

Electronic Media

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AT PRESS TIME

Infinity settles with FCC, will pay \$1.715 million

WASHINGTON—In a big win for the FCC, Infinity Broadcasting agreed on Friday to pay the government \$1.715 million to settle indecency complaints against three radio stations airing the Howard Stern show.

The payment is the largest ever to the federal government by a broadcaster, and in return the FCC has dismissed all pending complaints against Infinity and fines totaling \$1.706 million.

In addition to the payment, Infinity will issue a policy statement and establish an awareness program for all on-air personnel explaining the indecency ban and FCC enforcement actions.

The stations that allegedly aired indecent
(See Second Front, Page 40)

Silver King, Diller have tough task

By JON LAFAYETTE
Staff reporter

Barry Diller may have made a good deal to get into the station business with a \$5 million investment in Silver King Communications, but getting people to watch the high-band UHF stations will be a tough proposition.

Mr. Diller became chairman and chief executive of Silver King, which owns 12 UHF TV stations broadcasting home shopping programming in major markets, in a late-August deal with TCI's programming arm, Liberty Media Corp.

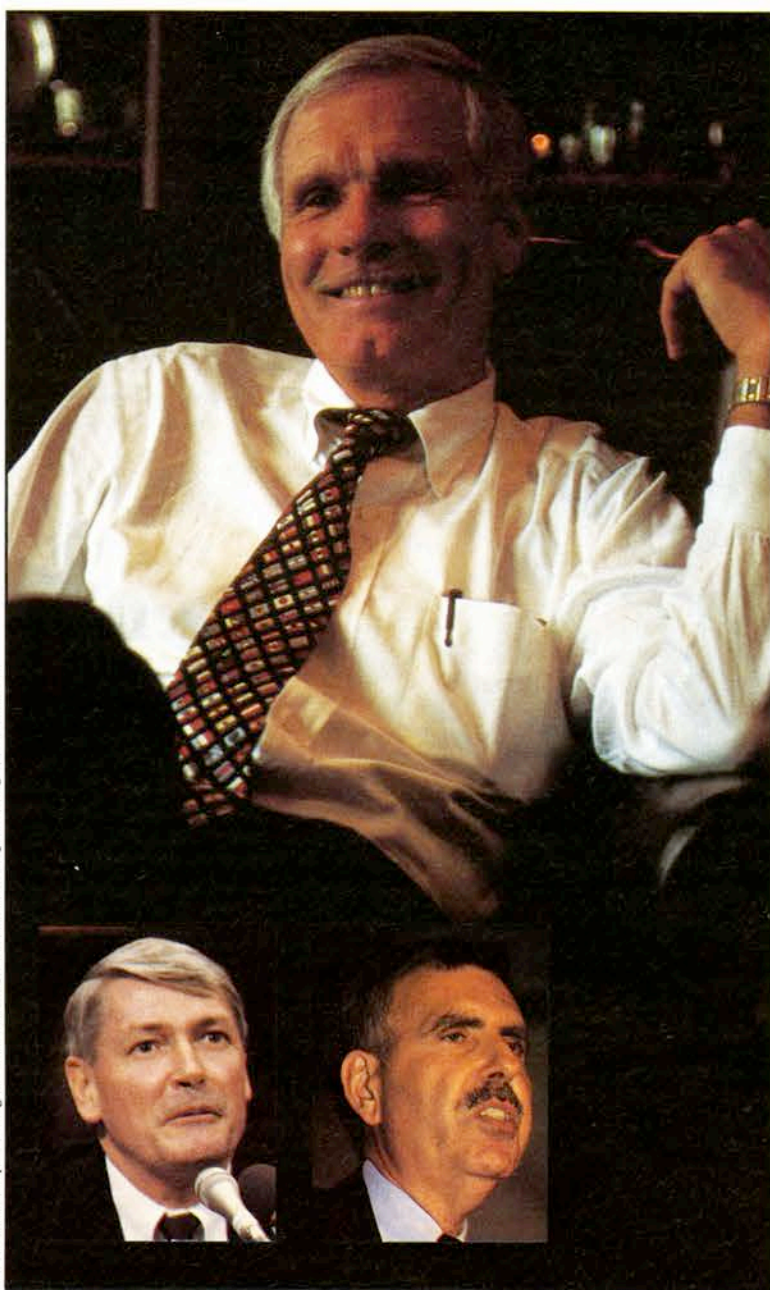
Like the on-air transactions that happen on those stations, onlookers say Mr. Diller's bid to create something like a seventh network could be a broadcasting diamond—or cubic zirconium.

