert Rosencrans, president of UA-Columbia Cablevision, the nation's ninth largest MSO, said simply that UA-Columbia no longer wanted to be in the cable programming business. Keeping the USA Network competitive would have required "significant" capital investments that UA-Columbia did not want to make, he said. With the presence of ABC, Westinghouse and CBS, he said, the business is becoming one of "very large companies."

"We felt we would be better off applying our resources to the cable [operation]. That's where we are strong and that's where we want to put our funds," Rosencrans said.

Rogers Cablesystems Inc., the large Canadian MSO, has formed a joint venture with UA-Columbia's largest stockholder, United Artists Theater Circuit, to acquire UA-Columbia later this year. Rosencrans said Rogers, which will have control of the company, is, like UA-Columbia, principally a cable operator with little interest in programming.

Looking back on the network's four-year history—a long one for the business, Rosencrans said he is proud of what the network has accomplished. "We developed it from scratch and were the first proprietary basic cable network," he said. Cable News Network, Entertainment and Sports Programming Network and others have "followed our lead," he said, and the collective result has been "very beneficial to the cable industry."

The USA Network delivers a variety of programming to some 8 million cable subscribers nationwide via its transponder on Satcom. The programming schedule includes professional and collegiate sports, documentaries, feature shows and children's shows. The transponder is shared with the Cable Satellite Public Affairs Network (C-SPAN), Black Entertainment TV and the English Channel.

Of the ownership changes, Koplovitz said they will "accelerate our programming plans" without changing the direction of the USA Network. It will continue to be a variety channel, she said.

Since C-SPAN is looking for its own transponder time, the new owners may soon be able to help in the development of programming to fill the morning and afternoon hours vacated by C-SPAN. "We will have to wait until we talk with our joint venturer before we decide what to do with those daypart hours," Bigelow said. And, he added, the present management "has some pretty good ideas about what to do with them."

(Jana Dabrowski of C-SPAN said the network hopes to move to another transponder on Satcom III-R, the new Cable Net One, when it becomes operational in January 1982. The USA Network has told C-SPAN it has until Aug. 31, 1982, to find another home, but Dabrowski said it would "love to have us off today, to be perfectly honest.")

The USA Network spokesman said offers to buy the network were also submitted by ABC, CBS and other publishers besides Time.

The network, according to Bigelow, produces over $10 million in revenues annually and is just about breaking even. "It really wasn't showing a profit," he said, "but it wasn't really losing a lot of money."

Bigelow said that Time will be ready to close on its deal with UA-Columbia during the first part of October.

Broadcasting stocks dip

Last two weeks bring paper loss of over $300 million to top 10 industry firms

The country's top broadcasters were looking some $335.3 million poorer as the stock market went through its continuing slide during the last two weeks. That calculation is based on the market performance of the 10 top broadcasters on Broadcasting's "Stock Index"—ABC, CBS, Capital Cities, Cox Broadcasting, LIN, Metromedia, Scripps-Howard, Storer Broadcasting, Taft Broadcasting and United Telecommunications (which has recently spun off from 20th Century-Fox).

For a group of companies that had closed the week ended Aug. 14 with a net worth of $6.2 billion, the drop in capitalization based on the market prices of shares last Thursday was a paper loss of some 5.36%, actually somewhat better than the performance of Standard & Poor's 400, which declined 6.85% in the same period.

There are, of course, different ways to look at the broadcasters' declines (none advanced over the two weeks). In absolute dollar amounts, Cox led the list, with the value of its stock sliding $100 million; Capacities came in second, with $66 million trimmed from its capitalization, and Storer was a close third, down $64 million.

More significantly, on a percentage basis ITV was the front runner (or, rather), off 13% in the fortnight, followed by Storer, with a 11.6% decline. Capacities shares, percentage-wise, declined 6.7%, just about pacing the market, while Cox's fell translated into a 9.9% slide.

The market's downturn has done the least damage to Taft, which was off just 1%. Fairly untroubled was Scripps-Howard, closing last Thursday in the over-