

further development of digital audio broadcasts."

Digideck, "a small, start-up company" researching techniques for transmitting digital audio, argued that "it is now feasible to upgrade the existing audio in a compatible manner" and that "it makes more sense to make that upgrade now, coincident with the specification of an improved video format. Otherwise one risks the potential obsolescence of the 'improved receivers' when the added features become available through an augmentation channel."

Several broadcasters were in full accord with the comments of the National Association of Broadcasters, which listed three critical steps that the FCC would have to follow: "(1) advising and being advised by the Advanced Television Systems Committee (ATSC), the industry-wide standards-setting group, as we sort through the very complicated tasks and tests ahead, (2) understanding the critical importance to the success of HDTV of setting a single broadcast transmission standard, and (3) continuing to reserve additional spectrum to broadcast HDTV, recognizing that there now is no way to know what those spectrum needs might be."

ATSC itself invited the FCC to use it as a partner and an information resource in finding a suitable standard. "We believe that the ATSC can provide valuable assistance to the commission in assessing the issues raised and achieving the goals described in the notice of inquiry, and we offer the ATSC as a resource for the commission's use," it said.

On the cable side, desire for a standard compatible with NTSC sets was as great as broadcasters'. General Instrument Corp., manufacturer of cable TV equipment, said that "compatibility is an important goal" not only for home viewers but for the cable and satellite industries.

If a broadband system is ultimately chosen, those industries will have to bear the expenses of new equipment along with consumers. General Instrument also claimed one-channel systems that "use low time compression factors or none at all are likely to out-perform those that use higher compression factors" in cable transmission.

Rogers Cablesystems of America, Toronto, a multiple systems operator, said that it "believes strongly in smooth transitions to new technologies and greatly favors ATV schemes which minimize the cost of retaining compatibility with as much of the existing production, transmission and consumer electronic equipment as possible."

Recognizing the importance of spectrum issues to both broadcasters and cablecasters, the National Cable Television Association felt that signal robustness was the more critical issue facing the cable industry. NCTA's fear was that acceptable over-the-air advanced signals might lose strength too rapidly when sent through coaxial cable. □

CBS sells Records group to Sony

Price tag of \$2 billion raises speculation about what Tisch will do with cash from sales of CBS assets

It took 10 weeks of negotiations, a wrenching stock market drop and some hastily called board meetings, but Larry Tisch finally got his wish. The CBS board of directors last Wednesday approved the sale of CBS Records Group to Sony Corp. for \$2 billion.

Now the key question for Tisch, the CBS president who owns just under 25% of the corporation through Loew's Corp., is what CBS will do with approximately \$3 billion in cash from sales of CBS assets.

The CBS Records sale, expected to close in early 1988 following government approvals, will add between \$1.4 billion-\$1.6 billion after taxes to a CBS cash pool already swelled to more than \$1.5 billion by Tisch's \$650-million sale of the CBS magazine division, the \$500-million sale of CBS's book publishing and the \$125-million sale of CBS's music publishing businesses.

Records President Walter Yetnikoff will remain as the head of the operation along with a new management team of his choosing. There were reports that Yetnikoff, who had attempted an unsuccessful management buyout bid, but whose presence is considered by some to be essential to the division's continued success, may gain as much as \$20 million from the transaction, with another

\$30 million distributed to top Records executives.

There was speculation, as well, that CBS will undergo a new round of corporate restructuring as the records division is passed to Sony.

On Wall Street, views of the sale were mixed. The day after the announcement, Standard & Poor's gave positive indications that it would consider upgrading CBS's debt and preference stock ratings, while at the same time raising negative implications about Sony Corp.'s ratings. CBS stock also jumped \$8.63 to \$176 last Wednesday in anticipation of the board's decision. The next day the stock fell by \$7.75.

Some equity analysts, however, questioned whether the company would be able to find a way, short-term or long-term, to replace the Record division's earnings, expected to reach \$180 million to \$190 million this year and an estimated \$200 million in 1988.

As a result, several analysts last week talked of dropping their 1988 earnings-per-share estimates for the company. At Merrill Lynch, Peter Falco raised the possibility of taking anywhere from 20 to 70 cents off the earnings estimate if the cash were invested for interest in banks, possibly more if put into station acquisitions.

L.F. Rothschild analyst Alan Gottesman believes, by contrast, that the sale will have little impact on either earnings per share or stock price. □

TNT in limbo

No vote taken by TBS board on new network amid lackluster reception by cable operators

Turner Broadcasting System's proposed new cable programming service, Turner Network Television, appears headed for the back burner. The TBS board met Nov. 15 in California, and the hope a month ago was that TBS would have the necessary carriage commitments from cable operators to go ahead with the service. But that did not happen.

A Turner spokesman said the board discussed TNT, but that no vote was taken, and no date set for launch or for a board vote on the concept.

"It's very much alive," said Timothy Neher, president of Continental Cablevision and a board member, "but not ready for launch. Most of the board members, if not all, are positive toward the concept," he said. Another board member, Trygve Myhren, chairman of American Television & Communications, told the *Denver Post* that "Even if the idea doesn't go ahead at this meeting, it doesn't mean we will never go ahead with it."

The board approved the concept of the service at its Oct. 16 meeting and directed TBS to begin pitching the service to operators. But almost immediately the marketing drive ran into trouble. The stock market crash on Oct. 19 turned the minds of cable operators elsewhere and caused a retreat from expensive new ventures. The channel capacity problem also rose repeatedly. (A board member said the possibility of using the slot of Tempo TV, which is being purchased by Tele-Communications Inc., was not discussed.)

There is also concern in the industry about how the channel will be financed. Turner's plan is for a 10 cents per month per subscriber fee, which increases over time, plus surcharges for the high-profile events the network wants.

While most cable operators wholeheartedly support that concept, they are not sure the MGM film library and related Turner programming is strong enough to carry the service until those high-profile events come along. That presents TBS with a dilemma. Operators are reluctant to sign on until they see the big-name events, and Turner can't get the big-name events until he has a channel.