The deal gives Mr. Diller control of the station group, but Liberty could buy back control if Congress changes cable-broadcast cross-ownership rules.

Mr. Diller plans to eventually replace the home shopping fare with entertainment and local programming.

But with the escalating prices of UHF broadcast properties, Mr. Diller may have made more of a shrewd financial deal than anything else, station owners say.

"Look at ITT and Dow Jones in New
(Continued on Page 2)



John Malone photo by David Hittle; Gerald Levin photo by John Raoux

Ted Turner (above) and Time Warner's Gerald Levin (right inset) are discussing a TBS sale, but TCI's John Malone is a wild card in the negotiations.

Turner weighing TBS sale

Time Warner, TCI in \$8.5 billion talks

By DIANE MERMIGAS
Financial editor

Time Warner's negotiations to acquire Ted Turner's Turner Broadcasting System in an \$8.5 billion stock swap continued through the weekend, with a tentative accord hinged on appeasing TCI President and CEO John Malone.

The TBS and Time Warner boards were expected to meet separately Tuesday to vote on a formal merger agreement, sources said.

"We have an agreement in principle. We're in reasonably good shape, but it could change," said a source.

"If the lawyers can document everything the principals have agreed to so far, then we have a deal."

The wild card is Mr. Malone and what concessions he will continue to seek from Time Warner. His TCI is TBS's largest outside
(Continued on Page 38)

SPECIAL REPORT:



Wide World Photos

EM's special NewsPro looks at the psychological scars the Oklahoma City bombing left on television journalists. Also: Searching for an anchorman. **PAGE 13**

Viewers give local news high marks

All that crime coverage on local newscasts hasn't gone unnoticed by viewers—four out of 10 suspect the emphasis on violence is a ratings ploy by cynical news directors.

Nonetheless, if they were assigning a grade to local news, most of them would give it an "A" or a "B."

And many of these viewers say they believe network and local newscasters are not members of the so-called liberal media elite.

These are a few of the findings

ELECTRONIC MEDIA

BULLET POLL

of an exclusive ELECTRONIC MEDIA/Bullet Poll survey of 1,500 viewers nationwide, conducted to coincide with this week's New Orleans meeting of the Radio-Television News Directors Association.

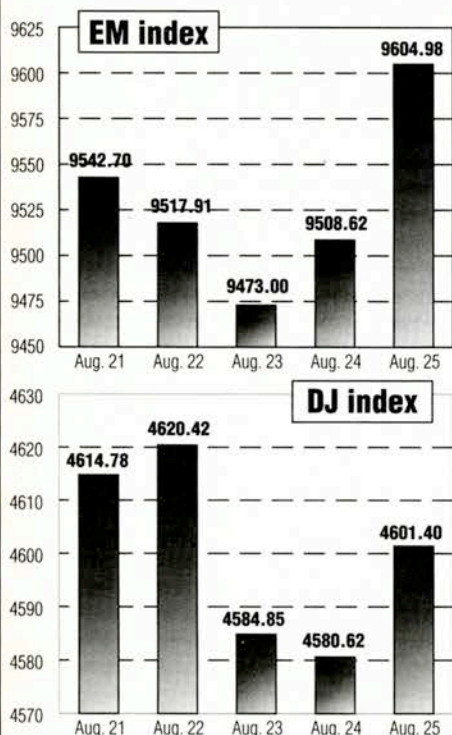
Bullet Poll, a Verona, N.J. division of Hypotenuse Inc., regu-

larly conducts polls for television news operations in 98 U.S. markets.

