



TELEVISION DIGEST WITH CONSUMER ELECTRONICS

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FCC REJECTS SINCLAIR BID FOR NEW DTV STANDARD: FCC unanimously rejected Sinclair Bcstg. petition for right to use COFDM modulation for DTV, saying "numerous studies" indicate 8-VSB modulation can work and Sinclair concerns indicate problems only with DTV receivers. Commission didn't agree to set DTV receiver standards, saying manufacturers are "aggressively" moving to improve sets. Sinclair had said DTV over-air reception often is impossible in downtown areas.

Sinclair officials immediately said they would take issue to Capitol Hill, seeking congressional support for reopening DTV standard. "We're going to every House and Senate office," spokesman said. "If the FCC can't do it [reopen standard] the Congress will." However, House Commerce Committee Chmn. Bliley (R-Va.) said earlier that Hill isn't technically qualified to deal with issue. Sinclair didn't have additional official comment, pending review of decision. CEA Pres. Gary Shapiro said decision "will allow television manufacturers, broadcasters and all others involved to return our full attention to what matters most — providing consumers with the full benefits of digital television. I hope this ruling will close the door on this issue."

Benefits of changing DTV standard wouldn't outweigh costs of making revision, Commission said, citing study by its Office of Engineering & Technology. It said allowing more than one standard would cause compatibility problems, could lead consumers and broadcasters to postpone buying DTV equipment and could produce significant delay in DTV transition. It said developing COFDM-based standard would be "multiyear effort," not 120 days suggested in Sinclair petition.

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"We recognize the importance of the issues raised" by Sinclair petition, Commission said in letter dismissing it. However, it said, it believes issues can be best addressed as part of Commission's biennial review of DTV transition: "In that proceeding, we will be able to consider together all of the issues related to the digital transition, including the progress being made to improve indoor DTV reception." FCC said biennial review will begin within 30 days and will encourage parties to comment on DTV standard.

Commission did commend Sinclair "for its leadership efforts in identifying certain DTV receiver performance concerns" and for providing data on indoor reception issues. It said, however, that Sinclair provided "no persuasive evidence" that current ATSC standard for DTV can't be made to work. It noted that Motorola, NxtWave, Thomson and others are "aggressively taking steps to resolve the multipath handling limitations exhibited in some first-generation DTV receivers."

FCC decision came 2 days after MSTV officially supported current DTV standard. MSTV suggestion that Commission dismiss Sinclair petition "should by no means be read as acquiescing in the performance of the receiver manufacturing industry," MSTV Pres. Margita White said in letter to FCC commissioners. She said "backdrop" to resolution is "intense frustration of the broadcast industry with the slowness and inadequate response of the receiver industry" to DTV reception problems. Contributing factor, White said, is Commission's refusal to set DTV receiver standards. She said FCC apparently has realized that "hands-off approach" to cable interoperability has been "counterproductive," but said it has "slow-rolled" DTV must-carry.

Sinclair took some solace from MSTV decision, saying in statement that it was pleased with Assn. position that COFDM should be revisited if reception problems aren't solved: "Sinclair is supportive of MSTV's call for additional testing of COFDM and other alternative DTV modulation technologies, and hopes that these tests will begin soon."

Current DTV standard received conditioned endorsement from board of MSTV. Group recommended that FCC dismiss Sinclair Bcstg. petition to allow competing COFDM modulation system but said it should revisit standard issue if receiver quality doesn't improve. Board also said that FCC should adopt receiver quality standards and resolve interoperability issues and that MSTV should work with other groups to test new technologies such as COFDM. Vote by MSTV board was unanimous, including support from NBC, which was said to be considering backing Sinclair petition. CEA and VSB developer Zenith immediately applauded MSTV decision.

Decision Feb. 2 followed receipt of reports from MSTV task forces on COFDM and VSB modulation systems. VSB task force said it isn't surprising that first-generation receivers perform poorly, since they were rushed to market, but it believes 2nd-generation sets are "significantly better." It said there's no evidence "8-VSB transmission standard is deficient" and attributed reception problems to "poor receiver implementation." Receiver improvements will depend on manufacturers' economic incentives, it said.

MSTV should encourage better DTV receivers, task force said, by developing White Paper on expected performance. It also said MSTV should oversee measurement program to capture data on RF reception in "difficult" environments, with information to be used by receiver makers to improve products.

It's "impossible to predict" how COFDM system would perform in U.S. environment, task force said, but it would be difficult and time-consuming to switch standards. It also said COFDM probably would give stations 3-12% smaller service area than VSB at same power level. Analysis was based in on-site evaluation of COFDM systems overseas as well as theoretical paper analysis by independent expert that will undergo further review.

Current versions of COFDM and VSB indicate neither has advantage in good reception environment, although current version of COFDM has advantage in environments that involve indoor reception or nearby moving objects, task force said. It did say COFDM systems may have problems with impulse noise, and noted that neither European nor Japanese versions of COFDM typically involve indoor antenna reception, as is desired in U.S.

Multiple steps would be necessary before pursuing COFDM for U.S. market, task force said, including: (1) "Sponsor" for U.S. COFDM system would be needed. Equipment manufacturers also would have to commit to building COFDM products. (2) New variant of COFDM would have to be built since current versions in Europe and Japan are incompatible and variant would have to be developed for 6-MHz channels. (3) FCC would have to approve use of COFDM, and backers would have to "overcome legal challenges to a change in the U.S. DTV transmission standard," as well as consider other proposed DTV systems. (4) Backers would have to assure that COFDM is compatible with cable.

Meanwhile, Paxson Chmn. Lowell (Bud) Paxson denied rumors that his company would abandon its support for Sinclair petition. In interview just before decision, he did tell us that if "by any stretch of the imagination" COFDM sup-

porters lose, broadcasters must challenge "techies" to show how DTV can be brought into Internet world: "We can do a much better job if we can use our broadcast spectrum in part to enter the wonderful world of the Internet. We're going to be able to take the Internet to the wireless world. To deny that to the American consumer would be a terrible tragedy."

HILL FAULTS FCC ON SHVIA RETRANSMISSION CONSENT: Nine key senators and representatives involved in passage of Satellite Home Viewer Improvement Act (SHVIA) wrote FCC Chmn. Kennard saying they were "most troubled" by Commission's notice of proposed rulemaking (NPRM) on SHVIA. In particular, they were concerned that NPRM would give Commission "a very expansive role" in determining definition of "good-faith" retransmission consent negotiations between station and satellite carrier.

"We did not intend that the FCC use the 'good-faith' provision to second-guess the pricing decisions of those individuals engaged in free market negotiations," lawmakers wrote. Hill sources said some members and staff in particular became upset when Time Warner filed comments trying to take advantage of rule Hill hadn't intended for cable operators.

Saying SHVIA's language on good-faith negotiations is "determinedly brief," they said expansive approach "is not what Congress intended." They didn't request response from Kennard. Signatories were Senate Judiciary Committee Chmn. Hatch (R-Utah) and ranking Democrat Leahy (Vt.), Senate Appropriations Committee Chmn. Stevens (R-Alaska), House Judiciary Committee Chmn. Hyde (R-Ill.) and committee members Coble (R-N.C.), Goodlatte (R-Va.) and Berman (D-Cal.), House Commerce Committee ranking Democrat Dingell (Mich.) and House Telecom Subcommittee Chmn. Tauzin (R-La.).

Letter drew support of broadcasters, with consensus that it would permit preferred market approach. ABC Exec. Vp-Govt. Relations Preston Padden said: "We read the letter as a strong signal that the rules should deal with the process of negotiations and not the substance of retransmission deals."

Meanwhile, NCTA asked FCC to adopt retransmission and must-carry election rules that, to "maximum extent feasible," would operate similarly for cable systems and satellite carriers. That would ensure that local broadcast stations' exercise of choice between must-carry and retransmission consent wouldn't become "means to interfere with fair competition between MVPDs [Multichannel Video Program Distributors]," Assn. said in comments filed with FCC in response to agency's rulemaking.

It said Commission should adopt rules that ensure that broadcasters' election schedules for satellite carriers and cable operators "correspond as soon as possible." Since initial election by local broadcasters for satellite carriage can't be synchronized with next cable election, FCC rules should require them to elect for both cable and satellite carriage on Oct. 1, 2002, for carriage beginning Jan. 1, 2003, and every 3 months thereafter, NCTA said. It also urged agency to make "consistent election" requirement applicable to local broadcasters' dealings with competing MVPDs to prevent must carry/retransmission scheme "from unfairly disadvantaging one competitor over another."

Canadian broadcasters joined American counterparts in suing Canadian Webcaster iCraveTV, as expected (TVD Jan 24 p5). Suit was filed in Toronto Superior Court by group including CTV, CBC, Rogers Bcstg., others. It alleges iCraveTV is violating copyright law by retransmitting over Internet all free broadcast signals in Toronto without seeking permission from or compensating broadcasters or programmers. Suit seeks \$70 million in damages, plus \$1.1 million for each additional day of copyright infringement and \$5 million in punitive damages for "reckless conduct." iCraveTV already has been ordered by U.S. Dist. Court, Pittsburgh, to stop allowing U.S. residents to see its content, effectively shutting down Web site. Plaintiffs said programmers may choose not to do business with Canadian broadcasters and risk free distribution if iCraveTV isn't stopped. They said iCraveTV Pres. Bill Craig has "advised worried U.S. program owners that they should stop licensing programs to Canadian broadcasters if they do not want their programs to enter the Internet." Craig has argued that his actions are protected under Canadian retransmission laws originally intended to cover cable (CD Dec 13 p1), but broadcasters said Webcaster is "neither excused nor protected" because it doesn't satisfy unspecified "preconditions."

CBS and Fox signed memorandum of understanding with minority groups guaranteeing to increase network's diversity efforts. Agreements are with NAACP, National Latino Media Council, Asian Pacific American Media Coalition, American Indians in Film & TV. "We don't expect to see overnight change" as result of agreements, said NAACP Pres. Kweisi Mfume, "but today's signings provide a strong foundation for increasing diversity." Under agreement, CBS will: (1) Appoint vp-diversity to oversee diversity initiatives, reporting directly to Pres. Leslie Moonves. (2) Increase number of minority writers, directors and producers and provide training for minority staffers. (3) Continue to provide "substantial levels of minority programming." (4) Increase use of minority vendors. (5) Continue to promote minority ownership through activities such as Prism Fund. Fox Entertainment Pres. Doug Herzog said network's agreement followed "major internal review" of corporate policies. He said network "recognized that still more could be done to expand opportunities for all minority groups." Fox also agreed to hire vp-diversity, as well as to expand minority recruitment and retention programs and internship programs. Like CBS, Fox agreed to expand production, directing, writing and casting initiatives, increase use of minority media to promote its programming, continue activities such as support of Prism Fund.

McCAIN REMAINS ABSENT FROM HILL: Huge win in N.H. Presidential primary Feb. 1 by Senate Commerce Committee Chmn. McCain (R-Ariz.) means he will spend most of next month on campaign trail, with S.C. primary Feb. 19 and "Super Tues." including Cal. and N.Y. March 7. Between campaigning and fund-raising it's unclear how much time he will be able to spend in Washington and how much Commerce Committee will be able to do in his absence.

McCain "is in more than regular contact," Senate Commerce Committee spokesman said: "He's fully on top of and fully briefed on what's going on." Committee is operating in "business as usual" mode, he said, and if there's any delay in formulating agenda for 2nd session, it's related to negotiations with minority. If any hearings are needed, spokesman said, they could be done at subcommittee level, or subcommittee chmn. could chair them at full committee.

Although Congress this year will have short session with fewer than 100 legislative days remaining, there are numerous telecom issues in various stages of development. McCain's colleague in House, Commerce Committee Chmn. Bliley (R-Va.), wants final passage of his electronic signatures bill (HR-1714), which House passed soundly last year. Similar measure passed Senate. Conferees have yet to be named to reconcile versions, House committee spokeswoman said, and it's unclear to what extent they can be named in McCain's absence and how effectively conference could proceed with him on campaign trail.

Hill source said McCain's absence wouldn't necessarily harm conferee process. Debate among members often is conducted by phone, source said, with staff "filling in the gaps." Committee spokesman said McCain is in "direct and uninterrupted contact" with committee and other members.

While it's not uncommon for committees to have few hearings in 2nd session of Congress, as members have moved on to floor debate and conferences, Senate Commerce Committee has no hearings on any topic scheduled. In contrast, House Telecom Subcommittee has 3 hearings in next 2 weeks on broadcasting-related issues alone. Last session, Senate Commerce Committee held hearings nearly every Tues. and Thurs. while Congress was in session, but spokesman said all those reflected how much work committee was able to put behind it.

Both House and Senate committees will be busy in truncated election year, and Senate Commerce staffer said pressures related to that would be present whether or not McCain was on site.

Discovery is latest media company to spin off Internet assets, creating new company, Discovery.com. Discovery.com will start with 7 established Web sites based on Discovery's cable channels on topics such as Health, Animals and Travel, plus access to Discovery brands. Spokeswoman said Discovery plans to invest \$500 million over next 3 years in Discovery.com. Discovery Chmn. John Hendricks will take on same role with new company, while rest of top management will be pulled from Discovery Enterprise Worldwide (DEW) unit, which handles product licensing, video sales and other ancillary revenues: DEW Pres. Michela English will be pres. of Discovery.com, DEW Senior Vp Andrew Sharpless will be exec. vp, DEW Vp-Interactive Technology Jeff Craig will be senior vp-interactive technology, DEW Vp-Consumer Mktg. Tom Burke will be senior vp-consumer mktg.

RELIGIOUS RULES PRESSED: FCC withdrawal of "additional guidance" on religious broadcasters' eligibility to hold noncommercial TV licenses (TVD Jan 31 p1) hasn't appeased religious broadcasters, who are pressing for assurance agency won't act in future. They're supported by House Telecom Subcommittee Vice Chmn. Oxley (R-O.), who is continuing to push his bill that not only would reverse FCC action but prevent Commission from setting eligibility requirements for noncommercial licenses without rulemaking that includes public comment.

Oxley wasn't satisfied by FCC's explanations for change of course, spokeswoman said, adding that agency's "spin control" attempts are "new cause for concern." FCC majority said it understood "in hindsight" that Commission's actions had "created less certainty rather than more, contrary to our intent." Explanation was skewed by both Comr. Tristani, who backed new rules, and Comr. Furchtgott-Roth, who opposed them. Both said Commission knew what it was doing originally and backed down because of what Tristani termed "pressure campaign" from Congress. Oxley has spoken to House Majority Leader Armey (R-Tex.) about moving bill, spokeswoman said, and meeting was encouraging. Bill already claims more than 70 co-sponsors and companion sponsored by Sen. Brownback (R-Kan.), who also is "moving forward," spokesman said.

Furor is over "additional guidance" appended to FCC's approval of license transfer for Pittsburgh noncommercial station WQEX (Ch. 13) to religious broadcaster Cornerstone from PBS member WQED in exchange for Cornerstone's commercial WPCB-TV (Ch. 40). Under deal that since has been terminated by Cornerstone because of new rules, WQED was to have sold WPCB-TV to Paxson, splitting estimated \$35 million with Cornerstone. Commission said noncommercial licensees would have to dedicate 50% of air time to educational programming, with church services expressly excluded from that category.

Setting aside additional guidance "would be insufficient to cure the statutory and constitutional infirmities of the policy, which the agency has indicated predates the Pittsburgh Decision," Paxson said in petition for reconsideration. Broadcaster said Commission "must also ensure that the precepts underlying the Additional Guidance do not otherwise influence the FCC application approval process." Indeed, Tristani said she would continue to act as if additional guidance were in effect. Paxson called for unspecified "affirmative steps" to ensure precepts aren't applied.

National Religious Bstrs. filed similar petition, spokesman said, and it's not backing off demand that Commission make "sure this isn't repeated somewhere down the road" by addressing "underlying sentiment that created this decision in the first place." He said if Oxley continues to push his bill, "we certainly support it... It indicates that if you address this in the future, you need to do it totally above board."

Paxson said more is at stake than single station sale, since all of its Christian-oriented stations would be "devalued" by finding that religious programming isn't educational. It said its stations might not meet public interest obligations under such thinking. It cited court cases barring Commission from regulating content of noncommercial licensees as well as commercial ones.

Scientific-Atlanta will receive \$90 million from Adelphia for supplying minimum of 300,000 Explorer 2000 digital set-tops in 2000. Adelphia passes more than one million subscribers with digital services using Explorer 2000 boxes.

AT&T DEFENDS MEDIAONE MERGER: AT&T's request for 18-month waiver of FCC's cable horizontal ownership rules if stay on them is lifted isn't "unusual and is an issue of fairness," Gen. Counsel James Cicconi told Cable Bureau public forum on MediaOne acquisition Fri. in Washington. Cicconi's defense of request came in wake of opposition from Media Access Project (MAP) Pres. Andrew Schwartzman, who said AT&T has failed to provide any justification for waiver or demonstrate that special circumstances exist that warrant departure from Commission's rules.

Cicconi said Commission had granted 18-24 month waivers in past and reiterated company's commitment given at time of filing that "whatever rule is in place, we will come into compliance with it." Question by Cable Bureau Chief Deborah Lathen as to what enforcement action Commission should take in event AT&T doesn't come into compliance after waiver period drew protest from Schwartzman, who said if "you want certainty and broadband deployment, don't approve this merger that breaks the rules."

Cicconi reiterated company's commitment to open cable network to competing ISPs on expiration of its exclusivity contract with @Home in 2002 but dismissed suggestion from OpenNet Coalition Co-Dir. Greg Simon that AT&T buy out its contract with @Home. In response to clarifications sought by Lathen on what open access meant and how many ISPs AT&T would allow on its system, Cicconi said company was willing to open up its fixed wireless networks, where it had no contracts, to ISPs immediately. Its commitment to open access also will apply to MediaOne territories, he said.

In case of cable, company also must tackle technical issues "which are real," Cicconi said as he expressed confidence that "more than adequate range of choice of ISPs" would be provided to consumers.

Simon called on Commission to institute national policy on open access that would apply to cable industry and not just to AT&T. He said AT&T-MindSpring was no agreement, rather was simply letter to Commission. In any case, he said, open access isn't about "cutting a deal with large ISPs" that have market share.

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FCC should block merger of CBS and Viacom because former failed to serve public interest by covering political campaigns, Alliance for Better Campaigns and other public interest groups said in letter to Commission. Groups — including Common Cause, Interfaith Alliance, League of Women Voters, Media Access Project, Public Citizen, U.S. Public Interest Research Group — said CBS had average of just 31 sec. of air time per day on campaign in month before N.H. primary. They said coverage was particularly disappointing since CBS Pres. Leslie Moonves participated in developing recommendations on broadcasters' DTV public interest obligations. Although letter focused on CBS-Viacom merger, groups said they believe FCC should make coverage condition for approval of all future ownership transfer or license renewal requests. "If broadcasters won't heed the call of an advisory panel co-chaired by one of their own leaders, it's time for the FCC to find other ways to concentrate their attention," said Paul Taylor, exec. dir., Alliance for Better Campaigns.

Lucent said ABC used its WaveStar OpticAir system to transmit uncompressed HDTV during its broadcast of Super Bowl. OpticAir system uses DWDM technology to carry video signal via light beam, in this case from camera on roof of Coca-Cola building mile away to mobile production truck, Lucent said.

MINORITIES CALLED QUALIFIED: Black, Hispanic and Native American groups disputed contention of NBC Pres. Robert Wright that there's shortage of trained minorities available to fill executive vacancies at TV networks (TVD Jan 31 p7). "What we don't want is another training program" — which is what ABC and NBC are planning in agreements signed with NAACP — Alex Nogales of National Hispanic Media Coalition said. Small pool of minorities available "doesn't mean that the personnel doesn't exist," he said.

"I would respectfully disagree" with Wright, said Sonny Skyhawk, founder of American Indians in Film & TV. "We have these people that have studied and, unfortunately, have never been given the opportunity" at TV networks.

It isn't sufficient for networks to claim there's lack of minority talent, said Will Sutton, pres. of National Assn. of Black Journalists and managing editor of *Raleigh News & Observer*, while agreeing that there aren't enough black journalists to satisfy needs. But, he said, broadcasters don't have strong enough commitment to help "create, develop and grow" pool of minority reporters: "We need broadcast industry leaders to step up to the plate... There has to be the right kinds of people in the right kinds of jobs [at networks] with a strong enough commitment to make it happen."

Sutton said number of blacks in news is declining, partly because of what he said was networks' desire to "lower salaries as the networks look to balance the books. The result is that the very type of experienced talent [networks] say you want, you are watching walk out the door."

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Streaming media transmitter iBeam Bcstg. filed to raise \$170 million in initial public offering for unspecified percentage. Company uses satellites to broadcast content directly to servers near users, hoping to bypass Internet congestion that's among chief causes of delays and data loss that plague streaming media and that iBeam said will only get worse as more users connect. It said it will continue to develop its network but already can support 300,000 simultaneous data streams at 20 kbps. Company said it had 40 customers as of Jan. 25, including Launch Media, MSNBC and Warner Bros., and has deals with more than 40 ISPs that let iBeam broadcast directly into their distribution networks. It began service in Oct. and finished year ended Dec. 31 with just \$149,000 in revenue and \$30 million loss. iBeam has powerful backers, including technology development partners and part-owners Covad, Microsoft, Sony. It said it has been informed by undisclosed company that it may be in violation of that company's patent for data delivery.

PBS was expected to name its next pres. at board meeting over weekend in Key Largo, Fla., and several publications were reporting CNN Productions head Pat Mitchell will be tapped. Mitchell had been slated to assume control of Women's Network until Turner Networks canceled it last year. She has background in documentaries, including CNN's *Cold War* series. PBS spokesman wouldn't confirm her selection, but said board's search committee had agreed on candidate for presentation, with action by full board possible on weekend. Announcement is possible today (Feb. 7), possibly at National Press Club.

CPB appropriations are scheduled for March 28 hearing before House Labor-HHS Subcommittee, 2 p.m., Rm. 2358, Rayburn Bldg.

DBS LOAN PROGRAM MOVING: Govt.-backed loan guarantee program to ensure availability of broadcast signals to rural areas received backing of Senate Banking Committee Chmn. Gramm (R-Tex.), who said at panel hearing Feb. 1 he was "committed" to program. He said new bill should be passed by end of March. One big difference from language backed by Sen. Burns (R-Mont.) is that Gramm supports making program technology-neutral, meaning cable, fixed wireless and other providers could apply for loan guarantees.

Gramm told us after hearing that even with other parties potentially receiving guarantees, there still would be enough of \$1.25 billion program to fund satellite-based solution: "Around \$625 million might be enough for a satellite approach." Govt. won't guarantee 100% of loans, Gramm said, but he wouldn't say how high percent could go, offering 60% as hypothetical.

Industry panel at start of hearing turned into debate on DBS must-carry, with DirecTV Senior Vp Steven Cox and EchoStar Senior Vp-Gen. Counsel David Moskowitz contending burden would prevent many local stations outside of top markets from being carried. Gramm said "I'm going to have to leave that [must-carry] to the Commerce Committee."

Second panel of witnesses representing govt. agencies said consensus was universal that program should be technology-neutral, including FCC Chief-Office of Engineering & Technology Dale Hatfield. NTIA Dir. Greg Rohde said "let's not exclude any technology." Agreeing were U.S. Copyright Office Senior Attorney Bill Roberts and Rural Utilities Service (RUS) Acting Administrator Christopher McLean. RUS, likely to administer program, is under Dept. of Agriculture.

Two days later Senate Agriculture Committee held hearing on same subject, with Chmn. Lugar (R-Ind.) and bill sponsor Sen. Baucus (D-Mont.) arguing that their committee should handle issue. "All of us are singing to the same sheet music," Baucus said, noting unanimity of committee members in attendance on need to get local signals into rural areas.

Lugar acknowledged that Gramm "has approached me that he is drafting [bill] with [Senate Communications Committee Chmn.] Burns that they will be working in the Banking Committee." He said with Banking also working on bill "we'll have to make some decisions." Baucus replied: "We need to do this as quickly as possible."

Loan guarantee legislation "is going to move very quickly" in House, House Commerce Committee Chmn. Bliley (R-Va.) told us, guessing it would end up in House Banking Committee. As for Senate, he said "Senator Gramm has promised he would have a bill out of his committee by the middle of March." Said Bliley: "Remember, every senator has rural people... and a lot of us do in the House."

Sen. Harkin (D-Ia.) questioned DBS claims it couldn't serve local areas with local broadcasts. "They sure can do it in other areas, but not in rural areas," he said. "I'm not buying that." He also questioned their claims of channel capacity shortage: "I'd like to see evidence of that, too. It just doesn't add up." NAB Exec. Vp-Govt. Relations James May cited channel capacity as one of several obstacles preventing rural areas from being served and thus making necessary loan guarantee program.

LOCALS EXAMINING ACCESS: With interest in open access appearing to wane at national level, debate is shifting to state legislatures and localities. At least 2 legislatures and 3 localities are poised to wrestle with issue. Lawmakers in Md. and Ohio are introducing bills to require cable operators to open wires to competing ISPs. Interest in issue also is being shown by 2 new counties and Washington, D.C.

Cable industry in Ohio is girding for long battle following announcement by Rep. George Terwilliger (R-Maineville) that he will introduce open access bill Feb. 16. Aide to Terwilliger, member of House Technology Committee, said draft bill is being circulated to attract co-sponsors. Ohio Cable TV Assn. Vp Ed Kozelek said industry will mobilize to fight attempt to "impose common carrier requirements on the cable industry."

Issue is to surface in Md., with Cheryl Kagan (D-Rockville) planning to introduce open access bill in "next few days." In Pa., cable industry mounted intense lobbying effort to thwart open access bill (HB-1516) as hearing wound up in House Consumer Affairs Committee. Aside from indicating that 3rd hearing Jan. 30 probably was last on issue, Committee Chmn. Chris Wogan (R-Philadelphia) didn't indicate what's likely to happen next.

In Mich., open access measure (SB 667) is expected to gain traction as legislature reconvenes this month. Bill had languished in committee after introduction last June.

Issue is going before policymakers in Baltimore City and Montgomery County, Md., Arlington County, Va., and Washington. Montgomery County Council member Marilyn Praisner organized hearing on open access Jan. 27. County spokeswoman said issue will come up before council "at some point in the near future." Washington City Council's Committee on Economic Development held hearing on issue recently while Arlington County cable regulator Gale Lucas said board had started discussions to formulate policy.

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"This confirms all our worst suspicions," House Telecom Subcommittee Chmn. Tauzin (R-La.) told us in response to ex-FCC Chmn. Reed Hundt's new book (TVD Jan 24 p8) that includes references to Hundt talking to White House officials. Tauzin said book confirms Hundt "took directions from Al Gore" and White House. "It confirms our worst suspicions that the FCC is a virtual tool of Al Gore's office in the White House, has been and continues to be despite the fact that the law says the FCC is an independent agency subject to Congress," Tauzin said. "And if this shocks anyone, I'd be surprised."

DirecTV "uses undisclosed direct payments to retailers" to convince them not to offer EchoStar DBS receivers, EchoStar said in antitrust suit filed in U.S. Dist. Court, Denver (see separate story, Consumer Electronics section). Suit charges DirecTV is trying to "monopolize" DBS market, "exploit[ing] its dominant market position in a variety of illegal ways to attempt to exclude competition." DirecTV hasn't commented on suit. Suit also names Hughes Network Systems and Thomson Consumer Electronics (RCA).

XM Satellite Radio said it raised \$228 million in sale of 4 million shares of Class A common stock to help finance development of new radio band that will deliver 100 channels of digital-quality radio.

TELESAT, EUTELSAT ENTER U.S.: Canada-based Telesat and Europe's Eutelsat will provide competition in U.S. satellite business, following FCC approval. New Telesat Communications Sales Div. will market domestic and international broadband satellite transmission service to broadcasters, cable companies, telecom resellers. Eutelsat became first European company to receive landing rights from FCC to market satellite-delivered Internet and TV services from N. America to Europe.

Telesat Vp-Development Dennis Billiard said World Trade Organization's Open Shores Agreement helped speed approval process. Telesat's primary broadcast satellites, Anik E1 and Anik E2, have been repositioned to serve U.S. customers. It said it plans to challenge GE Americom and PanAmSat. Telesat CEO Larry Boisvert said added competition should help U.S. market. Company plans to add locations at Boston hq and service centers in Atlanta and L.A.

Eutelsat will provide international satellite services from U.S. through joint operation with BT North and Group W. Company now will be able to directly link homes in Europe, Asia and N. Africa to Internet and satellite TV services. Eutelsat Dir. Gen. Giuliano Berretta said Eutelsat satellites broadcast over 600 digital and analog TV channels and 300 radio channels to more than 80 million satellite and cable homes.

Eutelsat has 15 satellites in operation, making it 3rd largest global satellite resource, spokesman said. Company has agreements with Canadian operators Teleglobe and Juchtech. Eutelsat plans to develop network for direct-to-home Ku-band transatlantic networks for IP and video services by 2001. Teleglobe will provide news, sports and entertainment feeds from L.A., N.Y.C., Washington and Toronto to be delivered to European destinations. It also plans to offer service from Europe to N. America on reverse link.

Financials: WB Network posted first quarterly profit in history, Time Warner (TW) said, earning \$3 million in 4th quarter ended Dec. 31 vs. \$15 million loss year ago. Parent company had income of \$2.5 billion, up 79% in year, and revenue was \$8 billion, up 11%. TW Cable networks' quarterly income rose 25% to \$394 million, with Turner networks' income up 23% and HBO up 16%. Cable systems posted all-time record income of \$1.5 billion, up from \$448 million... **Gannett TV** revenue edged up only 1.7% to \$206.2 million in quarter ended Dec. 26, largely because of lack of political ads and station transactions. TV cash flow was up 0.6% to \$122.6 million but overall profit grew 14.3% to \$294.6 million... **Belo Corp.** broadcast cash flow grew 8.3% in 4th quarter ended Dec. 31 to \$73.3 million and broadcast revenue 2.4% to \$171.1 million. Company said \$19 million in political revenue in 1998 quarter was partly offset by \$7 million jump in .com revenue. Boosted by \$47 million gain on sale of its Falcon Cable holdings and \$20.4 million on sale of 2 TV stations, overall net climbed to \$114.3 million from \$27.8 million year ago... **Sinclair Bcst. Group** has \$179.4 million profit in 4th quarter ended Dec. 31, reversing \$10.6 million loss year ago, on \$192.4 million after-tax gain on sale of assets. Operating loss was \$18.3 million, vs. \$15.1 million loss last year, and revenue dipped 0.5% to \$186 million. Net debt decreased by \$664.4 million from 3rd quarter to \$1.8 billion at end of year... **Gray Communications** broadcast cash flow grew 14% in quarter ended Dec. 31 to \$13.5 million, and broadcast revenue 18% to \$31.2 million.

SATELLITE STOCKS TOUTED: Wall St. analysts say satellite stocks offer best return for investors in future. At Satellite 2000 Conference in Washington, they predicted best growth stocks were in DBS, digital audio radio service (DARS), mobile satellite service (MSS), remote sensing, Little LEOs.

Investors looking for long-term gains and safety should check out companies such as EchoStar, Hughes, Orbital, Sirius Satellite Radio, XM Satellite Radio and Pegasus, analysts said. Mark Nabi of Morgan Stanley Dean Witter, William Pitkin of Merrill Lynch, Robert Peck of Lehman Bros., Vijay Jayant of Bear, Stearns and Marc Crossman of J.P. Morgan made picks.

Peck said he would split investment between Orbital and EchoStar; Pitkin picked DARS sector and Hughes Electronics, also mentioned PanAmSat. Nabi preferred Hughes and EchoStar while Jayant said XM and Pegasus would be his choices. Crossman picked Echostar, GM, Hughes. Crossman said satellite stocks such as EchoStar and Hughes are good investments because cable companies are rapidly losing market share to DBS systems that offer more channels and services.

Positive sign for investors is "growing number" of DBS companies asking for local TV access from FCC, Peck said: "That's a good problem to have. That means customer bases are growing."

—

NBC filed to join legal case against iCraveTV in U.S. Dist. Court, Pittsburgh. Original plaintiffs, including other major broadcasters, movie producers and sports leagues, already have won injunction that effectively shut down Canadian Webcaster. Meanwhile, U.S. Dist. Court, Pittsburgh, will hear oral argument Feb. 8 in iCraveTV case after ordering company to stop making American TV broadcast signals available to U.S. Internet users. Judge Donald Ziegler granted broadcasters' request for preliminary injunction (TVD Jan 24 p5) while he weighs their contention that iCraveTV has violated copyright law and essentially stolen broadcasters' property by retransmitting their signals on Internet without compensating them or seeking their permission. Injunction effectively shut down Web site.

Personal newscasts are available via Internet from Zatso Personal Newscast Service (formerly ReacTV), company said. Ad-supported service (www.zatso.com) draws on content provided by local TV stations, Court TV, Ivanhoe Health News, Reuters, Weather Channel. Users decide in advance types of stories they're interested in, Zatso's proprietary software then develops package of content meeting their interests that can be accessed through Web site, it said. Among stations participating are some owned by Media General, Meredith Corp., Scripps, Waterman Bcstg.

DaimlerChrysler bought \$100 million of Sirius Satellite Radio stock in agreement that includes exclusive Sirius service in fleet of auto maker's vehicles, Sirius Vp-Treas. Michael Haynes said. Investment, which represents 4% of Sirius, gives it more than enough capital to start its service by end of 4th quarter, he said. Haynes said he couldn't comment on which line of cars would get receivers first.

Hearst-Argyle TV said it completed acquisition of KQCA (Ch. 58, WB) Stockton-Sacramento from Channel 58 Inc. Hearst-Argyle had fixed-price option of \$350,000 for station, which it had been operating since Jan. 1999 under LMA.

President Clinton provided details Feb. 2 on his plan to attack "digital divide" while pushing Congress to fund \$2.4 billion package of tax breaks and grants. President said he has set "big goal" of making Internet connections as prevalent as phones. Lion's share of request is in \$2 billion, 10-year tax break for companies donating computers, sponsoring community technology centers for general Internet access or providing technology training for workers with less than high school educations. Clinton also would provide: (1) \$100 million to create up to 1,000 community technology centers. (2) \$50 million in grants to public-private partnerships to expand home use of computers and Internet. (3) \$45 million for rechristened Technology Opportunities Program, up from \$15 million.

General Motors announced move to restructure its financial interest in Hughes Electronics that it said should have little or no impact on plans to move aggressively into digital entertainment and business communications services. Hughes Chmn. Michael Smith said move by GM to spin off some of its Hughes interest would free up money it needs to continue restructuring. Smith said company now can focus on growing its entertainment and business communication service business, which includes DirecTV. Smith said DirecTV picked up 225,000 new customers in Dec., for total of 8 million in U.S. and one million in global market not including Japan.

Internet Ventures (IV), which is seeking FCC ruling that ISPs are entitled to leased access to cable wires, took exception to FCC Chmn. Kennard's reported comment that he's inclined to deny IV's petition and said decision on "whether or not to confirm leased access by merely reviewing the statute" and how agency had implemented it would be "unnecessarily limited." In another ex parte filing with Commission, company said agency's inquiry should be whether its action is consistent with objectives of statute, and "it cannot be disputed" that leased access will promote objectives of competition and diversity of information sources set forth in statute.

Representatives of 7 associations at Satellite 2000 announced first agreement to cooperate on international industry issues. Agreement was to form global organization to accelerate growth and protect interests of satellite communications industry. Members are Asia Pacific Satellite Communications Council, Brazil's Telecommunications Assn., Global VSAT Forum, National Assembly of Satellite Communications of Russia, Satellite Action Plan Regulatory Working Group (SAPRWG), Satellite Industry Assn., VSAT Service Providers Assn. of India.

Cox closed on its purchase of Gannett's cable assets for \$2.7 billion, deal initiated last July. Gannett said it cleared \$740 million after taxes. Cox paid \$5,148 per subscriber to obtain 524,500 customers of Gannett subsidiary Multimedia Cablevision. Cox gains 307,000 subscribers in Wichita, Topeka and Manhattan, Kan.; 121,500 in Okla. City; 96,000 in Greenville and Rocky Mount, N.C.

Ford Foundation provided \$250,000 grant to help set up low-power FM (LPFM) stations. Two-year grant, to be administered by United Church of Christ Office of Communication, will provide educational and advocacy services to community-based groups interested in LPFM. Church is to organize series of LPFM workshops around country.

More than 1,000 persons per min. signed on to ABC Web sites during peak periods of Jan. 30 Super Bowl, company said. ABC was providing enhanced content related to its game broadcast on superbowl.com and espn.com and other ABC-owned sites. Users total reached 650,000 during game. "These impressive figures reaffirm the coming of age of convergent programming," said Jonathan Leess, vp-gen. mgr. of ABC's Go.com Group. In survey of users, 96% said they would use enhanced TV capability of Internet again.

Few U.S. households are watching TV via their PC, Gartner Group's Dataquest said in new study. However, it said number of adults who watch TV and access Internet simultaneously has grown to 27 million from 8 million in 1998. It said only 2.1 million consumers have used PCs to watch TV. Report said PC manufacturers are "hard at work" to make PCs attractive display device for TV, but said transition will be "migratory" at least until DTV or digital set-tops become cheap enough.

Music rights group BMI said it reached agreements with copyright societies in France, Germany, Netherlands and U.K. to license public performance of music on Internet. It said agreements include "sufficient safeguards to prevent efforts by Web music providers to limit or evade copyright liability." BMI said it expects to reach deals in other countries. It didn't say where talks are with Internet companies, nor with U.S. copyright holders, who have been torn on question.

CBS and NBC said they will be among original partners in Contentville, Internet-based company set up to distribute books, magazines, transcripts, speeches, academic treatises and other content. Partnership, led by Brill Media Holdings, includes EBSCO, Primedia, investment manager James Cramer. CBS will own 35% of venture in return for \$40 million in ad and promotion time over 3 years.

