

Business

SCI-TV GETS A MAKEOVER

Group owner's proposed pre-packaged bankruptcy plan would move Revlon chief Ronald Perelman in, George Gillett out, and leaves CBS wondering

By Geoffrey Foisie

SCI-TV's continuing debt crisis appeared last week that could have implications for CBS, the network of affiliation for four of SCI's six stations. CBS is also the network of WTVT(TV) Tampa, which SCI has proposed to buy for \$163 million cash, less than half the \$365 million that George Gillett paid for the station six years ago.

Gillett's falling star in the TV industry would be virtually extinguished should Revlon owner Ronald Perelman end up with 51% of SCI and WTVT, as a contemplated reorganization plan for the group owner proposes. Gillett personally had continued to hold 40% of SCI, but under the proposed reorganization plan, that stake would become worthless.

Perelman's proposal to inject \$100 million into SCI-TV is not out of keeping with the businessman's long-standing media interest. One of his first major acquisitions, roughly 10 years ago, was Technicolor, a film processing and videocassette duplication company that he later sold at what was said to be a substantial profit. In the mid-1980's he bought New World Television and Marvel Entertainment Group, which now reside under the banner of the Andrews Group.

That company, a subsidiary of Perelman's holding company, McAndrew and Forbes, is headed by former Turner Entertainment Co. finance chief Bill Bevins. It is through Andrews Group that Perelman has proposed securing control of SCI-TV.

Other subsidiaries of McAndrew and Forbes include Revlon Inc., National Health Laboratories, Coleman

& Co. (camping equipment) and, until recently, some Texas savings and loans. Perelman in the mid-1980's had a reputation as a financial wheeler-dealer and, reported the *Wall Street Journal*, a "greenmailer."

There is at least some irony that George Gillett is losing control of the company, the successor to Storer Broadcasting, now that the six-station group is finally beginning to generate positive cash flow for the first time in at least five years. One high-yield securities report on SCI issued late last year projected 1992 pre-tax free cash flow of \$23.2 million, on total net revenue of \$227.2 million. The six stations are: WAGA-TV Atlanta (CBS), WSBK-TV Boston (independent), WJW-TV Cleveland (CBS), WJBK-TV Detroit

(CBS), WITI-TV Milwaukee (CBS) and KNSD(TV) San Diego (NBC).

One of SCI-TV's problems since its highly leveraged acquisition was reduced network compensation from CBS, which, according to the securities report estimate, fell from \$18.7 million in 1988 to \$9.2 million in 1992. SCI stations, in turn, had begun to show independence, pre-empting the network's morning schedule in order to air local programming.

With his ties to Hollywood, Perelman could theoretically choose to use the stations to test New World programming. Unconfirmed speculation last week was already suggesting that Perelman might use the SCI stations as one cornerstone in a new network. Such a plan would require another sta-

CBS: SEEKING AN OUTLET FOR ITS FREEDOM?

Maybe nothing will happen to the current lineup of network affiliates in Providence, R.I. But that has not stopped growing interest in affiliation talks that could affect, at the very least, that market's CBS and NBC affiliates. For at least several weeks, CBS has been talking with WJAR(TV), whose affiliation agreement with NBC is expiring. WJAR is owned by Outlet Communications, whose current head, Jim Babb, was formerly chairman of the CBS affiliates board. A possible motivation for CBS to switch is that current affiliate Freedom Broadcasting's WLNE(TV) is a short-spaced VHF that garnered half the share of its NBC counterpart in the November 1992 ratings.

Industry speculation also has WLNE perhaps not signing with NBC, but instead becoming a Fox affiliate. Freedom Broadcast Division head Alan Bell told BROADCASTING, "All I can say is that there have been conversations between us and multiple networks." Such a move would leave NBC with the prospect of affiliating with a UHF station, WNAC-TV. CBS Affiliate Relations President Tony Malara declined to comment on any affiliation changes.

If CBS did switch, it would risk damaging its relationship with Freedom, which owns three other CBS affiliates, including KDFM(TV) Beaumont-Port Arthur, Tex., the dominant station in that market. As part of its recent compensation structure change, CBS is effectively renegotiating all its affiliation contracts.

—GF