By and large, the news about local news is good. Actually, very good.

According to the survey, Americans trust television news more than any other major news source.

They watch local news often—64 percent say they watch it daily. They're loyal, too—the poll shows 67 percent have a
(Continued on Page 29)

**ELECTRONIC MEDIA stock index
for the week ended Aug. 25**

Winners

	Aug. 25	Change from Aug. 18
Silver King	\$39.38	+76.97%
HSN	\$10.38	+12.16%
New World Communications	\$22.75	+9.64%
IFE	\$17.25	+9.52%
Spelling Entertainment	\$13.63	+9.00%
Meredith Corp.	\$39.75	+8.16%
Scientific Atlanta	\$21.75	+4.82%
Granite Broadcasting	\$13.00	+4.00%
TBS (cl. B)	\$24.00	+3.23%
Pacific Telesis	\$28.38	+3.18%
Washington Post (cl. B)	\$283.00	+2.91%
Playboy	\$9.00	+2.86%
Century Communications	\$10.13	+2.53%
Cablevision	\$66.50	+2.11%
All American Communications	\$12.25	+2.08%
GE	\$58.38	+1.97%
McGraw Hill	\$78.88	+1.94%
BellSouth	\$67.63	+1.88%
Westinghouse	\$13.63	+1.87%
SBC Communications	\$49.38	+1.80%
Adelphia Communications	\$10.75	+1.18%
A.H. Belo	\$33.38	+1.14%
Ameritech	\$49.75	+1.02%
Tribune	\$67.75	+0.93%
Heritage Media	\$27.63	+0.91%
NYNEX	\$45.00	+0.56%
Media General	\$37.13	+0.34%
CBS	\$81.00	+0.15%

Losers

	Aug. 25	Change from Aug. 18
Viacom (cl. B)	\$49.13	-0.25%
US West	\$43.25	-0.29%
Harte Hanks	\$27.13	-0.46%
TCI (cl. A)	\$19.25	-0.65%
Outlet Communications	\$45.63	-0.82%
Knight-Ridder	\$56.63	-0.88%
Scripps-Howard	\$33.63	-1.10%
Unapix Entertainment	\$5.00	-1.23%
Cap Cities/ABC	\$115.38	-1.39%
Zenith	\$8.38	-1.47%
Jones Intercable	\$14.69	-2.08%
Clear Channel Communications	\$75.88	-2.72%
Matsushita	\$161.63	-3.07%
Gaylord Entertainment	\$26.63	-3.18%
Chris-Craft	\$43.25	-3.35%
Graff PPV	\$9.13	-3.95%
Falcon Cable	\$9.13	-3.95%
Sony	\$53.75	-4.02%
Disney	\$56.75	-4.22%
Time Warner	\$43.38	-4.41%
Times-Mirror	\$29.63	-4.82%
IBM	\$103.88	-6.73%
News Corp.	\$22.13	-6.84%
King World	\$38.25	-11.05%
Starsight	\$5.00	-11.11%

Unchanged

	Aug. 25
Multimedia	\$42.50
NTN Communications	\$5.50
Gannett	\$54.00
BET	\$18.38
Renaissance Communications	\$37.00
Interactive Network	\$0.31
Comcast (cl. A)	\$20.75

Note: Closing figures are price per share
(S)=stock split
Source: Nordby International

Ted Turner weighing TBS sale

TCI's Malone holds wild card in Time Warner deal

(Continued from Page 1)
shareholder with a 21 percent stake.
Time Warner, TBS and TCI officials declined comment.

Malone striking hard deal

At press time Friday, lawyers for Time Warner, TBS and TCI were hammering out the details of the complex agreement. After four days of high-powered meetings stretching from Denver to New York, the TBS board gave its tentative approval last week to a rough outline of a deal, sources said.