Broadcasters shouldn't overreact to threats and opportunities of Webcasting, CanWest Chmn. Israel Asper told World Economic Forum in Davos, Switzerland. He said technology experts often misjudge consumer appetite for "new toys and contraptions." He said "cost and convenience, simplicity and certainty of quality," not delivery method, will drive consumer decisions that will be based on programs available.

TELEVISION DIGEST NOW AVAILABLE IN PRINTABLE FORMAT

Subscribers to Television Digest with Consumer Electronics now can receive their weekly issue electronically in the widely used PDF format, which duplicates the look and feel of the print version on any PC. Delivery of this version will take place the Friday before the Monday publication date. Subscribers who want to replace the print (or non-PDF electronic) versions they now receive may do so simply by sending an e-mail request to tdinpdf@warren-news.com or calling us at 202-872-9200. "Adobe Acrobat Reader" software, already loaded on most computers and free for downloading from the Internet, is required to read PDF files.

Personals

Changes at ABC: **Dene Stratton** appointed vp-planning and control; **John Saade** ex-Dakota N. Entertainment, named vp-alternative series and specials... **Kevin Sullivan**, ex-Dallas 2012 Olympic Bid Committee, named vp-communications, NBC Sports N.Y... Changes at Belo: **Donald Cass** promoted to senior vp-pres.; **James Aitken** named pres.-gen. mgr., Texas Cable News... **Scott Campbell** named gen. mgr., WMMP Charleston, S.C... **Marco Camacho** ex-Telemundo, appointed CEO, Hispanic TV Network... **Brian Bracco**, vp-news dir., promoted to group news exec., Hearst-Argyle's KMBC-TV Kansas City... **Bob Sanitsky**, ex-PolyGram TV, appointed exec.-vp-head of worldwide TV, ICM... **M.J. Bear** promoted to vp-NPR Online, new position.

Robert West, ex-Sinclair Communications, appointed senior vp-programming and scheduling, USA Networks... **James Barge** named vp-controller, Time Warner... Changes at ESPN International: **Christopher Calcinari** promoted to dir.-production planning and operations and **Michael Walters** to dir.-program planning; **Tim Leisure** named vp-acquisitions... **David Gest** appointed regional vp-ad sales, Cox... **Alex Maghen** named chief technology officer, MTVi Group... **Ken Lowe**, chmn.-CEO, Scripps Network, appointed pres.-CEO and a dir., E.W. Scripps, succeeding **William Burleigh**, who retires in Sept... Additions at Odyssey: **William Abbott**, ex-Fox Family Worldwide, exec. vp-national ad sales; **Edward Georger**, ex-Fox, senior vp-eastern sales... (David Gest, ex-CableTime, named Cox Atlanta regional vp-ad sales.

New NAB board members: **David Barrett**, Hearst-Argyle; **Colleen Brown**, Lee Enterprises; **Ardyth Diercks**, Gannett TV; **Andrew Fisher**, Cox; **Paul Karpowicz**, LIN TV; **Michael McCarthy**, Belo; **William Stakelin**, Regent Communications; **Susanne Mowbray**, Verstandig Bcstg.; **David Alpert**, Alpeak Bcstg.; **George Swift**, Progressive Communications; **John Dille**, Federated Media; **Jerry Zimmer**, Zimmer Radio Group; **Carl Gardner**, Journal Bcstg.; **Larry Wilson**, Citadel Communications; **John Cullen**, AMFM; **Ron Davis**, KBOW-AM, KOPR-FM; **Richard Mecham**, KSL-AM Salt Lake City; **George Nicholaw**, Infinity Bcstg.

Paul Misener, ex-aide to FCC Comr. Furchtgott-Roth and ex-Wiley, Rein & Fielding, named vp-global policy, Amazon.com, based in Washington... Appointed at OpenTV: **Scott Higgins**, gen. mgr., Americas; **John Bryan**, senior dir.-business development; **Debbie Coutant**, vp-Product Div... Promotions at Satellite Bcstg. & Communications Assn.: **Patricia Andrews**, to senior vp; **Margaret Parone**, to senior vp-communications.

NAB board authorized court appeal of FCC's low-power FM (LPFM) decision (TVD Jan 24 p1), spokesman said. Appeal is to be filed in U.S. Appeals Court, D.C., after LPFM notice is published in *Federal Register*. NAB hired D.C. law firm Jenner & Block, which handled its must-carry case, to handle appeal. Lead attorney is to be Donald Verrilli.

Fox News is using Internet to transmit broadcast-quality video between London and N.Y.C. under agreement with Sonic Telecom. Deal gives Fox direct access to ViaTel asynchronous transfer mode (ATM) network, Sonic said. Sharri Berg, Fox News dir.-newsgathering & operations, said: "As we transition to digital, we find that transmission over an ATM network meets our requirement for quality and offers important economic advantages."



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Obituary

U.S. Dist. Judge Harold Greene, who oversaw divestiture of AT&T in 1984, died Jan. 29 in Washington of cerebral hemorrhage. He was 76. Greene, who stopped hearing cases in 1998, is credited with reshaping telecom industry and helping to usher in long distance competition. He was assigned to preside over Dept. of Justice antitrust suit against AT&T beginning in early 1981. Settlement that called for divestiture was filed in his court in Jan. 1982 by DoJ and AT&T. He's survived by wife Evelyn, son, daughter.

WRH

Consumer Electronics

A Section of *Television Digest* with *Consumer Electronics*

STATE OF THE INDUSTRY

Sales to dealers, from CEA, for week ending Jan. 21 and year to date:

	JAN. 15- JAN. 21	1999 WEEK	% CHANGE	JAN. 8- JAN. 14	3 WEEKS 2000	3 WEEKS 1999	% CHANGE
TOTAL COLOR TV.	445,220	357,747	+ 24.5	270,920	952,395	888,410	+ 7.2
DIRECT-VIEW**	423,252	341,225	+ 24.0	254,625	902,782	851,738	+ 6.0
TV ONLY#....	354,545	302,574	+ 17.2	225,794	772,523	755,146	+ 2.3
TV/VCR COMBO.	68,707*	38,651	+ 77.8	28,831	130,259*	96,592	+ 34.9
PROJECTION...	21,968*	16,522	+ 33.0	16,295	49,613*	36,672	+ 35.3
TOTAL VCR**....	291,423	300,533	- 3.0	131,473	608,250	698,515	- 12.9
HOME DECKS...	222,716	261,882	- 15.0	102,642	477,991	601,923	- 20.6
CAMCORDERS (a) ..	80,488	39,090	+105.9	48,168*	162,046*	103,574	+ 56.5
DVD PLAYERS....	101,298*	32,340	+213.2	51,078*	196,567*	63,901	+207.6

Direct-view TV 5-week moving average#: 2000-304,259; 1999-282,603 (up 7.7%).

Projection TV 5-week moving average: 2000-22,277*; 1999-16,887 (up 31.9%).

VCR deck 5-week moving average: 2000-239,166; 1999-254,191 (down 5.9%).

TV/VCR 5-week moving average: 2000-56,972*; 1999-40,725 (up 39.9%).

Camcorder 5-week moving average: 2000-58,704; 1999-37,326 (up 57.3%).

DVD player 5-week moving average: 2000-94,163*; 1999-31,333 (up 200.5%).

* Record for period. ** Includes TV/VCR combinations. # Excludes TV/VCR combinations. (a) Includes analog camcorders only.

ECHOSTAR ANTITRUST SUIT SAYS DIRECTV IS BUYING EXCLUSIVITY: DirecTV “uses undisclosed direct payments to retailers” to convince them not to offer EchoStar DBS receivers, EchoStar said in antitrust suit filed Jan. 31 in U.S. Dist. Court, Denver. Suit charges DirecTV is trying to “monopolize” DBS market, “exploit[ing] its dominant market position in a variety of illegal ways to attempt to exclude competition.”

DirecTV spokesman said his company still was reviewing complaint before commenting. But he said DirecTV believes suit has no merit and represents EchoStar attempt to “litigate its way to market share rather than compete in the marketplace.” All agreements that DirecTV has in place with retailers and manufacturers are “sound and legal,” spokesman said: “We do not engage in illegal activities.” Other defendants Hughes Network Systems and RCA parent Thomson Consumer Electronics haven’t commented.

Antitrust suit asks court to void contracts between DirecTV and retailers and others, to impose permanent injunction against practices and to order DirecTV to turn over unspecified illegal profits and other damages to EchoStar. Jury trial is sought.

National consumer electronics retail chains typically offer variety of competing consumer electronics products, EchoStar said, but “this profit-seeking behavior is nonexistent when it comes to DBS.” Suit charges DirecTV “conspired with RCA and others” to convince retailers to “ban [EchoStar’s] DISH Network from their stores and instead only carry and promote DirecTV equipment.” It also contends that DirecTV “made false and misleading representations” about EchoStar and “published injurious falsehoods” about it. EchoStar said it has had success in penetrating DBS market, but “progress has been slowed by DirecTV’s anticompetitive maneuvers... When DISH Network competes directly with DirecTV [it] typically outsells DirecTV.” DirecTV has 70% of DBS market, EchoStar rest. But suit said DirecTV’s “answer to this is not to improve its own product, but rather to convince others to boycott” DISH. It alleged that because RCA receives royalty on every DirecTV system sold, “this provides motivation for RCA to participate in [DirecTV’s] schemes” to boycott DISH.

DirecTV offers "cash payments and other inducements that are tantamount to illegal monetary enticements, if not bribes" to national chains, EchoStar contends. It specifically claims that DirecTV offered inducements to Best Buy and Circuit City, after they agreed to carry DISH equipment, causing both to refuse to sell it. Suit also claims that RCA and other HDTV manufacturers have refused to supply HDTV and other products to retailers that sell DISH equipment. DirecTV also tried to coerce Sears into halting sale of DISH equipment, and eventually barred Sears from selling its products, EchoStar charged: "DirecTV has sought to make an example of Sears simply because Sears had the audacity to refuse to take money from DirecTV or listen to its threats." Suit said DirecTV also has "stiffed Sears on amounts due from its prior sales" of DirecTV equipment and services. Sears declined comment. Sears started selling DirecTV products in 1994 and is believed to have sold out its remaining DirecTV inventory last July 31. Sears was able to continue carrying RCA and Sony DirecTV IRDs past June 1 cutoff date, but no longer qualified to receive market development funds or share of residuals that make it profitable business.

DirecTV has defended Sears cutoff on ground that companies differed over philosophy, not exclusivity (TVD May 17 p20)— claim that has been sharply disputed by Sears Brand Central Vp-Gen. Mgr. Charles Cebuhar (TVD May 10 p10). Sears and Ultimate Electronics were among few high-profile retailers that carried both services and thus were directly affected by DirecTV policy that promises greater monetary support to exclusive dealers. Suit said that Ultimate Electronics notified EchoStar in Jan. that it would stop selling DISH equipment, with Ultimate representatives telling EchoStar that it wouldn't be able to sell HDTV or DirecTV products if it continued selling DISH. Ultimate Pres. David Workman, who has said he resisted attempts by DirecTV to drop DISH products (TVD May 31 p10), couldn't be reached for comment. Best Buy and Circuit City declined comment.

DirecTV also is trying to control content available to DISH, EchoStar suit charges. It cites sports programming, including NFL games, that aren't available on DISH because of exclusive agreements with DirecTV: "DirecTV coerced and/or induced the NFL and its member teams to preclude DISH Network from even bidding for such rights." EchoStar said similar deals are in place with other sports leagues.

"Final blow to competition" could be payments from DirecTV to DTV set makers to assure that DirecTV receivers are built into new DTV sets, EchoStar said. Suit contends DirecTV has deals with "co-conspirators and other third parties in restraint of trade to dominate the manufacturing of HDTV systems." It said DirecTV offered manufacturers "cash payments" to include only DirecTV receivers in DTV sets: "If DirecTV's scheme is successful, the consumer's choice of a DBS system will not be determined by price or quality competition... but rather by the anticompetitive consequences of agreements" between DirecTV and others.

False statements by DirecTV about EchoStar alleged by EchoStar include: (1)That EchoStar wouldn't be able to remain in business. (2) That EchoStar comes in 2nd to DirecTV in performance and price comparisons.

NEW CHINESE DVD PLAYER IS CYBERSPACE HIT: Ability to play MP3-encoded CDs is among sophisticated features making bargain-priced Apex Digital AP600A new darling of Web-surfing set. But besides component video output, CD+R/W playback and multistandard TV operation in sub-\$200 deck, it's unadvertised features such as modifiable regional coding that are causing buzz on Internet.

Apex-branded player first emerged last month at Circuit City (CC) chain, where spokesman told us it would be used to balance inventories of Chinese-made Oritron DVD player at entry-level (TVD Jan 24 p20). Apex deck is variably priced at \$159-\$199 at CC, and available through retailer's Web site, though not at all stores. Price has been as low as \$149 for opened display models, Web reports said. Although Apex spokesman told us AD600A model is available only through CC, shoppers report buying deck at retail chains Roberds and Hastings, Canadian retailer Future Shop and mail order catalogs Damark and Heartland.

Playback of MP3-encoded CDs endears Apex DVD to underground following on Internet. It's first DVD player on U.S. market with that feature, although most Chinese OEMs have begun to offer it. Besides ability to decompress MP3 files burned onto blank disc in PC-based CD+R/W recorder, Apex deck has multi-lens laser pickup needed to read less reflective recordable CDs. Manufacturer source that has examined Apex deck told us it actually uses DVD-ROM drive to perform multiread function.

Other selling point of Apex player is component video output. Higher resolution video output hasn't been seen in low-priced decks or even most midline step-ups. Curiously, Apex calls its color difference (Y-Pr-Pb or Y-Cr-Cb) component output "ColorStream" and prints it with trademark insignia. But "ColorStream" is name trademarked by Toshiba America Consumer Products for its component video out. Craig Eggers, Toshiba DVD product mgr., had following statement: "ColorStream is a trademark of Toshiba America Consumer Products, and the company has not authorized its use for other than Toshiba-branded products."

Apex deck offers flexible selection of operating modes. Although it lacks universal power supply, 120 v AC deck will run on 50 or 60 Hz service. Deck also has switchable video output: User can select output signal for NTSC, PAL or multistandard TV. Besides playing DVD-Video and variety of music CDs, it also plays Video CD, Super Video CD and karaoke formats popular in Asia. Deck has 2 microphone inputs for karaoke sing-along. It has digital coaxial output for audio, and passes through Dolby Digital, DTS or MPEG-2 audio for outboard decoding.

Other flexible feature bound to be hit in some corners — but cause chagrin elsewhere — is ability to change regional coding settings in Apex AD-600A. Manufacturer doesn't reveal that in owner's manual, which carries all appropriate regional code and copyright advisories, and deck ships to U.S. preset for Region 1 play. But Apex aficionados on Web soon discovered code settings could be changed through deck's setup menu and remote control. Meanwhile, Web site for presumed Chinese manufacturer offers "code-free" operation as \$5-per-player option to potential OEM clients. Besides AD600A, manufacturer offers 4 other DVD players with same "option." At our Fri. deadline, we couldn't independently confirm that regional coding can be reset.

Apex spokesman was reluctant to discuss most aspects of company's operations, including manufacturing source or other retail accounts. He did say Apex plans to offer additional DVD models and other AV products in spring. Ontario, Cal.-based company calls itself Apex Digital but also goes under name United Data Inc. Spokesman told us it's allied with autosound marketer L.A. Sound, also in Ontario. Although Web site identifies Chinese OEM as Visual Disc & Digital Video Corp. (VDDV), Apex spokesman wouldn't comment. VDDV appears to have ties with other Chinese companies, but connections remain unclear. They include Waisun Industrial Co. Ltd., Serdustrial International Trading Co. Ltd., Tong Yuan Import & Export Co.

Meanwhile, Apex fans on Web were in frenzy last week when sparse availability of AD600A deck fueled rumors that brand had been dropped by CC and other retailers. Message boards on Internet were crammed with latest Apex sightings at retail and with advice on alternate sources and pricing. Furor was for nought: At our Fri. deadline, CC spokesman told us chain "will continue to order, stock and sell" Apex deck, although he wouldn't say how model was selling. Separately, cataloguer Damark was telling customers it would have Apex deck back in stock on Feb. 20.

STUDIOS RISK 'IRREPARABLE INJURY' FROM DVD HACKERS — JUDGE: Content Scrambling System (CSS) has "facilitated" enormous growth in the use of DVDs for the distribution of copyrighted movies to consumers." As such, 8 major movie studios are correct in asserting they would suffer "irreparable injury" if Internet sites continue posting "DeCSS" encryption hack.

So said U.S. Dist. Judge Lewis Kaplan, N.Y.C., in 30-page decision issued Thurs. explaining why he granted preliminary injunction sought by MPAA and major studios in suit that seeks to bar Internet sites from posting DeCSS encryption cracks. Although studios don't allege that defendant sites have directly infringed on their copyrights, Kaplan said, they contend that defendants "offer technology that circumvents their copyright protection system and thus facilitates infringement." He said that for purposes of irreparable injury threshold that must be satisfied for preliminary injunction to be granted, "this is a distinction without a difference." Kaplan said: "Just as in the case of direct copyright infringement, the extent of the harm plaintiffs will suffer as a result of defendants' alleged activities cannot readily be measured, suggesting that the injury truly would be irreparable."

Kaplan struck down defendants' claims that studios delayed filing suit, thereby "undermining" their claim of irreparable harm. He sided with MPAA contention that studios first learned of availability of DeCSS crack on Internet in late Oct. He said studios "immediately sought to address the problem by approaching Internet service providers and met with some success." He said apparent turning point in studios' decision to file simultaneous federal suits Jan. 14 in Conn. and N.Y. came after state court in Santa Clara, Cal., denied temporary restraining order (TRO) sought by licensing entity DVD Copy Control Assn. in suit that alleged sites were guilty of misappropriating trade secrets.

Judge, citing MPAA declarations, said that with TRO denial, "dissemination of DeCSS became more widespread." MPAA Senior Vp Fritz Attaway had testified that hackers took TRO decision as "a vindication of their actions." He said hackers "taunted" MPAA "by stepping up their efforts to distribute DeCSS to the widest possible worldwide audience." Attaway said: "I am informed that one enterprising individual even announced a contest with prizes... for the greatest number of copies distributed, for the most elegant distribution method and for the 'lowest-tech' method."

It's "undisputed" that DeCSS "defeats CSS and decrypts copyrighted works without the authority of the copyright owners," Kaplan said. Because DeCSS has no other "commercially significant" application, he said, studios have "likelihood" of winning case on its merits, thereby satisfying another threshold for granting preliminary injunction. Judge said defendants were "exceptionally unpersuasive" in their argument that DeCSS "was not designed primarily to circumvent CSS."

Kaplan struck down defendants' claim that DeCSS is speech protected by First Amendment. He said that "executable computer code of the type at issue in this case does little to further traditional First Amendment interests." He said in contrast that anticircumvention rules of Digital Millennium Copyright Act (DCMA) on which MPAA suits are based fit "squarely within the goals of copyright, both generally and as applied to DeCSS. In consequence, the balance of interests in this case falls decidedly on the side of plaintiffs and the DMCA." Kaplan said that "application of the DMCA to prohibit posting of DeCSS appears constitutional also because that posting is part of a course of conduct the clear purpose of which is the violation of law."

SONY WITHDRAWS FROM NARM CONVENTION IN WAKE OF SUIT: At our deadline, Sony withdrew all participation and support of NARM convention set for late Feb. in San Antonio. Although additional details weren't available, move was in apparent retaliation for NARM's suit filed earlier last week against Sony Music Entertainment and parent Sony Corp. of America. NARM filed suit to stop what it believes is illegal practice of forcing retailers to carry enhanced CDs that contain software "hyperlinks" such as "Buy Now Links" that divert consumers to Sony's online stores.

Suit, filed in U.S. Dist. Court for District of Columbia, also seeks to block Sony from inserting promotional inserts — "blow-ins" — into CD cases and alleges that Sony has engaged in copyright misuse, illegal price discrimination by favoring its own record club and online music store — CDNow and Columbia House — over other dealers, unfair competition, false advertising.

NARM Pres. Pamela Horovitz told us last week that company first noticed blow-ins from Sony and other record companies "a little over a year ago and we complained about it to all of the record companies last summer." That practice — as well as hyperlinks — have continued despite concerns NARM raised, she said, citing recent Ricky Martin and Barbra Streisand CDs as examples.

Horovitz said NARM filed suit as "proactive" step and wanted "to get the ground rules for hyperlinks laid out well in advance" of what's coming down road in terms of broadband digital delivery of music as well as arrival of DVD-Audio, in which some of same issues are certain to arise.

Environment in which major record companies continue to announce merger plans has added fuel to NARM's concerns about increasingly smaller number of companies controlling 85% of all sound recordings sold in U.S. After Seagram's Universal merger with Polygram, situation now has EMI and Warner Music planning to merge (TVD Jan 31 p11) while rumors have run rampant that BMG and Sony Music are in talks on possible merger. Reports last week said BMG and Sony representatives recently met in Tokyo to discuss merger.

In lawsuit, NARM pointed out that because Universal Music and BMG merged their Internet operations into GetMusic.com while EMI, Sony and Warner may end up having Internet alliance, there stand to be 2 powerful Web retail operations controlled by major record companies competing with NARM's retailers.

Suit also says: "Retailers do not have the option of refusing to carry CDs bundled with unwanted products because the market shares of the 5 (soon to be 4) major record companies, individually or collectively, are so large that NARM retailers would go out of business were they to refuse to carry the sound recordings of any one of those companies, including Sony." Suit says customers and competing record companies — both major and independent — also will be affected if practice continues because "revenue lost as a result of the Buy Now Links will be made up by increasing the retail margins on all CDs." NARM estimates that each consumer "delivered through a Buy Now Link has a value of at least \$50" on average.

Horovitz said "as expensive and aggravating as litigation is" lawsuit may prove to be "the best way to resolve the issues." She said: "We're really not looking to go to war with Sony." Reason NARM picked Sony, she said, is "fact that the various Sony practices actually, in combination, exemplify best the group of practices [by record companies] that we're concerned about." NARM is hoping "this one case" will lead to issues' being addressed, Horovitz said, and NARM "at the moment [has] no plans to file additional litigation, but I would never rule it out in the future." Only money NARM is looking for Sony Music to pay are costs relating to NARM's legal fees.

NARM represents more than 1,000 music retailers, wholesalers and distributors, including CDNow and Columbia House, Horovitz said, and majority of retail members, among them retail backers Compact Disc World, Musicland, Tower Records, were in favor of suit.

Musicland Group Vice Chmn. and NARM board member Gil Wachsman echoed Horovitz's comments on why organization opted for suit to settle issues, saying: "It seems unlikely that the marketplace is well positioned to resolve this dispute without significant disruption to current projects and relationships." Tower Exec. Vp and NARM Chmn. Stan

Goman said: "I'm angry that after all the effort Tower puts into helping Sony artists, these [hyperlinks] are being used to drive sales at Sony stores instead of at our stores."

Sony Music didn't return calls for comment by our Fri. deadline.

800.COM GETS SONY APPROVAL: 800.com has become 7th e-tailer to win official stamp of approval to sell Sony CE products online and only "pure play" site — e-tailer with solely Internet business — to gain such authorization. In receiving Sony authorization, 800.com joins Abt Electronics, Circuit City, Crutchfield, Hifi.com, Stereo Advantage, Tweeter@outpost.com.

Explaining why his company decided to grant 800.com authorization, Sony Electronics Pres.-COO Teruaki Aoki said: "As we expand our sales on the Internet, customer service and satisfaction will be critical. In this regard, 800.com's commitment in this area and their demonstrated capabilities fit very well into Sony's overall e-commerce strategy."

800.com Senior Mds. Vp Frank Sadowski told us he expected Sony products representing all major CE categories to start becoming available at his site in spring, probably by April. While he declined to offer specific projection of how much additional sales 800.com expects Sony authorization will produce, Sadowski said "judging from the level of interest" among e-tailer's customers for Sony products, he expects "sales increase to be substantial." 800.com CEO Greg Drew said: "Of the products we don't have at the site, Sony is one of the more frequently requested brands." Sadowski said company has been able to gauge large number of requests by site visitors based on number of times Sony has been entered into search engine.

Sadowski said consumers will be able to find Sony products at 800.com by either entering Sony store or by searching for them along with other manufacturers' products. At that point, Sony will be only manufacturer with its own store at site, he said, pointing out that Kenwood had separate store at site when that manufacturer first authorized 800.com to sell its products in Sept. (TVD Sept 27 p12), but since has opted to have its products included only alongside other manufacturers' merchandise. He said 800.com also will be linked to Sony's Web site in same manner that manufacturer's other authorized online dealers currently are.

Not clear at our deadline was whether 800.com's selection means that Sony plans to authorize more Internet-only retailers — move that would signal change in manufacturer's e-commerce strategy communicated to us in Sept., when Sony said its official e-commerce policy was formulated (TVD Sept 6 p12). At that time, Sony spokesman told us that although company wasn't ruling out Internet-only dealers such as Amazon.com and 800.com at some point in future, "our attention right now is on our core brick-and-mortar dealers." Abt, Circuit City, Stereo Advantage and Tweeter clearly fit that bill. Hifi.com's related division, Cambridge SoundWorks, also clearly fits that bill. Although Crutchfield isn't one of Sony's core brick-and-mortar dealers, Crutchfield had established relationship with Sony as catalog dealer long before becoming first dealer to gain manufacturer's online authorization.

As Sony continues to slowly authorize growing number of retailers to sell its products online, manufacturer has plans to increase number of products it sells direct to consumers online at its own Web site as well. Aoki recently discussed e-commerce

issues with group of reporters, telling them that in growing world of e-commerce, there are 2 separate options that company has considered for how its products can be sold online — products can be sold by its authorized dealers or by itself. He said: "We need to be prepared for both options." Aoki said company plans to increase number of products it sells direct to consumers from its Web site by end of year. But he didn't specify what products that might include, Sony spokesman said. Company currently sells only small selection of products at its Web site, including computer peripherals and Sony Mavica digital still camera.

Sony Computer Entertainment (SCE) recently set up PlayStation.com (Japan) division to handle sales of hardware and software online in conjunction with release of upcoming PlayStation2 console (TVD Jan 24 p20). Company executives revealed in Sept. that SCE intends to use new game system as platform for Internet-based electronic distribution of digital content via broadband networking next year (TVD Sept 20 p14).

Recoton announced that its STD Manufacturing and InterAct Accessories video and game subsidiaries have "entered into a new PC game controller design and manufacturing relationship with Microsoft." Recoton said project is STD's and InterAct's first with Microsoft and will result in new "PC game controller product" that will ship in fall. Recoton spokesman said he couldn't comment on whether controller would be solely for PC game market or for "X-Box" game console system that Microsoft is said to be developing for fall (TVD Sept 13 p12) — same time frame in which Sony's PlayStation2 will ship in U.S. Microsoft has yet to announce anything publicly about console but reports from London's European Computer Trade Show in Sept. said Microsoft held off-site meetings there with games industry executives who were asked to sign nondisclosure agreements. Since then, at least one software publisher executive has mentioned Microsoft system in conference call with analysts. "X-Box," like PlayStation2 and Nintendo's upcoming next-generation console "Dolphin," will include DVD drive and Internet connectivity, reports have said. Microsoft spokesman didn't return call for comment by our Fri. deadline.

Incompatibility with *The Matrix* DVD now has been reported with at least 6 DVD players from 5 additional brands. Web site of PC Friendly, whose technology is used to create highly interactive DVD-Video/DVD-ROM hybrid discs, has added players from Hitachi, JVC, KLH, Marantz and Sampo to earlier list of 9 brands experiencing playback problems with Warner Home Video's *Matrix* disc. In most recent cases, decks require firmware upgrade that manufacturers will provide free, as those brands affected earlier did, Web site said. In JVC's case, manufacturer said models XV-501 and -701 decks respond to *Matrix* menu commands slowly, but will play disc. Playback anomalies with disc were reported late last year when first brands affected were Emerson, GE, Panasonic, Pioneer, Samsung, Sony, Toshiba, Yamaha and Zenith (TVD Nov 15 p9).

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at ¥108 = \$1, except where noted.

GAME BOY ADVANCE TIMING QUESTIONED: As Nintendo gears up to roll out 32-bit Game Boy Advance platform later this year, some in industry are questioning timing of debut of new portable system even as company is having trouble keeping up with demand for widely successful Game Boy Color.

Nintendo of America (NOA) Marketing Vp George Harrison said parent in Japan still plans to launch Game Boy Advance there in Aug. and in U.S. and Europe later in year. Game Boy Advance will be under \$100, he said, and Game Boy Color's price is likely to be lowered from current \$79.95 MSRP.

Driven in large part by success of Pokemon license, NOA is on track to sell 8 million Game Boy Colors in fiscal year that ends in March, despite shortages in holidays that have continued in early 2000 (CMR Dec 27 p1). Gerard Klauer Mattison reported that Pokemon accounts for about 25% of Game Boy software sales, which still leaves plenty of room for 3rd party publishers to augment their PC and console games with solid revenues from portable market.

Game Boy Advance will be backward compatible, so publishers still can bring out Game Boy Color games that can be played on new system. But some are openly questioning why Nintendo is intent on tinkering with incredibly successful portable strategy. "We all like to talk about new formats, but I don't think it's in anyone's interest — retail, publisher or Nintendo — to kill a market too early," THQ Pres.-CEO Brian Farrell said. "Game Boy [b&w] had 9 years on the market. Why should Game Boy Color have only 2."

While 32-bit Game Boy Advance no doubt will cause development costs to rise over 8-bit Game Boy Color, Farrell said his primary concern is consumer base. "Why confuse the consumer at this point?" he asked. "I hate to see us ruin one of the real vibrant markets this year."

Other major issue that will face Game Boy Advance next holiday season is shelf space. "With all the new formats there will be a shelf space problem for certain retailers," said Steve Kleckner, senior vp for distributor Electro Source. "For some of the mass merchants, it will make it very difficult because nothing else is going away and you're adding PlayStation2, you just added for Dreamcast and you're adding accessories for all these formats. It does make it very tough for some retailers to correctly merchandise everything."

Some retailers, however, welcome new Game Boy product. Funco Senior Vp Jeffrey Gatesmith said he had heard some concerns about arrival of Game Boy Advance, but added: "I don't think having [it] out there is going to kill the Game Boy Color platform. I always feel that when new technology comes out and companies resist that technology... in favor of the status quo, they end up making a mistake." Gatesmith predicted specialty stores such as Funco would have little problem allocating shelf space for new platforms. "For some retailers that may be a problem, but not for us," he said.

One source suggested Nintendo could find itself squeezing its own shelf space if it launches Game Boy Advance late this year, adding: "I think some retailers may end up dropping the N64."

Of course, nothing is written in stone, and several people we spoke to said Nintendo ultimately may end up pushing back

Game Boy Advance launch until 2001. NOA's Harrison conceded issue of timing has come up, but indicated dilemma of when to bring out new version of phenomenally successful platform is problem that any hardware maker would love to have. He said NOA projects it will sell 6 million Game Boy Color units and one million Game Boy Advance in fiscal year that ends March 2001.

In other NOA news, company revealed that it will bundle highly anticipated *Pokemon Stadium* game with N64 hardware beginning in April in hope of luring children participating in Pokemon phenomenon to its 64-bit system. Bundle will be priced at \$149.95 and will feature hardware, 2 controllers, Pokemon guide book and trading cards as well as game and adapter that allows consumers to take characters captured and trained on Game Boy Color and pit them against each other on N64.

Despite strength of Pokemon license, few in industry believe arrival of *Pokemon Stadium* will revive N64, which has seen its market share eroded by Sony PlayStation and Sega Dreamcast. Few 3rd party publishers are supporting N64 this year because of worries that cartridge-based business model may leave them with inventory management problems. But title could end up driving hardware sales, helping NOA clear out excess hardware inventory carried over from holidays, source said.

Illicit DVD imports of Region 1 (U.S.) discs to Region 2 (Europe) has resulted in conviction under U.K.'s Video Recording Act. Essex-based retailer Laser Enterprises forfeited \$140,000 of imported DVDs and laserdiscs after pleading guilty to charges, but court didn't impose heavy fines or jail terms permitted by law. Although Laser said it would appeal, court's ruling confirmed illegality of 3rd party importation and sale of videos from outside U.K. that lack ratings classifications imposed by British Board of Film Censors. Retailer was charged with purchasing and importing Region 1 discs for resale in U.K., although it argued that operation was "personal importation service" that procured DVDs on behalf of U.K. customers. Under U.K. law, it's legal for individuals to directly purchase and import overseas videos for own use as long as titles don't breach obscenity laws.

Combo DVD player/CD recorder from Hitachi made European debut at London news conference last Thurs. New DV-W1E had been shown at Nov. Comdex and last month's CES (TVD Nov 22 p18, Jan 10 p23). It's set for U.S. delivery by midyear at \$799, Europe in late April at about \$1,000. Besides DVD-Video drive for movie viewing, transport can feed audio CD to 2nd drive for 2x or real-time dubbing onto blank Audio CD-R or CD+RW. Dual drives in highly stylized, brushed aluminum deck are concealed behind drop-down flaps. Other unique feature of Hitachi flagship deck is TV on-screen display (OSD) to assist in dubbing compilation CDs. Split-screen display shows tracks on source disc and, with remote control, user selects titles and programs order for dubbing. Deck also can dub CD Text, and OSD lets user create additional descriptive text through remote control. Dubbing processes can be controlled through decks' front-panel display. Other features include built-in Dolby Digital and DTS decoding, component and S-video output.

MP3.com started new Music Greetings feature that allows visitors to its site to send free virtual greeting cards with songs by artists in site's catalog attached.

AMAZON LOSSES AND SALES SOAR: On strong holiday selling season, Amazon.com last week posted \$676 million in sales in 4th quarter ended Dec. 31 vs. \$252.8 million year earlier. But e-tailer's losses also soared to \$323.2 million from \$46.4 million loss.

For year, loss widened to \$720 million from \$124.5 million loss in 1998, while sales more than doubled to \$1.6 billion from \$609.8 million.

Although many Wall St. analysts had expected Amazon to report 48¢-per-share loss, figure was worse — 55¢ loss. Despite losses, investors boosted share price 13% to \$78-5/8 in after-hours trading day results were announced, after rise of almost 3% in regular trading on Nasdaq. Analysts seemed to show leap of faith in Amazon after executives said in conference call that they intend to move it closer to profitability this year.

Breaking down results for each of its online stores in quarter, Amazon said: (1) Electronics and software store sales in Dec. alone exceeded cumulative sales in first 5 months of operation, with electronics accounting for 6 of Amazon.com's top 10 revenue-generating products in Dec. (2) DVD and Video store sales grew more than 500% to \$64 million, with DVD now accounting for more than half of video revenues. (3) U.S.-based music sales reached \$78 million, up more than 136%. (4) Books jumped to \$317 million, up more than 66%. (5) Toy store sales were more than \$95 million. Amazon said overall No. 1 product in dollars across all of its product lines in Dec. was 3Com's Palm V.

Just before releasing results, company said it would lay off 2% of its staff — about 150 employees. Decision — first of its kind in its 5-year history — is part of planned internal reorganization.

On more positive note last week, Amazon announced strategic alliance with online home products and services retailer living.com to create "Home Living" store at Amazon.com. As part of deal, it said living.com will pay it \$145 million over 5 years in exchange for exclusive right to sell home products at Amazon.com. Amazon also said it's making 2 acquisitions: (1) 18% stake in living.com, with warrants for another 9% when deal closes, probably later this quarter. (2) 5% of Internet spoken audio provider Audible and will prominently feature content and services from www.audible.com at Amazon.com.

Amazon announced new logo — downward curve underlining Amazon.com has been replaced by smile that begins under "a" and ends with dimple under "z," which it said stresses that it "offers anything, from A to Z, that customers may be looking to buy online."

Prodigy started 'Just Click No' Web site to alert consumers with more than one ISP on their PC that competitor AOL's 5.0 software may create problems with their existing settings and software. Web site provides step-by-step directions on how to restore full functionality for those whose systems have been altered by 5.0 software. Move came day after AOL became target of class-action lawsuit filed by Washington lawyers claiming controversial 5.0 software creates obstacles for consumers who also want to use rival ISPs. AOL spokesman didn't return call for comment by our Fri. deadline, but was quoted by AP as saying complaint has "no basis in fact or in law" and AOL "had very few complaints" from its customers about 5.0. However, we've heard various complaints about 5.0 software from consumers ever since it became available in Oct.

COMPUSA POSTS \$2 MILLION LOSS: As CompUSA continues its struggle to overcome drops in PC pricing, computer chain last week reported \$2 million loss for 2nd quarter ended Dec. 25 compared with \$12.9 million profit year earlier. News followed announcement that Mexican retailer Grupo Sanborns plans to purchase majority stake in 217-store chain that may lead to major restructuring and closing of 10-15 CompUSA stores (TVD Jan 31 p14).

Sales for quarter fell 18% to \$1.4 billion from \$1.8 billion year earlier. CompUSA attributed drop in its core operations to decrease in company's direct sales business, which was consolidated into regional sales force with centralized sales support. It said direct sales in quarter plunged 59% from year ago to \$218 million. Direct sales decrease affected its technical services and training businesses, which saw decreases of 15% to \$30 million and 37% to \$17 million, respectively. Core operations include its CompUSA PC build-to-order, call center, direct, retail, technical services and training businesses, but not its cozone.com Web subsidiary.

CompUSA put positive spin on direct sales restructuring, saying it helped increase gross margins, which jumped 16.3% from 13.6% in year. It said gross margins were boosted by decision to reduce promotional efforts and start emphasizing higher margin product categories including cameras, notebook computers, videogames. Changes were part of restructuring announced last June that also saw company expand product mix to include DVD and MP3 players and camcorders (TVD June 28 p17) and to cutting of 2,300 jobs in Sept. (TVD Sept 6 p15).

Pending purchase of majority stake in CompUSA by Grupo Sanborns was given as reason why chain's CFO, James Skinner, declined to take questions in conference call with analysts last week, Reuters reported. Sanborns purchased 14.1% stake in CompUSA for \$86.4 million in Sept. (TVD Sept 20 p20) and now wants to boost stake to 51%. Sanborns, controlled by Mexican billionaire Carlos Slim, is expected to take CompUSA private after acquisition is completed.

