

NBC buy TVs from New World

By Elizabeth A. Rathbun

New World Communications Group Inc. plans to sell two of its television stations to NBC, but that doesn't lend truth to reports that all of New World is on the block, a company spokesman says.

NBC last Wednesday said it will pay New World \$425 million for NBC affiliates KNSD-TV San Diego (ch. 39) and WVTM-TV Birmingham, Ala. (ch. 13) (see "Changing Hands," page 24). New World will use the money to explore programming and distribution opportunities and for international opportunities, including joint ventures, says New World spokesman Michael Diamond. Asked what in particular New World has in mind, Diamond paused, then said the deal "gives us more flexibility."

The deal, which requires FCC approval, also will lighten New World's debt to \$600 million, Diamond says.

Selling the two stations "is not an indication of the sell-off of the group," Diamond says. "These assets don't fit with our basic strategy." New World's 10 other stations are affiliated with News Corp.'s Fox, which allows more

local programming flexibility, he says.

New World, however, recently was reported to be negotiating to sell most of its stations to 20% owner News Corp.

The sale of KNSD and WVTM-TV came up last July when NBC and New World were negotiating a 10-year affiliation contract for the stations, says John Rohrbeck, president, NBC Television Stations. The affiliation agreement includes a 10-year early fringe or access programming commitment for New World's Genesis syndication wing.

But NBC apparently wanted the stations badly enough to pay about 16 times 1995 trailing cash flow. That works out to more than 12 times 1996 pro forma cash flow, Diamond and Rohrbeck say.

That's a fair price, says analyst Rita Zanella of Gruntal & Co. Inc. However, she's puzzled by the motives behind the surprise deal.

One possible motive may be to free New World of its NBC stations so that News Corp. Chairman Rupert Murdoch doesn't have to pay a premium for them when he buys the group. The other possible motive may be that New World's largest shareholder, Ronald O. Perelman, "has something else up his

sleeve," Zanella says. She notes that New World has backed off its line that it wants to own only TV stations.

Meanwhile, "the Street is a little skeptical," she says. New World's stock price has been depressed, and with New World's high debt, Perelman's next investment should offer a higher rate of return than the NBC stations did. And "that's kind of a hard deal to find," she says.

New World stock rose only slightly from its opening price last Monday of 16 7/8 to close last Friday at 17 1/8.

Although networks might be expected to buy stations in larger markets, NBC's purchases are in the nation's 27th-largest market (San Diego) and the 51st (Birmingham). This deal looks good to NBC for reasons other than market size, Rohrbeck says.

For one, the more owned stations, the more platforms there are to launch NBC's growing syndication product, Rohrbeck says. NBC also is looking to the future. "With the clustering of cable ownership, the likelihood of the telco[s'] entry into this business.... We will be better-positioned to compete," Rohrbeck says. ■

NBC pitches MSNBC for retrans

By Steve McClellan

At its affiliate meeting in Phoenix last week, NBC strongly urged its affiliates to participate in the network's MSNBC all-news channel and to use the service in upcoming retransmission consent negotiations to gain wider cable penetration for the service.

The network also made an agreement in principle with its affiliates in which they will give the network ad inventory valued at \$275 million as their contribution toward helping pay for upcoming Olympic games (BROADCASTING & CABLE, May 20). The network also agreed to share profits from the Olympics with the affiliates, with details to be worked out later.

In a briefing after the meeting, which was closed to the press, NBC Television Network President Neil Braun said the network was still very much in a broadcast station acquisition mode (see story above).

TV stations around the country are about to embark on a new round of retransmission consent talks with cable operators. Linking MSNBC to those talks "will have a great deal of merit to a lot of affiliates," said Ken Elkins, NBC affiliate advisory board chairman and president of Pulitzer Broadcasting.



NBC's affiliate board: Frank Melton, WBT-TV Jackson, Miss.; Doug Adams, KXAS-TV Dallas; Craig Dubow, WXIA-TV Atlanta; John Howell, WPMX-TV Pittsburgh; Bill Brooks, WPTV-TV West Palm Beach, Fla.; Gary DeHaven, KVTN-TV Springfield, Mo.; Ken Elkins, Pulitzer Broadcasting Co., and chairman of affiliate board; Al Buch, KSNW-TV Wichita, Kan.; Michael Carson, WHDH-TV Boston; Richard Pearson, KTSM-TV El Paso (not in photo: John Hayes, Providence Journal Broadcasting).

The inventory swap starts Jan. 1, 1997, and runs through 2002. The network will get five weekly 30-second units in the *Today* show and *Tonight* show and one weekly spot in *Meet the Press*. In exchange, affiliates will get two spots in *Homicide*, one in *Mad About You* and one spot somewhere in Saturday prime time. ■