

Change of heart

"Pre-buy" film deals are back in fashion at HBO. Such arrangements were very fashionable at the network five years ago when it pre-bought films from major and obscure filmmakers alike. But then, a year and a half ago, HBO Chairman Frank Biondi was forced out of office for having overextended the network in pre-buy and exclusive movie deals when pay-cable growth took a nose dive. Now, in quest of ever more product, and distribution rights, the network is negotiating with a number of filmmakers to finance their films up front.

"We had some heavy commitments" that caused HBO to "sit back and look at where we were," said Neil Braun, HBO senior vice president, film programming and home video. "Nobody would dispute that Silver Screen Partners was very good for us," said Braun, referring to the HBO-backed company that raised \$83 million in a public offering to produce seven films (including the recent "Volunteers" and "Sweet Dreams") and that has been the company's single largest pre-buy agreement to date. "We are definitely back in the area of pre-buying and helping to structure film financing," said Braun. He declined to talk about specific deals, but said that "unlike other some other deals [HBO has done in the past] the risk of production does not shift to HBO."

Under the Silver Screen arrangement, HBO guaranteed the \$83 million put up by investors. One new pre-buy deal has been announced; HBO has put up about half the estimated \$20-million budget for Orion's "The Three Amigos," a comedy starring Steve Martin, Chevy Chase and Martin Short, due out next Christmas. Braun said HBO may pre-buy as many as 10 films a year if the right projects come along.

"There are companies who may produce six to 10 films a year and I would be interested in all of them," he said. Other deals will be one film at a time, he added. Negotiations to pre-buy a number of films are now ongoing, he said. HBO announced last week three "long-term" agreements with 20th Century Fox including a distribution arrangement whereby the studio will distribute those HBO-financed films to which the cable programmer secures the exclusive theatrical rights. There is a "cap" on the number of films to be distributed but Braun would not say what it was.

The second agreement licenses, on a non-exclusive basis, to HBO more than 100 Fox films, including most of the movies the studio will produce from 1985 through 1988, plus some older films.

The third deal announced was a co-financing agreement to produce an unspecified number of made-for-cable movies and other original programs. Sources said last week the deal calls for both parties to contribute 50% of the financing, although it is structured so that Fox will put up a "revolving" fund that is replenished according to the performance of the finished products in the marketplace.



Into the fray. CNN's Moscow Bureau Chief Stuart Loory was among a group of Western journalists who flew to war-torn Afghanistan last week under the auspices of the Afghan government. Loory brought along a camera crew, and, according to a CNN spokeswoman, they hoped to send back their first reports on Sunday, Jan. 26, via the Soviet Union's Intersputnik satellite system. They hoped to interview Afghan prime minister Babrak Karmal, she said. The picture above, which shows Loory disembarking from a plane in the capital city of Kabul, was taken from footage of the group's arrival shot by Afghan TV and transmitted to CNN early last week through Eurovision. An NBC crew led by Steve Hurst, was part of the group.

Free LPTV

Cable copyright reform legislation on a limited scale is likely to win swift passage through the House and Senate and become law within the next few months, a prominent legislator said last week. The legislation would allow operators to carry local low-power television stations without having to pay compulsory license fees.

Since LPTV stations were not around in 1976, the Copyright Act made no provision for them. The stations do not quite fit the act's definition of local stations and, under the act, any station that is not local is "distant." So no matter where a particular LPTV station is in relation to a cable system—100 miles away or right next door—the system would have to pay compulsory license fees to carry it.

In response to a letter from House Copyright Subcommittee Chairman Robert Kastenmeier (D-Wis.) and Senate Copyright Subcommittee Chairman Charles McC. Mathias (R-Md.) last October, the Copyright Office said it would take a cable system's word that a local LPTV station is local and allow it to carry it without incurring additional distant signal fees. However, it also said Congress should amend the Copyright Act to define exactly what constitutes a local LPTV station.

Last Wednesday, the House Copyright Subcommittee reported out H.R. 3108, a one-paragraph bill that makes a place for LPTV stations in the copyright law and has

thus far generated no opposition. The only uncertainty at the mark-up was whether Chairman Kastenmeier would be able to assemble the necessary quorum to pass it. After the session, Kastenmeier said the bill should win passage by the House in March. The Senate, he added, is also prepared to move quickly on a companion bill.

Under H.R. 3108, cable systems in the top 50 "metropolitan statistical areas" may carry as many LPTV stations within a radius of 20 miles as local stations—that is, without having to pay distant signal fees. Outside the top 50 areas, the radius is extended to 35 miles.

At the mark-up session, Kastenmeier said the legislation is needed to help LPTV stations. It would remove an "obstacle"—added compulsory license fees—that may prevent cable systems from carrying local LPTV stations, he said.

Video bulls

The bullish predictions that were once being made about cable are now being made about home video.

In a study that Merrill Lynch commissioned, Wilkofsky Gruen Associates Inc. forecast that home video will surpass cable in share of viewership within the next decade. In 1995, the study said, home video will capture 25% of total viewership, while cable will account for just 13%. Broadcast television (network and independent) will still have the lion's share, 62%.

The growth in home video viewership which includes viewing of pre-recorded tapes as well as programs recorded off the air or cable (time-shifting), will be driven by the growth in the number of videocassette recorders. VCR's are now in use in 28% of all television homes, the study said. By the end of 1986, penetration will have reached 38%; by the end of 1990, 66%, and, by the end of 1995, 85%.

"Ever since the television age began, communications technology has pursued twin goals: the means to provide consumers with greater programming diversity and scheduling flexibility, and the means to sell premium entertainment in the home," said David Wilkofsky, chairman of the firm that produced the study.

The study also concluded that the home video industry would generate \$20 billion in revenue in 1995 through the sale and rental of pre-recorded videocassettes, equalling projected broadcast network advertising revenue for the year and exceeding cable revenues, which it pegged at \$12 billion.

(The study's 1995 cable revenue projection of \$12 billion is low compared to revenue projections of other studies. Last year's A.D. Little study commissioned by the National Cable Television Association called for revenues of more than \$16 billion in 1990. Arthur Gruen, Wilkofsky's partner said the study's stingy projection for cable revenue is based on slower growth in cable penetration and a continuing decline in multipay households.)