DVD's mass-market appeal has posed perplexing stumbling block for some consumers, retailers, manufacturers. Technical service rep with one vendor told us that with recent plethora of sub-\$200 DVD players, decks are finding way into households that have no way of connecting them to family TV set. Problem involves sets that lack video input jacks — not simply older models, but most often even recent large-screen TVs sold through warehouse outlets and buying clubs. Latter models even in 27" and larger sizes usually have only 75 ohm RF input for antenna or cable lead as cost-cutting measure to hit warehouse price points, source said. But unlike VCRs, which have RF output for hookup to TV, DVD players have only composite, S-Video or component video outs. Source told us that aside from returning deck, only recourse for confused and sometimes chagrined consumer — DVD owner-manuals don't even mention possibility of RF connection — is to purchase RF remodulator that converts video signal to RF feed for reception and display on TV channels 3 or 4. But instead of displaying 480 lines of horizontal resolution inherent in DVD format, RF connection at best can feed broadcast-like 320 lines to set. Source said tech reps have been referring affected customers to sources of RF remodulators, such as RadioShack, and advising them on proper selection and installation depending on number of video sources that need connection to TV.

KODAK EARNINGS RISE: Eastman Kodak, buoyed by strong sales of traditional film and narrower loss in digital business, reported 75% gain in 4th quarter earnings on 6.6% rise in revenue.

In U.S., consumer film sales rose 9% in units and dollars as Kodak was able to keep market share in mid-60% range and pricing was flat with year ago. Sales abroad jumped 12% in dollars and 19% in units. Pricing held firm, in part because step-up Max brand accounted for 40% of revenue.

Kodak also benefited from cost savings of \$180 million. It said it slashed \$520 million for year, after cutting \$730 million in 1998, exceeding by \$50 million 2-year goal of \$1.2 billion. Kodak eliminated 3,000 jobs in quarter to finish year at 80,600 worldwide.

Digital business unit, which includes alliances with Intel and America Online (AOL) as well as digital cameras, narrowed loss in 4th quarter to \$17 million from \$91 million year ago. For full year, loss was \$116 million vs. \$262 million as digital product sales jumped 36% to \$699 million. Overall, digital products accounted for 17% of revenue in year.

In digital cameras, Kodak Digital & Applied Imaging Vp Willy Shih conceded Kodak was caught by industry move by Hewlett-Packard, Olympus and Fuji during holiday selling season to \$299 price for megapixel models with zoom lens. As result, Kodak is cutting price on entry-level model to \$299 from \$349. It also is moving production of low-end cameras to new Taiwan supplier from Chinon in Japan. Kodak, which owns 52% of Chinon, will continue to build step-up cameras in Japan, but will focus largely on R&D there, Shih said. It also will seek to attract OEM business, he said.

"A lot of people are willing to lose money in this space [digital cameras] so you have to have high volume [of production]," Shih told analysts at conference in N.Y.C. last week.

Kodak also will move to package services including printing, AOL "You've Got Pictures" and Intel Picture CD with its digital cameras, he said. It's expected to unveil direct-to-consumer printing service via Kodak.com for digital cameras at Photo Mktg. Assn. (PMA) show in Las Vegas this week. Service will charge 49¢ per photo for printing, Shih said. Kodak's share of digital camera market was 19.9% in Dec. at CE and PC stores, 2nd to Sony (28%), PC Data analyst Stephen Baker said. For year, Kodak varied 15-20%, he said.

Overall, Kodak is projecting digital camera sales will grow to 7 million annually by 2005, up from 2 million this year, CEO Daniel Karp said. Average number of rolls of traditional film used annually in U.S. households is expected to rise to 12.5 in 2005 from 10 in 1999, but for those owning digital cameras figure will slip to 1.5-2, Karp said.

Kodak's Internet businesses including AOL, Picture CD and own Photonet generated slightly less than \$30 million in combined revenues in 1999, Shih said. Kodak had forecast \$60 million in sales for 1999 (TVD Oct 25 p15) but he declined to project revenues from services for 2000. Kodak, which started AOL and Picture CD services in mid-1999, slowed rollout, but now has scanning equipment and servers installed at its 55 Qualex photo finishing locations, Shih said. Although he declined to disclose number of AOL subscribers that use service, 3.5% of 800 million rolls of film Kodak sold in 1999 were through online ser-

vices, he said. AOL service charges \$5.99 for uploading pictures, \$2.99 monthly fee to store them online. AOL service now has "several terabytes" of photos in storage, Shih said. Picture CD, which stores photos on disc, is priced at \$8.95. "We've laid this huge pipe, but you have to do it at a measured pace," Shih said.

On manufacturing front, Matsushita has taken over management of writeable CD plants in Mexico and Ireland as part of joint venture formed with Kodak in Dec. (TVD Dec 20 p12). DVD-ROM production, most of which will be for movie studios, will begin midyear, Shih said. CD manufacturing operation generated \$120 million in revenue in 1999, he said. Kodak had been shopping writeable CD plants for 2 years (TVD Nov 17/97 p16) as it sought to wring profit from operation that suffered amid major drop in CD pricing in 1997.

First product stemming from Kodak-Sanyo flat panel joint venture (TVD Feb 22 p16) — likely to be radio display — will arrive on market later this year, Shih said. Kodak is licensing patents to Sanyo for its organic electroluminescent display (OLED) technology, latter to first build 2-5" passive matrix panels, active to follow in 2001.

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Ineffective copy protection is basis of lawsuit by Dutch videogame publisher against Sony's European CD duplication company. R&P Electronic Media contends Austria-based Sony DADC claim that its SecuROM copy protection prevents videogame piracy is erroneous. Dutch publisher said system is easily bypassed, and SecuROM-protected games can be duplicated easily on existing recording devices. Piracy of Sony PlayStation titles has long been irritant of European videogame industry, where high software prices and staggered release of titles already available in other markets gives impetus to unauthorized copying. Result of casual attitude and organized piracy is lost revenues to publishers and retailers. R&P's suit contends that Sony is aware of deficient copy protection. Sony DADC spokesman in Europe confirmed it had been sued, but wouldn't comment further.

U.K. retailer Dixons Group is continuing its store acquisitions in Europe. In last 2 months, CE chain has expanded beyond British Isles to add operations in 7 countries on Continent. Most recent acquisition was 12-store Ei Systems computer chain in Portugal and Spain late last month. Purchase price of \$26 million also gave Dixons PC assembly plant in Madrid. Late last year, Dixons acquired CE chain in Norway. Retailer, which operates CE and PC stores under Dixons, Currys, The Link and PC World marques, now has operations in Belgium, France, Germany, Ireland, Luxembourg, Norway, Portugal, Spain, U.K. Newly acquired Ei chain had \$91 million sales in 1999, Dixons said.

Rising sales of DVD players and audio products such as portable CD players negated declines in home theater and video products to spur higher Emerson profits and revenues for 3rd quarter ended Dec. 31 (see financial table). Chmn.-CEO Geoffrey Jurick said stock repurchase program would provide additional value to shareholders. He said: "We have recorded strong financial results over the past several quarters and believe that this is not being reflected in our share price." He said Emerson management has made "tremendous strides in restoring the company to profitability as our focus continues to be on product innovation and cost containment."

D-VHS digital VCR is scheduled for introduction to European market at Feb. 10 news conference in London, licensor JVC said.

ACCLAIM EARNINGS DOWN: Acclaim Entertainment reported disappointing first-quarter results, with revenue dropping to \$101.2 million from \$104.8 million and profit plunging to \$400,000 from \$10.3 million year ago.

In conference call with analysts, Co-Chmn.-CEO Gregory Fischbach blamed variety of factors for results, among them: Christmas that "was a little slower than we originally anticipated" and "general weakness throughout the industry in cartridge-based console software" and hardware; shifting of certain title shipments to 2nd quarter; "increased investment in R&D." He also cited \$6 million investment company accrued in extending World Wrestling Federation (WWF) license through Nov.

Fischbach said: "If there were 2 phrases to describe the market [in latest quarter] they would be 'What's the price?' and 'Where's my Pokemon?'" referring to consumers' price-consciousness "despite the economy" and soaring popularity of Pokemon merchandise.

In quarter, software titles of "known licensed brands" certainly performed better than new titles," Fischbach said. Best-selling titles for Acclaim included first 2 under its new Club Acclaim brand for younger audience. He said Mary-Kate and Ashley titles for Color Game Boy and PC sold especially well and represent start of new franchise for company.

While Sega Dreamcast was "success" in quarter, he echoed what we have been reporting since system began in Sept. (TVD Sept 6 p16) — Dreamcast "was generally in short supply and continues for the moment to be short at retail."

Fischbach said he expected Dreamcast to perform well through Christmas 2000 although he said sales could be affected once Nintendo's next-generation Dolphin system reaches market. At that point, Sega will be up against Dolphin as well as Sony's PlayStation2. Fischbach said he believes Sega will be able to sell "between 3 and 4 million hardware units this year" if it cuts Dreamcast system's pricing "to \$149" from \$199. (Sega spokeswoman told us company has no current plan to drop price.)

Acclaim development group "currently has more than 150 titles either in development or scheduled to be developed over the next 3 fiscal years," Fischbach said, and plans to ship 55 this year, 66 in 2001, 81 in 2002. It also will ship "minimum of 3 PlayStation2 titles" by Christmas and "minimum of 12 PlayStation2 titles" next year. Acclaim expects to move 7 PlayStation titles in rest of fiscal year and 13 for all platforms in 2nd quarter.

Company will continue to support Dreamcast throughout year with 6 new titles in next few months, Fischbach said, including *Jeremy McGrath Supercross 2000*, *ECW Hardcore Revolution*, new driving game *Vanishing Point*. But he said that "based on lower-than-anticipated sellthrough of N64 software and hardware, we have eliminated certain N64 titles from our release schedule and have lowered our forecast for each of the remaining titles" for N64 system. All of remaining titles will ship by end of fiscal year and Acclaim no longer will offer new games for current Nintendo console platform after that, he said.

Meanwhile, Acclaim is looking to expand online presence. It already has Acclaim Online service that it says has customer

base of about 500,000. Fischbach said "traffic increased 25 percent in December alone." He said "we intend to become one of the first 3rd party publishers to deliver true head-to-head Internet playability on the console," something it plans to achieve through its proprietary NetSpine technology, which it says will allow it to build games faster, more cost-effectively and with increased functionality across multiple platforms. Fischbach said company is "also looking at external growth" online "through the potential acquisition of online development studios." He said it has "begun preliminary discussions regarding possible business alliances or partnership opportunities with major Internet players." However, he didn't identify companies Acclaim has either been talking with or has its eyes on.

Take-Two Interactive Software division of Rockstar Games said last week that it's developing 2 racing games for Sony's upcoming PlayStation2 console system. Games — Get-away and Midnight Club: Street Racing — in conjunction with Angel Studios will ship in fall, when PlayStation2 is rolled out in U.S. N.Y.C.-based Take-Two said "extensive plans" for PlayStation2 titles would be revealed shortly by company, which said it "has invested heavily in PlayStation2 development over the past 9 months." It also announced last week that it will complete agreement with online entertainment network eUniverse to invest up to \$3 million in latter's common stock. As part of deal, Take-Two will provide products for and co-market them through eUniverse's game sites and will promote them. Deal was announced in Dec. (TVD Dec 20 p13). Meanwhile, company is shipping Wild Metal for Sega Dreamcast and plans to ship another Dreamcast game — Grand Theft Auto — in 2nd quarter.

Retail PC sales rose 37% in desktop category and revenue increased 9% amid fierce price competition, research group NPD Intelect reported. It said desktop PC sales in consumer retail channels largely were price driven, with low tickets and ISP rebates attracting first-time customers who might not have bought otherwise. Rebate impetus was greatest in July-Sept, in time for back-to-school shopping, with gains of 50%, 54% and 57%, respectively over 1998. NPD said that for year, Compaq led in market share with 33%, up 58%, with dollar share same but up 14% in 1998. Hewlett-Packard (HP) followed with 32% retail share, increasing 80% from 1998. HP had 35% of retail dollars, up 2%. Biggest gainer for year was eMachines brand, with up-start discounter winning 13% of consumer desktop sales and 8% of retail dollars, up 3,396% and 4,450% from obscurity in 1998. Windows PC makers picked up share after front-runners IBM and Packard Bell quit consumer market, NPD said. Nonetheless, IBM held 8% of market and 9% of dollars last year. NPD said all other Windows PC brands accounted for 11% in sales and dollars, decreasing 53% and 60%, respectively, from 1998. Meanwhile, popularity of stylish iMac computers helped Apple to 3% market share and 4% of retail dollars, 177% and 165% increases, respectively, over previous year.

Harvey Electronics posted slightly deep loss for 4th quarter ended Oct. 30 despite sales increase spurred by stronger demand for digital products and custom installation services (see financial table). Sales of equipment involving custom installations accounted for 26% of total for 12 months, up from 25% year earlier. Same-store sales in quarter were up 1.2% for quarter, 3.5% for year. Pres. Franklin Karp said Harvey expects profitable first quarter on stronger sales spurred by new ad campaign and as new stores better absorb selling expenses.

GAMES TOP \$7.4 BILLION: Interactive console and PC videogame hardware and software sales topped \$7.4 billion last year — 20.7% jump from 1998, with most of growth in games, PC Data said last week.

Console videogame software alone took in \$3.8 billion and accounted for 50.5% of industry's total revenues last year, while console videogame hardware represented 30.9% and PC game software 18.6%, PC Data's research showed.

Dominant console platform remained Sony PlayStation, accounting for 47.4% of all videogame hardware and software units sold and 43.2% of revenue, but Nintendo's Game Boy handheld platform achieved largest growth over 1998. PC Data said Game Boy software unit sales climbed 185% and revenue 226% over 1998.

Nintendo also reclaimed position as top videogame software publisher with all 5 best-selling videogame console titles behind its popular Pokemon franchise, which represented 43% of Nintendo's overall software sales. Top 5 console videogame titles were *Pokemon Yellow*, *Pokemon Blue*, *Pokemon Red* and *Pokemon Pinball* for Game Boy and *Donkey Kong 64* for N64. Trailing Nintendo in 2nd place was Sony, with 13.9% of unit sales and 17.3% of revenue. Top-selling PlayStation game was *Gran Turismo*. Electronic Arts was 3rd-place publisher, with 10.7% unit share and 11.6% dollar share. Midway was 4th, with 4.7% unit and 5.1% dollar share; Acclaim was 5th, with 4.3% unit and 4.7% dollar share. Despite early success of Dreamcast, Sega was ranked 13th.

Meanwhile, top PC publisher was Havas Interactive, followed by Electronic Arts and Hasbro Interactive, which claimed top-selling PC title, *Roller Coaster Tycoon*.

Interactive entertainment including videogames will be key driver of broadband services, DFC Intelligence said in new report, The State of Game Technology 2000. DFC Pres. David Cole said "game industry is forecast to become a \$20 billion worldwide business in the next 2 years." But he said "impact of the interactive entertainment industry is much greater than the revenue it generates" because "game hardware systems are likely to become hybrid devices that consumers use for many forms of digital entertainment including music, movies, Web access and interactive television." DFC predicted Sony's upcoming PlayStation2 would be market leader among game console systems, but Ben Sawyer, one of report's authors, said "PlayStation2 may turn out to be nothing more than a great game machine." He said: "Whether people use the PS2 to watch movies or access the Internet remains to be seen." DFC also said Microsoft's "X-Box" as well as Nintendo and Sega may provide strong challenge to PlayStation2.

Best Buy board authorized buyback of \$400 million of company's common stock in addition to 5.6 million shares repurchased in last year for \$300 million. Chmn.-CEO Richard Schulze said: "With our large cash position, we felt an expansion of our share repurchase program was an excellent means to increase shareholder value." Best Buy also said it has signed leases on 4 stores in Portland, Ore., that are to open in spring.

Midway moved up to 4th place in overall U.S. videogame software unit sales last year from 5th place year earlier, NPD said in recent study. Study also said Midway was 2nd-largest 3rd party game publisher, up from 4th year ago.

3DO POSTS PROFIT FOR 3RD QUARTER: 3DO reported profit of \$1.4 million for 3rd quarter ended Dec. 31, turning around \$5.65 million loss in same period year ago as revenues soared to \$41.15 million from \$10.27 million.

Redwood City, Cal.-based interactive software publisher said sales were driven by release of 10 new videogames in quarter and continued success of its multiple *Army Men*, *BattleTanx*, *Heroes of Might and Magic*, *High Heat Baseball*, *Might and Magic* titles.

3DO Chmn.-CEO William (Trip) Hawkins said company is "on target to introduce more than 25 new games in fiscal 2000." In contrast, it shipped only 14 new titles last year.

Hawkins also said "major focus for 3DO during the remainder of this fiscal year and next year will be to expand our presence throughout Europe." In last quarter, it started shipping its first videogames for Europe (TVD Jan 24 p22) and strengthened its sales and marketing efforts there. Hawkins said: "We have plans to ship over 8 games in Europe this fiscal year and believe that Europe will provide us with significant growth opportunities this year and beyond."

Copy-proof CD will be introduced in Germany by record label BMG Entertainment. Company said technology called Cactus Data Shield will prevent music CDs from being copied on PC-based CD recorders or converted to MP3 files. System was developed jointly by Bertelsmann subsidiary Sonopress and Tel Aviv-based software company Midbar. Separately, Macrovision is developing system that would prevent dubbing on Audio CD-R decks as well as PC-based recorders (TVD Jan 17 p13).

Rex Stores said total sales rose 12% for 12 months ended Jan. 31 to \$447.61 million from \$40.1 million, with same-store sales up 8%. For 4th quarter, sales jumped 8% to \$149.59 million from \$138.17 million and same-store sales 3%. Chmn.-CEO Stuart Rose said same-store Jan. sales were up 10% on "continued strength" in big-screen TV sets and "rising demand" for DVD players and other digital products.

TELEVISION DIGEST NOW AVAILABLE IN PRINTABLE FORMAT

Subscribers to Television Digest with Consumer Electronics now can receive their weekly issue electronically in the widely used PDF format, which duplicates the look and feel of the print version on any PC. Delivery of this version will take place the Friday before the Monday publication date. Subscribers who want to replace the print (or non-PDF electronic) versions they now receive may do so simply by sending an e-mail request to tvdinpdf@warren-news.com or calling us at 202-872-9200. "Adobe Acrobat Reader" software, already loaded on most computers and free for downloading from the Internet, is required to read PDF files.

DREAMCAST CONCERNS IN U.K.: Consumers and retailers in U.K. are expressing concern at disappointingly small number of new titles they say has been announced for Sega Dreamcast.

Retailers also have become frustrated with lack of communication on part of Sega as to what titles are in pipeline, British press report said. Virgin spokesman was quoted as saying that of retailer's list of 230 videogame titles for all formats scheduled to ship this year, "less than 20 are for Dreamcast."

Sega of America spokeswoman said she couldn't comment on U.K. situation last week and specifics on U.S. Sega software outlook were unavailable by our deadline.

One U.S. source — ex-buyer of retail chain who's now manufacturer rep — said she had heard of software concerns and noted that despite early success of Dreamcast, many 3rd party publishers continue to take wait-and-see attitude. "These people are going to wait and see this thing to death," she said. Among most prominent Dreamcast holdouts is Electronic Arts.

But Capcom Pres. Bill Gardner said software quantity didn't appear to be major concern. Capcom's key Dreamcast title, *Resident Evil: Code Veronica*, was delayed but is shipping in Japan now and is expected in U.S. soon.

Also on positive note, new 3rd party publisher for Dreamcast was announced last week — LucasArts Entertainment, which will ship *Star Wars: Episode I Racer* in spring. Game will allow players to post high scores to Sega Dreamcast Network, companies said, also noting that LucasArts "has committed to publishing additional titles in the future" for Dreamcast. Meanwhile, Sega started shipping *Crazy Taxi* Dreamcast game at \$49.95.

Sony will ship 2 new Vaio notebook PCs in its F series line in Feb. — PCG-F480 at \$3,299.99 and PCG-F490 at \$3,799.99. Both include DVD-ROM drives and Pentium III processors using Intel SpeedStep technology that company said enables PCs to switch automatically between battery-optimized mode when they're running off batteries to maximum performance mode when they're plugged in. PCG-F480 has 600 MHz processor while PCG-F490's is 650 MHz. Sony also adds to its XG notebook PC series line with PCG-XG18 shipping in Feb. at under \$3,600 and PCG-XG19 in March at under \$4,000. Like new F series models, they come with Pentium III processors using SpeedStep technology, although both processors are 650 MHz. PCG-XG18 has 13.3" XGA active matrix display, while PCG-XG19's is 14.1".

Standard for delivering receipts over Internet during e-commerce transactions was formally accepted by Assn. for Retail Technology Standards (ARTS) division of National Retail Federation (NRF). Standard had been proposed by Digital Receipt Alliance, whose founding members include AOL, Microsoft, Office Depot. Companies described receipt as Internet version of traditional paper receipt that can be delivered to consumers via e-mail or through Web site data base. They said system enables consumers and retailers to have greater interaction, but also provides retailers with one-to-one marketing medium that can be customized depending upon recipient.

European production base for assembly and sale of large-screen projection TV has been established in Wales by Hitachi. Company said it will produce 43" and 55" widescreen models for European sale, anticipating increased demand for large sets from wider availability of DTV broadcasts there.

SEARS TO MOVE GAME SECTION: Sears will shift its console videogame department out of boy's clothing section of stores and into chain's Brand Central department.

Shift in all 845 domestic Sears locations will take place "some time in the middle of the year, obviously before the fall selling season," Brand Central Vp-Gen. Mgr. Charles Cebuhar said: "From our perspective, that's where the customer expects to find it. We think with the advent of products like PlayStation2, that it makes a lot of sense. It reflects [category's] complexity."

Videogames first were in Sears toy section, but in early 1990s chain renamed department Funtronics and relocated it as standalone section in boys' apparel in effort to reach boys and their parents while they shopped for clothing. But while videogames have done well as category for Sears in recent years, Funtronics' limited shelf space meant chain couldn't match software selection of competitors. "I think the biggest issue we faced was competitiveness in assortment," Cebuhar said. "Having the right titles at the right time."

Cebuhar was unsure whether Funtronics name would survive move, but insisted chain remains committed to category. "We're going to re-fixure it," he said. "We're in discussions with all the players — Nintendo, Sony and Sega — obviously not only looking at where the current business is, but also looking forward."

Radica Games signed licensing agreement to use SSD's new XaviX technology. XaviX is single chip, multiprocessor integrated circuit that Radica said provides superior graphics and sound on TV. Technology also allows game devices — table-top or handhelds — to connect directly to TV for display of game content. As part of deal, Radica will be exclusive sublicensing agent for technology in N. America. Company plans to demonstrate technology for first time at Toy Fair in N.Y.C. in Feb. Radica, Bermuda company with Hong Kong hq, said it will show 4 XaviX-based games at Toy Fair and at E3 in L.A. in May that will ship in 2nd half at \$50 each. First titles will be baseball, hunting, ping-pong, musical games. Additional products using technology will follow in 2001, Radica said.

Creative Technology will ship BlasterKey MP3 keyboard in spring at \$99. Keyboard is designed for use with music downloaded from Web and Creative's Sound Blaster Live audio card. User can download music and software upgrades for keyboard at www.blasterkey.com. Web site also will feature demos, news, promotions, shopping. Keyboard is powered directly from sound card and comes bundled with interactive software. Meanwhile, Creative increased its investment in 3Dlabs through 5-year convertible subordinated note for \$7.5 million. 3Dlabs develops boards, silicon and software drivers that it sells to PC manufacturers including Compaq, Dell, Gateway, Hewlett-Packard, Hitachi, IBM, NEC. Creative has been shareholder in 3Dlabs since 1994, owning 1.8 million shares.

Hasbro's Tiger Electronics division will introduce line of interactive pets and other characters at International Toy Fair in N.Y.C. next month. First product in line will be Poo-Chi Interactive Puppy co-produced by Sega, shipping in May in variety of colors. Poo-Chi, which bears similarity to Sony AIBO, can bark, sing, stand, sit or walk and respond in variety of ways, Tiger said. However, it will be considerably less expensive than AIBO — \$30, vs. \$2,500 Sony charged when it started shipping AIBO in limited quantities June 1 (TVD May 31 p17).

PACE BACKS NEW HOME NETWORK: Pace Micro-technology, Europe's largest maker of digital TV set-tops with 10 million sold worldwide, has developed alternative home networking system, saying networks being devised by CE vendors and broadcasters are "fundamentally" wrong. Where business model now sees single TV receiver handling entertainment, Internet access, e-mail, home shopping and games, Pace argues that different services should be distributed throughout house.

Pace contends CE companies such as Philips also have gotten things wrong by using PC industry's Bluetooth wireless system for home networking at 2.4 GHz. It said better choice would be DECT — Digital Enhanced Cordless Telecom system that works at lower frequency.

"Bluetooth silicon is unstable and the 10 meter range is too short," said Andy Trott, Pace Dir. of Technology & Strategic Development. "Most homes would need several repeater stations."

Pace's Gateway Expander system consists of DECT base station and connects to digital set-top box and phone line. Gateway feeds video direct to TV set, and transmits data at 552 kbps to PC for Internet surfing, to handheld devices for home shopping, and to phone for speech. Range is 300 m in freespace and 50 m within house, Trott said. Gateway also will send low rate data via household's electric wiring to control household appliances.

Trott said Pace is confident that 10 channels allocated for DECT in Europe at 1.9 GHz, each carrying 10 encrypted data streams, can provide security and no interference between neighbors. Same system can be used in U.S., on Personal Wireless Telecom band at 1.93 GHz, he said.

Gateway will be ready this year for about \$250. If broadcasters can earn extra revenue by networking, they will give hardware away along with digital TV receivers that already are free from U.K. broadcasters BSkyB and on Digital.

Largely due to giveaways, more homes in U.K. now watch digital TV than anywhere in world — household penetration already is 25%. "So other countries are learning from what happened here," Trott said.

Online videogaming and gambling will be \$4.9 billion business by 2004, up from \$82 million in 1999, U.K. think tank Datamonitor forecast. Group said U.S. would lead with \$2.8 billion in revenue, followed by Europe with \$2.1 billion. Growth will be fueled by Internet-enabled videogame consoles such as Nintendo Dolphin, Sega Dreamcast and Sony PlayStation 2, Datamonitor said. Group said market would split into 2 distinct segments — serious players of competitive games and more casual players interested in trivia and quiz games.

THQ signed 4-year licensing agreement with Warner Bros. Interactive Entertainment in which it gains worldwide rights to publish titles featuring latter's Scooby-Doo characters for Nintendo, Sega and Sony game platforms. Calabasas Hills, Cal.-based software publisher said first Scooby-Doo games will ship worldwide in fall. Dog Scooby-Doo, who earned popularity through long-running animated TV show, also will be featured in upcoming DVD release.

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Personals

Jill Barad resigns as Mattel CEO-chmn, plans unknown; board member **William Rollnick** and lawyer **Ronald Loeb** to serve as acting chmn. and CEO, respectively, until replacement is found... **Steve Birke** advanced to Target Stores vp-gen. mgr., home decor, from mdse. mgr., electronics... **Allen Adler**, ex-creative services vp, Hasbro subsidiary Galoob Toys, joins 3DO in same post... **Dale Nitschke**, vp-gen. mdse. mgr., Dayton's, Marshall Field's, Hudson's division of Target, promoted to pres., new Target Direct business unit... Changes at Recoton: **Randy Dowis** appointed NHT dir.-sales, reporting to **Jim Braun**, exec. vp, combined Recoton home audio and mobile electronics operations incorporating Acoustic Research, Advent, Jensen brands; **Clyde Podraza** advanced to senior vp-sales, car and home audio; **Jim Gilbride** becomes vp-sales, home audio products, except NHT; **Jamie Walt** appointed vp-sales, traditional accounts, car audio; **Bill Brossard** named dir.-sales, national accounts, car audio; **Herman Miedema** advanced to senior vp-operations, car and home audio; **Meril Weinstein** promoted to vp-mktg. services, car and home audio; **Matt Vinson**, vp-purchasing, expands duties to include home and car.

Rich Christensen, Best Buy dir.-distributed systems, promoted to vp-technology services... **Paul Misener**, ex-Wiley, Rein & Fielding law firm, joins Amazon.com as vp-global public policy, based in Washington... Promoted at Satellite Bctg. & Communications Assn.: **Patricia Andrews** and **Margaret Parone** to senior vps, **Judy Collins** to office coordinator from finance asst., **Amy Miller** to exhibits mgr. from conventions and meetings asst., **Rachel Zink** to SkyTrends coordinator from exec. asst.

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Matsushita said it developed 2/3" charge-coupled device (CCD) image pickup with 3.73 million pixels resolution for use in digital still cameras. Pickup's construction increases photosensitivity 30-40% compared with company's previous models, Matsushita said. Samples are shipping at \$291.26 each and production is set for April at 10,000 per month.

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Amazon.com			
1999-year to Dec. 31	1,639,839,000	(719,968,000)	— ^a
1998-year to Dec. 31	609,996,000	(124,546,000)	— ^b
1999-qtr. to Dec. 31	676,042,000	(323,213,000)	— ^a
1998-qtr. to Dec. 31	252,893,000	(46,427,000)	— ^b
Belo			
1999-year to Dec. 31	1,433,982,000	178,306,000	1.51 ^c
1998-year to Dec. 31	1,407,345,000	64,902,000	.53 ^a
1999-qtr. to Dec. 31	395,166,000	69,365,000	.59 ^c
1998-qtr. to Dec. 31	374,767,000	11,737,000	— ^a
BMC Industries			
1999-qtr. to Dec. 31	353,854,000	7,824,000	.29
1998-qtr. to Dec. 31	335,138,000	(30,635,000)	— ^a
1999-year to Dec. 31	87,549,000	52,000	— ^a
1998-year to Dec. 31	81,529,000	4,677,000	.17
Cohu			
1999-year to Dec. 31	208,780,000	25,926,000	1.31
1998-year to Dec. 31	171,511,000	11,646,000	.60 ^b
1999-qtr. to Dec. 31	74,055,000	12,183,000	.61
1998-qtr. to Dec. 31	25,341,000	(2,349,000)	— ^b
Compaq Computer			
1999-year to Dec. 31	38,525,000,000	569,000,000	.35 ^c
1998-year to Dec. 31	31,169,000,000	(2,743,000,000)	— ^a
1999-qtr. to Dec. 31	10,478,000,000	332,000,000	.20 ^c
1998-qtr. to Dec. 31	10,859,000,000	758,000,000	.45 ^c
CompUSA			
1999-26 wk. to Dec. 25	2,730,984,000	(14,946,000)	— ^a
1998-26 wk. to Dec. 26	3,129,215,000	19,101,000	.21 ^d
1999-13 wk. to Dec. 25	1,383,738,000	(2,038,000)	— ^a
1998-13 wk. to Dec. 26	1,753,776,000	12,869,000	.14 ^d
Creative Technology			
1999-6 mo. to Dec. 31	705,867,000	55,290,000	.67
1998-6 mo. to Dec. 31	707,688,000	82,095,000	.89
1999-qtr. to Dec. 31	436,789,000	44,480,000	.54
1998-qtr. to Dec. 31	428,699,000	60,582,000	.66
CTS			
1999-year to Dec. 31	677,076,000	51,468,000	1.87 ^c
1998-year to Dec. 31	370,441,000	37,474,000	1.34 ^c
1999-qtr. to Dec. 31	198,709,000	18,866,000	.68
1998-qtr. to Dec. 31	93,330,000	10,898,000	.40 ^c
8x8			
1999-9 mo. to Dec. 31	18,842,000	(15,410,000)	— ^a
1998-9 mo. to Dec. 31	26,182,000	(10,844,000)	— ^a
1999-qtr. to Dec. 31	6,238,000	(2,234,000)	— ^a
1998-qtr. to Dec. 31	10,079,000	(3,223,000)	— ^a
Electronic Arts			
1999-9 mo. to Dec. 31	1,125,698,000	113,319,000	1.82
1998-9 mo. to Dec. 31	944,139,000	50,958,000	.84 ^a
1999-qtr. to Dec. 31	600,691,000	92,861,000	1.47
1998-qtr. to Dec. 31	520,155,000	72,531,000	1.19
Emerson Radio			
1999-39 wk. to Dec. 31	160,297,000	2,397,000	.05
1998-39 wk. to Dec. 31	137,476,000	1,657,000	.02
1999-13 wk. to Dec. 31	61,319,000	1,127,000	.02 ^a
1998-13 wk. to Dec. 31	31,588,000	310,000	.01
Franklin Electronic Publishers			
1999-9 mo. to Dec. 31	81,267,000	3,201,000	.41 ^a
1998-9 mo. to Dec. 31	87,632,000	(8,774,000)	— ^a
1999-qtr. to Dec. 31	31,248,000	2,060,000	.26
1998-qtr. to Dec. 31	34,502,000	(8,131,000)	— ^a
Gannett			
1999-year to Dec. 31	5,260,190,000	957,928,000	3.43 ^c
1998-year to Dec. 31	4,880,691,000	999,913,000	3.53 ^c
1999-13 wk. to Dec. 31	1,501,072,000	294,586,000	1.06
1998-13 wk. to Dec. 31	1,330,103,000	257,735,000	.92
Harvey Electronic			
1999-year to Oct. 30	21,386,507	(845,519)	— ^a
1998-year to Oct. 31	17,262,082	(828,871)	— ^a
1999-13 wk. to Oct. 30	5,114,109	(590,591)	— ^a
1998-13 wk. to Oct. 31	4,119,946	(736,910)	— ^a
New York Times			
1999-year to Dec. 31	3,130,629,000	310,177,000	1.77 ^a
1998-year to Dec. 31	2,936,705,000	278,914,000	1.48 ^c
1999-qtr. to Dec. 31	882,526,000	105,297,000	.61 ^a
1998-qtr. to Dec. 31	782,226,000	84,287,000	.46 ^a
Nokia[*]			
1999-year to Dec. 31	19,772,000,000	2,577,000,000	— ^a
1998-year to Dec. 31	13,326,000,000	1,750,000,000	— ^a
1999-qtr. to Dec. 31	6,372,000,000	853,000,000	— ^a
1998-qtr. to Dec. 31	4,352,000,000	585,000,000	— ^a

Company & Period	Revenues	Net Earnings	Per Share
Polaroid			
1999-year to Dec. 31	1,978,600,000	8,700,000	.20
1998-year to Dec. 31	1,845,900,000	(51,000,000)	— ^a
1999-qtr. to Dec. 31	649,800,000	28,500,000	.64
1998-qtr. to Dec. 31	541,800,000	(75,500,000)	— ^a
Raytheon			
1999-year to Dec. 31	19,841,000,000	404,000,000	1.20 ^c
1998-year to Dec. 31	19,419,000,000	844,000,000	2.50 ^d
1999-qtr. to Dec. 31	4,830,000,000	72,000,000	.21
1998-qtr. to Dec. 31	5,258,000,000	341,000,000	1.01 ^d
RealNetworks			
1999-year to Dec. 31	131,242,000	6,926,000	.10 ^a
1998-year to Dec. 31	66,377,000	(19,953,000)	— ^a
1999-qtr. to Dec. 31	43,454,000	6,061,000	.08
1998-qtr. to Dec. 31	20,610,000	(2,227,000)	— ^a
Rentrak			
1999-9 mo. to Dec. 31	83,877,702	3,231,657	.31
1998-9 mo. to Dec. 31	92,795,439	1,018,439	.09
1999-qtr. to Dec. 31	25,785,064	(986,439)	— ^a
1998-qtr. to Dec. 31	27,006,980	(338,364)	— ^a
Scientific-Atlanta			
1999-26 wk. to Dec. 31	722,000,000	58,600,000	.74 ^c
1999-26 wk. to Dec. 31	568,200,000	34,200,000	.44 ^c
1999-13 wk. to Dec. 31	372,700,000	33,400,000	.42 ^c
1998-13 wk. to Dec. 31	310,700,000	19,200,000	.25 ^c
Texas Instruments			
1999-year to Dec. 31	9,468,000,000	1,406,000,000	1.75 ^a
1998-year to Dec. 31	8,617,000,000	416,000,000	.52 ^a
1999-qtr. to Dec. 31	2,554,000,000	430,000,000	.53 ^a
1998-qtr. to Dec. 31	2,034,000,000	199,000,000	.25 ^a
3DO			
1999-9 mo. to Dec. 31	74,935,000	(11,287,000)	— ^a
1998-9 mo. to Dec. 31	24,829,000	(15,719,000)	— ^a
1999-qtr. to Dec. 31	41,157,000	1,409,000	.04
1998-qtr. to Dec. 31	10,271,000	(5,659,000)	— ^a
Times Mirror			
1999-year to Dec. 31	3,029,249,000	259,086,000	3.53 ^c
1998-year to Dec. 31	2,783,988,000	1,417,338,000	16.46 ^d
1999-qtr. to Dec. 31	836,561,000	67,894,000	1.10
1998-qtr. to Dec. 31	750,086,000	246,327,000	3.05 ^d
Time Warner			
1999-year to Dec. 31	27,333,000,000	1,948,000,000	1.50 ^c
1998-year to Dec. 31	14,582,000,000	168,000,000	— ^a
1999-qtr. to Dec. 31	7,988,000,000	848,000,000	.65 ^c
1998-qtr. to Dec. 31	4,195,000,000	90,000,000	— ^a
Tunes.com			
1999-qtr. to Dec. 31	2,410,000	(9,007,000)	— ^a
1998-qtr. to Dec. 31	769,000	(5,731,000)	— ^a
Ultralife Batteries			
1999-6 mo. to Dec. 31	12,902,000	(4,915,000)	— ^a
1998-6 mo. to Dec. 31	9,382,000	(2,935,000)	— ^a
1999-qtr. to Dec. 31	6,677,000	(2,989,000)	— ^a
1998-qtr. to Dec. 31	5,160,000	(1,005,000)	— ^a
USA Networks			
1999-year to Dec. 31	3,235,761,000	(27,631,000)	— ^b
1998-year to Dec. 31	2,634,136,000	76,874,000	.27 ^b
1999-qtr. to Dec. 31	936,137,000	(17,778,000)	— ^b
1998-qtr. to Dec. 31	767,118,000	50,833,000	.16
Videonics			
1999-year to Dec. 31	14,226,000	(2,634,000)	— ^a
1998-year to Dec. 31	19,672,000	(6,713,000)	— ^a
1999-qtr. to Dec. 31	3,326,000	(729,000)	— ^a
1998-qtr. to Dec. 31	4,021,000	(3,029,000)	— ^a
Washington Post			
2000-year to Jan. 2	2,215,571,000	225,785,000	22.30 ^c
1999-year to Jan. 3	2,110,360,000	417,259,000	41.10 ^c
2000-qtr. to Jan. 2	598,400,000	60,998,000	6.09 ^c
1999-qtr. to Jan. 3	591,366,000	63,755,000	6.30 ^c
Wells-Gardner Electronics			
1999-year to Dec. 31	38,335,000	(1,190,000)	— ^a
1998-year to Dec. 31	42,590,000	974,000	.22
1999-qtr. to Dec. 31	9,007,000	(1,380,000)	— ^a
1998-qtr. to Dec. 31	10,659,000	142,000	.03

Notes: ^aAfter special charge. ^bAdjusted; after special charge. ^cIncludes special credit. ^dRevised. ^eAdjusted. ^fIn euros. ^gIncludes special items. ^hAdjusted; includes special credit.

