# 1985 1985 1985

A LOOK BACK AT THE MAJOR COMMUNICATIONS EVENTS OF THE YEAR

# The Second 50 Years Of The Fifth Estate

Of all the marks left on the Fifth Estate by the events of 1985, the most indelible by far were those made by a wave of mergers and acquisitions, takeovers and takeover attempts that started early and never subsided, leaving the year with new faces coming into high places—and a legacy of questions that may take years to answer.

Some of broadcasting's oldest names and biggest companies are in the process of changing hands as a result of the 1985 merger mania. All three of the major commercial TV network ownerships were involved:

ABC Inc. was bought by Capital Cities Communications in a $3.5-billion deal announced in March and approved by the FCC in November. RCA, NBC's corporate parent, was bought by General Electric in a $6.28-billion deal announced in December. In between, CBS Inc. was forced to put up a costly fight to avoid takeover by Ted Turner and his Turner Broadcasting Co. Only once before had even one of the three networks been sold (ABC), and that was more than 30 years ago when the company was nowhere near its present size or shape and the selling price was $25 million.

Those were not the only networks caught up in the fever.

■ In radio, the Westwood One radio program production and distribution company bought the Mutual radio network from Amway Corp. for $39.2 million in cash, notes and stock; the RKO Radio networks were taken over by United Stations, and United Press International (including UPI audio) appeared late in the year to have finally found acceptable buyers—Mexican publisher Mario Vazquez Rana (90%) and Houston real estate developer Joe E. Russo (10%)—to get the news agency out of bankruptcy proceedings by putting up $41.7 million for working capital and old debts. However, at deadline, the Financial News Network was still planning to proceed with an appeal of a bankruptcy court decision denying its bid for UPI.

■ In cable, Viacom International became sole owner, for about $690 million, of the Showtime and The Movie Channel pay TV services and of MTV: Music Television, Nickelodeon and VH-1 advertising-supported services; this was part of a complex deal involving Viacom, Warner Communications and American Express Co. in which American Express would sell all of its cable interests to Warner for $450 million.

In most cases, analysts thought, the fever was fueled primarily by two factors. One was the FCC decision, effective in April, to lift from seven to 12 the number of TV stations a single entity might own (as long as the stations collectively reach no more than 25% of U.S. TV homes). The other was that some of the early prices, and perhaps especially Ted Turner's daring hostile takeover bid for CBS, created perceptions of unsuspected values in the prices at which broadcast stocks were trading on the stock markets, impelling investors to join the acquisition rush already evident in other industries.

If why it happened seemed fairly clear, what it would mean was not. There were worries that businessmen were replacing broadcasters in too many instances, and would pamper profits at the expense of service to the public. Others felt that the end result, overall, would be good: that operations would be more efficient and that standards would be kept high. Which view would prove closer to the mark remained to be determined somewhere down the road.

Other high points in the year's trading included:

■ On the failed side, Ted Turner, in April, put to work a coup to get control of CBS by buying up 67% of its stock in a noncash, all-paper deal—junk bonds in Wall Street terms. By his evaluation, his per-share offer would have put the value of all outstanding CBS stock at $5.2 billion. Turner succeeded only in getting CBS stirred up, but he left his mark. CBS ended with a laundry list of commitments—including $1 billion in debt from buying back 21% of its shares—that resulted in its selling a number of nonbroadcast holdings, all of its limited cable interests and KMOX-TV St. Louis, plus manpower cutbacks and a widespread offer of early-retirement deals that have been accepted by at least 550 executives, including the broadcasting division's number-two officer, James H. Rosenfield. KMOX-TV went to Viacom International for $122.5 million. Write-downs were primarily responsible for a $114.1-million third-quarter loss, the first since CBS's early days.

■ Turner, writing off his coup attempt, worked out a friendly deal looking toward a merger of Turner Broadcasting System and MGM Entertainment/UA for approximately $1 billion. The deal ran into delays, and at one point Turner put a part-interest in his Cable News Network up for sale—although not, he insisted, because he needed the money for the MGM/UA deal. Others insisted he needed a deal of some sort to complete the merger.

■ Rupert Murdoch, the Australian publishing and broadcasting entrepreneur, acquired U.S. citizenship and became a major U.S. broadcaster. He bought six Metromedia television stations for $1.5 billion (while a seventh, WCVB-TV Boston, was spun off to the Hearst Corp. for $450 million). A little less than a year before Murdoch bought them, the Metromedia stations had been taken private in a $1.45-billion leveraged buyout by Metromedia Chairman John W. Kluge and a few key associates. The $450 million earmarked for WCVB in its sale to Hearst was double the $220 million—at the time a record price—that Metromedia paid for it in 1982.

■ Murdoch, already half owner of 20th Century Fox Film Corp., in the meantime had bought the other half for $325 million. He said he would operate the TV and motion picture holdings as separate subsidiaries of Fox Inc. and form a third subsidiary, Fox Television Network, whose intentions he did not describe, leaving speculation to range from "fourth commercial network" to a more modest "distributor/syndicator of first-run programing."

■ The Evening News Association of Detroit and its five TV stations, two radio stations and nine newspapers were in the middle of a month-long takeover struggle in midsummer. It was initiated in