the 10 operating groups in the publishing division. An ABC executive confirmed the assessment: "If all of ABC were run the way Bob Burton ran his division, the company would not have been undervalued and this [the sale] never would have happened."

The consensus of those who commented is that Murphy and Burke will be gradual and careful with any changes they might make. Rule noted that Capcities has historically achieved results at its stations and other operations by positive motivation and rewarding those who meet goals, not by coming in with a "sickle and chopping away at things." He added there is no reason to assume the purchase of ABC will be treated any differently.

Dick Appleton, who was general manager at Capcities' WTVD(TV) Raleigh-Durham, N.C., for 12 years, agreed with Rule that Capcities' philosophy is not a negative one: "It's not being cheap and it's not doing without. It is having enough bodies without getting in the way of good communications. It is a concept that is very simple, but that most people misunderstand." Appleton agreed with several of those commenting that the company rewards its management well, with plans such as profit sharing and stock options. As a result, Capcities has little turnover.

□

On another CCC/ABC front last week, ABC Board Chairman Leonard Goldenson was said to be distressed about speculation in the press that a lack of confidence in President Fred Pierce figured in ABC's decision to sell. That's "not in keeping with the facts," Goldenson said, emphasizing that the primary reason for the merger was to "protect the company from the inroads of invaders." According to Goldenson, agreement that Pierce would continue to run the ABC operation with CCC/ABC was the first point negotiated with Capcities. □

Casey among winners in Capcities stock rise

Last week it was learned that one of those benefiting from the proposed sale of ABC is CIA Director William Casey, who also was a director of Capital Cities Communications for several years in the late 1970's. Casey owns almost 35,000 shares of Capcities stock, it was reported last week, slightly less than the 37,000 he owned while a director. Other stocks of the CIA director had been placed in a blind trust in 1983, but the Capcities block apparently did not qualify because it would have made up more than 20% of the trust's value. Last week Casey said he would put the Capcities shares, which are currently worth over $7 million, into a blind trust if it meets with the approval of the Office of Government Ethics.

The other side of the CCC/ABC deal: $1 billion in spin-offs

Brokers and analysts estimate values of radio, TV and cable properties that the new CCC/ABC may have to divest

The merger of Capital Cities Communications and ABC (BROADCASTING, March 25) left many media brokers feeling like children with their noses pressed against a candy store window—staring at a mouth-watering collection of stations needing to be sold but having very little chance they will get any.

The merger will probably cause the divestiture of several television stations, seven AM stations and nine FM stations. But brokers, whose function is to bring buyers and sellers together quietly and confidentially, are essentially unneccesary when everyone in the country knows the stations will be for sale. As one broker said, "They'll probably just hire Goldman-Sachs to arrange an auction and sell them to the highest bidder."

Stations suggested as likely to be sold (though a huge number of possible scenarios exist to meet regulatory problems) are WBKW-TV Buffalo, N.Y., and WTNH-TV Hartford-New Haven, Conn., plus other TV's to get under the 25% cap on reach; WPAT-AM-FM Paterson, N.J. (New York); KLAC(AM)-KZLA(FM) Los Angeles; WJR(AM)-WHYT-FM Detroit; WABC(AM)-WPLJ(FM) New York; WLS-AM-FM Chicago; WRIF(FM) Detroit; KABC(AM)-KLOS(FM) Los Angeles; KSRR(FM) Houston; KTKS(FM) Dallas-Fort Worth, and KGO(AM) San Francisco.

BROADCASTING conducted an informal survey of brokers and analysts to determine what those stations might be worth.

Television Station Values

Some brokers were reluctant to comment on the value of the TV stations. New York-based Howard K. Stark and Washington broker James Gammon disqualified themselves because of their close dealings with both Capcities and ABC. And others declined comment because of the difficulty of predicting sale prices since major market TV's rarely come on the market. As Cincinnati-based Ted Hepburn of the Ted Hepburn Co. said, "Who knows what a top-10 market TV is worth? It's worth what you can get for it."

There was much controversy about the future of WPVI-TV Philadelphia. Capcities Chairman Thomas Murphy told BROADCASTING that holding onto the station would be "part of my perfect scenario, but we'll do whatever is appropriate. There is a technical violation . . . a slight grade B overlap in Atlantic City or somewhere . . . but it's certainly a technical violation. CBS has [a waiver on its O&O's in New York and Philadelphia]."

Most brokers and analysts felt it unlikely the station would have to be sold, since alternative possibilities to correct the problem (such as a change to a directional antenna or a waiver similar to the waiver CBS enjoys in roughly the same situation) are available. If divestiture were forced, it would most likely be the largest TV sale in history. Hepburn valued WPVI-TV at at least $350 million, with the caveat that it was only a rough and conservative estimate. Hepburn based that figure on a market revenue of about $250 million, with WPVI-TV's after-tax profit estimated at about $40 million a year. Based on a very conservative nine times cash flow for the sales price, he estimated the sale value. Hepburn added, however, that the price would probably be higher.

In agreement was Memphis broker Milton Q. Ford, who felt Hepburn's figuring was correct but believed the price could be based on a cash flow multiple of 10 or 11, bringing the station into the $400-million range. However, he also was careful to mention that it is not really practical to put a price on top 10 market VHF's.

San Rafael, Calif.-based broker, Ben LaRue, of H.B. LaRue Media Brokers Inc., was in accord with Ford's estimate of $400 million for WPVI-TV.

Tom Buono, president of Broadcast Investment Analysts in Fairfax, Va., which publishes "Investing in Television 1985," was the most aggressive in his estimation of the stations, giving a price of $555 million for WPVI. He was careful to explain that his estimations were based on the fair market value, which differs from Wall Street estimates more directly tied to asset value and tending to be more conservative. He also pointed out that other analysts' estimates were even higher.

WTNH-TV Hartford-New Haven, Conn., is in the 22d ADI with market revenue of about $86 million. LaRue and Ford were in almost exact agreement on its potential price, but differed slightly on the methods for determining it. LaRue guessed a cash flow of $9 million to $10 million. Ford said it would be about $8 million. Using a multiple of nine, LaRue came up with a figure of $90 million. Ford used a higher cash flow multiple of 11 to come up with a slightly lower $88 million. Buono felt the station could go for as much as $118.8 million. Jon Intrater of the Washington consulting firm of Frazier, Gross & Kadlec, however, felt those prices were too high. He thought that WTNH-TV should have a cash flow of about $4.5 million. Multiplied by 10, this would give a price of about $45 million. He said the absolute maximum value of the station would be about $70 million.

LaRue also speculated that WKBW-TV Buffalo would fall in the $90-million to $100-million range. LaRue based those figures on a 30% share of Buffalo's $60-million TV market, with an estimated cash flow of about $10 million times a multiple of nine. Ford