Large-screen TV penetration increased to 35% of U.S. households in 1999, up from 22% in 1998. Study by CTAM said respondents to Dec. survey indicated 35% now own TV 35" or larger and 10% have newer flat-screen model. CTAM forecast that large-screen penetration would increase another 10% in 2000.



TELEVISION DIGEST WITH CONSUMER ELECTRONICS

The Authoritative Service for Broadcasting, Consumer Electronics and Allied Fields

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TV BOOSTS DISNEY, NEWS CORP.: TV ad market strong. Cable also grows. Profit up at Cox, others. (P. 5)

RELIGIOUS RULES STAND, Stewart tells religious bcstrs. convention. FCC to continue to rely on 'good-faith judgment' of religious broadcasters. (P. 5)

CHANNEL FEE SOUGHT: In what could be average annual tax of \$160,000 per station, President Clinton in FY 2001 budget released last week proposes \$200 million "lease fee" for all commercial analog TV stations. Proposal said fee would be applied each year until licensee returned analog spectrum, with first payment due Sept. 30, 2001. NAB protested plan that also was raised last year but found little support on Capitol Hill.

To make lease fee reality, Congress would have to enact authorizing legislation. Then FCC would have to issue rulemaking to, as budget said, "apportion the aggregate fee amount among broadcasters." If divided evenly among nation's 551 VHF and 682 UHF commercial stations, cost per station would be \$160,901 in FY 2001. Along with providing incentive to speed up DTV transition process, lease fee would boost federal govt. public safety wireless communications with collected funds. Proposal said that of "not less than \$200 million" collected in fiscal year, FCC would get \$2 million for administrative costs, Justice Dept. \$138 million for public safety wireless upgrades, Treasury \$55 million for similar initiatives, Dept. of Interior \$5 million for similar goal among Native American population.

NAB Pres. Edward Fritts said lease fee proposal "would jeopardize a public-private partnership between government and free, over-the-air broadcasters" involving spectrum in exchange for public service. He said NAB 2 years ago documented billions in public service programming and fund-raising by TV stations: "To suggest that \$6.8 billion in public service is somehow inadequate for use of a sliver of the spectrum is nothing short of sheer folly." Attorneys for House and Senate Commerce Committees weren't available for comment.

Consumer Electronics

SEARS WEIGHS SUIT against DirecTV for breach of contract. DirecTV's Hartenstein criticizes EchoStar antitrust action. (P. 10)

DIGITAL BOOSTS THOMSON SALES for 1999. Company's 18.9% revenue gain included 800,000 DVD decks sold — four-fold rise — and 3 million satellite set-tops. (P. 11)

DSC PRICES FALL STEEPLY at PMA as 3-megapixel digital cameras drop below \$1,000. CE manufacturers out in force; Samsung adds MP3 audio to DSC. (P. 11)

'X-BOX' WILL SHIP BY SEPT. 2001 in U.S. as low as \$149. More details about Microsoft game console revealed. (P. 13)

METABYTE PVR TECHNOLOGY promises to add artificial intelligence to new category. Thomson Multimedia and Seagate buy stake in company. (P. 14)

HARVEY ELECTRONICS MERGER OFF on differences with CoolAudio.com. Retailer to pursue other link-ups. (P. 15)

GEMSTAR SHAREHOLDERS TO VOTE March 17 on proposed \$7.72 billion acquisition of TV Guide. Yuen will retain chmn-CEO post under 5-year contract. (P. 15)

Net result for FCC after surrendering auction and other revenues would have agency receiving \$37.042 million in FY 2001, up from \$24.246 million year before, along with \$200.146 million in "offsetting collections." Budget summary said Commission is implementing "more efficient licensing," allowing "a more rapid introduction of new services and technologies." Administration promised that by 2001 "FCC will achieve 85% of licensing and enforcement activities within established deadlines."

CPB would beat inflation with 4.3% increase to \$365 million from \$350 million, under proposed budget, but real fight for public broadcasters will be for digital conversion funds. Administration called for same \$20 million in extra money for CPB it asked for last year, when appropriators gave only \$10 million and reauthorization's failure cost Corp. \$15 million that had been appropriated conditionally year earlier. To make up for shortfall, budget asks for \$35 million in FY 2002 and \$30 million in FY 2003, compared with annual \$20 million projected previous year.

FCC STILL LOOKING AT RECEIVERS: Even though FCC rejected Sinclair Bcstg. petition to allow COFDM modulation for DTV (TVD Feb 7 p1), issue of DTV receiver standards isn't dead, we're told. Question of receiver standards is expected to reemerge as part of FCC rulemaking on biennial DTV review, which is due out within month. One key question is said to be defining what is receiver, particularly in era of standalone displays and set-tops, as well as PCs with capability to receive DTV.

Sinclair Pres. David Smith said set-makers should have limited time to "make good on their promises" of DTV receivers that could operate indoors as well as NTSC receivers: "To date, not one receiver or chip manufacturer has demonstrated the technical capability to provide our industry with a product that even begins to approximate what we have in the analog world today." Sinclair Vp-New Technology Nat Ostroff said company will work with FCC and industry groups to develop indoor reception standards.

Another issue is FCC's jurisdiction over receivers, or whether problem should be solved through voluntary agreements with manufacturers. One of side benefits of FCC decision on Sinclair petition, one official said, is that consumer electronics manufacturers now should have confidence to invest in new receiver technology. There's also some expectation that there will be "scurrying" for DTV-cable compatibility agreements in run-up to FCC launch of rulemaking on that issue, which is due "very soon," we're told.

Meanwhile, FCC is close to decision on PTV stations' use of ancillary digital spectrum for potentially commercial purposes, sources said. Matter is before commissioners, we're told, with ruling expected as soon as 2 weeks. It's one of 2 public broadcasting proceedings nearing completion, other being allotment of contested noncommercial FM spectrum.

In recent ex parte filing and subsequent meeting with staffers from all commissioners' offices, APTS assured agency that public broadcasters won't make inappropriate use of spectrum if given maximum flexibility, as has been suggested by opponents of their proposal. Public broadcasters submitted voluntary guidelines agreed to by APTS board in Oct., committing themselves to: (1) Maintain quality and quantity of free, over-air service. (2) Not carry "inappropriate content in conflict with the educational mission of public television" on ancillary or supplemental services. (3) Not allow anyone leasing or advertising on ancillary spectrum to influence content on primary broadcast. (4) Exercise "regular oversight" over ancillary services, even if leased out. (5) File annual statement with FCC indicating compliance.

Voluntary guidelines "do not alleviate our concerns," Media Access Project's Harold Feld told us: "They don't go nearly far enough to guarantee the integrity of the service." Public broadcasters receive considerable regulatory breaks, he said, and they must remain "trustees of this public space" on noncommercial spectrum.

PTV has argued that leasing out or selling ads on ancillary spectrum serves public interest because it will help pay for massive costs of DTV conversion. FCC in notice of proposed rulemaking indicated it's leaning toward allowing such uses of spectrum, in part to minimize public broadcasters' reliance on public funds to pay for conversion. "Once you start allowing these guys to do commercial activities, even for the best of intentions... there's a slippery slope," Feld said.

Lucent agreed to acquire cable TV component manufacturer Ortel for \$2.95 billion in move that Lucent said gives it technology that lets cable operators build networks for Internet telephony and broadband access. Ortel develops lasers that increase bandwidth of existing cable networks, allowing them to shift from one-way broadcast capability to 2-way broadband traffic. Ortel also makes 10 Gbps transmitter/receiver components for use in fiber networks. Lucent said it expects deal to close by June 30.

Tribune Bcstg. said it closed on previously announced deal to buy remaining interest in Qwest Bcstg., giving it full ownership of WATL (Ch. 36, WB) Atlanta and WNOL-TV (Ch. 38, WB) New Orleans. Tribune already own WGNO (Ch. 26, ABC) New Orleans. In separate transaction, Tribune reassumed ownership of KTWB-TV (Ch. 26, TBN) Tacoma, which it placed into trust when it bought Fox affiliate (KCPQ-TV, Ch. 13, Fox) Tacoma-Seattle. Control is allowed by new FCC ownership rules.

DBS RULES DISPUTED: FCC should apply its network nonduplication, syndicated exclusivity and sports blackout rules to DBS in way that's as similar to cable as possible, broadcasters and cable said in comments on Commission proceeding (CS 00-2). However, DirecTV said rules should be eased for DBS because of technical difficulties and because of potential impact on consumers.

Congress didn't give FCC discretion to weaken or modify rules for DBS when it enacted Satellite Home Viewer Improvement Act (SHVIA) in Dec., ALTV said. It said agency was correct in assuming that rules must be applied "without any limitation based upon a satellite carrier's technical ability to comply."

But DirecTV said it "simply is not technologically feasible" to use same rules for cable and DBS in some circumstances, "given the technological differences between cable and satellites." It said SHVIA said sports blackout rule, for example, applies to DBS "only to the extent technically feasible and not economically prohibitive." DirecTV also said blackout rules would cause more consumer outrage among DBS customers because of "multiple and different blackouts across the country at any given time." As result, it said, FCC must apply carriage rules "in a way that will in fact improve multichannel video program distributor competition by making DBS providers stronger competitors to cable."

NCTA said Congress didn't intend that FCC give competitive advantage to DBS with carriage rules: "Congress meant for the Commission to craft the rules for satellite carriers so that they would be as similar as possible to the cable rules." That means that carriage rules should cover same geographic areas as cable rules, including blacking out programming throughout community unit even if rules would apply to only small portion of community. Even if DBS operators could identify specific customers who would be subject to blackout, NCTA said, "it would unfairly skew marketplace competition" to allow DBS to provide programming to areas cable can't reach.

NAB said Congress didn't impose "technical feasibility" limit on nonduplication, syndex and sports blackout rules for DBS, and satellite carriers would have "a heavy burden of showing that application of sports blackout to network stations would be unfeasible." Fox and Tribune Bcstg. agreed that rules should be as similar to cable rules as possible.

Other comments in rulemaking included: (1) DirecTV said that broadcasters or license holders should be responsible for keeping files on zip codes that can't receive broadcasts, and that there should be longer notification period for blackouts. (2) Fox said it would be "entirely contrary to congressional intent" to give DBS operators advantage over cable. (3) Tribune said mileage-based exclusivity rules used for cable would be easier to administer than "unserved household" definition based on signal contours. It also said any further limitations on superstations would be contrary to congressional intent.

More than 1,400 LPTV stations filed statements of eligibility for Class A broadcast licenses by Jan. 28 FCC deadline, Commission said. Stations said they complied with agency's requirements that they broadcast at least 18 hours per day, including 3 weekly hours of locally produced programs, and have been in compliance with LPTV rules.

ICRAVETV SHUT DOWN: Controversial Canadian Webcaster iCraveTV is out of business for at least 3 months after U.S. Dist. Court, Pittsburgh, Judge Donald Ziegler issued preliminary injunction Feb. 8 barring Web site from transmitting U.S. copyrighted TV programs back to U.S. users. Order follows earlier temporary injunction (TVD Feb 7 p3) and will last until status conference, expected in about 90 days. MPAA Pres. Jack Valenti, who has spearheaded copyright holder coalition that includes broadcasters and sports leagues (TVD Jan 24 p5), called ruling "significant legal milestone in our battle to stop cybertheft wherever it occurs."

iCraveTV found bright spot in ruling, which turned on finding that Web site doesn't have adequate safeguards against U.S. users' accessing material. Ziegler "indicated he would be receptive" to revisiting Web site's technology in May, iCraveTV lawyer Andrew Schwartz said. iCraveTV spokeswoman said company is "on a dual track," negotiating with rights holders while "working hard on enhancing our online security mechanisms."

Schwartz said he couldn't discuss talks with rights holders, but fact that company would consider them necessary marks departure from earlier rhetoric. iCraveTV Pres. Bill Craig has told us that Canadian law gives him right to retransmit programming without deals with individual stations as do cable operators, and that U.S. law is ambiguous on matter.

Case has become lightning rod for contentious issues involving ownership of broadcast material that's streamed live on Internet, and House Telecom Subcommittee has scheduled hearing on issue for Feb. 16. Ruling doesn't change need for "something to protect the copyright holders," said Ken Johnson, spokesman for Subcommittee Chmn. Tauzin (R-La.). He said Tauzin feels it's important to "set some boundaries" on Webcasters before public begins to feel "entitled" to their illegal services, situation that complicated last year's negotiations on Satellite Home Viewer Improvement Act: "Once you let the genie out of the bottle, it's hard to let it back in." Johnson said Valenti has been invited to testify, but other names weren't available.

Rogers Communications will spend \$4.2 billion (U.S., \$6 billion Canadian) to purchase Le Groupe Videotron and become Canada's largest MSO. Combined company would have 3.7 million video subscribers and 260,000 high-speed Internet subscribers, with latter figure putting new entity in top 3 in N. America, companies said. Deal, expected to close in April, is subject to review by Canadian Radio-TV & Telecom Commission (CRTC). Rogers said it will combine Videotron's strength in Quebec with its Ontario and British Columbia operations, as well as fully integrate services such as Rogers' AT&T Wireless, to offer bundling including cable, Internet, wireless, Internet portals, business services, publishing, radio, security and eventually home telephony.

Cable ad revenue will climb to \$13 billion in 2000, Cable Ad Bureau projected in 2000 edition of *Cable TV Facts*. Average weekly household viewership of ad-supported cable has risen to all-time high of 27 hours, says report to be released this week. Among other developments listed: (1) Ad-supported cable programming reaches 78% of all U.S. homes. (2) Ad-supported cable networks increased investment in programming more than 15% in 1999 to \$5.7 billion. (3) Ad-supported cable's prime-time and total day shares in cable universe now surpass ABC, CBS and NBC affiliates.

SONY SPLITS DTV FOCUS: Commitment to DTV broadband networking, MPEG-based open standards and backward-compatibility with legacy broadcast equipment will be focus of Sony's product introductions and strategic planning at NAB show in Las Vegas in April. Statements came at pre-NAB news briefing in N.Y.C. Feb. 8, where Sony and NBC also announced agreement in principle on \$16 million contract to supply network with DTV cameras, VTRs, displays, postproduction equipment.

Sony kicked off briefing with demonstration of Jay Leno segment in HDTV transmitted between Stanford U. and U. of Wash. Edward Grebow, pres., Sony Bst. & Professional, said new century will see merger of broadcast, PC and telecom, and Sony and its clients need to develop expertise in electronic distribution platforms.

MPEG platform will be backbone for convergence among media, Grebow and other Sony executives said. At NAB, Sony will show host of end-to-end systems and products for DTV based on MPEG open standards. Line will include products for acquisition, production, distribution, postproduction, transmission and archiving, they said. Flagship new products will include 24P camcorder, MPEG-based multiformat digital VTR that's backward-compatible to analog formats, and variety of DTV servers and other products that Grebow called "indispensable" for programmers' "digital assets management."

For digital archiving and management, Sony will show range of PetaSite servers at NAB. Digital libraries can store and quickly access 5 to 62 terabytes of data, Sony said. System servers can combine studio's analog and digital content, said James Browker, Sony senior-vp, Creation Content Mktg. Ability to quickly access archives and transmit video over Internet for sale will give broadcasters and others new source of incremental "e-revenues," he said.

As at past NABs, backward-compatibility with legacy systems will get prominent placement at Sony's exhibit. Browker said company will introduce range of MPEG-IMX based products that permit transcoding of all legacy and new products to current 50 Mbps, I-Frame MPEG 4:2:2p bitstream. MPEG-IMX products include VTRs, servers and nonlinear news editors, Browker said. For example, new VTRs can handle half-inch formats including MPEG-IMX, Digital Betacam, Betacam SX and SP or standard Betacam, and no cassette adapters are needed, he said. In all cases, new VTRs transcode previous compression decisions and stages to higher 50 Mbps bitstream for distribution through production plant, using standardized Serial Data Transport Interface Content Package (SDTI-CP). VTRs will be available in Dec. at about \$30,000, Browker said.

Multiformat-compatible DTV acquisition products also will be part of Sony's NAB-2000 lineup. Company said it plans May delivery of HDW-F900 HPCAM camcorder at \$100,000, HDC-900 studio camera and HDC-950 studio portable at same time at price to be determined. All shoot at progressive-scan 24 fps like film cameras — and "regionally independent" most common denominator for digital 1920x1080-pixel resolution standard adopted by ITU, Sony Vp-Acquisition Systems Laurence Thorpe said. Sony cameras also can shoot at 50i/60i scan, he said.

Sony will call 24P cameras "Cine Alta" to hype performance comparable with film, Thorpe said. Cameras can cost

less than 35mm or Super 16mm hardware, with lower media expense and longer recording time, he said. Fringe benefit of digital origination is lack of noise from film grain — "most insidious enemy" of highly compressed MPEG digital transmission, Thorpe said. Most likely prospects for camcorder and cameras are network prime-time customers and independent filmmakers, not Hollywood studios, he said. To date, he said, Sony's sales of digital acquisition equipment have been greater among smaller stations than networks.

New \$16 million deal with NBC might be turnaround, Sony executives suggested. Agreement-in-principle with network includes purchase of MPEG-IMX decks to replace existing VTRs in network control rooms and tape re-record-and-playback stations. NBC also will buy Sony switchers and FX gear for postproduction at network, although some affiliates will use switchers for live applications, said Peter Smith, network vp-technical planning/engineering.

Sony still will subsidize DTV rollout among broadcasters on limited basis, Grebow said. "We don't see the need to do a lot of that," he said, conceding that company picked up part of equipment tab for Leno show, and also underwrote NBC production of movie *Men in Black* in Nov. Sony also is underwriting costs for another TV movie to be broadcast soon, but Grebow declined to elaborate. Other CE companies such as Mitsubishi, RCA and Samsung recently have pledged financial support to broadcasters for DTV programming.

Calling NBC terms for renewing affiliation with KRON-TV San Francisco "totally unacceptable," Young Bstg. Chmn. Vincent Young told security analysts that station will operate as independent after NBC contract expires Dec. 31, 2001. Young purchased KRON-TV last fall for \$823 million from Chronicle Bstg. following intense bidding war with NBC, during which NBC Pres. Robert Wright threatened not to affiliate with new owner (TVD Oct 25 p1). KRON-TV purchase is awaiting FCC approval, and Young said it expects to close in 2nd quarter. NBC now pays KRON-TV \$8 million annually in compensation, but network was demanding \$10 million in reverse compensation for new contract, Young said. Also, network demanded that he rebrand station from KRON4 to NBC4, reduction in allowable prime-time exemptions to 5 hours annually, use of station's digital spectrum and replacement of local Sat. morning kids' block with network programming, Young told analysts. While conceding that loss of NBC would hurt KRON-TV's cash flow, Young said: "When we prepared our strategic plan for KRON-TV, we based the analysis for our lenders on the station operating as an independent." NBC said it's "disappointed that Young chose to respond [to reaffiliation offer] by announcing its intentions in the press." Network said it has received affiliation feelers from "a broad spectrum of different distribution platforms" to replace KRON-TV in San Francisco market. Young made its announcement after meeting with NBC executives Feb. 7. Young also told analysts that 4th-quarter net revenue of \$79.5 million was up 10% over same period last year, with net revenue up 1% to \$280.7 million. Broadcast cash flow for year was down 6% to \$119 million.

Spring affiliate conventions of Big 4 TV Networks: NBC — May 14-15, N.Y. Sheraton; ABC — May 15-17, Grand Hyatt Hotel, N.Y.; CBS — May 30-June 1, Bellagio Hotel, Las Vegas; Fox — June 5-6, Phoenician Hotel, Scottsdale, Ariz.

TV BOOSTS DISNEY, NEWS CORP.: Strong ad market meant growing profits at both ABC and Fox, boosting quarterly results of parents Disney and News Corp. Growth at ABC and owned stations boosted Disney broadcast revenue 13% to \$1.7 billion for quarter ended Dec. 31 and operating profit more than doubled to \$345 million. Cable network revenue was up 19% to \$1 billion and operating profit 33% to \$297 million.

Overall Disney revenue increased 5% to \$6.8 billion and operating income 8% to \$1.1 billion in first quarter ended Dec. 31. Company earlier reported income was up 7% to \$515 million excluding Internet assets that have been broken out in Go.com. Losses from retained interest in Go.com widened 14% to \$191 million. Go.com revenue increased 13% on pro forma basis for first quarter ended Dec. 31, to \$125.6 million, while losses soared to \$82.6 million from \$28.2 million.

Big gains in News Corp. TV and cable operations in 2nd quarter ended Dec. 31 failed to offset profit drop in filmed entertainment and magazine operations, company said. Operating profit in TV group was up 26% to \$341 million for quarter, including 32% gain in U.S. TV operations involving Fox TV Stations and Fox Network, to \$221 million. Stations group profit increased 11%. Cable networks had \$38 million profit, reversing \$41 million loss year ago. Parent company's operating profit was \$790 million for quarter, down from \$902 million year ago, but gains on transactions boosted net profit to \$1.05 billion from \$643 million.

In other financials: Cox reported revenues up 13% on pro forma basis for year ended Dec. 31 to \$2.1 billion from \$1.9 billion and cash flow 10% to \$811.5 million from \$737.5 million. Core cable business had 2.6% pro forma customer growth. Data revenue jumped to \$56.3 million from \$22.1 million, while telephony revenue soared to \$96.9 million from \$35.5 million... Cox Radio profit climbed 26.1% in 4th quarter ended Dec. 31 to \$8.7 million, and revenue 15.5% to \$81.8 million. Company also announced 3-for-1 stock split.

United TV profit dipped to \$11.5 million in 4th quarter ended Dec. 31, from \$12.9 million year ago while revenue grew to \$60 million from \$54.9 million... **Westwood One** profit climbed to \$14.4 million in 4th quarter ended Dec. 31 from \$5 million year ago. Revenue more than doubled to \$179.4 million from \$87.6 million because of acquisitions, and operating profit to \$33.3 million from \$12.1 million... **Gemstar International** had \$32 million profit in 3rd quarter ended Dec. 31 from \$18.8 million year ago, and revenue increased to \$61.8 million from \$41.5 million.

InterVu, recently bought by Akamai for \$2.8 billion, reported \$11.8 million in revenue for year ended Dec. 31, up from \$1.8 million year earlier, including \$5.3 million in 4th quarter. Company lost \$24.8 million in year, plus \$17.2 million charge associated with NBC alliance. It said it streamed 2,212 live events in quarter, up 45% from previous quarter... **NetRadio** reported revenue of \$1.4 million in year ended Dec. 31, up from \$255,000 year ago, but loss widened to \$15 million from \$4 million.

Loral Space & Communications loss worsened to \$122.8 million in 4th quarter ended Dec. 31 from \$65.3 million loss year ago. Revenue dipped to \$426.2 million from \$468.6 million in strong quarter year ago. Satellite manufacturing revenue plunged to \$3.4 million from \$55.3 million... **XM Satellite Radio** said net loss widened to \$11.1 million in 4th quarter ended Dec. 31 from net loss of \$4.2 million year earlier. Startup had no revenue.

RELIGIOUS RULES STAND: FCC has no intention of revising recently reversed guidance that defined some religious programming as noneducational and possibly ineligible for special licenses, Mass Media Bureau Chief Roy Stewart told National Religious Bstrs. (NRB) convention in Anaheim. "It was in good faith that the Commission issued that guidance," he told NRB's FCC Update workshop. "The Commission has now vacated the guidance, saying that it caused more problems than it thought and found it created more uncertainty rather than clarity. And therefore the Commission has said that we are going back to what we have done for the past 30 or 40 years and that is to continue to rely on the good-faith judgment of religious broadcasters that the programming serve an educational need."

NRB, NAB and others still had legal actions against FCC pending on guidance related to Pittsburgh-based Cornerstone Television ruling, Stewart said, which prevented him from getting into details of controversy. But he indicated that outside of further legal action, Commission would continue to assess requests to acquire special educational licenses on case-by-case basis.

"If somebody comes in and files some sort of protest, we can't ignore that," he said. "But I think we're back to where we were before, which served us well for a long period of time and I don't foresee any move on the part of the Commission to turn around and come back to that going forward." NRB executives were pleased FCC quickly overturned guidance that broadcasters must devote 50% of their regular air time to educational content. Decision affected only 20 of 373 TV stations holding educational reserve licenses nationwide, but elicited firestorm of protest that included bill proposed by Rep. Oxley (R-O.) to repeal FCC action. Commission reversed decision Jan. 28 in 4-1 vote (TVD Jan 31 p1).

"We came through this with flying colors," NRB Counsel Larry Secret said of challenge to original FCC guidance. At annual business meeting, NRB board also adopted resolution thanking members of Congress who supported reversal in interest of protecting freedom of religious broadcasting.

Wayne Pederson, exec. vp of St. Paul-based Northwestern College Radio Network was elected chmn. of NRB board. He pledged to oversee member organizations working toward common goals without duplication of efforts. NRB Pres. Brandt Gustavson told board membership is at all-time high of 1,257. He said NRB is financially healthy, with past debt paid off and "every area of our operation carrying itself."

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FCC Mass Media Bureau put out for circulation draft of rules on how agency should award noncommercial FM licenses that have mutually exclusive applications, source said. In proposed rulemaking more than year ago, FCC tentatively concluded it should drop comparative hearings in favor of lottery or point system. Public radio is pushing hard for point system, arguing that religious broadcasters have swamped current system and would do same with lottery by filing multiple applications for every available spectrum space. Public radio lawyer John Crigler said he's not sure what impact recent controversy surrounding religious broadcasting will have on Commission's political will to take action that might hurt religious broadcasters, since educational programming standards are much less stringent in radio than in TV. He said low-power FM rules "at least augur well for our getting some kind of point system" for licensing preferences, since such system was used for low-power stations.

DEFAULTS COULD HIT DBS LOANS: DBS rural loan program removed from last fall's Satellite Home Viewer Improvement Act probably would have led to \$350 million in defaults out of \$1.25 billion in U.S. govt. loan guarantees, Congressional Budget Office (CBO) Dir. Dan Crippen testified Feb. 9 before Senate Banking Committee. He said scoring he did for Rep. Goodlatte (R-Va.) suggested program would "prove costly" and be "financially and technically risky." Among problems Crippen cited for receptive Chmn. Gramm (R-Tex.) was that with cable passing 97% of homes, "at most" 3% of U.S. households don't have access to local signals via cable, over-air broadcasts or methods such as microwave. At default rate Crippen cited, federal govt. would pay more than \$100 per household to provide local signals to 3 million homes, assuming successful system.

Meanwhile, House Agriculture Oversight Subcommittee held separate hearing on DBS loan subsidies, with Chmn. Goodlatte (R-Va.) vowing to introduce legislation soon with Rep. Boucher (D-Va.). Several members speaking at hearing claimed jurisdiction of issue and faulted Gramm for blocking bill last fall.

While members of both houses have compared loan subsidy program to govt. assistance on rural electrification or telephony, Crippen said key difference is that borrowers of DBS loan guarantee funding "would immediately confront competitors in the marketplace." They also would face "numerous technical risks, including the risk that emerging technologies will allow local broadcast signals to be delivered to the home through less costly methods." Best way to reduce risk of default is to reduce size of program, Crippen said, although there's bipartisan support for \$1.25 billion figure. Another method would be not to guarantee entire loan, which Crippen said "can reduce the default risk by encouraging private lenders to exercise more care in underwriting loans." Gramm has vowed to guarantee less than 100% in his bill, but after hearing wouldn't commit to percentage, although it will be more than 50%.

Gramm said he would have bill prepared by end of Feb., one month before conferees agreed last fall to have final bill on floor of both houses. He expressed concern about potentially small audience for local TV signal provider and with technology: "In 3 years, we could have technology that's one-tenth as expensive... That's why we have to have the private sector involved... the salvage value might be zero."

Another question raised by Crippen was to what extent DBS subscribers are clamoring for network signals and how much they want local programming. Gramm said his office hasn't been able to sort out complaints, but many members have said complaints they've received largely have involved those who once received distant signals, now barred as result of SHVIA. Most members testifying in last 2 weeks, however, have suggested what is crucial now is to get local programming, not distant signals, into rural communities, to provide emergency news and weather information.

Jurisdiction continued to be in dispute. "We have jurisdiction over loan guarantees," Gramm said, but members of House Agriculture Oversight Subcommittee echoed Senate Agriculture in claiming jurisdiction. Goodlatte said he and Boucher soon will introduce DBS bill with Rep. Emerson (R-Mo.) to bring local signals over DBS to more than 30% of households that won't be served by EchoStar or DirecTV. Emerson said loan program has backing of Congressional Rural Caucus.

Local TV on Satellite (LTVS) Exec. Vp-COO John Hutchinson testified before House subcommittee, pushing for loan. LTVS has proposed since 1997 to provide common platform for subscribers of multiple DBS systems to receive local programming from common platform. Hutchinson said with 2 satellites LTVS could serve 75% of U.S. households, but could do so only if govt. "guarantees a loan for commercial debt funding of a substantial amount of the total capitalization." He said govt. loan would be secured by \$750 million in satellite and ground station hard assets.

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New PBS Pres.-CEO Pat Mitchell is hitting ground running, already attending meetings in preparation for March 1 start, she told media and public broadcasting leaders at Washington news conference. As expected (TVD Feb 7 p5), former CNN productions chief received unanimous approval from PBS board over weekend to become first woman to head PTV network and 5th pres. overall. Mitchell demonstrated some knowledge of industry's Washington alphabet soup, repeatedly referring to her "partners at CPB, APTS and NPR," and industry leaders told us they appreciated that. PBS Chmn. Colin Campbell praised her "diplomatic skills" and "consensus-building" experience as she enters contentious world of station politics. Involvement of local stations is "advantage... not a barrier," she said. Mitchell called present "most significant time in the history of public broadcasting," with industry needing to position itself as important alternative to consolidating and commercializing other media. Asked about PBS's own underwriting practices, she said "we all know those messages [underwriting spots] are essential," and "it's better than having interruptions... There is a difference. PBS will remain commercial-free." She said she isn't planning to alter PBS's "excellent" content, but will strive to ensure that "programmers think of us first." WETA Washington Pres. Sharon Rockefeller said Mitchell has "clear appreciation" of public broadcasting's mission and programming: "She knows it cold. She gets it." Campbell told us hiring of commercial TV executive wouldn't have been possible without lifting of PBS salary cap, although he said Mitchell will make "far less" than she did at CNN. He said effects of salary cap's absence will be felt as PBS seeks to fill other top slots, including head programmer spot that's been vacant for nearly year.

Following departure of 2 key communications employees, NCTA is restructuring its communications dept. Vp Josie Martin left at year-end, and Communications Dir. Scott Broyles announced he was taking top PR position at Cox's Fairfax, Va., system. NCTA said new vp-communications will be David Beckwith, former press secy. to Vice President Dan Quayle and Presidential candidate George W. Bush. Jim Ewalt, former CATA exec. vp and acting NCTA vp-communications, will become vp-public affairs, overseeing educational initiatives and related matters. NCTA ideally will move soon on replacing No. 2 David Krone, NCTA Pres. Robert Sachs said. He said now that Communications Dept. has been restructured he can concentrate on hiring new top aide. While some have advised that Sachs take time in search, he said he has several "must" trips in coming weeks and would like to know there's "another me" back in Washington. While he wants person with policy focus in Krone's position, he's extremely confident that administratively NCTA will continue to run smoothly under Barbara York, recently promoted to senior vp-industry affairs.

NAB board voted unanimously to offer to support further studies of DTV technology. Resolution also commended MSTV for saying more work is needed on DTV receiver quality and "underscore[d] the need for reliable DTV reception capability by indoor antennas."

TAUZIN CHALLENGES DRUG POLICY: Relatively quiet House Telecom Subcommittee hearing on White House and its antidrug messages inserted into network programming (TVD Jan 17 p4) heated up last week when Chmn. Tauzin (R-La.) pressed Office of National Drug Policy (ONDPC) Deputy Dir. Donald Vereen into admitting that TV networks believed they were submitting scripts before air to get back pro bono ad time even though Vereen insisted submissions merely were for "technical review." Still unclear was extent to which White House and ONDPC may have been involved in script adjustments, either directly or by influencing network executives and program producers. Tauzin and others on subcommittee said they weren't seeking legislative changes (ONDPC and networks already have changed policies in wake of scandal to eliminate script screening) but to illuminate situation.

Two network executives testified at hearing, ABC Network Administration & Operations Pres. Alex Wallau and CBS Senior Vp Martin Franks. Tauzin praised Wallau because ABC was only network to refuse to submit programs before air, noting that as result agreement ABC negotiated with ONDPC for this season only on PSA matches, making it only network not eligible for ad credits. Wallau said he understood before negotiations for this season that "deal was we had to submit [scripts] in advance," something ABC chose not to do. Franks said CBS submitted several scripts for review in 1998-1999 TV season, getting approval on 2. After Vereen said networks submitted scripts for technical review, Franks said "we submitted them for a yes-or-no answer on a credit, not for technical assistance." Vereen admitted networks were seeking credits when submitting scripts and said that's why ONDPC now has changed policy and won't review scripts. Franks said CBS has adopted same policy on submissions.

Rep. Wilson (R-N.M.) expressed First Amendment concerns on scripts Franks said were submitted and rejected. With Franks saying at least some of rejections were known to shows' producers, she said "does that influence the way they write the show?" Franks said it's unlikely there was much impact. First Amendment attorney Robert Corn-Revere said that with facts uncertain it was hard to make constitutional judgment, although PSA purchases weren't problem. Still, he said, "my own view is that for a country dedicated to freedom of expression, we should resist propaganda no matter how noble the message might be." He said "it is propaganda when the government is using incentives to see messages are inserted into programs, and viewers aren't aware those are government messages."

Tauzin argued that script review violated statute of ONDPC program and said fact that it has changed rules now supports his position. But ranking Democrat Markey (Mass.) and House Commerce Committee ranking Democrat Dingell (Mich.) both said they read statute as encouraging cooperation between networks and ONDPC. Dingell questioned whether ONDPC had any content control at all: "If the White House did control TV programming, it would first move to cancel Jay Leno's monologues." House Commerce Committee Chmn. Bliley (R-Va.) said it was misguided case of believing that ends justified means, while Vice Chmn. Oxley (R-O.) asked: "Do we then follow with issues like gun control, teen violence and the heartbreak of bad breath?"

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Radio ad revenue was up 15% in 1999, including 20% gain in Dec., Radio Ad Bureau announced. Local ad sales were up 14% to \$13.6 million, national spot up 16% to \$3.2 billion, network ads up 19% to \$878 million.

KENNARD SEES COMPETITION: FCC Chmn. Kennard celebrated 4th anniversary of Telecom Act by saying there's robust competition in nearly all segments of telecom industry, evident from increased investment and lower rates. In National Press Club speech, he said: "Some predict that by 2005, nearly 50% of all American households" will have option of getting phone service from cable company, which would be "a direct benefit of the 1996 Act."

USTA Pres. Roy Neel said after speech that FCC actually is "denying consumers choice" by continuing to regulate independent local exchange carriers (ILECs) heavily while making it easy for AT&T to provide local broadband service through cable wires without same access regulation. Commission is "giving away the farm to AT&T while maintaining a stranglehold on the local telephone companies," he said.

Asked by member of audience how FCC "justifies a policy of hands-off cable versus hands-on local telephone companies," Kennard said he has "made it clear that anyone who wants to do advanced services will do so without regulation or with lessened regulation."

Kennard said another challenge is video competition because "cable rates are still too high." However, FCC report shows "encouraging signs," he said. For example, "2 out of every 3 new video subscribers now get their video from noncable sources, such as satellite." He said next goal is to usher in "broadband Internet Age" when users get faster Internet access and Internet migrates from desktop to other devices such as Palm Pilots. In answer to question about his poor relations with Congress, Kennard said "keeping the lines of communications open" with Hill already has "tremendously improved" situation.

"I am frustrated with the [slow] pace of the [HDTV] rollout," Kennard said, predicting major "breakthrough" among manufacturers "in the next several days." After repeating his warning that if manufacturers don't adopt cable compatibility standards by April (TVD Jan 10 p1), FCC will become involved, he said: "Consumers cannot wait much longer."

Asked about upcoming era of interactive media, which Kennard labeled Interactive Personal TV (IPTV), he said: "What consumers want is choice... to want what they want when they want." And, he predicted, IPTV will create "a new economic model for the advertising industry." In that era, he said, there will be "clearly an essential and continuing role for government," citing such factors as broad access for children and disabled. "The market is not going to solve this problem," he said.

Kennard refused to comment on question about FCC's dual network restriction, calling it "a back-door attempt" to get him to comment on Viacom's pending acquisition of CBS, which would put UPN and CBS TV Network under single owner.