Mr. Turner, Mr. Malone and Time Warner collectively control 77 percent of TBS's voting stock.

By press time, Mr. Malone had won long-term carriage arrangements for TBS programming on TCI's cable systems and for TCI's Liberty Media-owned programming on Time Warner systems at favorable rates; a higher conversion rate of Time Warner shares; and a special dividend for TCI's 21 percent TBS interest.

TCI also was assured a combination of nonvoting and voting shares in Time Warner totaling a 9 percent stake, within federal limits.

Together, TCI and Time Warner, the nation's largest cable system operators, control more than 50 percent of U.S. cable TV households.

Press leaks about Time Warner Chairman and CEO Gerald Levin's talks with Mr. Turner at his Montana ranch in August and Time Warner President Richard Parsons' talks with Mr. Malone at TCI's Denver headquarters early last week underscored how players were jockeying behind the scenes to secure the best deal for themselves.

"The only thing clear from these events is that Turner has put his company into play," said Harold Vogel, analyst for Cowen & Co.

Still, Mr. Turner appears eager to settle for \$3 billion worth of Time Warner stock for his TBS holdings, two TBS seats on the Time Warner board and the vice chairmanship of Time Warner, with the promise of autonomy and the ability to oversee his wholly owned TBS subsidiary.

There was speculation Mr. Turner's change of heart to sell TBS and relinquish effective control of the company he built 20 years ago from a single UHF TV station and a billboard business resulted from his failure to acquire a major broadcast network; his impatience with a board of cable operators that stymied his expansion plans; and his inability to be part of the megadeals sprouting around him.

Counterbids?

The unpredictable and shrewd negotiating tactics of the principals involved, and the protracted deal-making process, fostered some wild speculation on which way the deal would go.

Some industry watchers were betting counterbidders such as NBC owner General Electric would emerge.

Industry sources speculated that Mr. Turner and Mr. Malone both would up the ante before entering a final agreement.

Others speculated that TBS was examining the possibility of selling off the company's valuable cable program services piecemeal because their individual sale could collectively generate more than \$10 billion.

Time Warner appeared so sure of announcing a TBS acquisition this week, as early as Tuesday, that it was making final preparations for a New York press

conference.

Big issues remain

The potential stumbling blocks still to be worked out include the following:

- Other concessions Mr. Malone may seek including protection from tax liabilities TCI may incur if it is forced by the Justice Department to sell any or all of its Time Warner stock.

TCI would also like its premium Encore service to have the pay TV rights for films produced by TBS's New Line Cinema and Castle Rock film units.

Mr. Malone also wants the right to convert TCI's nonvoting shares of Time Warner stock to voting shares if federal regulators ease their restrictions, sources say.

- The eventual appointment of a Time Warner executive—possibly Jeffrey Bewkes, chief executive of its HBO operation—as president or chief operating officer of TBS, which Mr. Turner will continue to oversee as vice chairman of Time Warner from TBS's Atlanta headquarters.

Such unconfirmed plans would leave in question the role left for TBS President Terence McGuirk and others.

- Defining an expanded role for Mr. Turner who, with 11 percent of the world's largest media concern, would likely view himself as heir apparent to Mr. Levin. Michael Fuchs, chairman of HBO and the company's music division, has also considered himself a potential successor to Mr. Levin.

- Whether ceilings accepted by Mr. Turner and Mr. Malone last week on how much Time Warner stock they can own is enough to satisfy Time Warner's concern that together they won't move to exercise greater control over Time Warner. TBS, TCI and friendly institutional investors such as Capital Research collectively will have more than a 29 percent stake in Time Warner after the deal is completed, even with as many as 200 million new Time Warner shares issued to carry out the stock swap.

Mr. Levin could find himself dealing with an even more dissident Time Warner board in the future.

