ago, and that only two months ago was considered too close to call.

□

Signs of movement at the FCC became apparent last week when FCC Chairman Mark Fowler met with NAB President Eddie Fritts, John Summers, NAB's senior executive vice president for government relations and Belva Brissett, NAB's vice president for regulatory affairs. Fowler also met with Preston Padden, president of INTV, and representatives of the Television Operators Caucus will call on the commissioners this week. And the National Independent Television Committee (a rump group of independent broadcasters opposed to the compromise) had lobbyist Christopher Coursen of O'Connor & Hannan making the rounds at

Quello throws the book at cable

Now that the cable industry has been shorn of so many of its regulatory obligations, many within the broadcast industry believe cable operators should endure greater discipline from the marketplace. FCC Commissioner James Quello is encouraging the flogging.

In an interview with BROADCASTING last week, Quello said he believed that cable operators should face competition from other cable services within their franchise areas. He thought that competition might become a reality, and should be encouraged, as telcos change over to fiber optic technology, enabling entrepreneurs, including broadcasters who don't have stations in the cabled market, to offer competing services over telco facilities. "That's a blockbuster," Quello said. "That would be a competitive marketplace."

Quello also said he thought the cable industry had legitimate reason for concern about the FCC's requesting comment on Satcom Inc.'s petition seeking a rulemaking establishing ownership limitations for MSO's (multiple system operators). "If you have a potential antitrust problem or monopoly problem... something has to be done about that," Quello said.

Also of concern for cable: Quello is urging the FCC to recommend that cable's compulsory copyright license be eliminated, "except in small remote communities that rely solely on cable for their primary TV service."

On another topic, Quello ventured the "guess" that the FCC would wrap up its controversial must-carry proceeding by adopting "some variation" of the rules advanced by the major industry trade associations in their so-called compromise to replace former must-carry rules that were ruled unconstitutional by the courts. "I will be watching so public broadcasting gets some kind of special consideration," Quello said. "But I may have to concur and then issue a rather dissenting statement so people will know exactly how I feel: that I very strongly believe that the [former must-carry rules] best served the public interest."

Quello said that Chairman Mark Fowler had jettisoned the so-called A/B-switch alternative to must-carry rules. Under that concept, the must-carry proceeding reportedly would have been resolved with the FCC recommending, but not mandating, that cable operators furnish new subscribers with A/B switches enabling them to shift between cable reception and off-air antennas. Quello sounded the A/B alarm at a meeting of general managers of the Association of Independent Television Stations last month (BROADCASTING, June 16). Subsequent to the ensuing congressional opposition, the plan was scuttled. "It was unacceptable to broadcasting," Quello said of the plan. "It was unacceptable to me personally, and I think it was unacceptable even to cable. Even cable thought this was going a little bit too far.

"Cable isn't interested in causing more problems for themselves with Congress or even with me. I've been damned good to cable up to this time. I favored every deregulation of cable that came down the pike until this thing carried it too far. Let's face it: The court gave them more than they ever expected, more than they ever needed."

Quello also said that when it came to talk of cable's "First Amendment editorial discretion," it should be remembered that cable operators don't, with rare exceptions, do local news or other local programing, and yet they pay less-than-market rates for carrying broadcast programing under the compulsory license. "So with restricted or no must carry, I am very definitely in favor, and I think the FCC should recommend, elimination of the compulsory license," Quello said. "Then you will have a truly competitive marketplace. People won't like this. They'll go bananas. But you can't have it all ways; you can't have everything."

On other topics:

- Quello thinks the future might bode well for a joint venture of Lorimar-Telepictures Corp. and Rupert Murdoch's Fox Broadcasting Co. that could offer competition to the major TV networks. "Not to compete directly or completely with Capital Cities/ABC, CBS and NBC, because they don't have a news service yet," Quello said. "But if the two can get together, it might spell mother for a good strong regional network."
- He believes the FCC should not lose sight of its legislative recommendations, which include a request that the fairness doctrine be eliminated. "I think maybe we should state them again, and really start in the new year to see what we can do to make headway," Quello said.
- Quello also said he thought the commission should see what it can do to "help" the AM service, but not at the expense of the clear channels. "I don't think attacking the last strong bastion of AM service, the clear channels, is going to serve the purposes of helping AM radio," Quello said.
- He said he believed the FCC should revisit its decision to eliminate its antitrafficking rule, which required broadcasters to hold stations for three years before selling. "I'm for getting back to a reasonable holding period," Quello said.
- Quello thought the FCC should see what it could do about the attorney general's pornography commission's recommendation to crack down on obscenity. "We should see what we can legally do to support the recommendation that we apply sanctions," Quello said.

Although Quello has now challenged the wisdom of FCC actions eliminating the antitrafficking rule and the financial showing required of applicants for broadcast properties, he said he hadn't been signaling a change in his general orientation. "I don't vote Republican or Democrat or pro or against the chairman," Quello said. "I vote for what I consider makes reasonable common sense for the public and for the industry—what serves the public interest. And if my feelings on this happen to be different than the chairman's, I will be on the other side of the chairman, and I have been on a few major things.

"However, let's not lose sight of the fact that I've been with the chairman on a great many things. And, frankly, I have to congratulate him on what he has been able to accomplish in the way of deregulation and eliminating paperwork. I think I will be the same. I will want to cooperate with him, but I will want to be independent in my voting and my judgments."