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Audio and video tapes of FCC hearing on AT&T-MediaOne deal (TVD Feb 7 p5) are available from Commission's contractor, Infocus (703-834-0100), agency said. Transcript also is expected to be posted on FCC Web site soon. Because of technical problems, RealAudio Webcast of hearing didn't start until hour late, and broadcast on LPTV station in D.C. ended early.

QVC plans to encode its programming for use with V-chip by end of first quarter, FCC said in new V-chip survey.

LPTV stations displaced by DTV transition should be allowed to move to channel that full-power station abandons after transition, Community Bstrs. Assn. (CBA) said in comments on FCC's Class A rulemaking (MM 00-10). Group, which represents LPTV stations, said Class A LPTV stations should have priority over full-power stations that seek power increase after May 1 deadline, and all existing LPTV stations should be grandfathered as long as they create no interference "in practice." Other CBA comments included: (1) Displaced Class A stations should be given priority for abandoned full-power channels. (2) Multiple ownership of existing LPTV stations should be grandfathered. If they're not, LPTV stations should count less than full-powered stations toward ownership cap. (3) Class A stations should be allowed to apply for DTV channel any time, but given short time to construct. FCC shouldn't set DTV filing deadline at this time, CBA said. National Religious Bstrs., meanwhile, said FCC shouldn't limit Class A licenses to those applying by "arbitrary" deadline. If other conditions are met, it said, stations should be able to apply later. It also said Commission should authorize paired DTV channel for LPTV stations. National Translator Assn. said translator stations that relay local programming are "equally deserving of protection," provided station they're relaying meets Class A requirements and translator meets interference criteria. Group said rules should include provisions for site changes.

In merger of streaming media companies with soaring share prices, Akamai Technologies bought Intervu for \$2.8 billion in stock. Akamai said combined company will be "largest global provider of Internet content, audio and video delivery services," supporting all leading formats and serving more than 1,000 customers. Akamai provides software and other services that speed delivery of streaming content, and has signed up key customers such as CBS, Discovery, Lycos, NBC Internet, Oxygen Media. It had revenue of just \$2.7 million in last quarter while losing \$29.8 million. Intervu, which automates distribution of video and audio content on Internet, also has big backers, including \$20 million investment from CNN and \$30 million from Microsoft, both customers. Deal is expected to close in 2nd quarter.

Chris-Craft subsidiary BHC Communications filed suit in N.Y. Supreme Court seeking to block merger of Viacom and CBS. Suit came days after Viacom forced BHC to decide whether to buy Viacom's share of UPN Network or sell its share to Viacom. BHC has 45 days to decide. Suit claims CBS-Viacom merger agreement would violate UPN partnership prohibiting Viacom from having any financial interest in network competing against UPN. It also asks court to prohibit Viacom from enforcing UPN buy-sell provision. CBS and Viacom issued joint statement saying suit "is transparently without merit and will have no impact on the timing of Viacom's planned merger with CBS."

Consumers Union Co-Dir.-Washington Office Gene Kimmelman and Consumer Federation of America Research Dir. Mark Cooper wrote President Clinton expressing "profound disappointment" that Administration has done "virtually nothing to prevent cable rates from skyrocketing [or] to stop massive consolidation of telephone and cable monopolies that were supposed to compete with each other." Letter was written to mark 4th anniversary of Telecom Act. Kimmelman and Cooper said Clinton persuaded Congress to modify Act to make it more consumer friendly but FCC and antitrust officials "failed to follow through" on improvements.

BET opened Web site BET.com, with content catering to African Americans. Site also has backing of Liberty Digital, Microsoft, News Corp. and USA Networks, with combined \$35 million invested at start. It will get \$8 million in ad support, in addition to promotional time on BET's cable network. "Our goal is to become the home page for African Americans," COO Scott Mills said. Site hired Retha Hill, ex-Washingtonpost.com, to be vp-content development. At outset, it will offer broad content, including news, music, job information. BET said it plans to start selling products and services on site later this year.

Four members of House, along with 8 congressional staffers, will highlight NAB State Leadership Conference today (Feb. 14) at J.W. Marriott Hotel, Washington. Speaker Hastert (R-Ill.) will be joined by Reps. Gephardt (D-Mo.), House minority leader; Obey (D-Wis.), ranking member of Appropriations Committee, and Tauzin (R-La.), chmn. of Telecom Subcommittee, who speaks at lunch. Kick-off speaker will be NTIA Dir. Gregory Rohde, followed by panel of 4 top FCC staffers. For first time in recent memory, no FCC member is scheduled to speak at Leadership Conference.

FCC Enforcement Actions: (1) FCC said it will fine KNEC(FM) Sterling, Colo., \$16,000 for series of violations of Emergency Alert System and antenna rules. (2) KEOT(FM) St. George, Utah, is subject to \$8,000 fine for transferring substantial control without Commission authorization. (3) KPXR(FM) El Paso faces \$4,000 fine for violating contest rules by not disclosing that prize was 10,000 Italian lira (\$5.13), rather than \$10,000.

With launch of DTV broadcasting by 3 more stations, DTV signals now are available to 61.3% of all U.S. households via 117 DTV stations, NAB said. Newest stations are KNTV-DT San Jose, WOFL-DT Orlando, KTRK-DT Houston. NAB Pres. Edward Fritts said number "is proof positive that broadcasters are committed to a new digital age" and it's time for FCC to adopt carriage and interoperability rules.

Nearly 90% of N.H. voters said radio and TV provided right amount or too much coverage of campaign, according to poll commissioned by NAB and RTNDA. Poll by Wirthlin Worldwide said 50% believed media provided "about the right amount" of coverage, with 37% saying it was too much, 6% saying there was "too little."

TELEVISION DIGEST NOW AVAILABLE IN PRINTABLE FORMAT

Subscribers to Television Digest with Consumer Electronics now can receive their weekly issue electronically in the widely used PDF format, which duplicates the look and feel of the print version on any PC. Delivery of this version will take place the Friday before the Monday publication date. Subscribers who want to replace the print (or non-PDF electronic) versions they now receive may do so simply by sending an e-mail request to tvdinpdf@warren-news.com or calling us at 202-872-9200. "Adobe Acrobat Reader" software, already loaded on most computers and free for downloading from the Internet, is required to read PDF files.

Personals

Jonathan Nuechterlein, ex-DoJ, named deputy gen. counsel, FCC... **Mitch Glazier**, ex-Subcommittee on Courts & Intellectual Property of House Judiciary Committee, appointed senior vp-govt. relations & legislative counsel, Recording Industry Assn. of America... **Kathryn Dole**, special counsel to FCC Common Carrier Bureau chief, leaves to become dir.-national affairs, NPR.

NBC appointments: **Paula Madison**, vp-WNBC N.Y., appointed vp-diversity; NBC appointments to diversity council: **Henry Ahn**, NBC Cable Networks; **Ernie Arboles**, KNBC, L.A.; **Anna Carbonell**, WNBC, N.Y.; **Cheryl Gould**, NBC News; **Ed Scanlon**, NBC... **Peter Levinsohn** promoted to Twentieth Century Fox exec. vp-Worldwide Pay TV and Pay-Per-View... **Marian Spitzberg** advanced to senior vp-gen. counsel, Belo... **Eileen Murphy** promoted to vp-media relations, ABC News... **J.W. Linkenauer** advanced to vp-systems development, Paramount Stations Group.

Malcolm Dudley-Smith, senior vp-pay TV & business development, Warner Bros. International TV Distribution, promoted to senior vp-sales & business development... **Rich Iazzetta**, ex-Paramount Syndication Group, leaves as UPN senior vp-network distribution to start own company, eMerging Equity Network (eEN)... **Jane Rimer**, vp-sales & development N. America, Pearson TV International advanced to senior vp-sales & development N. America... **Kim Dziabis** promoted to senior vp-sales, AMFM, Philadelphia station group from dir.-mktg. & sales.

Keith Herndon advanced to Cox vp-strategic development... **Victoria Glazar**, ex-Sylvan Learning Systems, named vp-PR Comcast... **David Hyman** promoted to senior vp-mktg. and promotion, MTVi Group... **Fred Poston** advanced to vp, on-air promotion operations, Fox Family Channels and Fox Kids Network... **Michael Rosen** promoted to Showtime dir.-affiliate mktg. services... **Kristin Reynolds**, ex-Radio City TV, named vp-sales support, Cablevision Systems... **Enrique Martinez**, senior vp-gen. mgr., Discovery Communications Latin America/Iberia, elected chmn., TV Assn. of Programmers, Latin America... **Jan Hatcher**, ex-Scripps Network, named senior vp-distribution, Lifetime Entertainment Services... **Joe Hogan**, ex-Fox Entertainment Group, named vp-Midwest sales mgr., Turner Bctg. Sales.

Keith Zar, ex-General Instrument, appointed senior vp-gen. counsel & secy., Next Level Communications... **Charles Nooney**, ex-Disney/ABC Cable Networks, named pres., PRN... **Cathy Snow**, ex-KFC, becomes vp-national & local promotions, Starz Encore Group... **Steven Koonin**, ex-Coca-Cola, named exec. vp-gen. mgr., Turner Network TV, effective Feb. 28.

Personal video recorder (PVR) sales are expected to grow at 275% annually 2001-2003, Cahners In-Stat Group report said. By end of period, more than 8 million units, which store video on hard drive, will allow "smart" decisions on content to be stored, as well as ability to skip easily through commercials. TiVo and Replay Networks began selling PVRs in late 1999 — www.cahnersinstat.com.

Gannett said its stations and its newspaper *USA Today* are collaborating on *USA Today Live*, project that includes making newspaper's content available for station newscasts and jointly producing Web content on *USATODAY.com*. Project will be headed by **Dick Moore**, news dir. of WXII (Ch. 12, NBC) Greensboro-High Point.



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FCC Chmn. Kennard will speak at Chairman's Breakfast April 11 during NAB convention in Las Vegas, NAB said. FCC Comrs. Furchtgott-Roth, Ness and Powell, as well as NTIA Dir. Greg Rohde, will speak at Regulatory Dialog later same day, NAB said. FCC staffers are to speak on several other panels — www.nab.org/conventions.

NBC Internet said it raised \$280 million with follow-on stock offering of 3.65 million shares at \$81-3/8.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from CEA, for week ending Jan. 28 and year to date:

	JAN. 22- JAN. 28	1999 WEEK	% CHANGE	JAN. 15- JAN. 21	4 WEEKS 2000	4 WEEKS 1999	% CHANGE
TOTAL COLOR TV.	716,735	800,480	- 10.5	445,220	1,669,130	1,688,890	- 1.2
DIRECT-VIEW**	674,138	764,434	- 11.8	423,252	1,576,920	1,616,172	- 2.4
TV ONLY#....	590,038	628,797	- 6.2	354,545	1,362,561	1,383,943	- 1.5
TV/VCR COMBO.	84,100	135,637	- 38.0	68,707*	214,359*	232,229	- 7.7
PROJECTION...	42,597*	36,046	+ 18.2	21,968*	92,210*	72,718	+ 26.8
TOTAL VCR**....	734,318*	690,175	+ 6.4	291,423	1,342,568*	1,388,690	- 3.3
HOME DECKS...	650,218*	554,538	+ 17.3	222,716	1,128,209*	1,156,461	- 2.4
CAMCORDERS (a)...	134,640*	122,183	+ 10.2	80,488	296,686	225,757	+ 31.4
DVD PLAYERS....	173,464*	61,635	+181.4	101,298*	370,031*	125,536	+194.8

Direct-view TV 5-week moving average#: 2000-350,484; 1999-355,940 (down 1.5%).

Projection TV 5-week moving average: 2000-24,759; 1999-20,816 (up 18.9%).

VCR deck 5-week moving average: 2000-301,974*; 1999-324,538 (down 7.0%).

TV/VCR 5-week moving average: 2000-59,325*; 1999-60,240 (down 1.5%).

Camcorder 5-week moving average: 2000-74,581; 1999-55,105 (up 35.3%).

DVD player 5-week moving average: 2000-106,855*; 1999-32,198 (up 231.9%).

* Record for period. ** Includes TV/VCR combinations. # Excludes TV/VCR combinations. (a) Includes analog camcorders only.

SEARS THREATENS SUIT AGAINST DIRECTV: Sears is threatening breach-of-contract suit against DirecTV to collect co-op ad money and other funding that it claims was cut when it refused to become exclusive dealer last year.

Sears was dropped as DirecTV retailer (TVD May 10 p10) after refusing to halt sales of EchoStar. DirecTV had sought to enforce agreements that promise better terms for retailers that provide exclusive distribution. If Sears doesn't "get any recourse" it will file suit, Sears Brand Central Vp-Gen. Mgr. Charles Cebuhar said. "All we want is what is owed us and promised in the original agreement because we have been involved in this from Day One and we helped launch DirecTV," Cebuhar said. DirecTV spokeswoman wasn't available for comment.

Ultimate Electronics, which also was dropped by DirecTV last summer, resumed sales in Jan. after agreeing to become exclusive dealer. UE's move was among grounds EchoStar cited in filing antitrust suit against DirecTV earlier this month (TVD Feb 7 p10), action that DirecTV Senior Exec. Vp Eddy Hartenstein last week dismissed as "a huge whine and a fishing expedition." Sears weighing of legal action is unrelated to EchoStar suit and would be filed separately, Cebuhar said.

Hartenstein, who made comments following presentation to investors at Merrill Lynch's Satellite CEO Conference in N.Y.C., said DirecTV is "aboveboard in everything we do and all the agreements with dealers are within the law." He said suit is "outgrowth" of 2 different strategies for selling satellite services. While DirecTV has sought to "partner" with manufacturers, EchoStar has remained vertically integrated, "which undermines retail rather than supports it," he said.

While EchoStar has charged that DirecTV has sought to "monopolize" DBS market by requiring that dealers sign exclusive agreements, Hartenstein contends that retail pacts were "customary and ordinary" and that EchoStar "has an opportunity to compete for them." He also dismissed suit's allegations that DirecTV made payments to TV makers to assure that its receivers were built into DTV sets, saying "none of our efforts has precluded a consumer from receiving high-definition from EchoStar." Hitachi, Thomson and Toshiba have shipped TVs with DirecTV HDTV decoder.

As DirecTV defends itself against suit, it remains on schedule to roll out separate IRDs for AOL TV and TiVo by late 2nd quarter, with volume shipments to follow in 3rd quarter, Hartenstein said. Pricing and packaging haven't been finalized, but likely range is \$7-\$8 per month for TiVo to \$15 for AOL, which would include many of standard features including e-mail, Instant Messaging, Buddy List. Third service, Wink Communications' enhanced TV system, will be free and has been preinstalled in 500,000 set-top boxes built by Thomson. Software-enabling Wink service will be downloaded to STBs in April-May and is likely to include e-commerce system in addition to providing further details on advertised products. Hardware combining all 3 services will be available next year, Hartenstein said.

Overall, interactive services will boost DirecTV's average monthly revenue per subscriber to \$60-\$70 from current \$58, Hartenstein said. Cost per subscriber will remain in \$500 range for year, although DirecTV may subsidize AOL TV hardware in future, he said.

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Home Box Office and EchoStar have dished up promotion offering free pizza and pasta (\$40 value) with purchase of Digital Sky Highway (DISH) system at Sears. Promotion, which runs through March 31, also requires consumers to subscribe to HBO The Works premium movie (\$10.98 per month) and EchoStar's America's Top 100 CD packages (\$28.99). Offer includes 14" pizza pie tray, cutter, dough mix. EchoStar has tested culinary waters in past — it started contest at McDonald's last year offering JVC's DISH IRD/D-VHS recorder and year's subscription to DISH premium services as prize (TVD July 26 p13). Separately, News Corp. credited sale of EchoStar stock along with IPOs of Fox Kids Europe and hardware business News Digital Systems for gain of \$425 million in fiscal 2nd quarter. News Corp. and MCIWorldcom agreed late last year to sell 12 million EchoStar shares to several investment firms (TVD Dec 27 p13). News Corp had acquired 9.6 million shares in 1998 as part of \$1.25 billion sale of satellites and licenses to EchoStar. Overall, News Corp. reported 2nd-quarter income rose 71% despite 5% slip in revenue (see financial table).

DIGITAL VIDEO DRIVES THOMSON REVENUE GAINS: Quadruple increase in DVD player sales and 3-million-sales year for satellite receivers were strong contributors to 18.9% revenue rise for RCA parent Thomson Multimedia in 1999.

CE products including digital accounted for \$5 billion of \$6.5 billion revenue, and category alone saw 16.3% increase in year, Thomson said. Sales were stated in new Euro currency, translated at 0.97 Euros to U.S. \$1 exchange rate prevailing at year-end. Thomson, which will issue 1999 profit statement on March 1, said it expects to report continued profitable operation. Company last year reported first profit (\$17 million) after years of red ink under French govt. operation, and since has made successful public offering.

Thomson sold 800,000 DVD players worldwide in 1999, with most in U.S., spokesman said. They included Divx players discontinued by backer Circuit City after June, he said. Thomson accounted for vast majority of Divx decks sold, estimated at 200,000 from launch to demise. Company had said it shipped 100,000 Divx models in 4th quarter of 1998 alone (TVD Jan 18/99 p13).

Digital satellite receivers were strong performer for Thomson in 1999, with more than 3 million sold. It said bulk of sales were for DirecTV system in U.S.; it also provides home hardware for TPS service in France and Via Digital in Spain. Among other CE products, company began selling digital cable modem in U.S. Thomson said group continued growth in Europe, where TV market share rose on 20% sales increase for Thomson brands, including high-end Scenium line begun in Oct. Residential telephony product sales increased 18% in U.S. and Europe.

OEM sales made hefty contribution to Thomson business in 1999. Revenue from displays and components rose 11.2% to \$1.24 billion on increased sales of large and very large tubes to manufacturers outside group. Company said optical components revenue doubled. Meanwhile, new source of income for Thomson is royalties from RCA patent portfolio, just returned to company by former RCA owner GE this year. Revenue from patents and licensing soared 316% in 1999 to \$270 million.

STEEP DROP IN PIXELS-BUCK SEEN FOR DSC AT PMA: Even as resolution nears parity with film, price-per-pixel for digital still cameras (DSC) entered steep dive in models introduced at Photo Marketing Assn. show in Las Vegas last week. Although traditional photo industry is no stranger to sharp and competitive pricing, rapid cost reductions on more CE-like business model were wake-up call to camera dealers, who now are confronted with commodity product they share with CE and PC retailers — including mass-merchandiser and super-store chains.

Pricing free-fall was more dramatic than predicted for consumer-oriented DSCs. As cameras with solid-state storage hit and surpassed 3-megapixel mark at sub-\$1,000 price point, vendors scrambled on pricing of their latest and existing

models. Harbinger of bloodbath was Kodak's pre-PMA announcement that Father Yellow was slashing prices \$100 or more on current line — creating range from \$99 for basic Internet point-and-shooter to \$899 for highest resolution and feature-laden DC290 (TVD Jan 31 p16).

Although Kodak didn't introduce new DSCs at show, post-PMA announcement revealed different tack toward CE/PC universe. Photo industry pioneer said it would introduce PalmPix camera that connects to Palm III and VIII series handheld PCs. PalmPix will enable users to take pictures and transfer them to desktop PC through Palm handheld's HotSync cradle, Kodak said. Pictures are viewed on Palm's LCD as 2.3" sq. grayscale images. But once on PC desktop, photos are stored as standard JPEG or BMP files in color. Expected price for add-on Palm DSC peripheral is \$150.

Real rug-puller on DSC pricing at PMA was Fuji. Company announced first DSCs with its new 4.3-megapixel Super CCD technology will list below \$1,000 and probably hit streets at \$899 in Super CCD 4700 model, due in spring. Fuji was first DSC manufacturer to price megapixel camera under \$300 last year with MX1200. Pocketable FinePix 4700 Zoom has 0.58" CCD image pickup that generates 4.3 million-pixel picture file (2,400x1,800 pixels) and can play back up to 80 sec. motion video with sound.

"Generates" is key term. Fuji doesn't claim 4.3-meg number as true pixel resolution — it concedes some in-camera interpolation trickery is at work, and will say only that "pixels don't count for everything." Regardless, Fuji has rest of field on run — and counting pixels.

Among CE vendors at PMA, Sony made loud noise with slew of DSC releases. Additions to CyberShot line were noteworthy for pricing. It includes 3.3-megapixel DSC-S70 for \$799, 2.1-megapixel DSC-S50 for \$599, 1.6 megapixel DSC-S30 for \$499. Company said all 3 DSCs are Sony-built "from the lens, back," but feature Carl Zeiss optics — generally considered to be key addition to picture quality. Flagship and midline models also feature MPEG movie mode — 60 sec. of video with sound. Stated stickers are MSRP — prices might drop at street level by time DSCs ship in April.

Sony's message was clear. "We are going after the traditional film business, hitting all segments with a digital solution," spokesman said. In throwback to earlier trade show wars, Kodak had rep stationed outside Sony news conference bird-dogging conventioneers to Kodak event scheduled for same time. Kodak aide eventually got bum's rush by Tropicana Hotel security. But Sony-Kodak duel is indicative of how ugly competition has become in DSC arena. By comparison, such scheduling conflicts haven't been seen for decades at CES, where competitors such as Philips, Sony, Thomson, Toshiba and others orchestrate timing of news conferences and even provide tag-team shuttle-bus service to coordinate transportation of media among back-to-back events.

Casio also is in 3-megapixel sub-\$1,000 derby. It showed QV-3000EX at CES in Jan. and rolled it out again for photo trade at PMA. DSC also records motion video and sound with "Movie Mode" feature that yields up to 30 sec. at 320x240 pixels resolution.

Panasonic had solid-state rejoinder to Sony's Memory Stick DSCs at PMA, wowing conventioneers with slew of prototype DSCs built around its Secure Digital (SD) memory card co-developed with SanDisk and Toshiba — most notable being tiny pendant-style DSC that works with thumbnail-sized 64 MB storage cards. It gave no delivery dates or tentative pricing. Panasonic also showed previously announced PV-SD4090 PalmCam that uses 120 MB SuperDisk floppy as storage medium — potential competitor to Sony's successful floppy disc based Digital Mavica line. Panasonic's PV-SD4090 saves up to 1,500 images on 120 MB SuperDisk and also is compatible with traditional 1.44 MB floppy discs, which hold up to 17 images.

MP3 audio in DSC was among Samsung's PMA surprises. Camera lineup will include 4 new models at price points from \$700 to \$200-cheap. Samsung Cyber is standalone (untethered) DSC with 640x480 VGA resolution. When camera is connected to PC it has ability to conduct live videoconferencing over Internet. Other features include 2 MB internal memory with slot for add-on Compact Flash storage, optical viewfinder, USB and RS232 serial interface. New Cyber MP3 has same features but adds ability to download MP3 audio files from PC to camera for mobile listening. Cyber models will be available in spring. Samsung's 130Z is 1.3 megapixel DSC while 210SE has 2.1 megapixels. Each has optical viewfinder and 1.8" LCD monitor, 3x optical zoom using Schneider optics, plus 2x digital zoom. Videoconferencing function is other feature, and 8 MB Compact Flash card is included. They ship in spring.

JVC introduced new MiniDV format camcorder that combines motion video and still image recording capability. GR-DVL9800, priced in \$2,000 range, features 680,000 pixel progressive scan CCD and high bandwidth processing technologies that deliver XGA-resolution digital stills that are stored separately on removable card. Dual shooting mode enables user to shoot still images while recording motion video. GR-DVL9800 has 3.5" LCD monitor with 180,000 pixel resolution, comes with 4 MB storage card.

Traditional camera vendors defended their turf at PMA in performance boasts as well as pricing. Canon released new PowerShot S20 — 3.3 megapixel DSC with ultracompact size and low \$800-\$1,000 sticker. It's compatible with Type I and Type II Compact Flash cards as well as IBM's 340 MB microdrive. Latter stores hundreds of images at high resolution and more than 1,000 at lower resolutions. Nikon was yet another manufacturer in pricing quandary, and remained tight-lipped on price of new Coolpix 990. Company's Coolpix 950 and Coolpix 800 have played to rave reviews but no doubt will see price cuts because Coolpix 990 ups ante in performance and features. It offers 3.34 megapixel resolution, 3x Zoom-Nikkor lens, 2 fps full-resolution image capture with nearly no delay between shots.

Downward pressure on DSC prices already has been felt by Olympus. Its new C-3030 Zoom has 3.3 megapixel CCD imager, 3x optical and 2.5x digital telephoto, and is expected to debut in \$900 range. That already has affected current Olympus 2500 and 2020 DSCs in recent weeks, with 2500 model down to about \$1,000 from original \$1,500 sticker. Company also came in at much lower price point than expected with new D-460 Zoom, 1.3 megapixel DSC with 3x optical lens and \$499 MSRP. Other big bang-for-buck proposition is new Dimage 2300 from Mirolta. It has 2.3 megapixel resolution, multiple advanced autoexposure features, compact body, anticipated price below \$800. One trend noticed in now-lower end megapixel DSCs is addition of new features such as optical zooms, MPEG movie modes, ability to attach files as manufacturers make effort to keep price points from dropping below \$300-\$500.

Among low-end DSCs, pricing will dip below \$150. Typical of breed is PhotoMax Fun! Flash 640 Digital Camera designed for entry-level digital photography. It offers beginners standard 640x480 resolution, LCD display, 15-sec. self-timer, storage capacity for minimum of 15 images, 24-bit color output. Kit includes carrying case and wrist strap, 4 AA batteries, AC adapter, serial cable.

'X-BOX' TO SHIP BY SEPT. 2001: Videogame console from Microsoft code-named "X-Box" will ship in U.S. by Sept. 2001 and in Europe soon afterward.

In revealing latest details that Microsoft has tried to keep under tight wraps, British press report provided specs and said console pricing would fall \$149-\$349, depending on price of Sony's competing PlayStation2 (PS2) in 2001. Report said information was discovered after Microsoft held secret meeting with small group of 3rd party game developers. Microsoft spokeswoman didn't return call for comment.

Although X-Box operating system is derived from Windows, game titles for system won't be PC-compatible. But console will have DVD drive that can play DVD-ROM discs and DVD-Video movies and offer Internet connectivity, as we reported (TVD Sept 13 p12). Unlike what was believed then, hardware now is expected to carry Microsoft brand name, not Dell and Gateway, which were among manufacturers rumored to be involved.

Also revealed last week is that console will come with 56 kbps modem, processor greater than 1 GHz, 64 MB of RAM including Video RAM, 4 GB hard disc. Processor had been said to be 500 MHz. Royalty system for software will be less than PS2 structure, report said, noting that only thirty 3rd-party developers have been lined up so far.

Microsoft was said to be conducting series of technology demos in conjunction with AMD, ATI, Creative Labs, Nvidia and S3 at Milia show in Cannes last week with goal of creating "showcase" titles for Christmas 2000. Set-top console is said to be utilizing Nvidia GeForce 256 GPU graphics chip. As in Sept., Nvidia spokesman said he couldn't comment on company's reported involvement in Microsoft project. Creative Labs spokesman didn't return call for comment.

Although RCA parent Thomson has expressed keen interest in console videogame category, spokesman last week once again wouldn't comment on whether company is working on project with Microsoft, which owns 7% of TV giant.

Connectix claimed victory last week in what has become war with Sony over its right to sell Virtual Game Station that allows consumers to play PlayStation videogames on G3 or G4 Macintosh computers and, in future, on Pentium II Windows PCs. Sony had brought suit against Connectix to suspend sale of product on grounds of copyright and patent infringement. Sony filed suit in Jan. 1999 (TVD Feb 1/99 p17). Although federal judge had imposed preliminary injunction on sale of Connectix product, 9th U.S. Appeals Court, San Francisco, last week reversed and remanded decision. After ruling, Connectix said it would start shipping Macintosh product immediately and online sales at its www.connectix.com would start same day, with Windows version to ship shortly. Commenting on decision, Connectix CEO Roy McDonald said: "We believe this landmark decision will have broad ramifications throughout the software and other media industries. This ruling supports the clear goal of U.S. copyright law to allow fair use of prior work to create new intellectual property which broadens consumer choice." But Sony Computer Entertainment America spokeswoman said her company "is disappointed with the ruling" and is "reading the opinion and evaluating our position under it." Despite decision, she said company is "moving forward with the case."

Latest manufacturer to unveil interactive pet is Mattel. Company said it will ship Robotic Puppy, being demonstrated at this week's Toy Fair in N.Y.C., under its Fisher-Price brand. Price and shipping date were unavailable. News follows Hasbro's announcement that its Tiger Electronics division will introduce line of interactive pets, with Poo-Chi Interactive Puppy — also being demonstrated at Toy Fair this week — shipping first. Like Poo-Chi — and more expensive Sony AIBO — Fisher-Price pooch uses technology that enables it to create life-like behavior including sounds and walking. Meanwhile, Fisher-Price and Microsoft are developing technology-based infant and preschool toys. First product resulting from collaboration will be IntelliTable early learning toy that companies said will allow toddlers and preschoolers to be exposed to computer applications away from computer. IntelliTable will ship by July, but pricing was unavailable.

Correction: Other name used by Apex Digital was misspelled in our report (TVD Feb 7 p12). It is United Deta Inc.

METABYTE BOWS PVR TECHNOLOGY: Metabyte Networks, on strength of investments from Thomson Multimedia and Seagate Technology, will bring artificial intelligence to personal video recorder (PVR) and other products later this year.

Thomson and Seagate have combined 15% stake in Metabyte, with former having larger share. Thomson Personal TV Gen. Mgr. Robert Logan, who has developed Thomson's program guide strategy, was appointed to 3-member Metabyte board along with Seagate Consumer Solutions Vp Robert Teal, Metabyte Pres. Manu Mehta said.

Mehta described company's MbTV software as "very proprietary" technology that has been under development for 3 years and is subject of several pending patent applications. In patent application (WO 99/65237) published by World Intellectual Property Organization in Dec., Metabyte describes technology as system for recording TV programs for "subsequent" viewing that includes module designed to tailor content to user's preferences and viewing habits. Labeeb Ismail, Amar Gogoi and Yuri Stupak are listed as inventors.

Software, which has 300 kb footprint, is designed to fully "learn" users preferences over 2-week period, Mehta said. Module then categorizes information and determines program recording preferences, he said. System is based on hard drive for recording programs in manner similar to PVRs marketed by TiVo and ReplayTV.

"Our technology is designed to be integrated into the existing one-way infrastructure where it filters content into your home," Mehta said. "It is not about personalization at a headend or a server level. We do not require your personal profile to be lifted from your home. We build a profile in your home and then we use it as a filter."

Software also is designed to determine viewer's preferences based on similarities found between programs, he said.

First PVRs containing Metabyte technology are expected to hit market late this year, Mehta said, and company is negotiating with other CE manufacturers. Thomson hasn't set product plans, Logan said. Thomson has said in past that any foray into PVR technology is likely to include Gemstar's interactive program guide (IPG), and presumably Metabyte's technology could be designed into same product. One option Thomson is studying is designing MbTV technology into TV sans hard drive where it would serve only to alert users to programs that meet their preferences, Logan said.

"We're looking at this real hard and we wouldn't make an investment unless we planned to use it," Logan said. "It's a natural fit for the Gemstar technology, but there are other opportunities as well" including DirecTV or WebTV products.

Since in MbTV technology much of personal information resides in hardware, cost of operating system will be lower than one using headend. Cost of adding software to product is "inconsequential," Logan said.

Sony led charge to low-priced PVRs with \$399 TiVo PVR introduced at CES in Jan. and Philips last week matched price on existing piece that previously carried \$699 tag.

"In this space here I don't think we will go exclusive with any one technology," Logan said.

In addition to PVRs, Metabyte is exploring pay-per-view (PPV) and infomercial applications for MbTV, Mehta said. MbTV also could be used as part of system that downloads coupons based on user preferences, he said. Technology will expand into PPV and other services in 2001, Mehta said.

Sony said last week it will meet its March 4 release date in Japan for PlayStation2 and tried to downplay significance of problems said to prevent some PlayStation games from working in next-generation console, Bloomberg News reported last week. Sony Computer Entertainment (SCE) Pres. Ken Kutaragi was quoted saying "problem is limited to a few more than 10" titles. As Sony gears up for start of its PlayStation2 console in Japan, Sony Computer Entertainment America (SCEA) said it would combine its operations as of April 1 "to prepare for long-term business objectives," including arrival of next-generation console game system in N. America in fall. As part of consolidation, company's development and publishing group, 989 Studios, will merge with SCEA, which will remain with hq in Foster City, Cal. Management team still will be led by Pres.-COO Kaz Hirai. Sony Computer Entertainment has signed deals with 11 investors — 4 of them distributors, other 7 game software publishers — to help rollout of its new PlayStation.com online division, *Nikkei Weekly* said. Distributors, who will sell PlayStation2 software as part of deal, are Culture Convenience Club, DigiCube, Happinet, Seven-Eleven Japan. Game companies are Bandai, Capcom, Enix, Koei, Konami, Namco, Square. PlayStation.com opens this month (TVD Jan 24 p20).

Image Entertainment 3rd-quarter profit grew 63% on 10.4% sales increase to \$25.07 million from \$22.72 million year ago, fueled mainly by 45% gain in DVD revenue (see financial table). DVD sales climbed to \$23.1 million in quarter, representing 92.2% of overall revenue, from 70.2% year earlier, when they were \$15.94 million. DVD sales of Ken Crane's subsidiary acquired Jan. 1999 climbed 75.6% to \$3.39 million — 81.2% of unit's overall revenues — vs. 42.6% share year earlier. Overall, Ken Crane's revenue fell 8% in quarter to \$4.18 million on declining laserdisc sales. Ken Crane's Website will return next month as www.DVDplanet.com. Image Pres.-CEO Martin Greenwald said site's warehouse and fulfillment operations will be handled out of Las Vegas distribution facility starting in June, which he said would create "significant operating leverage" for online subsidiary.

New barter Web site starts this week — MrSwap.com, which enables consumers to trade games, movies and music they no longer want. Site is being aimed only at college crowd this month, but there will be official launch for wider audience early in March. San Francisco-based MrSwap.com was founded by Patrick Ford, former senior vp, mktg.-product development, for both Fujitsu Interactive and Wavo, and Robert Kohler, who has 10 years' experience in Internet and software industries.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at ¥109 = \$1, except where noted.

HARVEY ELECTRONICS MERGER OFF Harvey Electronics (HE)-CoolAudio.com merger (TVD Dec 6 p15) collapsed because of what HE Pres. Franklin Karp said were "philosophical differences."

Combination, announced in Nov., would have given HE quick path to Internet e-commerce, but chain now will seek another partnership or go it alone, Karp said. CoolAudio, which had positioned itself as e-tailer of both mainstream and high-end esoteric audio brands, would have gained access to HE's agreements with key audio suppliers such as Denon, Kenwood, Yamaha, others. Under proposed merger CoolAudio shareholders would have owned 80% of combined company.

"We found there were some obstacles that we couldn't overcome and it was better that we discover that now," said Karp, who declined to disclose differences. HE will keep ties with both e-Bay and e-town, he said. CoolAudio officials weren't available for comment, but sources said e-tailer may seek to refocus site with less emphasis on esoteric brands such as Audes, BC Acoustique, Wilson Bench. E-tailer had planned to have 2,000 SKUs available by end of 1999.

While HE will remain independent for now, Karp didn't rule out other mergers. Tweeter is in midst of consolidating specialty dealers including recent proposed purchase of United Audio. "We will consider link-ups with other retailers and consider options that will build shareholder value," Karp said.

At same time, HE is seeking to open 2 more 1,500-sq.-ft. Bang & Olufsen (B&O) stores in N.Y.C. area by May as is required under B&O agreement. Chain has signed one lease and is seeking another, Karp said. B&O at one point accounted for more than 3% of HE's revenues, although current figure is less than that, Karp said. He also is negotiating new employment contract that will replace 2-year agreement that expires in April.

Meanwhile, **Tops Appliance City**, which shed its CE business last fall and had ambitious plans as appliance-only chain, has filed for bankruptcy protection. Chain closed stores in Brooklyn and Manhattan, further shrinking chain to 5 outlets: Hawthorne, N.Y., and Edison, Jersey City, Lakewood and Union, N.J. Tops sold 3 store leases to Best Buy last fall (TVD Oct 25 p15). Biggest unsecured creditor was PNC Bank (\$20.3 million), followed by Warrantech (\$807,797), Whirlpool (\$691,216), Zenith (\$496,432), SSP, LLC/Tops Appliance Realty (\$483,255). Also listed was Aiwa (\$284,843).

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Philips will restructure consumer electronics into 5 "transparent" businesses, each responsible for its own operations, company announced Fri. Largest group will be Mainstream CE, headed by Guy Demuynck, formerly Philips Audio worldwide managing dir. Other groups: Philips Consumer Communications, led by current head Thom Swartzenburg; Digital Networks, encompassing set-top box operations, Rob von Oostenbrugge; PCB Assembly, Michel Charriau; Special Products, Tom Verbeek, encompassing "smaller scale businesses that sell mainly via distributors or custom installers" rather than large chains. Groups all will report to Adri Baan, who remains Philips Consumer Electronics chmn.-CEO.

Correction: Hasbro's Tiger Electronics division will introduce line of interactive pets and other characters at International Toy Fair in N.Y.C. this week (TVD Feb 7 p20).

GEMSTAR-TV GUIDE VOTE SET: Shareholders will vote March 17 on Gemstar's proposed \$7.72 billion acquisition of TV Guide that will combine interactive program guide technologies and include substantial publishing assets.

Under proposed agreement, Gemstar Chmn.-CEO Henry Yuen will retain posts for 5 years and own 3% of combined company, down from current 13.2%, according to SEC filing. TV Guide Chmn.-CEO Joachim Kiener and Pres.-COO Peter Boylan will sign 4-year contracts effective March 1 to serve as co-pres.-COO and will receive options to purchase 1.5 million shares each. Liberty Media and News Corp., from which United Video Satellite (UVS) purchased TV Guide last year, will each own 21.5% of Gemstar.

Acquisition is scheduled to be completed by March 31, although closing can be extended to Sept. 30 if regulatory approvals aren't received in time to meet deadline. Justice Dept. is reviewing proposed merger, requested additional information in Dec., hasn't signed off on deal.