- Determining where Seagram Co., new owner of MCA, stands in its 14.9 percent interest in Time Warner and whether it will join other shareholders in signing off on the deal. Acquiring TBS will dilute Time Warner shares and reduce Seagram's stake to about 10 percent. Seagram management, which is said to be concerned about the deal, declined comment.

Time Warner's acquisition of TBS could send Seagram's MCA into the arms of Westinghouse-CBS, sources said.

- Whether previous acquisition offers from GE Chairman Jack Welch and News Corp. chief Rupert Murdoch, and their subsequent talks with TCI and TBS principals last week, could blossom into a full-blown counterbid for all or part of the cable program giant. Mr. Turner's merger talks with GE and others always collapse over the issue of control.

GE's NBC also could come in seeking a strategic alliance with the combined Time Warner and TBS, sources said.

- How Time Warner's acquisition of TBS could strengthen its negotiating stance with US West, with whom the company has been struggling to renegotiate its 25 percent stake in Time Warner Entertainment as part of a restructuring to separate Time Warner content and distribution assets. The TBS acquisition would shift Time Warner's assets more toward content than distribution.

Time Warner announced on Friday it

had reached an agreement with its Japanese partners who have the option of cashing out their combined 12.5 percent stake in TWE or trading it for what would be about a 5 percent stake in Time Warner.

TBS would add \$750 million in estimated 1996 operating cash flow to Time Warner's estimated \$3 billion in annual cash flow, giving the newly combined company more than \$18.5 billion in annual revenues.

TBS would bring \$2.4 billion in debt to Time Warner, which is already burdened with more than \$15 billion in debt.

Time Warner's unexpected attempt to acquire the 82 percent of TBS it doesn't own at a nearly 18 times 1996 cash flow premium in a stock deal that values TBS Class B shares at \$35 each surprised even the most astute industry trackers.

The move by debt-heavy Time Warner, which has been trying to sell its 19 percent stake in TBS for more than a year, appeared an aggressive effort to head off GE, News Corp. and even TCI from nabbing any or all of TBS's valuable cable program services for themselves.

Some Wall Street analysts even suspected Time Warner of attempting to smoke out higher bids for TBS, from which it could also be the beneficiary.

One analyst pointed out that the acquisition of TBS provides Time Warner with an effective defense against potential takeover efforts by GE, which have been speculated for weeks.

"This deal represents a turnaround for all of the principals. It's a perfect fit for a great bunch of assets," said Jessica Reif, analyst for Merrill Lynch.

However, executives at both companies are concerned about how the companies' overlapping and compatible operations will be integrated, and just how long the TBS properties will remain autonomous in Time Warner's diverse stable of interests.

Big get bigger

Time Warner's proposed acquisition of TBS, and its closer ties to TCI, appear to have intensified concerns in Washington and in Hollywood that the concentration of media power and decisions to protect content diversity rest in too few hands.

Time Warner's move on TBS was made partly in response to Walt Disney's proposed \$19 billion acquisition of Capital Cities/ABC and Westinghouse Electric Corp.'s \$5.5 billion acquisition of CBS.

As with the other proposed mergers, the Time Warner-TBS marriage promises endless synergies, analysts say.

The fledgling WB Television Network could broadcast New Line Cinema and Castle Rock Films, select TBS cable programming, and even regularly scheduled blocks of CNN news, sources said.

Time's massive print news-gathering resources can be wedded with CNN's plans to launch a financial news network next spring to compete with CNBC.

Time Warner could package its HBO with CNN or any other of TBS's internationally popular cable program services to expand its global reach.

Warner Bros.' Looney Tunes and animation operations could find a new home on TBS's Cartoon Network.

The extensive film libraries of both TBS and Warner Bros. will bolster The WB, TBS's cable program services and any newly launched services.

Cross-promotion of Turner cable program services will be facilitated with the sale of TBS merchandise in Warner Bros. stores and in Warner Bros.' part-owned Six Flags theme parks. #