

The Thursday-Night Massacre

When NBC agreed to pay \$13 million per episode for "E.R.," the network didn't just buy a guaranteed hit — it almost bought the farm.

By **Bill Carter**

On Christmas Eve in Aspen, Colo., Don Ohlmeyer got a telephone call that realigned all the planets in his professional world.

The head of NBC's entertainment division, in Burbank, Calif., Ohlmeyer had presided over one of the great runs in television history. For five straight years, NBC had swallowed up virtually all the profit to be made in the network television business. For that year, the count for NBC's network side of the business alone approached \$500 million. At the center of that success was Thursday night, "Must-See TV." From a low point in 1993, NBC under Ohlmeyer and Warren Littlefield, the president of NBC Entertainment, had rebuilt Thursday into a murderer's row of "Friends," "Seinfeld" and "E.R."

Bill Carter covers television for The Times.

In the weeks before to the holidays, Ohlmeyer, a linebacker-size man with a leadership style to match, had taken steps to address one potential falling-rock zone: the status of "E.R.," the top-rated show in television. NBC was coming to the end of a standard four-year deal with Warner Brothers for the show. In that time NBC, which was paying only about \$2 million an episode, had made, by one NBC executive's reckoning, "pots of money" on "E.R." Now Ohlmeyer knew Warner Brothers would be looking to be cut in.

Ohlmeyer had not missed how CBS and ABC had put out the word that they would be willing to pay almost anything to take "E.R." off NBC's hands. And he was aware that ABC's corporate parent, the Walt Disney Company, might develop a special incentive to come after "E.R." NBC had a scheme to steal



Eve of Destruction: Jerry Seinfeld informs Don Ohlmeyer that "Seinfeld" will be leaving NBC.

"Monday Night Football" from ABC in the upcoming N.F.L. negotiations, and Ohlmeyer did not want "E.R." available to Disney's Michael Eisner,

who would surely have fire in his eye and a lot of unspent football money on his hands.

NBC's exclusive negotiating period with Warner Brothers was to begin in February. But in mid-December Ohlmeyer called Bob Daly, co-chairman of Warner Brothers, and asked if he would mind starting the "E.R." negotiation sooner, right after the holidays. Daly agreed, and he also consented to keep the talks completely private — only three or four Warner executives would know the "E.R." negotiation had begun. Nobody involved with the show would be clued in, not even any of the executive producers: John Wells, Michael Crichton and Steven Spielberg.

Despite figures already in the press that CBS or ABC would be willing to pay as much as \$10 million an episode for the 22-episode future seasons of "E.R.," Ohlmeyer was confident he



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could get a reasonable negotiation going with Bob Daly. Surely Daly didn't seriously want to move "E.R." off NBC's Thursday night — that would be like looking to relocate from Shangri-La. For the right price — a fair price — Ohlmeyer concluded that NBC would be able to keep "E.R."

All of this was neatly in place by the time Ohlmeyer arrived in Aspen. Then the phone rang. Jerry Seinfeld was calling.

The message was short, but not exactly sweet. Jerry had decided to shut down production on "Seinfeld" at the end of the season.

Ohlmeyer thanked Jerry for all the success he had brought NBC. Then he hung up the phone and thought: Merry Christmas. So much for a reasonable negotiation for "E.R." The biggest deal in television history was about to go down — and NBC was going to get skewered.

DESPITE THE A-PLUS SHOW-BUSINESS PEDI-gree of Steven Spielberg and Michael Crichton, "E.R." did not glide onto network television. Everyone who read Crichton's original script realized it was, as it's known in the trade, a "trunk job" — a script an established writer digs out of his trunk when he's a hot commodity. This was all too apparent from a scene in which the doctors, working at a hospital in Boston (the setting was later moved to Chicago to avoid comparisons to "St. Elsewhere"), take a break to listen to a game between the Celtics and the Knicks — and Bill Bradley is taking a shot. Nevertheless, Warren Littlefield didn't see how NBC could go wrong by ordering a two-hour movie from the makers of "Jurassic Park."

That offer did not thrill Leslie Moonves, who was in charge of television for Warner Brothers, one of the studios that produces shows for different networks. (He was later to become Ohlmeyer's friendly rival as head of

CBS Entertainment.) Moonves was upset because NBC had reneged on a guarantee for an additional six episodes of "E.R."

When the pilot was delivered, Moonves was ecstatic; NBC, however, was still lukewarm. At one point the network considered moving its drama "Homicide" to Thursday, relegating "E.R." to Fridays. Moonves countered with research showing how strong "E.R." would play with women. NBC finally offered up Thursday at 10, the spot that for more than a decade had been occupied by television's best drama, first "Hill Street Blues," then "L.A. Law."

At Warner Brothers, the 1994-95 season was an endless party. "E.R." had stormed to the top of the ratings, and its new comedy, "Friends," was generating almost as much heat. Sensing a big opportunity, Barry Meyer, the chief operating officer, decided to take "Friends" into the syndication market — where repeats of shows are sold to TV stations for prices that often reach hundreds of millions — after Year 1, earlier than any previous show. He suggested to Daly that they press NBC to extend the four-year deal for "Friends" right away to guarantee that it would pass the 100-episode mark, crucial to syndication sales. Meyer offered NBC two proposals: one, to increase the licensing fee on "Friends" in exchange for an extension through Year 6; and two, a similar deal for "E.R."