If Gemstar shareholders don't approve acquisition, company must pay TV Guide \$209 million break-up fee, while TV Guide will have to pay \$409 million. Each company also will have option to buy 14.9% of other if agreement isn't completed. If acquisition is approved, Gemstar will change place of incorporation to Del. from British Virgin Islands and inherit \$625 million in TV Guide debt that was on books as of Sept. 30.

SEC filing also outlined long path that led to Gemstar's proposed acquisition of TV Guide. Companies, which had waged 6-year legal fight over program guide patents that began when TV Guide was known as UVS, first discussed possible cross-licensing agreements in June, but talks shifted to joint venture aimed at Internet in Aug. Negotiations moved in Sept. to Gemstar's possible acquisition of TV Guide and deal received board approvals following month (TVD Oct 11 p15). Proposed acquisition represented 2nd time around for United Video, which began hostile takeover bid in July 1998 that was later rejected by Gemstar (TVD July 20/98 p19).

Separately, Gemstar said 3rd-quarter income rose 70% on 49% gain in revenue (see financial table). Increased earnings were result of "continued growth" of worldwide licensing income from VCR Plus and electronic program guide technologies and arbitration award. American Arbitration Assn. panel last fall sided with Gemstar subsidiary StarSight in breach-of-contract dispute with General Instrument, which had installed its own EPG in analog cable boxes. Gemstar said it has received partial payment of \$18 million.

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CEA set deadline of Feb. 17 for submission of DTV sets to be showcased in promotional booth at April NAB convention in Las Vegas. CEA said 20x20-ft. booth will hold 2 DTV sets, which will be accepted on first-come, first-serve basis. DTV programming content, still to be determined, will be beamed through D5 or Sencore decoder. CEA said manufacturers will be responsible for April 8 setup and April 11 teardown and will pay all shipping costs — Cynthia Upson, 804-935-7584, cupson5798@aol.com.

Music industry efforts to fight piracy on street and online will be focus of panel discussion Feb. 17 at N.Y. Helmsley Hotel sponsored by National Music Publishers' Assn. (NMPA). Panelists include Frank Creighton, RIAA; Alan Shulman, Silverman, Shulman & Baker law firm; Sgt. Douglas Walden, N.Y. Police Dept. — NMPA, 212-370-5330.

SIRIUS DELAYS SATELLITE LAUNCH: Sirius Satellite Radio has postponed to 2nd and 3rd quarters launch of satellites that will carry its digital audio radio service (DARS), Chmn.-CEO David Margolese told Merrill Lynch investor conference in N.Y.C. last week. Margolese said he was confident company would meet analysts' "conservative" sales projections of 200,000 receivers in first full year. Rival XM Satellite will release STmicroelectronics-built chipset for its receivers in 2nd quarter, price not available, Pres.-CEO Hugh Panero told same conference.

While Sirius had planned to fly first of 3 Loral-built satellites in Jan. followed by other 2 in March and May, recent failure of Proton rocket forced delay, Margolese said. Russian-made Proton is to launch from Kazakhstan. XM is using Boeing sea launch vehicle to place 2 Hughes 702 birds into orbit at 115° W and 85° W late this year and early 2001, respectively, company said.

Sirius remains on schedule to deliver limited number of receivers for Ford and DaimlerChrysler vehicles starting in Sept., although service won't begin until late this year. Most of shipments, including aftermarket models, will be in 2001, Margolese said. Ford and DaimlerChrysler have 2-year exclusives for 100-channel Sirius service that will be available first in head units (\$400) and with existing model via adapter (\$200). While Margolese declined to disclose individual revenue-sharing agreements with automakers, he said average would be about 5% of gross revenues in first year, rising to 12% after 5 years. Both Ford (\$30) and DaimlerChrysler (\$60) have warrants to buy 4 million Sirius shares that vest in increments of one million units installed, Margolese said.

Lucent is developing chipset for Sirius that will be priced at \$50 and installed in hardware by OEM suppliers Delco, Matsushita and Visteon, Margolese said. Sirius will provide manufacturer subsidy for chipset, he said. XM Satellite, which has agreement with Ford, hasn't revealed revenue-sharing agreement or pricing. Honda, Nissan and Toyota have yet to forge alliance with either company.

Sirius is continuing installation of terrestrial repeaters and remains on schedule to complete network in 46 markets by year-end, Margolese said. It will spend \$60 million on project that's complete in San Francisco and will require 8 repeaters in N.Y.C., he said. XM Satellite has 50 leases to install system of 1,500-1,700 repeaters, although construction hasn't started on \$230 million project, Panero said.

Both systems are developing programming lineups, with Sirius's expected to be "substantially" complete in 4-5 months, Margolese said. Content acquisition costs will be 6% of gross revenues, he said.

On product side, both executives conceded that FCC mandate to have rival systems interoperable wouldn't be met until arrival of 2nd-generation product. Although companies "continue to work" on developing interoperable product, technical hurdles haven't been cleared, Sirius and XM said. They also are involved in lawsuits that remain pending. "What the FCC is looking for is a pathway to get to interoperability, but they are quite clear that when you have 2 companies that are trying to raise \$1 billion [each] it's going to take some time," Panero said.

XM project 80% of revenue will come from monthly subscriptions at start, with rest generated by ads. Model shifts to 60-40% split within 4-5 years of launch, Panero said. XM will

have 6 min. of ads in each hour. About 90% of sales will be split equally between OEM and aftermarket, last 10% coming from home and portable units, he said. Sony, which is XM OEM supplier, and Sharp will provide portable and home units.

While Hughes Electronics' DirecTV is investor in XM and companies agreed to study combining DARS with DBS service, there are no immediate plans to introduce product, Panero said.

As it was outlining service plans, XM reported 4th-quarter loss grew to \$11.1 million from \$4.2 million year ago. Startup hasn't generated any revenues, but has raised \$673 million in equity financing. It also signed agreement last week with SFX Entertainment to install kiosks at promoters' venues that will provide demonstrations of DARS service. SFX owns 120 venues, including 16 amphitheaters, in 31 of top 50 U.S. markets.

Confusion over D-VHS capabilities was apparent last week at JVC's London news conference to introduce digital VCR to European market. HM-DR10000 deck (\$2,450) records 21 hours in low-speed mode on 7-hour DF-420 videocassette (\$33), but will record digital input only from digital camcorders. Deck will accept only analog signals from digital satellite receivers and cable set-tops, DVD players or other VCRs, JVC said. Analog signal then is processed through frame synchronizer and MPEG-2 encoder to produce digital bitstream for recording onto D-VHS tape. Company said frame synchronizer stabilizes input from analog sources for improved digital dub. But JVC executives were unable to say whether D-VHS system records and retains any Macrovision copy protection encoded on original sources, such as satellite pay-per-view movies. Macrovision works by inserting spurious sync pulses in analog signal to upset automatic gain control of VCR. But since D-VHS frame synchronizer cleans up analog signal before converting it to digital recording, it was unclear whether Macrovision encoding was retained. JVC executives didn't clarify issue in news conference, but answer came shortly afterward based on lab test by U.K. video enthusiast magazine *Home Cinema Choice*. Editor Steve May said D-VHS deck was unable to record Macrovision-encoded Disney movie fed to digital VCR's analog inputs. He said that when viewer attempts to time-shift Macrovision movie, D-VHS deck displays message "Error 102" and won't record. Similar confusion over Macrovision was evident at recent London debut of PC-based personal video recorder (PVR) from U.K. retailer Dixons that uses MGI Software's Pure Diva encoder (TVD Jan 31 p15). At news conference, MGI executive admitted company "had not thought" about Macrovision issue, but later called to tell us Diva PVR wouldn't be able to record Macrovision-encoded programs.

Harvey Electronics reported first-quarter sales soared 54% to \$9.8 million as same-store sales jumped 40%. Higher revenue was related largely to DVD and home theater products, and "in some cases" demand for high-definition (HD) TVs and plasma displays outstripped supply in quarter ended Jan. 29, Pres. Franklin Karp said... **Ultimate Electronics** said it will redeem 10.25% first mortgage bonds due 2005 resulting in \$2.1 million saving in interest costs over 5 years. Aggregate principle is \$13 million. Saving is net of \$406,000 one-time charge to write off unamortized bond offering costs. UE had used bond offering to build \$15 million, 300,000-sq.-ft. complex in Thornton, Colo., that includes hq, service center, store and distribution facility (TVD Oct 24/94 p17). Redemption is being funded by \$32 million in proceeds from secondary stock offering that was completed in Oct. (TVD Nov 29 p11).

RAC, RAINBOW INCOME RISES: Rent-A-Center (RAC), crediting improved sales at acquired Thorn and Central Rents (CR) stores, reported 4th-quarter income rose to \$17.8 million from \$9.7 million year ago as revenues increased 5.7% (see financial table) on 7.8% gain in same-store sales. Pres. Mark Speese told analysts that rent-to-own (RTO) chain, which has spent much of last year absorbing Renter's Choice (RC)-RAC merger, will resume expansion in 6-9 months and plans to add "several thousand" stores in metro and rural markets.

RAC, which operates 2,071 stores, said average monthly per-store revenue rose to \$61,000 on 26% operating margin at RC outlets from \$57,000 (25%) year ago. Thorn, which RC acquired for \$900 million in 1998 (TVD July 27 p17), had \$56,000 average (23%), up from \$51,000 (13%), and CR had \$53,000 (19%) vs. \$44,000 (15%). RAC, which winnowed Thorn merchandise mix to 150 items from 1,000, still has 16% of former Thorn inventory remaining and expects to work through it by 2nd quarter, Speese said.

CE products were strong sellers in quarter, with DVD players showing "pretty good success" and signs of "upside opportunities," Speese said. PCs, which were added to mix year ago, now account for 7.5-8% of revenue, he said.

Chain ended quarter with \$823 million in net debt, up \$55 million from Sept. 30. Debt figure includes \$60 million allocated in late Nov. to settle 3 suits filed against chain in N.J. (TVD Dec 21/98 p18). Largest class action settlement — \$48.5 million — involved N.J. resident Dawn Robinson, who alleged that RAC violated state consumer fraud laws by charging "unconscionable fees and interest" in connection with lease of 25" TV in 1994. Company made \$100 million in one-time payments in 1999 to settle suits inherited with acquisition of Thorn, CFO Robert Davis said.

On store expansion front, RAC will resume increasing size at 10-15% annual clip starting later this year, Speese said. Chain will open new stores and acquire chains with focus on expanding presence in metro markets such as Chicago as well as in Cal., Ore. and Wash., he said. About 4,000 stores owned by smaller RTO dealers remain targets for larger chains such as Aaron Rents, RAC, Rainbow Rentals and Rent-Way, he said. RAC also is moving to upgrade stores to 4,100-sq.-ft. RC format from 2,500 sq. ft. that had been standard under Thorn, Speese said.

Meanwhile, Rainbow Rentals said 4th-quarter income jumped 37.2% and revenue 30% on 10.6% gain in same-store sales. Earnings benefited from increase in rentals of home entertainment centers, big-screen TVs 32" and up, and PCs, it said. PCs accounted for 17% of sales in quarter and while Rainbow's new e-commerce business didn't yield "material" revenue, it "will grow over time," Chmn.-CEO Wayland Russell said. Average price per unit rose to \$70, up \$13 from year ago, he said. Gross margins increased to 19.8% from 18.5% year ago. Average annual per-store revenue is approaching \$1 million, and Rainbow plans to add 13 outlets this year, exclusive of acquisitions. Rainbow, which has 98 stores, said it will focus purchases on 5-15-store chains.

Macrovision announced closing of public offering for 1.91 million common shares Jan. 28. It said it sold 1,437,000 shares and stockholders another 473,000 at \$106.875 per share. Number of shares outstanding now is 19,860,125, Macrovision said.

COMPUSA PURCHASE CHALLENGED: Grupo Sanborns said it will battle \$600 million suit challenging deal for CompUSA. COC Services filed suit last week alleging that CompUSA had breached contract by agreeing to be acquired by Grupo Sanborns for \$797.7 million.

Mexican retailer, which announced proposed purchase of 219-store CompUSA in Jan. (TVD Jan 31 p14), said COC's suit was without merit. COC charged that CompUSA had reneged on agreement that would have allowed it to expand PC super-store chain in to Mexico.

At same time, CompUSA detailed in SEC filing that Grupo Sanborn's initial role as passive investor with 14.8% stake in chain and interest in commercial joint venture, shifting toward acquisition in late Nov. with \$7-\$7.50 per share offer. Grupo Sanborns later increased bid to \$8 and then \$9, both of which were rejected by CompUSA, before settling on final \$10.10, SEC filing said.

While little has been revealed on role current CompUSA executives will play under new ownership, all are said to have signed 6-month contracts. Grupo Sanborns would dominate 6-member board that would include Chmn.-CEO Carlos Slim Domit and brother and Grupo Carso affiliate Pres. Patrick Slim Domit. CompUSA Pres.-CEO James Halpin has signed pact calling for him to receive severance payments for 48 months after being terminated from company, while CFO James Skinner and Exec. Mds. Vp Lawrence Mondry have similar deals for 36 and 18 months, respectively.

SEC documents also detail ties between CompUSA and OMO Mktg., sales rep firm run by Halpin's son James. Firm represented Ferris Mktg., from which CompUSA made \$18 million in purchases in fiscal 1999. OMO Mktg. received \$44,111 from Ferris in connection with purchases, filings show.

Separately, Office Depot (OD), benefiting from nonrecurring items, reported 22% gain in 4th-quarter income on 18% rise in sales (see financial table). Excluding one-time charges and credits, earnings for quarter fell 9% to 21¢ per diluted share from 23¢.

Staples, in move to boost online traffic to its Internet site, said it had bought 10% stake in BizBuyer.com, online seller of goods and services for small and medium-size businesses. Value of investment wasn't disclosed, but it enables Staples to broaden its online offerings to allow Web customers to request competitive bids for services such as legal and payroll support, taxes, telecom. Staples.com, which has alliances with half-dozen business-focused Internet companies in last 18 months, will be exclusive office supplies provider for BizBuyer.com.

Harman International has begun 4-year, \$55 million expansion of manufacturing facility in Northridge, Cal. First phase includes \$4 million investment to add high-volume speaker line that uses advanced manufacturing, materials and design techniques, company said. Second stage will be to add production line for Mark Levinson digital sound system being built for Toyota's Lexus cars. Digital audio system will be installed in vehicles in Japan and other markets including U.S., company said. Expansion will provide company's 1,400 employees at Northridge with "greater job security," Harman said.

CDNOW REVENUES UP 154%: As merger with Sony and Time Warner's direct marketing joint venture Columbia House looms, CDNow reported its revenues jumped 154% in 4th quarter ended Dec. 31 to \$53.1 million from \$20.9 million year earlier. But net loss increased to \$34.3 million from \$12.9 million.

Minus expenses including those related to its March 1999 merger with N2K, June 1998 acquisition of superSonic Boom and \$391,000 from Columbia House deal, loss was \$25.7 million for period. Also affecting bottom line was free shipping and other holiday promotion, CDNow said.

Ad sales in quarter leaped to \$3.4 million from \$2.6 million in 3rd quarter and \$1.9 million in 2nd quarter. For full year, revenues increased to \$147.2 million from \$56.4 million in 1998, while loss plunged to \$119.2 million from \$43.8 million.

In conference call with analysts, CDNow Pres.-CEO Jason Olim called it "strongest [quarter] in CDNow's history" thanks to strong holiday selling season in which "all categories" saw growth. He said traffic also took giant leap in quarter — especially between Thanksgiving and Christmas. Olim said: "We experienced a 181% increase in visits to the site over last year." He said CDNow "added 528,000 new customers in the quarter," increasing total customer base "up to 3.2 million."

In Dec., traffic at CDNow site exceeded one million on 2 days and averaged 821,000 daily visits during month — increase of 178% from year ago. Company also said repeat customers accounted for 60% of product revenue in quarter, up from 56% year earlier.

Recent research by companies including Ernst & Young and Media Metrix back up CDNow's claims of being among Web's most popular e-commerce sites. Media Metrix ranked CDNow 7th on its list of top 10 shopping sites in Dec. We recently reported that Ernst & Young called CDNow among top 3 e-tailers last year in U.S., as well as Australia, France, Italy, U.K. (TVD Jan 24 p18).

Although CDNow's "gross margins were negatively affected by holiday promotions," Olim said he expects that to turn around in current quarter. For one thing, company said it isn't currently offering free shipping and doesn't anticipate doing so on wide basis in future.

While Olim called digital downloading "still a nascent technology," he said it's becoming increasing part of CDNow's business. When its download shop opened in early Dec., he said it offered "more than 13,000 tracks for sale electronically" and "today, we have over 60,000 tracks for sale" electronically. He added: "We expect to have over 100,000 by next quarter."

What's expected to expand CDNow digital downloading capabilities even further is merger with Columbia House, announced in July (TVD July 19 p20). Olim said "we're very excited about our impending merger with Columbia House" and "we anticipate closing the deal in the 2nd quarter of 2000." He said: "We expect to take advantage of marketing and content opportunities with Sony and Time Warner once the Columbia House merger closes." He said he was confident that merger, which "is still in regulatory review," will be completed and doesn't expect Warner's merger plans with AOL (TVD Jan 17 p16) and EMI (Jan 31 p11), announced since July will have any impact on CDNow-Columbia House merger. AOL-Warner and

Warner Music-EMI deals have yet to be approved and concerns have been raised by variety of camps over both.

In same conference call, CDNow CFO Joel Sussman said company "experienced substantial growth" in DVD/Video category in quarter. Although it sold video before 4th quarter, separate Video Shop opened at site in quarter. He said category accounted for 5% of company's revenues in quarter.

Sussman also defended company's controversial method of counting sales from coupons, which we first reported in Dec. (TVD Dec 13 p16). He said company continues to "treat coupons as a marketing expense, not as a reduction of revenue." Revenues from coupons in quarter represented \$2.5 million, he said.

In related news last week, Columbia House announced that once merger is completed, new company will have 3 divisions: Columbia House, columbiahouse.com e-commerce division, CDNow. Each will report to Scott Flanders, CEO-Chmn. of new entity resulting from merger.

CETrade.com signed agreements with ABX Logistics and SGS Group to provide transportation and trade logistics and verification and inspection services, respectively. Business-to-business exchange, which handles CE and PC products, has registered more than 250 companies and completed more than \$600,000 in transactions since debut earlier this year. CETrade targets manufacturers and small and medium-size retailers with 4 formats — straight product offerings; auctions; "Buyers Source," where buyers start inquiry for product; "Price*Force," in which several potential purchasers pool funds to make large-volume acquisition (TVD Jan 3 p17).

Agreement was reached by Pioneer N. America to sell Pioneer Video's 4 U.S.-based DVD replication lines and related equipment to Deluxe Video Services, subsidiary of VHS duplicator Rank Group. Terms weren't disclosed. Pioneer spokeswoman said all of 150 employees in Pioneer Video work force will be absorbed by Deluxe. Pioneer said it will consolidate most of its DVD production at Pioneer Video plant in Kofu, Japan, to boost economies of scale. Pioneer N. America Pres. Kazunori Yamamoto said "resources and efforts" would be refocused on marketing consumer and commercial DVD hardware and other core A/V products.

Hasbro Interactive (HI) has entered into partnership with Hypermix Technologies (HT) for online videogaming. HI said its Em@ail Games and HT's Gooey.com software will allow online gamers to meet at www.emailgames.com, start game instantly, play live, chat, surf Web, continue game at each player's leisure by swapping moves via regular e-mail. Software is available free at www.gooey.com. Meanwhile, HI's *Rollercoaster Tycoon* PC game proved to be number one PC game in U.S., according to recent PC Data survey.

Panasonic will sponsor public service announcement (PSA) by actress Marlee Matlin to raise awareness of issues facing 54 million Americans with disabilities. Campaign kicks off Feb. 17 at N.Y.C. news conference, with first PSA broadcast shown on Panasonic Astrovision display in Times Sq. PSA campaign marks 10th anniversary of Americans with Disabilities Act.

To battle No. 1 rival Sony, Nintendo is putting priority on strengthening its videogame lineup, Reuters reported last week. Strengthened lineup will include more *Pokemon* titles.

AMAZON.COM PLAYS DOWN HACKER WOES: As govt. and Internet industry sought to find culprit behind string of hacking attacks on Web sites last week and come up with solutions to security threats, Amazon.com played down impact of hacker strike at its Web site.

Amazon.com spokesman said hackers struck its e-commerce Web site for "about an hour" Feb. 8. Press accounts of its experience said site was completely or "virtually" shut down — and *USA Today* said situation lasted as long as 3 hours 45 min. But spokesman said: "The site was not shut down. The junk traffic that was sent our way interfered with and slowed down our customers' ability to get to the site, but the site remained open and in operation and accessible to people. It just was slow sometimes for them to get to it." He declined to comment on how many customers were affected or how much money Amazon.com may have lost in hacking attack.

When asked whether Amazon.com was taking any steps to combat security threats, spokesman said: "We don't talk about what we may or may not do related to the security of our site." He said this was first time something like that had happened to company.

Spokeswoman for Aliso Viejo, Cal.-based e-tailer Buy.com said executives were unavailable by our Fri. deadline to give specifics on how hacking attack on its site day affected it. Shares of Buy.com's stock finished trading day of hacking at \$25-1/8 — up \$12-1/8, Reuters reported. Earlier in day, company filed IPO of 14 million shares at \$13 each for which it raised \$182 million, AP said. Later that day, Buy.com issued statement in which CEO Gregory Hawkins said: "At 10:50 a.m. Pacific Time, our site experienced a temporary slow down due to a denial of service attack similar to that recently suffered by Yahoo. This was clearly an outside, coordinated attack to our network that prevented access to our site." He said "full functionality and service" was later restored. *USA Today* said Buy.com was shut down for 4 hours.

Other sites affected by hacking attacks last week included CNN.com, eBay, ETrade, ZDNet. Week ended with White House calling for summit on Internet security issues and FBI attempting to figure out who was responsible for hacking attacks.

Mattel signed licensing agreement with Warner Bros. Worldwide Consumer Products (WBWCP) that makes manufacturer worldwide master toy licensee for Harry Potter book and movie characters. Commenting on what licensing deal will entail, WBWCP Pres. Dan Romanelli said: "Our intent is to judiciously roll out the product and not flood the market. We're looking to support the literary and film property as a long-term franchise." Romanelli said product debut "will be concurrent" in U.K. and U.S. Warner Bros. Worldwide Licensing and Warner Bros. Studio Stores Pres. George Jones said: "The first available Harry Potter licensed products, based upon the book property, will debut at our own Warner Bros. Studio Stores this fall and will be followed by selective product placement in department, specialty, gift and book stores for the holiday season. The 2nd phase of product will debut in conjunction with the theatrical film release in 2001." Meanwhile, Hasbro has been awarded 2nd Harry Potter license for candy, electronic toys, trading cards.

Video recording trends worldwide will be subject of March 7 N.Y.C. news conference by International Recording Media Assn. to outline its latest report.

BELL EXPRESSVU IN DATA SERVICE: Bell ExpressVu will start data service in April as it seeks to expand Canada-based satellite system. Although content lineup hasn't been finalized, service will be priced in \$40 range, Pres.-COO David McLennan said.

ExpressVu, which offers 204 video and 46 audio channels in packages at \$8.95-\$52.95 per month, will use single transponder aboard satellite at 91° W to deliver data to 18" dish. Bell Canada subsidiary Simpatico will sell data service while ExpressVu serves as "wholesaler of bandwidth," McLennan said. Revenues from data service will be "incremental" to ExpressVu's core audio/video service, he said. Data product will target rural and "underserved" markets and will complement Bell Canada high-speed digital subscriber line (DSL) business, he said.

Hardware, supplied by EchoStar, is \$249, and ExpressVu pays subsidy to 3 distributors. ExpressVu also has access to more advanced EchoStar gear including WebTV unit, but has no plans to add products to line-up, McLennan said.

Satellite service provider has more than 440,000 subscribers with average monthly revenue of \$46 and average subscriber acquisition cost of \$517, up from \$487 in 1998, McLennan said. Total revenue hit \$210 million in 1999, he said. Canada has 11.5 million households with TVs, 54% of which get 61-80 channels either from cable or satellite while 9% are unserved. ExpressVu and rival Star Choice have combined 750,000 subscribers, figure that's projected to increase to 2.3 million by 2004, McLennan said. About 50% of ExpressVu's subscribers are in urban markets served by cable systems with 40 or more channels, he said.

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Tamper-proofing technology for digital photos is being developed by Hitachi. Company said it will use electronic watermarking to encrypt digital photos in way that any subsequent editing or manipulation will be evident. Encryption is performed at time photo is taken, and includes information such as make of camera. Technology also has copyright implications, Hitachi said, enabling owner of photo to track unauthorized use such as copying or sale. Company said it plans to sell antitamper software to digital camera makers.

TELEVISION DIGEST NOW AVAILABLE IN PRINTABLE FORMAT

Subscribers to Television Digest with Consumer Electronics now can receive their weekly issue electronically in the widely used PDF format, which duplicates the look and feel of the print version on any PC. Delivery of this version will take place the Friday before the Monday publication date. Subscribers who want to replace the print (or non-PDF electronic) versions they now receive may do so simply by sending an e-mail request to tvdinpdf@warren-news.com or calling us at 202-872-9200. "Adobe Acrobat Reader" software, already loaded on most computers and free for downloading from the Internet, is required to read PDF files.

RECORD SALES FOR HASBRO: Toy giant Hasbro achieved record sales in 4th quarter ended Dec. 26, but net income tumbled from 1998 after company took \$141.6 million pretax restructuring charge. For quarter, Hasbro earned \$57.7 million, down from \$131.8 million year earlier, while revenue jumped to \$1.6 billion from \$1.3 billion.

For year, Hasbro's income dropped to \$189 million from \$206.3 million while revenue soared to \$4.2 billion from \$3.3 billion.

In conference call with analysts last week, Hasbro CEO-Chmn. Alan Hassenfeld said company "had its best year ever in 1999" and expressed confidence that increase in technology products, along with continuation of Pokemon franchise and introductions of select new interactive game titles, will help keep it "on the right track" this year. New interactive game releases planned for 2000 include *Action Man*, *Beast Machines*, *Dragon Tales*, *NASCAR Racers*, *Titan AE*, *Tweenies*.

Also to be shipped this year are 3rd edition of *Dungeons and Dragons*; *Poo-Chi Interactive Puppy*, which company is unveiling at this week's International Toy Fair in N.Y.C. (TVD Feb 7 p20); "Yahoocam" palm-sized digital camera.

In same conference call, Hasbro CFO-Global Operations Exec. Vp Alfred Verrecchia said company saw growth in each of its 3 major segments — U.S. toys, games, international. He said: "Total revenues in the game segment increased 62% for the year and 81% for the 4th quarter. However, within the games segment, interactive software revenues nearly doubled during the first 9 months of 1999 compared to 1998 but were below expectations later in the 4th quarter and below 4th-quarter 1998 levels." He blamed end-of-quarter problems on "late introduction of new product" and "industrywide conditions," such as "significant softening of the video and PC CD-ROM business in the 4th quarter as well as significant price erosion." Balancing it out, however, were strong sales of Furby, handheld electronic games and new Pokemon games, Verrecchia said.

Interactive titles dropped from 4th quarter that now are scheduled for spring shipment include *B17 Flying Fortress* and *Gun Ship*, he said.

Verrecchia also said company lost "approximately \$53 million after tax" in 4th quarter on interactive software category because of "increased cost incurred to expand" selection of titles. Costs, in part, were "from escalating research and development costs across the industry." But he said company is "forecasting renewed profitability in 2000" in that area behind continued strong sales of such games as *Rollercoaster Tycoon*, top-selling PC game overall in 1999 according to PC Data (TVD Feb 7 p19).

Hasbro had announced intention to take \$141.6 million charge in Dec. at same time it reported decision to turn its focus on interactive products and videogames (TVD Dec 20 p17). It also said then it would cut 2,200 jobs and close 2 factories as part of 2nd major restructuring in 21 months. Company struggled much of year with sluggish sales of *Star Wars*-related products.

Last week, Hassenfeld said retailers still are stuck with some *Star Wars* merchandise, but company has "made adequate

provisions to address *Star Wars* inventories." That tightening up, he said, also will be reflected in amount of Pokemon products and interactive games that company ships. As for interactive game category, he said: "Every title as far as we are concerned is going to have to be an A title or at the least a B+ title, where you're selling and budgeting at least 150,000 pieces at the minimum."

Despite troubles with overstocked *Star Wars* merchandise, Hassenfeld pointed out: "We sold through over \$500 million at retail on *Star Wars*. I think Pokemon will probably reach those levels but prior to Pokemon there was never anything close to \$500 million in one year at retail. I think that we now know that we did overshoot it. Our job this year is to make sure that we control *Star Wars* very tightly with the new collectors' product and some of the limited edition [merchandise] that we're putting out."

Hassenfeld also said company stands to be aided by next movie in Pokemon series that's coming out this summer as well as 3rd movie that he said already has been planned.

As for inventory levels this year, he said Hasbro is in comfortable position: "Excluding *Star Wars*, we believe retail inventories of our product are in excellent shape, reflecting strong sellthrough in the 4th quarter."

Hasbro didn't have much new to report on Games.com front. Verrecchia said Web site still is to open in summer and company is "still looking and interviewing for a CEO" for that new division.

Sega will ship its first fully networked online multiplayer game for Dreamcast March 2. Company said game — *Chu Chu Rocket* — is puzzle/action title developed by its Sonic Team that will be "first of many online titles available in 2000" from first and 3rd party publishers. Sega said it now is only one phase away from offering consumers full 3D multiplayer games culminating in restart of its online Dreamcast Network that it said would be "ultimate online video gaming destination." Fifth and final phase in Sega's plan is to be ready in fall. In Oct., Sega Communications explained 5-phase plan, but declined to reveal specific timing for when it expected each phase to be completed (TVD Oct 25 p18). Last week, Sega said 4th phase will happen 3 months earlier than it had expected. Company forecast that by 2004, almost 45 million online gamers in Europe and U.S. will be playing Internet-enabled consoles. Meanwhile, parent Sega Enterprises said it has signed deals with 30 cable TV service operators that serve 70% of cable viewers in Japan to offer high-speed Internet service, *Nikkei Weekly* reported last week. As part of deals, cable TV companies will sell Dreamcast consoles to their customers and Sega will offer games and videophone service using cable companies' high-speed connections.

Infogrames will ship new videogames based on Looney Tunes characters later this year. *Duck Dodgers*, based on classic Chuck Jones cartoon *Duck Dodgers in the 24th 1/2 Century*, will ship for Nintendo 64 in summer. *Looney Tunes Collector: Alert!* — part of new Looney Tunes Collector series — will ship for Nintendo Game Boy Color in fall. Latter title will include 6 head-to-head minigames that will use infrared and cable link features of Game Boy Color handheld. Infogrames said 2nd title in Collector series will be announced soon.

VIDEOGAMES STRONG AT TOY FAIR: Console and PC games are expected to have strong presence at American International Toy Fair in N.Y.C. this week. Among those expected to be introducing new videogame titles are Bandai, Hasbro Interactive, Lego, Mattel, Radica, Tiger Electronics.

But interactivity and technology will play major role in wide variety of other products as well — even from brands such as Fisher-Price, not traditionally known for such products.

In state-of-industry speech that kicked off show Thurs., Toy Mfrs. of America (TMA) Chmn. and Lego Systems Pres. Peter Eio called 1999 "strongest year for the toy industry in a decade." He said that last year "toy sales increased 8.8% to \$16.9 billion over 1998, or \$23.5 billion in retail sales value."

Most major categories had gains in 1999. Eio said "videogames increased by a total of 12.5%," largely on Pokemon phenomenon. But he said: "In spite of the sale of 1.4 million Sega Dreamcast consoles sold in 4 months' time — launched on Sept. 9 — dollar sales of console hardware were down 9% as a result of extremely competitive pricing in this category throughout the year." As we have reported, major contributors to pricing competition were Nintendo and Sony, which cut tags on their Nintendo 64 and PlayStation to \$99.95 and \$99, respectively (TVD Aug 23 p18).

Meanwhile, Eio said: "Perhaps the most surprising new category [last year] to reflect the influence of technology is in the infant and preschool segment, where sales increased by 7.1%." He said: "A substantial part of the increase came from the creative use of computer chips in toys like the Barney's Magical Banjo musical instrument and preschool learning toys such as Vtech's AlphaBert."

Eio said category with biggest increase in sales last year was action figures, which jumped 23.8%. Category — like videogames — was affected by continued success of licensed merchandise including Pokemon, Star Wars, Toy Story 2, World Wrestling Federation, World Championship Wrestling. Eio said: "Licensed properties accounted for 46% of traditional toy sales — the highest percentage in the history of the industry."

Standing to play even greater role in toy and game retailing in 2000 is e-commerce, but Eio said "many," including himself, "are predicting an early shakeout amongst toy e-tailers." He asked, "with many brick-and-mortar retailers such as Wal-Mart, Kmart and Target only just starting in the e-commerce arena," which might be survivors Dec. 31, 2000.

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E-Book Systems is shipping *FlipAlbum* CD Maker 1.0 software at \$49.95 that allows PC users to create digital photo albums on CDs. E-Book Systems, which has offices in Santa Clara, Cal., and Singapore, earlier shipped companion *FlipAlbum* 3.0 software, which automatically lays out pictures onto "virtual" album pages that users can index and add background music to (TVD July 12 p15). Sales & Mktg. Vp Eugene Tan told us last week that company had "sold close to about 40- to 50,000 of the *FlipAlbum*" software since summer launch, with very little ad support. Company now plans extensive ad campaign in computer and digital photography magazines. Software can be bought at retail stores or direct from manufacturer online at www.ebooksys.com. Tan told us Navarre has been key distributor for software, while Fry's, Micro Center, Musicland and OfficeMax have been among biggest retailers of software so far.

Personals

Masahiro Fukuda promoted to Hitachi Home Electronics vp-gen. mgr., succeeding **Yutaka Matsushima**, who retires... Appointed at RIAA: **Mitch Glazer**, ex-House Intellectual Property Subcommittee, as senior vp-govt. relations and legislative counsel; **Susan Jenkins**, ex-Smithsonian Institution, as senior vp-mktg... **James Williamson**, ex-American Micro Devices, named dir., Sony Electronics Technology Standards Office; **Arthur Halloran** becomes pres., Sony's new Business Solutions Co... **Herbert Scales**, ex-Philips, joins Iomega as exec. sales vp... **Nicholas Brathwaite**, Flextronics advanced technologies and engineering services vp, moves to senior vp-chief technology officer... **Robert Pankratz**, Escient central regional sales mgr., promoted to sales vp... **Henry Mandell** named Spatializer Labs chmn.-CEO, having served as interim CEO since Sept. 1998... **Andre Borrel** elected to PixTech board, replacing **William Schmidt**, resigned... **Marco Protano** resigns as CoolAudio.com pres., plans unknown... **Michael Waide**, ex-Natural Wonders and Digital Video Express, appointed Value America CFO, replacing **Dean Johnson**.

Brian Wood, Columbia House video exec. vp, promoted to Columbia House pres.; **Bill Ostroff**, Columbia House Interactive vp, advanced to columbiahouse.com pres... **Michael Krupit**, CDNow chief development officer, promoted to COO, new post... **Jacques Levy**, ex-Walt Disney, joins Staples as international div. pres., succeeding **Jack Bingleman**, who retires... Appointments at Kozmo.com: **Kenneth Trevathan**, ex-Federal Express, as senior vp-COO; **William Herald**, ex-Coca-Cola, chief technology officer; **Andrew Resnick**, ex-Blockbuster, corp. development vp; **Larry Johnson**, ex-Toys "R" Us, senior international vp... **Paul Sauser**, Kmart Solutions & Electronic Commerce pres., resigns as post is eliminated... **Shuhei Yoshida** named Sony Computer Entertainment America (SCEA) product development vp; **Kelly Flock**, 989 Studios pres., to step down April 1 when software developing/publishing division merges into SCEA... **Bill Ogle**, 3dfx exec. vp-vice-chmn., retires... **Lesley Penfold** resigns from MIH Ltd. board, replaced by **Stephen Ward**... **Munawwar Ali Daimie**, ex-Sun Microsystems, joins Sega of America as quality assurance vp; **Stephen McIntosh**, ex-Hitachi, information technology vp; **Timothy Flynn**, eastern regional sales dir., promoted to national sales dir... **Kevin Farr**, Mattel senior vp-corp. controller, promoted to CFO, replacing **Harry Pearce**, who retires.



Activision reported increased earnings and sales for 3rd quarter ended Dec. 31. Interactive game software publisher said income increased to \$22.3 million from \$15.7 million year earlier on 39% jump in revenues — \$268.9 million from \$193.5 million. Company said income and revenue were highest in its history in quarter. Best-selling titles for Activision in quarter included *Battlezone II*, *Quake III Arena* and *Shanghai: Second Dynasty* for PC, *Space Invaders* for Nintendo Game Boy (NGB) handheld and Nintendo 64 (N64), *Tony Hawk's Pro Skater* and *Wu Tang: Shaolin Style* for Sony PlayStation (PS), *Toy Story 2* for N64 and PS, *Vigilante 8: Second Offense* for PS and Sega Dreamcast. Activision shipped 13 new titles in quarter: One each for Dreamcast and NGB, 2 for N64, 6 for PC, 3 for PS. Among upcoming titles are *Toy Story 2* for Dreamcast and *Soldier of Fortune* and *Star Trek Armada* for PC. Meanwhile, Activision and Viacom Consumer Products last week said they signed agreement that allows former to develop and publish interactive entertainment titles based on Paramount Television's *Entertainment Tonight*. First title will ship in fall.