Closed Circuit

Billion five

Broadcast Financial Management Association (BFM), accelerating its development of revenue reporting for television industry, has come up with "flash" reading on three-network, first-quarter sales for 1986. Total is $1,599,722,000 in "net revenue from time sales" (after advertising agency commissions) for ABC, CBS and NBC. Although comparable numbers for first quarter of 1985 are not available, new BFM revenue-gathering project will provide such quarter-to-quarter comparisons beginning with second quarter of this year, results of which should be available in next several weeks.

Copyright again

Central assumption of industry must-carry compromise, which is said to be template for FCC's resolution of proceeding, is that broadcasters will not seek repeal of cable's compulsory copyright license. But sentiment against compulsory license may be revived at FCC, now that Commissioner James Quello has gone public with his advocacy of license's repeal (see page 32). If recommendation that compulsory license be scrapped doesn't show up in FCC's must-carry order, it's expected to appear in separate statements of commissioners.

Everywhere at once

Barron's recently ran article noting multiple roles played by Drexel Burnham Lambert in John Blair & Co. takeover drama. New York-based investment banking firm is representing Blair note holders, advising Blair on takeover situation and at same time is investor in bidder, Reliance Capital Corp. Same multiple personality appeared again last week in announced sale of VHF independent WTTV(TV) Bloomington (Indianapolis), Ind., to Lorimar-Telepictures for assumption of $85 million in debt (see page 62). Sellers include some 27 Drexel partners and employes, through "principal" ownership of Dunmore Partners Ltd., as well as firm itself. Dunmore, along with station's management, purchased station two years ago for $73 million. Drexel is also traditional banker for Lorimar-Telepictures, and firm's chairman, Robert E. Linton, is L-T board member. What especially interests industry kibitzers is that earlier this spring WTTV was put on market but apparently attracted no acceptable bids. At that time, it's said, station had roughly $5 million in cash flow and $84 million of debt—$40 million with banks, $14 million in senior subordinated notes and $30 million in zero coupons.

Station's sign-on-to-sign-off household share has slipped slightly during two years of current ownership. Last week's announcement came shortly after recent news that Drexel will be raising over billion dollars to help L-T purchase seven TV stations from Kohlberg Kravis Roberts & Co.

Better times

FCC, which is currently operating on budget of $90 million, has tentatively decided to request $104 million for fiscal 1988. Its request for $96.4 million for fiscal 1987 is still pending in Congress. Contending that FCC has essentially eliminated its current deficit, Chairman Mark Fowler has directed that freeze on promotions be lifted July 20.

European HDTV

European countries, as part of major, $2-billion research effort to develop member countries' high technology industries, have agreed to invest more than $180 million in studies of high-definition television. Eighteen European countries plus Iceland are participating in Eureka project designed to help them compete in high technology markets with U.S. and Japan. Money is to come from private as well as government sources. HDTV project, one of highest priced among 62, is scheduled to run four years, with France, West Germany, Netherlands and United Kingdom principal participants; Belgium and Commission of European Communities have also expressed interest. HDTV project will involve development of 50-hertz system compatible with advanced European television technology. State Department's office of international communications—part of Bureau of International Communications and Information Policy—has asked U.S. mission in Brussels, where EEC is located, to obtain additional information.

Despite European pursuit of 50-hertz HDTV, there are indications of continuing support on continent for U.S.-backed 60-hertz, 1125-line HDTV technology positioned unsucessfully last spring as world studio standard. West German state broadcasters ARD and ZDF, for instance, have made clear their distaste for German government and PTT opposition to 1125-line technology. Both concurred, in technical committee document, to "disassociate" themselves from government position and state clear support for future standard based on 60 hz, 1125-line system.

Another Buffett?

More than one watcher of Viacom International has noted that company's credit arrangements require it to issue $125 million in new stock before end of September. While stock offering may conjure up public ownership in minds of some, informed Wall Street observers are hinting that Viacom may use this or some other situation to bring in its own Warren Buffett, if it can find benign minority investor similar to 19% owner of Capital Cities/ABC. Viacom hinted at possibility of "privately negotiated purchases" at time of Carl Icahn move on company two months ago in filing with Securities and Exchange Commission.

Tape head

Matsushita has pegged Bosch's former top U.S. salesman, Tony Pignoni, to head marketing and sales of new Panasonic Broadcast Systems company. Entity was formed earlier this month to direct Matsushita's fight for small-format video market dominance with new M-II half-inch videotape system. Pignoni is no newcomer to that battleground; he had quarter-inch videotape camera-recorder system of Bosch, now no longer sold in U.S., as line during tenure there. Matsushita would not confirm Pignoni's selection, but announcement is expected this week or soon after. No head has yet been selected for new company.

Out of attic

Vintage radio dramas are getting second life. Public Interest Affiliates, Chicago-based radio program supplier, will syndicate 26 of 55 *Campbell Playhouse* episodes beginning in December. Series, which originally aired over CBS Radio in late 1930's, was hosted by late actor/director, Orson Welles. Program distribution move will mark Campbell Condensed Soup's 90th anniversary in 1987. Other old-time radio dramas are being offered to stations via new satellite-delivered program service started by Charles Michelson Inc. (see "Riding Gain," page 58)