"E.R." was being produced at a deficit, about \$400,000 an episode. Meyer's strategy: Pay us enough to cover our production costs right away, increase our licensing fees in the later years of the deal and we'll extend NBC's exclusive rights to "E.R." through a sixth year. Of the two proposals, Warner Brothers was far more eager to close on "Friends," because of the pressure to make a syndicated deal fast. NBC made a similar calculation. The network knew that comedies held up far better than dramas. Even though "E.R." looked like a one-of-a-kind, maybe even

last-of-its-kind, breakout hit, there was some reason to question whether the series would be roaring along when it reached the end of its four-year deal. When Meyer heard back, the message was mixed. NBC agreed to the "Friends" deal, paying an average of about \$2 million an episode through a sixth year. But the network was going to pass on a new deal for "E.R."

The following year, Meyer decided to start monitoring how much money NBC was making on "E.R." Warner Brothers realized that the true value of "E.R." included the ancillary revenues NBC was accruing: the huge boost to NBC's local newscasts after "E.R."; the growing strength of the "Tonight" show, which began with a surge on Thursday night; the way NBC packaged its sales so advertisers had to buy lesser shows to get a position in "E.R."

In both Year 2 and Year 3 of the series, Meyer made informal overtures to assess NBC's level of interest, but nothing stirred any movement toward a new deal. By 1996, the overtures stopped. Daly was openly angry with NBC for what he felt was shoddy treatment of a Warner Brothers comedy called "Hope and Gloria," which NBC had put on in the spring of 1995. It had started off well, then NBC moved it around the schedule. Daly believed NBC was damaging a studio asset. Daly asked Littlefield to give the show back so the studio could sell it to another network. Littlefield declined, saying NBC still loved the show. Daly was angry enough that he blasted NBC to a few of his friends in Hollywood; he told them NBC was going to lose "E.R."

The word, as Daly knew it would, quickly circulated. Moonves, now at CBS, was all over Daly, pushing the network's interest. Both Michael Eisner, the Disney chief, and his top executive at ABC, Bob Iger, urged Daly not to assume ABC would not be a player if "E.R." went on the



Eisner (left) and Iger (right) let Daly know: ABC wants "E.R."

open market. Still, both Iger and Moonves concluded NBC could not risk losing the show.

WHEN THE FORMAL NEGOTIATION FOR "E.R." began in early January of this year, Daly had three ground rules: First, he wanted a three-year deal — a surprise, since it had been widely expected that Warner Brothers would ask for only two; second, that the show stay on Thursday night at 10 — that would prevent NBC from moving the show to 9 to replace "Seinfeld"; third, without mentioning specific dollars, he wanted the highest possible licensing fee NBC could put on the table.

The deal would have no other encumbrances, nothing like commitments for other series on NBC. Daly wanted to assure the show's partners — notably Crichton, Spielberg and Wells — that the studio would get nothing they did not have a share in. "I want a very simple, clean deal," Daly told Meyer.

The process went quickly. At the next meeting NBC accepted the three-year stipulation and the guarantee of Thursday at 10. It made a financial offer that Warner countered at a subsequent meeting. After just one more meeting, the price was set. NBC would pay Warner Brothers \$13 million an episode for "E.R." —



"Late Night" on a budget: O'Brien feels the pinch.

\$286 million a year, or more than twice what NBC had totaled in profits the previous year.

For Ohlmeyer, it came down to the stars: After the "Seinfeld" news, the stars aligned against NBC. With another year of "Seinfeld" or a deal for "Monday Night Football," NBC might have been able to tell Bob Daly it would pass on "E.R." Without either, Ohlmeyer knew Daly was going to get what he wanted.

Going in to a new advertising season, the network needed "E.R." to guarantee premium prices for its shows. To protect its "Must-See" Thursday-night lineup, NBC moved its multiple-E Emmy-Award-winning comedy "Frasier"

from Tuesday to the spot "Seinfeld" vacated. Ohlmeyer wanted to emerge from the so-called up-front season in June — when advertisers commit up to 80 percent of their budgets to the new network prime-time schedules — able to say NBC had increased its take, even after losing "Seinfeld." When Ohlmeyer brought in \$2.15 billion, he had achieved that goal.

But the "E.R." bill had not yet arrived. One television producer of many hit shows called the deal "the half-a-billion-dollar blunder." His math: For Years 5 and 6, NBC might have paid only \$3 million an episode. Now it must pay \$10 million more an episode. At 22 episodes a year, that is a \$440 million surcharge over two years. Even if Warner Brothers got a big price boost for Year 7, it surely would not have been \$13 million. That's how the extra hit on NBC can reach \$500 million over three years. NBC executives dispute those figures, noting that the "Friends" deal, which seemed extravagant at the time, now looks like a bargain that might help offset the cost of "E.R."

But \$286 million a year takes a lot of offsetting. NBC has already instituted a company-wide austerity program. Everyone has been told to cut costs, even at highly successful shows like "Today" and "Late Night With Conan O'Brien." One unhappy NBC executive in New York says: "We can't have bottled water anymore. It makes you sick to think of all the money that's being spent on 'E.R.'"

Meanwhile, over at Warners, Anthony Edwards, who plays Dr. Mark Greene, has signed a new contract, upping his salary to more than \$350,000 an episode. Noah Wyle (Dr. John Carter) did almost as well at \$275,000.

Clearly, the deal will have an impact on the television business like no other. One network executive (not at NBC) said that no network would ever again go down to the wire in working out a renewal for the No. 1 show. But some at NBC argued it is just as likely that studios with clout like Warners will try to put off any extension, looking for a similar payoff. The one sure way for networks to avoid this squeeze, and the outcome from the "E.R." deal everyone in the business expects, is more ownership of shows by the networks. Already this fall, networks own a higher percentage of the new programs on the air than ever before.

NBC's executives came away from the deal feeling they stepped up and paid the price — because they had to. But they do worry about one thing. What happens to "E.R." between now and the end of the \$858 million deal? The show created a magic connection with viewers that network television seldom saw before — and hasn't seen since. Now comes the scary part: How long can it keep the magic going? ■