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Ackerley Group			
1999-year to Dec. 31	278,200,000	6,600,000	.20 ^a
1998-year to Dec. 31	256,700,000	19,200,000	.60 ^a
1999-qtr. to Dec. 31	83,000,000	(1,300,000)	— ^b
1998-qtr. to Dec. 31	51,700,000	(4,300,000)	— ^b
Activision			
1999-9 mo. to Dec. 31	468,367,000	18,790,000	.77 ^b
1998-9 mo. to Dec. 31	321,260,000	9,860,000	.43 ^b
1999-qtr. to Dec. 31	268,862,000	22,301,000	.89
1998-qtr. to Dec. 31	193,537,000	15,736,000	.69
Barnes&Noble.com			
1999-year to Dec. 31	202,567,000	(102,405,000)	— ^b
1998-year to Dec. 31	61,834,000	(83,148,000)	— ^b
1999-qtr. to Dec. 31	82,134,000	(38,356,000)	— ^b
1998-qtr. to Dec. 31	25,880,000	(31,347,000)	— ^b
British Sky Broadcasting^c			
1999-6 mo. to Dec. 31	849,700,000	(48,600,000)	— ^b
1998-6 mo. to Dec. 31	753,000,000	38,800,000	— ^b
1999-qtr. to Dec. 31	458,600,000	(36,500,000)	— ^b
1998-qtr. to Dec. 31	401,300,000	800,000	— ^b
CDNow			
1999-year to Dec. 31	147,189,405	(119,229,025)	— ^b
1998-year to Dec. 31	56,394,606	(43,768,921)	— ^b
1999-qtr. to Dec. 31	53,107,057	(34,275,178)	— ^b
1998-qtr. to Dec. 31	20,890,801	(12,944,604)	— ^b
Cox Communications			
1999-year to Dec. 31	2,318,135,000	881,928,000	1.54 ^a
1998-year to Dec. 31	1,716,757,000	1,270,672,000	2.33 ^d
1999-qtr. to Dec. 31	721,796,000	113,056,000	.19 ^a
1998-qtr. to Dec. 31	486,705,000	317,863,000	.57 ^d
Earthlink Network			
1999-year to Dec. 31	670,433,000	(173,694,000)	— ^b
1998-year to Dec. 31	290,614,000	(53,178,000)	— ^b
1999-qtr. to Dec. 31	199,145,000	(60,754,000)	— ^b
1998-qtr. to Dec. 31	97,835,000	(21,583,000)	— ^b
Gemstar International			
1999-9 mo. to Dec. 31	152,123,000	73,843,000	.37
1998-9 mo. to Dec. 31	112,426,000	47,243,000	.24 ^a
1999-qtr. to Dec. 31	61,820,000	31,978,000	.16
1998-qtr. to Dec. 31	41,495,000	18,798,000	.10 ^b
Gray Communications			
1999-year to Dec. 31	143,953,000	(6,315,000)	— ^b
1998-year to Dec. 31	128,890,000	41,660,000	3.38 ^a
1999-qtr. to Dec. 31	44,002,000	(1,707,000)	— ^b
1998-qtr. to Dec. 31	37,002,000	475,000	.02
Grow Biz International			
1999-year to Dec. 25	66,558,400	(8,589,300)	— ^b
1998-year to Dec. 26	96,350,900	7,243,800	1.28 ^a
1999-13 wk. to Dec. 25	16,084,700	(851,900)	— ^a
1998-13 wk. to Dec. 26	24,745,800	836,800	.17
Hauppauge Digital			
1999-qtr. to Dec. 31	22,043,649	1,476,155	.34
1998-qtr. to Dec. 31	15,056,999	952,651	.22
Lernout & Hauspie			
1999-year to Dec. 31	344,237,000	41,741,000	.70 ^a
1998-year to Dec. 31	211,592,000	(52,678,000)	— ^b
1999-qtr. to Dec. 31	110,041,000	10,645,000	.18 ^b
1998-qtr. to Dec. 31	76,677,000	8,515,000	.15 ^b
Liquid Audio			
1999-year to Dec. 31	4,407,000	(24,206,000)	— ^b
1998-year to Dec. 31	2,803,000	(8,539,000)	— ^b
1999-qtr. to Dec. 31	1,346,000	(8,171,000)	— ^b
1998-qtr. to Dec. 31	1,076,000	(2,593,000)	— ^b
News Corp.^c			
1999-6 mo. to Dec. 31	7,016,000,000	842,000,000	.83 ^a
1998-6 mo. to Dec. 31	7,222,000,000	591,000,000	.60 ^a
1999-qtr. to Dec. 31	3,857,000,000	677,000,000	.67 ^a
1998-qtr. to Dec. 31	4,062,000,000	395,000,000	.40 ^a
Office Depot			
1999-year to Dec. 25	10,263,280,000	257,638,000	.71 ^b
1998-year to Dec. 26	8,997,738,000	233,196,000	.64 ^b
1999-13 wk. to Dec. 25	2,718,893,000	84,019,000	.25 ^a
1998-13 wk. to Dec. 26	2,295,603,000	68,678,000	.19 ^b
PixTech			
1999-year to Dec. 31	5,392,000	(28,427,000)	— ^b
1998-year to Dec. 31	3,652,000	(17,863,000)	— ^b
1999-qtr. to Dec. 31	1,791,000	(7,421,000)	— ^b
1998-qtr. to Dec. 31	423,000	(6,438,000)	— ^b

Company & Period	Revenues	Net Earnings	Per Share
Radica Games			
1999-year to Dec. 31	133,522,000	17,055,000	.94
1998-year to Dec. 31	159,369,000	50,954,000	2.56 ^b
1999-qtr. to Dec. 31	44,472,000	1,458,000	.16
1998-qtr. to Dec. 31	47,373,000	17,046,000	.90
Rainbow Rentals			
1999-year to Dec. 31	80,858,000	5,048,000	.85
1998-year to Dec. 31	63,479,000	3,618,000	.73
1999-qtr. to Dec. 31	21,932,000	1,458,000	.25
1998-qtr. to Dec. 31	16,840,000	1,062,000	.18
Rent-A-Center			
1999-year to Dec. 31	1,417,167,000	59,355,000	2.04
1998-year to Dec. 31	809,716,000	24,758,000	.84 ^b
1999-qtr. to Dec. 31	370,629,000	17,839,000	.63
1998-qtr. to Dec. 31	350,283,000	3,730,000	.05 ^b
Shop At Home			
1999-6 mo. to Dec. 31	99,363,000	(1,104,000)	— ^b
1998-6 mo. to Dec. 31	73,483,000	(680,000)	— ^b
1999-qtr. to Dec. 31	54,081,000	(314,000)	— ^b
1998-qtr. to Dec. 31	39,600,000	(442,000)	— ^b
Sinclair Broadcast Group			
1999-year to Dec. 31	733,639,000	167,694,000	1.63 ^a
1998-year to Dec. 31	624,423,000	(16,880,000)	— ^a
1999-qtr. to Dec. 31	204,549,000	179,436,000	1.82 ^a
1998-qtr. to Dec. 31	204,944,000	(10,551,000)	— ^b
United Television			
1999-year to Dec. 31	209,746,000	43,729,000	4.64
1998-year to Dec. 31	182,849,000	52,826,000	5.62 ^a
1999-qtr. to Dec. 31	59,968,000	11,542,000	1.22
1998-qtr. to Dec. 31	54,942,000	12,888,000	1.37
XM Satellite Radio Holdings			
1999-year to Dec. 31	—	(36,896,000)	— ^b
1998-year to Dec. 31	—	(16,167,000)	— ^b
1999-qtr. to Dec. 31	—	(11,128,000)	— ^b
1998-qtr. to Dec. 31	—	(4,178,000)	— ^b
Young Broadcasting			
1999-year to Dec. 31	280,659,000	(21,542,000)	— ^b
1998-year to Dec. 31	277,052,000	3,999,000	.28 ^b
1999-qtr. to Dec. 31	79,518,000	5,202,000	.39
1998-qtr. to Dec. 31	72,281,000	6,978,000	.51
Zoom Telephonics			
1999-year to Dec. 31	63,438,000	(1,409,000)	— ^b
1998-year to Dec. 31	61,364,000	(2,152,000)	— ^b
1999-qtr. to Dec. 31	18,018,000	(95,000)	— ^b
1998-qtr. to Dec. 31	16,025,000	372,000	.05

Notes: ^aIncludes special credit. ^bAfter special charge. ^cIn British pounds. ^dAdjusted; includes special credit. ^eAdjusted; after special charge. ^fConverted from Australian dollars. ^gPer ADR; includes special credit.

3dfx Interactive said it will reduce its work force 20% in one of steps it's taking in effort to return to profitability. Cuts will include layoffs and attrition in areas company says there were overlaps, redundancies and inefficiencies in administration, operations, sales, software support. San Jose-based company's board also approved spinoff of its Special Technologies Group (STG), which merged with 3dfx in May. 3dfx, maker of computer graphics accelerator chips, boards and software, posted \$17.6 million loss for 3rd quarter ended Oct. 31 compared with \$3.1 million profit year earlier (TVD Nov 29 p16), but has yet to announce 4th-quarter results. Last time company was profitable was in 2nd quarter last year, Reuters reported, also saying company hopes to return to profitability in 2nd or 3rd quarter 2000. Report said job cuts will affect 100-130 employees, including 35 at STG, which last week also found itself target of class action lawsuit filed by San Diego law firm Finkelstein & Krinsk. Suit claims STG violated federal security laws by misrepresenting its true business condition. Complaint was filed in U.S. Dist. Court, Dallas.

Electromagnetic actuator developed by loudspeaker maker Bose is being used in high-frequency testers for biomedical and general materials. EnduraTEC, maker of testers, said high-bandwidth, low-distortion Bose actuator was improvement over conventional hydraulic and pneumatic devices typically used for materials testing.



TELEVISION DIGEST WITH CONSUMER ELECTRONICS

The Authoritative Service for Broadcasting, Consumer Electronics and Allied Fields

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

KNTV-TV'S PAYMENT TO NBC ASSAILED: Station groups upset at precedent of affiliation by multimillion-dollar reverse payment. (P. 1)

HASTERT BLASTS LPFM, tells NAB conference he'll say 'no.' NTIA's Rohde praises local broadcasters. (P. 3)

TAUZIN AND KENNARD DUEL: Telecom chmn. accuses FCC staff of 'abetting corruption,' Kennard calls comments 'irresponsible.' (P. 3)

FCC DEFENDS LPFM against bipartisan attack on Hill, is accused of acting rashly without consultation with Congress. (P. 4)

CABLEVISION FINED \$127,500 for must-carry violation for improper channel placement of WXTV Paterson, N.J., in precedent-setting action. (P. 4)

HILL EXAMINES iCRAVE TV as Internet industry suggests time isn't right for compulsory license. (P. 5)

AOL RETREATS ON OPEN ACCESS, while 2 states reject regulations and Miami imposes strict rules on cable. (P. 6)

FCC REJECTS ISPs FOR LEASED ACCESS, says Internet Ventures doesn't provide video service as defined by statute. (P. 6)

NBC-GRANITE DEAL RANKLES BIG GROUPS: Reaction of major TV stations groups to NBC's 10-year reverse compensation deal with Granite Bcstg. for San Francisco-San Jose market has been extremely negative — with several saying network is attempting to send "message" to other affiliates as contracts come up for renewal. Deal would make Granite's KNTV (Ch. 11) San Jose (now ABC) NBC's affiliate for San Francisco. Some, including Washington lawyers, told us what they termed NBC's "heavy-handed action" was anticompetitive and surely would lead to congressional involvement.

NBC and Granite announced "far-reaching, strategic partnership" for KNTV to replace Young Bcstg.'s KRON-TV (Ch. 4) San Francisco, which said NBC's terms for renewing affiliation were "totally unacceptable" (TVD Feb 14 p4). Because of existing contractual agreements, changeover isn't expected to take place until Jan. 1, 2002, parties said. As part of deal, NBC also agreed to 10-year extensions of affiliations with Granite's KBJR-TV (Ch. 6) Duluth-Superior, KSEE-TV (Ch. 24) Fresno, WEEK-TV (Ch. 25) Peoria.

Granite will pay NBC \$362 million in reverse compensation for KNTV affiliation over 9 years and NBC obtained warrants entitling it to purchase 18% of Granite. Parties said they will explore starting cable news channel in San Francisco. Granite also owns KBWB (Ch. 20, WB) San Francisco. It purchased KNTV from Landmark in 1995 for \$59 million and has permit from FCC to more than double station's power to 188.5 Kw. KNTV's tower now is 17 miles south of

Consumer Electronics

JVC HOLDS OFF ON RECORDABLE DVD commitment as it continues to weigh platform options for hardware. Company clarifies e-commerce strategy. (P. 10)

END TO REGIONAL CODING DEMANDED in letter to Warner from U.K. retail chain that also asks for uniform DVD pricing worldwide. (P. 11)

INTERACTIVITY TAKES CENTER STAGE at Toy Fair. Robots, video-capture devices and PC clones proliferate as lines blur between CE and toys. (P. 12)

DAEWOO READIES 30W HDTV that will ship in April at \$3,000. HD-ready direct-view models to follow in fall. (P. 14)

AUDIO SALES ROSE 2.1% last year, CEA reports. Aftermarket autosound is star category. Dolby Digital receiver shipments grew 77%, CEA says. (P. 14)

DVD RENTAL PRICING STRATEGIES are in offing from major studios, Blockbuster CEO tells financial analysts. (P. 15)

CD ALBUMS WERE MAINSTAY of recording industry growth in 1999, RIAA says. Overall industry shipments advanced 2.3% in units, 7.3% in dollars. (P. 15)

San Jose (while San Francisco is about 40 miles north) and Granite said it plans to move closer to San Francisco but hasn't yet applied to Commission for authority.

Most affected immediately is Young Bctg., which is purchasing current NBC affiliate KRON-TV. Young's stock has taken sharp dive to \$24-7/8 closing Feb. 17 from \$43-1/5 Feb. 8. Young owns one other NBC affiliate — KWQC-TV (Ch. 6) Davenport, Ia. Wall St. also doesn't think much of Granite side of deal, primarily we're told because of annual payments to NBC and KNTV's loss of cash flow, with that company's stock dropping from \$12 Feb. 11 (Fri. before NBC deal was announced following Mon.) to Feb. 17 close at \$7-5/7.

There's speculation in Washington that NBC-Granite never will close on their agreement and that Young-KRON-TV deal could fall through because of sharp drop in its stock, upon which KRON-TV purchase is at least partly based. "Following that scenario, NBC could still end up with KRON-TV," lawyer (not directly involved in either situation) told us: "Young is madder than hell. They could have a great lawsuit." He said NBC has no-penalty escape clause as part of Granite deal, which both parties refused to confirm or deny.

NBC Affiliates' Chmn. Alan Frank, pres. of Post-Newsweek Stations, told us "NBC is sending a message [to other affiliates] with the Granite deal." But, he said: "You have to be careful when you send a message, which can be misinterpreted, and the message is that affiliates should be looking for another alternative." Another group head disputed NBC's contention that Granite deal is "innovative and forward-thinking," saying it "sets a bad precedent" and NBC had "played a tough hand and it could lose... If a majority do what Granite and NBC did, it begins to destroy the network-affiliate relations."

If NBC-Granite deal stands up, it will be "unfortunate for over-the-air broadcasting," said one NBC affiliate, and will have "a long-term negative effect on NBC" because of reduced audiences it will get with less than complete coverage of San Francisco market. He cited CBS situation in Detroit, where network owns WWJ-TV (Ch. 62) and its evening news gets only 2 rating, 4 share, compared with market leader NBC's 13 rating, 24 share, on WDIV (Ch. 4). Another viewpoint was that NBC would be loser because it would get nowhere near audience KRON-TV delivers: "It really changes the value of your network to the advertisers."

ABC and NBC affiliates unanimously disputed CBS CEO Mel Karmazin's statement last week to security analysts that NBC-Granite deal "is an indication of what is likely to happen in the future" with network-affiliate relations. "It's a very atypical situation," said Stanley Hubbard of Hubbard Bctg. "Granite isn't paying reverse compensation. It has bought an affiliation in a huge market." Head of another large group said: "I have an independent in a major market and if I could buy, at a reasonable price, an affiliation with ABC, NBC or CBS I would." What hasn't changed, said another group head, is that when "you still have leverage with the network, and it needs you in the market, then you'll do fine" in contract negotiations. That, he said, still is case in most large markets.

Big 4 networks all have been playing hardball in contract renegotiations, particularly NBC (TVD Sept 27 p1), for many months, just about all affiliates tell us. NBC affiliates' group began talking with that network last spring on several issues (TVD May 24 p1), including NBC's request that stations pay for exclusivity from cable, but we're told there's been no face-to-face meeting since Sept. Network strategy has been "to divide and conquer," negotiator told us, as NBC goes after individual groups, such as deal network recently struck with Gannett. As for one group now negotiating with NBC for contract renewals, group's CEO said "they [NBC] haven't asked us for any money yet."

There don't appear to be any roadblocks to News Corp. plan to restructure Rupert Murdoch's satellite holdings into megacompany, spokesman said. Restructuring, which analysts said would unlock value of satellite interests, would link global satellite operations and investments in new public company that Murdoch would control. Analysts estimated new company could be worth up to \$35 billion. Spokesman said deal should be finalized "within 60 days." Company said it would have no official comment on plans other than statement: "We have under serious consideration plans to consolidate our worldwide satellite platforms and certain related assets under one umbrella entity. It is premature to speculate on the final format of this umbrella entity." Plan that would bring together pan-Asian Star TV, British BSkyB, Japan Sky Bctg., Sky Latin America, Premiere of Germany, Italy's Stream and Foxtel in Australia, is strong indication of move toward concentration of market outside U.S.

Internet companies remain wary of federal govt. intrusion in market, particularly by FBI and National Security Agency (NSA), witnesses told Senate Appropriations Commerce Subcommittee hearing Feb. 16. Still, in light of sabotage of prominent sites such as Yahoo, Ebay, CNN.com, Amazon.com and E*Trade, law enforcement officials told Chmn. Gregg (R-N.H.) that online industry is more open to cooperating with federal authorities, at least to aiding pursuit of criminals following attacks. Attorney Gen. Janet Reno, FBI Dir. Louis Freeh and Commerce Dept. Undersecy.-Export Administration Bill Reinsch all asked appropriators for more funds, and call was echoed by some industry witnesses. Administration has no plans to impose new regulations on Internet in wake of outages, President Clinton said after meetings with industry leaders. "One of the reasons this thing has worked so well is that it has been free of government regulation," he said. "We ought to stay with what brought us here."

HASTERT BLASTS LPFM: House Speaker Hastert (R-Ill.) took FCC to task in speech before NAB State Leadership Conference in Washington Feb. 14. He said FCC's low-power decision "is certainly going to cause substantial interference on the FM dial for millions of radio listeners and we should not be in the business of destroying the FM band." He signaled support for bill by Rep. Oxley (R-O.), saying leadership "can say no to this misguided legislative action and we will."

In his first appearance before NAB as head of NTIA, Gregory Rohde stressed necessity of retaining localism in coming digital era of broadcasting. He saw convergence, absentee owners and DBS as threats to localism — pointing to Billings, Mont., as example where, he said, only 2 of 12 stations are locally owned. "We want to preserve local broadcasters... as one of the hallmark values... We need to take [localism] with us" as industry embraces SHVIA.

Asked about public service responsibilities of TV stations in digital era, Rohde said "I don't know the answer" to how it should be defined but "we need to have this debate." Handful of broadcasters in audience told him they don't need govt. telling them how to serve public, that listeners and viewers would make that determination themselves, as self-described "mom-and-pop" radio station owner Allan Harris of Green River, Wyo., put it.

NAB again hosted panel of key FCC staffers, with Gen. Counsel Christopher Wright, Enforcement Bureau Chief David Solomon, Mass Media Bureau Chief Roy Stewart and Thomas Power, chief legal adviser to Chmn. Kennard. As to when agency will rule on must-carry, Stewart said: "I've been spending a lot of time running from office to office" on FCC's 8th floor on issue. He said "we're actually working with the Cable Bureau right now" to produce digital must-carry presentation for commissioners.

Moderator Karen Fullum asked what would happen if set makers and cable don't come up with agreement on compatibility standards by April deadline set by Kennard. Power said: "We have this law [Administrative Procedure Act] that we have to do a proposed rulemaking [as] a first step." As for agreement on standards, he said "we're almost there," with labeling major remaining issue between set manufacturers and cable industry.

Stewart disputed contention that FCC's new EEO rules place undue paperwork burden on broadcasters. He said rules provide "maximum flexibility" for licensees while requiring "broad outreach" to minority groups in recruiting employees. EEO reports will be required every 2 years for stations to "tell us what you're doing" and to help FCC determine whether rules are working, he said: "I would hope that we can work together [in trying] to strike a balance."

Compulsory license for Internet will be hottest item on Hill agenda for next 2-3 years, 2 legislative staffers predicted on later panel. Senate Communications Subcommittee Counsel Al Mottur said it would be "huge issue for broadcasters," to which Lori Sharpe, legislative counsel for Sen. Ashcroft (R-Mo.) agreed.

Cable Telephony conference will be held April 6-7 at Hyatt Regency, Denver. Panelists will include representatives of MSOs AT&T, Cox and MediaOne; overbuilders including Knology and Seren; CableLabs, hardware manufacturers and Washington attorney Robert Rini of Rini, Coran & Lancelotta. ICM — 312-894-6418.

TAUZIN CHARGES FCC 'SHAKEDOWNS': House Telecom Subcommittee Chmn. Tauzin (R-La.) continued his verbal war against FCC Feb. 14, accusing its staff of "shaking down" merger candidates as it "abets corruption" and accusing Chmn. Kennard of intentionally ignoring Telecom Act provision forbidding Commission from continuing to review mergers. He was lunch speaker at NAB State Leadership Conference in Washington. Kennard responded next day by calling speech "unfair, irresponsible."

Tauzin said FCC has become "the law unto itself... an agent that abets corruption, holds people up and lets other people shake them down." As in past, most recently at NATPE, he referred to anonymous parties that have had business before FCC who have come to him complaining of being forced by Commission staff to accept conditions for approval of merger that otherwise met all legal standards. Tauzin said corruption occurs at staff level: "I'm not speaking of any commissioners... I don't think they have any role in this." FCC staff members we spoke with were offended by remarks. Said one bureau chief: "This is the first time I've ever been called a felon."

Legislation to be introduced by Tauzin will clarify what authority FCC has in merger reviews, he promised: "We're going to try to be a little clearer to the FCC... defang them a little." He insisted Telecom Act removed FCC's merger review authority.

Kennard described Tauzin speech as "unfair, irresponsible and unworthy of a public official." He wrote Tauzin Feb. 15 that phrases "have plain, commonsense meanings of unethical and potentially criminal conduct resulting in financial gain or benefit for the perpetrator." However, Tauzin, while seeking to clarify remarks, stood by them in interview with our affiliated *Communications Daily*.

FCC staff members "unknowingly" leave companies vulnerable to shakedowns in market by dragging out merger approval process and attempting to force sale of assets, Tauzin said. He said FCC merger process raises questions on Wall St. and "puts the financing behind mergers in jeopardy." He also said he has heard of cases in which FCC staff attempted to direct merger candidate to spin off assets to specific parties: "That is corruption."

Kennard told Tauzin: "I again urge you to provide me with details of any specific cases, if they exist, so that we may take appropriate action and clear the air about these allegations." But in conversation with Kennard Feb. 15, Tauzin said he told Kennard: "I can't give you names, Bill, I can only tell you it goes on." Some have pending business before FCC, Tauzin said, and all insisted on anonymity: "I'm stuck." Asked whether he thought Kennard believed there were such victims, Tauzin said: "No. I've got the sense he's taken this personally."

Charter Communications closed on acquisition of Bresnan Communications for \$3.1 billion, adding 690,000 subscribers. Charter is No. 4 U.S. MSO with 6.2 million subscribers as result of multiple acquisitions.

Two more TV stations began DTV broadcasting, NAB said. Latest (118th and 119th) are KNXV-TV (ABC) Phoenix and WRDW-TV (CBS) Augusta, Ga.

FCC DEFENDS LPFM RULING: FCC sent engineer to House Telecom Subcommittee Feb. 17 to defend agency's decision to license low-power FM (LPFM) stations and reduce interference restrictions accordingly. Chmn. Kennard missed hearing because of prior obligation to be in Fla. immediately after Commission meeting, although Comr. Furchtgott-Roth attended, and Subcommittee Chmn. Tauzin (R-La.) said Kennard's absence "concerns me."

Hearing came day after NAB filed to block LPFM rulemaking in U.S. Appeals Court, D.C., and day after LPFM order was published in *Federal Register*, starting 30-day period to seek reconsideration. House Commerce Committee Vice Chmn. Oxley (R-O.) and Senate Appropriations Commerce Subcommittee Chmn. Gregg (R-N.H.) have bills seeking reversal of LPFM order.

"I'm just an engineer," was frequent lament of Bruce Franca, deputy chief of FCC's Office of Engineering & Technology as he dealt with multiple policy and procedural questions from members. Franca provided audio samples of how Commission settled on 1% interference limit, level he said only most sophisticated listener can hear, and explained that moving from time-honored separation of 3 audio channels to 2 provided no problems for majority of radios. Still, Franca said he wasn't comfortable answering such questions as why Commission acted so quickly. Rep. Wynn (D-Md.) expressed surprise that FCC went forward without comprehensive consumer-based study on acceptable interference levels.

NAB-sponsored consultant Charles Jackson played his own audiotapes, suggesting Walkman user would receive interference from LPFM making radio all but unusable. Franca's response was that Walkmans were of lower quality and more interference was to be expected, but some members were concerned that answer suggested that public should simply accept that. NAB Pres. Edward Fritts called order "impending disaster... never before have I seen the FCC act with such willful disregard."

Tauzin said FCC acted "with little regard for Congress." House Commerce Committee Chmn. Bliley (R-Va.) said in statement he was "disappointed" Commission issued order "while most of us were back home with our constituents." Rep. Stearns (R-Fla.) compared action with another taken without consultation with Congress — redefining license requirements of religious broadcasters — that Commission had to revoke after heat from Capitol Hill.

Furchtgott-Roth repeated his dissent that LPFM rulemaking was "rush to judgment" while emphasizing he never has been opposed to concept of low-power licenses for minority and community operators. Elimination of 3rd adjacent channel restriction for LPFM meant creation of only one new station, in Houston, Furchtgott-Roth said. Then at "last minute — in fact, the evening before the final vote took place, and without the knowledge of this Commissioner — these numbers were rejigged so as to produce slightly more stations," he said, all of which will cause and experience interference.

NPR CEO Kevin Klose disputed claim by Tauzin that NPR is concerned LPFM stations will moot need for public radio's public funding, saying: "LPFM will never be a viable substitute for the services provided now to millions of listeners by the public radio community."

FCC SETS MUST-CARRY FINE: In precedent-setting action, FCC held Cablevision Systems liable for fine of \$127,500 for violating must-carry rules. Agency said violations involved channel positioning in some of company's systems in N.Y. markets. Commission refused to rule on Cablevision claim that must-carry violates 5th Amendment.

Case involved complaint filed in 1998 by WXTV Paterson, N.J., alleging channel positioning violations. Station invoked must-carry rights on Cablevision's 38 systems in N.Y. market, requesting carriage on Ch. 41. Cable Bureau decided in April that Cablevision wasn't complying with channel positioning requirement on 21 of 38 systems and began separate forfeiture proceedings, giving company additional time to come into compliance in other 17 systems. Cablevision sought reconsideration, requesting relief from literal compliance for 4 of its systems and reconsideration of Commission's fines. Company also said FCC should decide must-carry rules violate 5th Amendment.

Commission's order upheld Bureau decision while granting Cablevision's request for relief for 4 systems. Agency refrained from issuing decision on "merits" of 5th Amendment argument. Amount of \$127,500 reflects base forfeiture of \$7,500 multiplied by 17 systems in violation. Cablevision has 30 days to pay or file response showing why fine should be reduced or rescinded, order said.

Cablevision said FCC's preliminary determination to pursue forfeiture action was surprising given that WXTV will be on its desired channel positioning by the end of March. "FCC's order, together with Comr. Furchtgott-Roth's powerful concurrence represents a significant advancement in the Commission's thinking" on its 5th Amendment takings claim, it said.

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Cable and consumer electronics industries were continuing to meet last week in last-ditch effort to resolve cable-DTV compatibility issues before FCC steps in, we're told. There had been reports that Commission would start rulemaking detailing its own compatibility rules Feb. 17, but it hadn't done so by our deadline. Some industry officials believed they had shown enough progress in talks to convince FCC to delay action. Industries have agreement in principle on 2 of 3 parts of DTV-cable compatibility pact, parties believe, but it's unclear when agreement can be reached on 3rd point. Parties apparently have generally agreed on technical specifications for compatibility, as well as on program data (PSIP) issues. Still undecided at our deadline was whether DTV set must include 1394 interface to be labeled as cable compatible. Parties also still were working out technical details of agreement in principle. FCC Chmn. Kennard had said compatibility rulemaking would be started by early Feb. unless industries resolved issue (TVD Jan 10 p1), with FCC imposing final rules by April. He originally said industries needed agreement by end of Jan. Some negotiators were hoping that if they agreed on 2 of 3 main issues Kennard would allow more time for 3rd, we're told, although there was some skepticism. Rulemaking notice already has been circulated on FCC's 8th floor, we're told.

Brazilian evaluation committee has recommended that Brazil opt for COFDM-based European Digital Video Bcstg. (DVB) system for DTV, said group that backs DVB. Govt.-established committee made recommendation after evaluating DVB, U.S. ATSC and Japanese system. Group cited DVB's robustness within service area and possibility of mobile reception.

INTERNET RULE UNNEEDED: Compulsory copyright license for Webcasters akin to those for cable and satellite broadcasters seems unlikely this year, based on hearing at which major Internet companies and rights holders said there was no immediate need for regulation on when broadcast programming can be retransmitted on Internet. House Telecom Subcommittee heard "message of, 'Wait a minute,'" Chmn. Tauzin (R-La.) said after hearing: "That's probably a good one." On faster track is bill to protect Internet privacy, he said. While Webcasting issues may be sorted out by marketplace and technology developments, he said, privacy "can't wait."

Nobody asked panel for immediate action, either to create new license or, on copyright holders' side, to crack down on piracy, because both sides believe law already is on their side. "We have no immediate plan to seek a compulsory license" or other legal changes, Launch Media Pres. Bob Roback said. He asked Congress not to let iCraveTV's image as pirate tar entire Internet industry, since his company and others negotiate rights from rightsholders. RealNetworks Vp-Govt. Affairs Alex Alben agreed Internet industry isn't "asking for government intervention" now, although "down the road" it might seek compulsory license. He said current law is "ambiguous" on whether Internet companies are eligible for licenses. Alben said he would rather work with broadcaster under negotiated revenue-sharing plan, but "it would be much more convenient to have one place" to apply for licenses. He said sports blackout rules also might need changing to accommodate Internet since their purpose of encouraging physical attendance at games isn't furthered by shutting out remote watchers.

MPAA Pres. Jack Valenti said he wasn't asking Congress for anything except that it be "cautious and wary about giving a license to anyone." Representing NAB, LIN TV Vp Paul Karpowicz said stations don't own right to distribute syndicated material beyond local area, so they can't license it. Inability of Internet to be limited to one market is "fatal flaw" that prevents it from fighting current regulatory scheme, he said.

Several lawmakers expressed interest in compulsory license, or at least not slamming door on possibility, as content holders urged at end of last session (TVD Jan 24 p5). "It's impossible" to negotiate licenses with every broadcaster, as Internet companies currently are trying to do, Rep. Stearns (R-Fla.) said. Rep. Cox (R-Cal.) said it's important that panel "resist the entreaties of competitors" such as broadcasters and MPAA not to allow Webcasters into market: "The only people who should be threatened are those looking to preserve the status quo." Stearns said cable made "same arguments" as Webcasters years ago, "and they were successful... We don't want to stymie competition."

"It would have been a mistake" to have acted last year, Rep. Eshoo (D-Cal.) said, and it would be again this year to extend license: "How we regulate cable should not automatically extend to the Internet." Rep. McCarthy (D-Mo.) said, "We must be in the business of promoting" Internet growth" and be "careful not to rush to policies that could hamper it." Rep. Wilson (R-N.M.) said traditional reasons for govt. intervention, such as limited spectrum or controlling local monopolies, don't apply with Internet.

Hearing was "harbinger of conversations to come," Rep. Markey (D-Mass.) said. He said existing broadcasting rules, "based largely on geography... may come under strain" as tech-

nologies converge. Rep. Sawyer (D-O.) said it's "convenient" that broadcasters and other content holders were able to sue Canadian Webcaster iCraveTV in Pittsburgh court, but situations will arise in other countries where it's not so easy. "Other superstructures will have to be created," he said, suggesting World Trade Organization intervention.

Several lawmakers criticized iCraveTV. "We're not pirates," iCraveTV Vp Ian McCallum said. He said his company enjoys "support of the Canadian government" in its stance that it's not required to obtain broadcasters' permission before retransmitting their signals over Internet. He said his company is close to working out tariff arrangements with Canadian rightsholders and creating system to keep non-Canadian users from accessing U.S. material, copyright violation that caused site to be shut down by U.S. Dist. Court, Pittsburgh. McCallum said he hopes to have new software in place in next 2 weeks, leading Valenti to say he would "do well in the motion picture business, because he can sure write good fiction."

FCC decision to allow cable operators to rely on industry estimates of Multichannel Video Programming Distributors (MVPD) subscribers is "consistent with Commission precedent and entirely justified," NCTA said in filing opposing petition for reconsideration by Consumer Federation of America (CFA) and others. CFA's claim that reliance on industry data would allow MSOs to "game" system ignores fact that rules require MSOs with 20% or more of all MVPD subscribers to report their subscriber numbers directly to Commission. All MSOs have incentive to be accurate in their reporting since license fee they pay to programmers are based on MSOs subscriber numbers, NCTA said, and relying on private reporting services saves Commission time, expense, resources. NCTA also sought rejection of CFA's claim that Commission's decision to change cable horizontal ownership formula from cable homes-passed test to MVPD subscriber-based test is inconsistent with plain meaning and purpose of Sec. 613 of Communications Act.

House Agriculture Operations Subcommittee Chmn. Goodlatte (R-Va.) expressed confidence HR-3615, Rural Local Best. Signal Act, would pass on House floor soon after being voted out of Agriculture Committee 41-0. (House is in Presidents Day recess until Feb. 29.) DBS rural loan subsidy issue is proving popular on Hill, but faces jurisdictional clashes, with House Banking and Commerce committees also looking at issue, as well as Agriculture and Banking committees in Senate. Senate Commerce Committee hasn't shown inclination to take up issue, and House Commerce Committee Chmn. Bliley, while issue is before his committee, has suggested he's likely to cede to Banking or Agriculture. In leadership deal agreed to during Nov. debate on Satellite Home Viewer Improvement Act, issue will be taken up on floor of both houses April 1 if not acted on earlier.

Satellite radio rivals Sirius and XM Satellite Radio announced agreement to work together on unified standard, allowing production of radios capable of receiving both companies' broadcasts. They said standardization should accelerate industry growth, although it won't come in time for product launches this year. Instead, standardized radios will represent 2nd-generation products, and companies didn't say when they expected to have them available. They said they would contribute intellectual property to initiative and would resolve pending patent litigation. They said they would work with existing car and radio manufacturing partners to integrate unified standard into agreements.

ACCESS RESULTS MIXED: Both sides in debate on forced open access to cable systems by Internet service providers (ISPs) had mixed results last week. Two more states refused to enact open access legislation, but court in Miami put severe limits on cable operators' opportunities to limit access and access backers asked Congress to intervene.

Developments came as it became clearer that AOL no longer will be a staunch access advocate following its takeover of Time Warner (TVD Jan 17 p1). OpenNet Coalition said it doesn't support any cable company's being allowed to use exclusive agreements to gain unfair advantage over other ISPs. Co-Dir. Greg Simon said: "The OpenNet Coalition's position... is that the Coalition supports reasonable time frames for implementing open access this year, provided that open access is truly open and enforceable." Internet Ventures (IV) Pres. Don Janke said press reports on AOL's "sudden change of position" on open access demonstrates that "left to its own devices, cable will continue to restrict access" to ISPs to protect its monopoly position.

U.S. Dist. Court, Miami, dismissed all but one count in lawsuit filed by Comcast and Advocate Communications against open access ordinance of Broward County, Fla. Judge Donald Middlebrooks said companies had standing to assert First Amendment claims, but not for claims that open access ordinance injured contracts, usurped federal powers, violated due process. "The free speech principles that underlie the 'chilling effect' doctrine do not translate into other areas," Middlebrooks said.

At state level, Pa. House Consumer Affairs Committee voted 15-8 to table open access bill, dealing major blow to proponents. Vote had been expected to set course for similar legislation in 6 other states. Cable, which until last week was virtually reconciled to passage of bill, expressed relief. Pa. Cable & Telecom Assn. (PCTA) Vp-Govt. Affairs Brian Barno attributed vote to committee members' realization that "this legislation was sending an antibusiness and anti-investment message to the business community."

Ida. House State Affairs Committee voted 16-4 to shelve open access bill. "The idea of regulating Internet access is clearly falling down under the weight of its own contradictions," said Peter Arnold, exec. dir. of Hands Off the Internet.

Four consumer groups wrote 2 Democratic members of Congress, asking them to hold hearings on FCC's refusal to promote open access. Consumer Federation of America, Consumers Union, Mass. Consumers' Coalition and Mich. Citizen Action wrote House Commerce Committee ranking Democrat Dingell (Mich.) and House Telecom Subcommittee ranking Democrat Markey (Mass.) saying "FCC is disastrously behind the curve on this issue." Groups said Commission rejected repeated calls for proceeding from consumer groups and cities, but "issued staff reports and policy papers opposing an open access requirement."

EchoStar didn't comment on reports it would announce data and spot-beam strategy this week. Launch of new satellites would be intended to provide more channels in more markets and lead to satellite-delivered Internet access, sources said. "The rumors have been flying about [our spot-beam strategy], but I can't confirm or deny," spokesman said. "We have 5 satellites in space now and we are going to launch a 6th in the 2nd quarter. That satellite will be used for backup to EchoStar 5."

