Music accord is upbeat for TV profit

Publicly reporting station groups are about to get windfall

By Geoffrey Foisie

Stations have found a way to jazz up their bottom lines.

For the past 10 years, television stations have had to expense a music-licensing-fee dollar figure that was in dispute. Not knowing how the dispute would be resolved, most publicly reporting broadcasters followed the accounting philosophy of better-safe-than-sorry. Rather than anticipate an improvement, they expensed their music-licensing obligations at the rates that applied before the dispute began.

A settlement with ASCAP finally was reached in September. Covering 1983-93, the settlement says that TV stations owe music-license fees significantly lower than they would have been under the old rate. Thus, stations that overexpensed now can gather all 10 years of that excess and "reverse" it to income in a stroke of the pen.

Several group owners already have done so. Gaylord Entertainment reports $2.2 million in extra income due to the settlement. That works out to more than 5% of the TV group's third-quarter revenue, although for shareholders of the media conglomerate, it works out to only a few pretax cents per share.

For Outlet, the reversal amounted to 20 cents per share, pretax, of the results it reported last week. The $1.3 million in extra income represented more than 10% of the group's third-quarter revenue. At least one other group, BHC Communications, also mentioned an undisclosed third-quarter music-licensing gain.

But most TV station groups will wait until the fourth quarter to report the windfall, says Jay Gold, vice president of finance for the CBS Television Network. By then, a similar decision with BMI also may be resolved. The total gains that stations report will result largely from how conservative they were in accruing expenses during the past 10 years.

On a cash basis, the settlement will make little difference, says Willard Hoyt, chairman of the TV Music-Licensing Committee. The amounts that stations actually paid to ASCAP during the past 10 years, below what they recorded for accounting purposes, worked out almost exactly to the final settlement. ■

Telco partners for Houston Industries' cable holdings

Utility's cable venture with Time Warner not included

By Rich Brown

Houston Industries Inc. is officially throwing its hat into the ring of cable system operators seeking telco partners and has hired CS First Boston to carry out the task.

The company is looking for a major telecommunications company that would be willing to acquire a minority interest or a full 50% partnership in KBLCOM, the company's five wholley owned Paragon Cable systems which reach 592,000 subs in Texas, California, Minnesota and Oregon.

Also included are Houston's advertising sales subsidiary KBL-TV; Paragon Business Systems, which repackages cable TV for business subscribers, and Fibrcom, which provides fiber optic alternate access to business customers.

KBLCOM does not intend to involve its potential new partner in its separate partnership with Time Warner, according to a spokeswoman. KBLCOM has a 50-50 joint venture with Time Warner that involves additional Paragon Cable systems with more than 900,000 subs.

The company's 25-year joint venture agreement with Time Warner is scheduled to expire in 2012.

KBLCOM's cable operations have an estimated value of about $2.16 bil-

Shoring up for the fifth

Tribune Broadcasting planted its flag in Boston last week in the name of a fifth network.

The company bought Boston independent WLVI(TV) from Gannett for $25 million plus the working capital at closing, which should amount to another $3 million to $4 million, Tribune officials say. The station will likely become a Warner Bros. affiliate when the network launches in the fall of 1994 (see story, page 26).

Gannett bought the company's only independent station in 1983 for $47 million. But Gannett will report little, if any, loss, having already depreciated the station for accounting reasons.

With the purchase of WLVI, Tribune's household penetration reaches 20.7%, making it the fifth largest station group in the country. Tribune also is expected to acquire independent stations KPLR-TV St. Louis and KRBK-TV Sacramento from Koplar Communications (BROADCASTING & CABLE, March 29). Tribune Television owns stations in New York, Los Angeles, Chicago, Philadelphia, Atlanta, Denver and New Orleans. —JAZ