LEASED ACCESS REJECTED: ISPs don't qualify for leased access to cable systems, FCC said, denying petition by Internet Ventures Inc. (IVI) for ruling it's entitled to lease capacity on cable systems. Commission decided unanimously that Internet access service isn't video programming as contemplated by Telecom Act. IVI spokesman said it couldn't make decision on appealing ruling until it sees text of order. Commission voted Feb. 7, released text Feb. 18.

Commission said Act doesn't require cable operators to make available channel capacity on their systems for range of services that IVI seeks to offer. FCC said it resolved IVI's petition through "basic threshold issue" of whether Internet service such as that provided by IVI constitutes video programming under Act. Agency concluded it doesn't.

IVI Pres. Don Janke said ruling will "deprive thousands of ISPs and their subscribers of the benefits of the broadband revolution." He said IVI's campaign from start had been "true David-Goliath story," and "unfortunately, David only had to deal with Goliath, not with the FCC."

Commission said leased access provision of Act requires cable operators to reserve channel capacity for one statutorily prescribed purpose — video programming: "Congress did not express an intention that the provisions require cable operators to make channel capacity available for anything other than video programming." Act couldn't be read as requiring cable operators to provide capacity for Internet access services, agency said.

Referring to argument that video programming includes data or interactive services, Commission said statute refers only to "video" and to "programming" and said IVI had made no "direct challenge to the validity of the precedent." If ISP proposed to use leased access capacity for service consisting entirely of video programming through Internet, Commission admitted it would face different set of issues in that case. However, such proposal wouldn't automatically run afoul of threshold issue necessitating denial of IVI's petition, it said.

AT&T, one of leading opponents of IVI plan, welcomed ruling, spokeswoman saying: "FCC did the right thing. There is no basis for what IVI was asking for." She said IVI's contention was "another baseless argument for government regulation of Internet access. As AT&T has been saying before, the marketplace is working."

Microsoft and Gilat Satellite announced telephone-free satellite-delivered high-speed Internet service with formation of new company Gilat-To-Home. Company said 2-way satellite Internet service is first (DirecPC uses telephone return link). Test rollout to 20,000 sites in U.S. companies didn't identify started last week, using 0.75 m elliptical dish. All electronics are inside PC, with downloaded software. Result is PC-based VSAT network, official said. Entire nation is due to be online by end of year, spokesman said. Gilat said it agreed to give 26% stake in new company to Microsoft for \$50 million. GE American Communications is single largest shareholder in Gilat Satellite Networks, with 24%. Gilat-To-Home is discussing other partnership alliances with several unnamed companies that it said can provide broadband services that can be delivered directly to subscribers. Technology can provide streaming media, including mininetworks with pay-per-view and interactive programming at high bandwidth channels.

CBS, VIACOM RESULTS UP: Potential merger partners CBS and Viacom both had strongly improved financial results in 4th quarter, boosted by good broadcast figures. CBS TV and Infinity Bcstg. led profit growth at parent CBS to \$251 million in 4th quarter ended Dec. 31 from \$1 million loss year ago. Revenue increased to \$2.2 billion from \$1.8 billion and operating profit to \$298 million from \$117 million. TV revenue jumped 23% to \$1.3 billion, in part reflecting inclusion of King World (it was up 13%, excluding King World). TV operating profit was \$118 million, vs. \$1 million year ago. Infinity revenue climbed 32% to \$759 million and operating profit 34.4% to \$242 million. Cable revenue was up 6% to \$142 million, and operating profit tripled to \$27 million.

Citing improvements at cable networks and UPN, Viacom profit climbed to \$133.1 million in quarter ended Dec. 31 from \$36.3 million year ago. Operating profit of Entertainment Div., which includes UPN, was up 32% to \$130 million. Cable network operating profit was up 19% to \$347.2 million, driven by record ratings, while Showtime Networks subscribership grew 18% to 23.2 million. Cable networks figure would have been even higher if MTVi Internet startup were excluded. Company said there was double-digit growth in Networks, Entertainment and Video segments. Company revenue grew 7% to \$3.6 billion for full year. Viacom, meanwhile, announced plan to buy back up to \$1 billion of its stock. Cash for buybacks is to come from working capital.

In other financials: **Cablevision** net loss increased to \$216 million in quarter ended Dec. 31 from \$184 million year ago. Revenue was \$1.1 billion, up 17% in year. Performance in quarter reflected 2.7% gain in cable subscribers and continued strong results at its Rainbow Media Holdings. Cablevision's net revenue from cable and commercial phone operations increased 9% to \$488.6 million... **Charter Communications** revenue rose to \$290 million in 4th quarter from \$264.7 million year ago on net gain of 3.1% in basic customers plus rate increases in some systems... **BHC Communications** had \$26.1 million profit in 4th quarter ended Dec. 31, up from \$3.2 million profit year earlier, as revenue increased to \$130.2 million from \$123 million... **Dick Clark Productions** had \$998,000 profit in quarter ended Dec. 31, up from \$867,000 year ago, as revenue grew to \$22.6 million from \$16.4 million... **Radio One** filed SEC registration for offering of 5 million shares of common, potentially valued at \$397 million... **TV Guide** lost \$19.3 million in quarter ended Dec. 31, vs. \$24.1 million profit year earlier... **Prodigy Communications** reported revenue up 39% to \$189 million for year, from \$136.1 million year earlier, but loss increased to \$80.5 million from \$65.1 million.

FCC Cable Bureau Chief Deborah Lathen responded to concerns raised by Media Access Project Pres. Andrew Schwartzman at recent public forum on AT&T-MediaOne merger (TVD Feb 7 p5). In letter, Lathen addressed Schwartzman's contention that Bureau hadn't acted on his Oct. 7 complaint on potential horizontal ownership violations, saying response would be included in final report on merger. As for Schwartzman's recommendation that Bureau consider AOL-Time Warner impact, Lathen said it would be considered in AT&T-MediaOne review. She defended Bureau from Schwartzman's questions about its "neutrality," and said charge that all documents weren't posted to Bureau Web site wasn't relevant since all documents were posted to FCC's Electronic Comment Filing System, with links from Bureau's AT&T-MediaOne page.

FCC BUDGET OPPOSED: FCC Comr. Furchtgott-Roth said agency's \$37 million FY 2001 budget request is "a bit excessive." Its "very substantial request" is difficult to justify because agency spends too much money on unnecessary tasks such as merger review and "social policy goals such as free political advertising," he told reporters.

Furchtgott-Roth raised issue in letter to Rep. Rogers (R-Ky.) and Sen. Gregg (R-N.H.), chairmen of House and Senate Appropriations Subcommittees, respectively. "To my mind, given the clear deregulatory bent of the Telecommunications Act, we should be regulating less, not more, therefore requiring less funding over time," he wrote. He told reporters that "this agency is deploying resources and staff" on issues for which it has "no clear authority."

Commissioner said he also was uncomfortable with agency's lobbying efforts for change in bankruptcy law in case involving winner in auction going bankrupt, then fighting to retain licenses. Lobbying isn't appropriate role for independent agency, he said.

Time Warner won another round of extensions from ABC and Hearst-Argyle TV as negotiations to renew retransmission contracts failed to yield agreements. TW spokesman said ABC gave company 3rd extension, until March 1. Accord is being hampered by broadcasters' insistence on carriage of their cable channels — ABC's SoapNet and Hearst-Argyle's Lifetime Movie Network. Hearst-Argyle, which owns ABC affiliates, also is involved in retransmission disputes with CableOne, Comcast, Cox. Extensions granted to those MSOs expired Feb. 4 but Hearst-Argyle spokesman said it was "to be assumed that previous deadlines have been extended as negotiations continue. We are avoiding comment on the status of the negotiations now."

U.S. Appeals Court, St. Louis, upheld public radio station's right not to accept underwriting from Ku Klux Klan, as granted by lower court. Klan had argued that underwriting constitutes "public forum" that's open to all comers, since it generally exercises no editorial function. Appeals Court said that since KWMU(FM) St. Louis is required by law to advise its listeners as to source of funds, decision by its parent U. of Mo.-St. Louis to accept or reject underwriting "is itself a governmental decision to speak or remain silent," rather than suppression of another's speech.

U.S. Copyright Office is trying to determine definition of network station for purposes of cable compulsory license. Office said definition is "critical" in deciding on payments that cable systems must make to royalty pool, as well as royalties that stations receive, since cable system can carry 4 network signals for cost of one independent. Rulemaking was sought by Paxson, which wants PaxTV defined as network. Comments on rulemaking (RM 2000-2) are due April 11, replies May 11.

House and Senate conferees reached agreement on satellite privatization that both sides said should clear way for Lockheed Martin to purchase remaining 51% of Comsat. Agreement eliminates outside ownership cap on Comsat and ends immunities from law from Comsat and Intelsat. Conferees reaching agreement included Rep. Bliley (R-Va.), Sen. Burns (R-Mont.) and House Telecom Subcommittee ranking Democrat Markey (Mass.).

Three Disney units — ABC TV Network, Disney/ABC Cable and Buena Vista TV — formed Disney Kids Network and consolidated sales for all children's property into new group. It "will create unprecedented advertising and promotional opportunities" for clients, said Network Pres. Patricia Fili-Krushel, covering TV-radio, print and online media: "Joining forces will create a unique, one-of-a-kind network for advertisers of children's product and further establishes Disney's leadership in the industry." Kids Network will be headed by Dan Barnathan, senior vp-sales, TV Network.

Rogers Communications and Le Groupe Videotron announced definitive merger agreement, making combined company largest MSO in Canada. Videotron's equity holdings in TVA Group will be distributed to Videotron shareholders before merger. Videotron board voted unanimously to support deal. Rogers said members of Chagnon family, who hold majority of Videotron multiple voting shares, agreed to vote their shares in favor of deal. Merger, which requires approval of Videotron shareholders, is expected to be completed by April.

DSL provider NorthPoint Communications is partnering with streaming video company ClearBand and Web portal CoolCast on full-screen Internet video technology that companies said would approximate TV quality. They said technology, which is in field trials in San Francisco area and scheduled for commercial service in summer, allows multicasting at 30 frames per sec. using bandwidth ranging from 300 kbps to 2 Mpbs. Companies have signed several content partners, including Trimark Pictures online subsidiary CinemaNow.

PBS and Children's TV Workshop (CTW) should withdraw from seminar that's designed to "advise advertisers on how to worm their way into the psyches of young children," Ralph Nader said in letter. He was referring to March 13-14 N.Y.C. meeting sponsored by Institute for International Research. Nader said sponsors' intention is to make children "nag their parents for products," which he said is "contrary to the stated aims of CTW and of the public broadcasting stations on which its productions appear."

Ads on streaming audio sites are extremely effective, Arbitron NewMedia and Edison Media Research said in report. Study said 62% of online radio listeners have visited Web site advertised on streaming site, and streaming audio audience is better educated and wealthier than general Internet user population. Meanwhile, Robertson Stephens released report finding only 45% of radio stations have Web sites and only 1/3 of those offer streaming audio.

Tribune Bcstg.'s 3 Cal. TV stations have invited Presidential candidates to participate in separate one-hour debates March 5 — 2 days before state's primary. If candidates accept, debates also will be offered to other Cal. stations. Tribune hasn't said what it will do if only one Democrat and/or Republican accepts. If debates take place, they will be at KTLA L.A. and also will be carried by Tribune's KTXL Sacramento-Stockton and KSWB-TV San Diego.

Broad "Copyright Assembly" announced its formation. Group includes broadcasters, cable operators, movie associations, software companies, music companies, sports leagues. Group sent each member of Congress introductory letter that called copyright preservation "indispensable to America's economy."

FCC will hold public forum March 1 on streamlining its merger review processes. Agency said it will present staff streamlining proposals and receive public comment on them. Afterward there will be opportunity for written comments, FCC said. Proposals — and forum — will focus on merger-related applications for license assignment or transfer of control as well as requests for discontinuation of service. Forum will be 10 a.m.-noon at FCC meeting room, sponsored by Transactions Team that was established in Gen. Counsel's Office to oversee such requests.

NTIA set March 2 as date of its previously announced public meeting on small market access to local TV signals, 9:30-11:30 a.m., Rm. 4830, Commerce Dept. NTIA will accept written comments (Doc. 000208032-0032-01) until April 14, replies until May 15. Among questions to be answered: (1) Technical feasibility of technologies such as DBS, enhanced DTV, Internet streaming, wireless. (2) Tradeoffs among technology options. (3) Economic and legal impediments. (4) What govt. actions are necessary — rkrinsky@ntia.doc.gov.

Congress is reacting to recent Internet hacker attacks, with hearings in both houses. House Crime Subcommittee scheduled March 1 hearing on what additional resources are needed to combat cybercrime, while Sen. Judiciary Committee Chmn. Hatch (R-Utah) said he also may hold hearings in March. Senate Technology Subcommittee Chmn. Kyl (R-Ariz.) said he hopes to coordinate response from other committees.

Former President and First Lady Jimmy and Rosalynn Carter will receive first Service to America Leadership Award from NAB Educational Foundation (NABEF) June 12 during Service to America Summit in Washington.

Bloomberg TV was launched in Queens, N.Y., Feb. 18 on Time Warner's new digital cable service. Digital cable boxes will roll out over next year, beginning in Queens and moving to Manhattan, Brooklyn and Staten Island, company said.

Comment deadline on satellite retransmission consent rulemaking (CS 99-363) was delayed until March 3, from Feb. 20. FCC said extension, requested by NAB, affects election process and administrative matters.

TELEVISION DIGEST NOW AVAILABLE IN PRINTABLE FORMAT

Subscribers to Television Digest with Consumer Electronics now can receive their weekly issue electronically in the widely used PDF format, which duplicates the look and feel of the print version on any PC. Delivery of this version will take place the Friday before the Monday publication date. Subscribers who want to replace the print (or non-PDF electronic) versions they now receive may do so simply by sending an e-mail request to tvdpdf@warren-news.com or calling us at 202-872-9200. "Adobe Acrobat Reader" software, already loaded on most computers and free for downloading from the Internet, is required to read PDF files.

Personals

Fox promotions: **Jason Clark** to dir.-communications & publicity; **B.J. Arnold** to senior vp-sales, L.A., replacing **Debbie Myers**; **Chris Enger** to senior vp-sales, Chicago; **Tom Nihem** to senior vp-sales, Detroit... **Peter Levinsohn** advanced to exec. vp-worldwide pay TV and PPV, Twentieth Century Fox... **Geoffrey Wells**, ex-Intercontinental Releasing, named vp-information technology, ABC.

Spencer Brookes promoted to dir.-entertainment & new media, Spelling Communications... **Andrew Horne**, ex-Edmonds, appointed vp-drama development, Paramount TV Group's Network TV Div.; **J.W. Linkenauger** moves to vp-systems development, Paramount Stations Group... **James Kraus** promoted to exec. vp-gen. sales mgr., Carsey-Werner Domestic TV Distribution... **Harry Hawks** advanced to CFO-exec. vp, Hearst-Argyle TV... **Alfredo Duran** promoted to gen. mgr., MGM Networks Latin America.

Bill Maples, ex-KOCO-TV Okla. City, named station mgr., KXRM-TV and KXTU-LP, Colo. Springs... **Lynn Fairbanks**, ex-KNVN-TV Chico, Cal., becomes regional vp, Gocom Communications... AMFM changes: **James de Castro** retires as CEO and radio operations mgr.; **Kenneth O'Keefe** assumes radio post and **Michael Levitt** will serve as interim CEO... **Ray Carter**, news dir., WSB-TV Atlanta, named chmn., ABC Affiliates News Dirs. Advisory Board, replacing **Jim Church**, who left to become vp-news WTSP St. Petersburg-Tampa... **Cisneros TV Group** promotions: **Richard Garcia** to vp-finance & controller; **Gabriel Montoya**, dir.-new business development.

Bruce Ravenel resigns as exec. vp, Liberty Digital... **Harvey Schiller**, ex-Turner Sports, named CEO-chmn., YankeeNets... **Jane Stonnington**, ex-Military Channel, appointed dir.-distribution strategies, Odyssey Network... Comcast promotions: **Donald Erickson** to senior vp & controller, **Sheila Willard** to senior vp-govt. affairs, **Thomas Nathan** to senior vp-gen. counsel... A&E Networks promotions: **Brad Westerman** to vp-national sales mgr.; **Macie Huwiler** to vp-ad sales, Midwest region... **Steve Rabbitt** named senior vp-retail business, Cablevision Systems... **John Wildhack** and **Mark Quenzel** to share management of expanding Programming Dept., ESPN.

David Marvintano, ex-Securities Industry Assn. and ex-Rep. Paxon (R-N.Y.) staff, joins Rep. Tauzin (R-La.) as administrative asst.-legislative dir., replacing **Monica Azare**, who is relocating to N.Y.C... **Cindy Gertz**, ex-Freddie Mac, joins PBS as CFO-senior vp-finance... **Stu Kantor** shifted to dir.-creative communications & editorial services, PBS Learning Media... **Brian Stone** adds COO-senior vp, Broadcast Architecture Inc., to oversee operations.

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McKibben Communications started satellite TV service delivering 10 channels of DVB to 100,000 hotel rooms in U.S., carrying 10 cable networks. Company is providing primary network downlinking, commercial insertion, master control operations, conditional access services, compression, uplinking.

WINK signed multiyear agreement with Sony to integrate WINK Enhanced Bcstg. Technology into Sony's next-generation DirecTV receivers. Deal means DirecTV subscribers will be able to interact with TV programs and commercials while watching TV.

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CONSUMER ELECTRONICS

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Telecom industry e-commerce taxation proposal is meeting with resistance from states and municipalities. National Conference of State Legislatures said plan would allow online companies to win "at the expense of all other retailers as well as state and local governments." NCSL said tax base of many states could be "seriously" damaged by proposal to exclude from sales taxes "functionally equivalent" products as well as those sold online. It said such definition could cover newspapers, books, photos, movies, CDs, cable services, more.

Consumer Electronics

A Section of *Television Digest* with *Consumer Electronics*

STATE OF THE INDUSTRY

Sales to dealers, from CEA, for week ending Feb. 4 and year to date:

	JAN. 29- FEB. 4	1999 WEEK	% CHANGE	JAN. 22- JAN. 28	5 WEEKS 2000	5 WEEKS 1999	% CHANGE
TOTAL COLOR TV.	342,435	258,716	+ 32.4	716,735	2,019,565*	1,947,606	+ 3.3
DIRECT-VIEW**	327,026	251,425	+ 30.1	674,138	1,903,946	1,867,597	+ 1.9
TV ONLY#....	292,147	226,614	+ 28.9	590,038	1,654,708	1,610,557	+ 2.7
TV/VCR COMBO.	34,879	24,811	+ 40.6	84,100	249,238*	257,040	- 3.0
PROJECTION...	15,409*	7,291	+111.3	42,597*	107,619*	80,009	+ 34.5
TOTAL VCR**....	264,073	144,153	+ 83.2	734,597*	1,606,641*	1,532,843	+ 4.3
HOME DECKS...	229,194	119,342	+ 92.0	650,218*	1,357,403*	1,275,803	+ 6.4
CAMCORDERS(a)..	53,842	22,971	+134.4	134,640	350,528*	248,728	+ 40.9
DVD PLAYERS....	54,611*	14,746	+270.3	173,464*	424,642*	140,282	+202.7

Direct-view TV 5-week moving average#: 2000-330,942; 1999-322,111 (up 2.7%).

Projection TV 5-week moving average: 2000-21,824*; 1999-16,002 (up 34.5%).

VCR deck 5-week moving average: 2000-271,481*; 1999-255,161 (up 6.4%).

TV/VCR 5-week moving average: 2000-49,848; 1999-51,408 (down 3.0%).

Camcorder 5-week moving average: 2000-70,106* 1999-49,746 (up 40.9%).

DVD player 5-week moving average: 2000-84,928*; 1999-28,056 (up 202.7%).

* Record for period. ** Includes TV/VCR combinations. # Excludes TV/VCR combinations. (a) Includes analog camcorders only.

JVC HOLDS OFF ON DVD RECORDABILITY HARDWARE COMMITMENT: JVC has yet to select which DVD recordability platform it will support for future hardware, company said at annual product line showing in Orlando last week. It also announced it will relaunch its Web site in March with improved features and is finalizing Internet dealer policy that will lead to authorizing "handful of dealers" to sell JVC products online.

Despite fact that company has announced plan to support Pioneer's DVD-RW platform for optical media, it has yet to reach commitment from among competing DVD-RW, DVD+RW and DVD-RAM formats on recordable DVD hardware, JVC Consumer Video Gen. Mgr. Jerry Barbera told us. He said: "Right now, there are so many recordable formats out there." Although "the move is going fast to get product to market," he said that "until the encryption [issue] is answered" and "all the studios are happy... we really can't move forward with that kind of product. So at this point we don't have any announcement for what format will be supported."

JVC's noncommittal position is in direct contradiction to Pioneer's recent claim that JVC has signed on as DVD-RW hardware supporter. Moreover, at Japan Electronics Show in Oct., senior JVC executives wouldn't rule out possibility that it actually might bring new recordable DVD platform proposal to table. However, consistent with Pioneer's other claims, JVC has showcased DVD-RW blank media prototypes prominently at recent trade events.

Meanwhile, although company didn't specify just when Web dealer policy will be finalized or how many dealers will be authorized, Pres.-CEO Katsuhiko Hattori said that when it does happen, manufacturer, at least at start, will select only brick-and-mortar dealers that currently are authorized to sell JVC products, as opposed to pure-play, Internet-only e-tailers such as Amazon.com. JVC spokeswoman said authorization policy is "around the corner" and company will consider taking legal action against unauthorized retailers who violate policy once it's completed and communicated to them. In fact, she said, no dealer currently has authorization to sell JVC products online. Despite that, certain dealers currently authorized to sell JVC merchandise only in their brick-and-mortar stores are doing it online as well. But she said legal action won't be taken until Web policy is finalized and explained to dealers.

Although Amazon.com has been selling JVC products, JVC Exec. Vp-COO Harry Elias stressed last week that company hasn't given e-tailer authorization to do so. As we have reported, Amazon.com also has been selling Pioneer and Sony products without authorization of those 2 manufacturers (TVD July 19 p12). E-tailer consistently has declined to say where it's getting products from those manufacturers.

JVC Web site, www.jvc.com, already has dealer locator and will continue to have one when site restarts in March, although there currently are no plans to offer links to dealer sites. Company said that's because many of its dealers don't even have Web site at this point. Only products JVC currently is selling direct to consumers from its own site are accessories and it has no plan at this time to start selling wider variety of products direct to consumers, it said.

Majority of products at line showing had been unveiled either at CES in Jan. or at PMA earlier this month (TVD Feb 14 p12). D'Ahlia HD-ready rear-projection set was introduced in Dec. (TVD Dec 20 p11).

Among few products shown for first time last week were FS-V10 (\$220) and step-up FS-V30 (\$280) micro systems with vertical CD loading systems and transparent doors. Extra features on latter model include display dimmer for night use and optical digital output. Both have speaker enclosures made of medium-density fiberboard.

Also shown for first time were full VCR and camcorder lines. Half of new VCR line is composed of Super VHS models, while new analog camcorder line includes 2 compact VHS and 4 Super VHS models. Camcorder line also has GR-SXM920 VHS-C/digital still DualCam (\$799), which was introduced at CES, along with GR-DVL9800 digital DualCam (\$1,999). GR-DVL805 (\$1,199.95) and GR-DVL505 (\$1,099.95) Digital DualCams and GR-DVL500 (\$1,099.95) and GR-DVL300 (\$999.95) Mini DV camcorders — all shipping in April — were unveiled at PMA, as was GC-QX3 3.3 megapixel CCD digital still camera shipping this month at \$1,099.

Company announced new promotion with Pinnacle Systems last week in which consumers who buy any JVC digital camcorder March 1-Aug. 31 will get coupon to buy special JVC edition of Pinnacle's Studio DV editing software, regularly priced at \$149, at discounted price of \$75.

JVC also once again showed DVD-Audio player that originally was slated to ship this winter in Japan but, along with deck from affiliated Matsushita, was put off to reevaluate copy protection system in wake of Norwegian hackers' cracking DVD-Video's Content Scrambling System (TVD Dec 6 p10). Barbera said as soon as encryption issue is resolved, "we'll move forward." He added: "We're anticipating, at this point, [that will be] some time in the summer." XV-D723 universal DVD-Audio deck, priced at \$899.95, also will play Video CDs.

Barbera said company has "no plans right now" for portable DVD player because it's concentrating on mass market. Also on DVD front, as it did at CES, company showed mockup of upcoming mobile DVD-Video player, but Mobile Electronics National Product Mgr. Chad Vogelsong said deck probably won't ship until end of 2000 and won't be DVD-Audio compatible.

On MiniDisc (MD) front, Consumer Audio Gen. Mgr. Karl Bearnarth said: "We continue to look at MD in the market." But only MD product JVC showed last week was XM-R70 portable recorder held over from last year and Bearnarth said it has no plan to introduce another MD product this year. Although company has new MD products in Japan, he said market hasn't increased any in U.S., where "customer has made their choice" — and that choice for CD recordability is CD-R. JVC entered CD-R arena at CES with XL-R5000BK CD recordable/rewritable combo deck, shipping in April at \$650.

JVC has yet to enter Internet downloadable music recording device arena as growing number of its competitors already have done, but Bearnarth said: "Our intention is to get there as soon as possible." He said that when JVC does introduce device it will utilize SmartDisk memory format. On related note, later in week, SmartDisk announced strategic alliance with JVC in which latter will offer SmartDisk's FlashPath for MultiMediaCard as accessory for use with select digital camcorders.

WARNER CHALLENGED ON DVD PRICING AND REGIONAL CODING: Demand to halt regional coding and bring DVD prices overseas down to U.S. levels was subject of letter last week to Warner Home Video (WHV) chieftain Warren Lieberfarb from Tesco Group, U.K.'s largest supermarket chain.

In challenge to beleaguered regional coding system, Tesco already is selling DVD players that can be modified to play discs from all regions, London *Daily Telegraph* reported Feb. 18. Tesco spokesman acknowledged that regional

code could be reset in Wharfedale-brand DVD-750 player (\$299) sold in 400 of chain's stores. He said supermarket doesn't condone hacking that customers learn through magazines or Web sites, but said practice is "real consumer power in action."

Tesco letter complained of price disparity between DVDs sold in U.S. and those in Region 2 Europe. Survey of comparative prices published by British govt. last week found top-5 DVDs sell for average \$24.39 in U.S. but \$31.79 in U.K. Even catalog title sold on Internet carries \$18.99 sticker through Amazon.com in U.S., but \$31 through Amazon.com. British Web outlet. Price in U.K. has 17.5% value-added tax built in. Even so, DVD priced comparatively to U.S. disc would only be \$22.30. Tesco said Region 1 coding for U.S. discs meant they technically couldn't be playable elsewhere. "This is against the spirit of free competition and potentially a barrier to trade," *Daily Telegraph* quotes letter as saying.

It's unclear why WHV was singled out for pricing and regional coding appeal, except perhaps because in Europe it's most aggressive DVD marketer among studios. At our deadline, calls to Lieberfarb and Stephen Nickerson, Warner vp mktg.-DVD worldwide, hadn't been returned. Meanwhile, argument for regional coding is that it helps preserve studios' practice of staggering cinematic releases internationally. Typically, movie is available on video in U.S. before it's released theatrically overseas.

In related pricing-slicing move last week, Wal-Mart-owned U.K. retail chain Asda reduced stickers on music CDs to \$16.50 from \$19.79. Supermarket already had cut price from \$23 last fall. New price cut applies to top-chart releases and will be in effect for at least 2 months, chain said. Asda executives said move is attempt to convince record labels that pricing comparable with U.S. CDs would benefit entire British industry. Retailer said it has spoken with 6 major labels about permanent price cut to \$16.50.

* * * * *

First-week DVD sales of *The Mummy* (Universal) in U.K. exceeded 74,000, topping first-week activity of previous best-seller *The Matrix* (WHV).

INTERACTIVITY STRONG AT TOY FAIR: With traditional toy sales flat, hundreds of companies at American International Toy Fair in N.Y.C. last week scrambled to introduce products with ties to interactive category that has posted double-digit annual growth.

Robots with artificial intelligence, video-capture devices and knock-offs of handheld and desktop PCs were among latest signs of CE and toys' merging to target newest techno-savvy consumers — children.

Hottest interactive toy craze is robots, with several companies seeking to capitalize on hype created by Sony's \$2,500-plus AIBO robotic dog. Approach to robots varied. MGA Entertainment's Me and My Shadow plush dog contains 2 MB memory and uses infrared and voice recognition technology to execute commands, while Manley Toy Quest's Tekno (\$40) — 8-week-old "puppy" — has single IC combining light sensors and artificial intelligence to, among other things, tell time of day and "make decisions" on which action to take. Tekno lacks voice recognition because technology isn't "100% there yet" and "you want other kids to be able to play with your puppy," Manley Product Development Vp Robert Delprincipe told us. Voice recognition also adds \$10 to manufacturing cost and, in toy business, typically is limited to single-user product.

Combination of artificial intelligence and fuzzy logic was found in line of interactive dogs from Hasbro's Tiger Electronics division. Top-end i-Cybie (\$125), which ships in July, has 2 MB memory, array of touch and motion sensors and 16 separate motors that allow it to walk, bark and recognize owner's voice. Lower priced Spike (\$69) has 2 separate motors and same features, while Poo-Chi (\$28), which was developed jointly with Sega, contains 7 different songs and features "biorhythmic" technology that enables it to "react" based on amount of playing time.

Also entering robotic pooch contest was Mattel, whose Fisher-Price division will ship Robotic Puppy in 4 colors in fall at \$99.99. Fisher-Price and Microsoft jointly are developing technology-based toys for infants and preschoolers. First product resulting from collaboration is IntelliTable early learning toy that companies say will allow toddlers and preschoolers to be exposed to computer applications away from computer. IntelliTable will ship in fall at \$59.99.

Additional convergence of CE products and toys at show was Intel/Mattel's latest Intel Play product, camcorder-like Digital Creator (\$100) that has 4 MB memory and can deliver up to 8 sec. of video with 360x280-pixel resolution. Device has single CMOS chip, plastic optics and editing software, but lacks digital zoom and requires minimum 233 MHz Pentium PC. Digital Creator, with its camcorder-like design, revived images of past International Toy Fairs. Tyco Toys

introduced VideoCam tethered video camera in 1996, which followed Fisher-Price's Pixelvision standalone camcorder 9 years earlier. Neither device caught on at retail.

Rounding out expansion of Intel/Mattel line first introduced year ago was Sound Morpher (\$44) that's designed to alter sound of voice and has 6 MB memory for up to 4 min. of recording. Meanwhile, partners announced spring delivery for Me2Cam, digital camera with resolution similar to Digital Creator that was scheduled to ship last fall but was postponed as companies finalized software. Its street price has been lowered to \$69 from \$79.

Following Me2Cam, Manley showed digital camera (\$40) with 1.2 MB internal memory, expansion slot for 32 MB Smart Card and ability to deliver up to 8 sec. of video. It has 360x280-pixel resolution. Device also has serial and USB ports for connecting to PC, although latter technology "still has a way to go" before it becomes fixture in toys, Delprincipe said. Manley added USB port largely to target youth audience that's gravitating toward Apple Computer's USB-equipped iMac PCs, he said.

VTech took slightly different spin in combining its electronic learning aid (ELA) with handheld PC-style device that doubles as digital camera (\$119). Phusion handheld has 2 MB internal memory with 38 features including calculator, bilingual translators, world clock. Handheld also serves as digital camera that has 360x280-pixel resolution and attaches to PC via docking station. Device also has dot matrix LCD that operates using stylus.

In keeping with PC-like theme, Team Concepts (TC) unveiled Comquest Desktop (\$109) that carries iMac-like design to ELAs. It has 32 KB memory with 114 activities, 3,900-dot LCD screen, infrared wireless keyboard. It also has 1 MB expansion slot to add games, and built-in artificial intelligence software that increases skill level as user advances through activities. Also using artificial intelligence is TC's Smart Alex (\$99), book-shaped character that contains voice recognition. Device operates via 900 MHz transmitter that attaches to PC, has range up to 200 ft. and is designed to lead children through series of word, number, sound recognition and other games.

Despite use of RF technology, standard still is lacking in toy industry. PC Enhanced Toy Working Group was formed year ago in effort to find common ground between PC and toy industries on RF and USB technologies. Industries are working on "multiple" RF technologies and single standard might not be achieved for 2-5 years, said Intel Consumer Mktg. Mgr. Buzz Jensen, whose company has championed Home RF. "Right now it's still a price point issue," he said. Optical communication technology also is working into toy business, notably through Video Buddy TV accessory from Interactive Learning Group (see separate report, this issue).

Multicolored remote control that can be programmed to link directly to up to 10 networks will ship in July at \$24. Kesonic's Kidz Remote, shown at last week's American International Toy Fair in N.Y.C., will be available in blue, green, purple, red and yellow, and has 10 buttons for programming channels, as well as on/off and volume controls. It also is packaged with prenamed labels including major TV networks and cable channels... **Fobis Technologies** also showed children's remote control at Toy Fair. Weemote, now shipping at \$29.95, is purple and has 9 buttons displayed on top for programming channels, controlling sound and other functions. Six more buttons are hidden underneath surface for other functions. Miami-based company says it will work with most TVs and set-top cable and satellite boxes, and is positioning it as alternative to V-Chip that puts ability to filter and screen TV viewing into hands of parents who can program it to access 5 TV channels they deem to have most "kid-friendly" content. Fobis Pres. John Stephen called it "much more practical and simpler solution than" V-Chip. Weemote is being sold direct by company from its Web site, www.weemote.com, but Stephen said eToys will start carrying it in March. He said company may offer additional products that can be used in conjunction with Weemote in future and is looking to come out with dual-purpose remote that also can be used for Internet surfing in future.

Intel and Sony said last week they will work together to ensure connectivity and interoperability between PCs and growing number of digital electronic products. As part of effort, Intel said it will help Sony promote its Memory Stick compact storage format.

3DO Pipeline direct download service at company's Store.3DO.com Web site began last week. Redwood, Cal.-based software publisher 3DO is offering titles from its catalog, along with Internet-only games at site, which started with 6 games including *Arcomage* fantasy card game and 5 from company's *Might and Magic* series. Customers can buy games at site, then download them directly to their computers. 3DO is running download store in conjunction with e-commerce partner ReleaseNow.com. Explaining advantage of Pipeline last week, 3DO CEO-Chmn. William (Trip) Hawkins said: "The direct download solution allows us to increase our profit on our back catalog because we no longer have to physically make the product and put it in a package." He added: "We expect our library of direct download games to expand as more consumers get faster access to the Internet." 3DO last week also announced it started shipping its first title for Nintendo's Game Boy Color handheld portable — *Vegas Games*.

Sony was forced to temporarily shut down its PlayStation.com Web site last week, minutes after it started taking advance online orders for its upcoming next-generation game console, Japan press report said. Sony Computer Entertainment (SCE) said number of hits at site proved to be greater than it expected as site received 100,000 hits in just minute after online sales started and went on to average 400,000-500,000 hits per minute even after site went down. Bloomberg News said site was down for 2 hours. Meanwhile, as Sony Festival kicked off in Tokyo last week, there were increasing reports that PlayStation2 console isn't compatible with all current PlayStation titles (TVD Feb 14 p14).

DAEWOO READIES HDTV: Daewoo Electronics (DE), joining Thomson at low end of high-definition TV (HDTV) market, will ship 30W in April at \$3,000. Thomson is expected to deliver 34W at \$3,000 as Konka markets 30W at \$3,400.

New 30W, which was unveiled in early 1999 at \$5,000 and had been scheduled to ship last fall, features flat-screen tube with invar shadow mask and 0.77 mm dot pitch. It won't have PIP, but will include 3 display modes — Dolby Digital/Pro Logic surround sound, 40 w system with 10 w subwoofer and single component audio and video inputs.

"We've been working on this for 16 months and the marketplace and our technology has changed during that time" forcing Daewoo to hit lower price, Senior Vp Daniel McGowan said. Line will be rounded out with some 30-36" direct-view HD-ready sets in fall along with 42W plasma display with 640x480 resolution, he said. Latter had been expected this spring.

"There is no question that 30W is going to be the entry-level piece for the market," McGowan said.

Daewoo also has postponed to next year launch of rear-projection TVs based on thin-film micromirror array-activated display (TMA) technology licensed from Aura Systems, McGowan said. Daewoo, which licensed technology from Aura in 1992, unveiled prototype TMA front projector in 1998 (TVD Sept 28/98 p14). TMA uses micromachined thin film piezoelectric actuators in conjunction with 300,000 one hundred-micron micromirrors to deliver 2,500 lumens with 270 w metal halide lamp. "It's really something that if we had gotten our [HD] direct-view sets out last year then projection would have made sense this year," McGowan said. "But we couldn't introduce 2 first-generation products this year because that would have split us from a marketing standpoint."

As it sets technology strategy, DE also undergoing is major restructuring including layoffs in Korea and consolidation of offices worldwide (TVD Jan 3 p14). As part of revamp, DE in U.S. is likely to oversee operations in Canada and S. America, while hq in Germany heads up European business. DE also will shift production of 13" TVs back to Korea from San Luis plant in Sonora, Mexico, as it seeks to expand capacity there for 19", 25" and 27" models, McGowan said. Plant complex, which also builds VCRs and PC monitors, has capacity for 2.5 million TVs (TVD May 11/98 p15).

Plans for new products come against backdrop in which Korean banks are expected to emerge as DE's new owners. Group of banks, led by Hanvit, is reviewing memorandum of understanding, sources said. DE has had several potential owners in past including Samsung and investors Walid Alomar & Assoc., but deals collapsed and banks stepped in last fall. DE parent Daewoo Group has been selling off or folding subsidiaries for past year as it sought reach agreement with creditors on restructuring of \$74 billion debt. Banks will gain equity stake in DE. "Daewoo Electronics will have a couple years to operate without debt service and the banks will get back some of their investment from the company's profits," analyst said. Banks are expected eventually to sell off DE.

At our deadline, we were awaiting Warner Home Video comment on Internet reports that studio would release its first DTS-encoded DVDs in June. Reports specifically said that first slate of WHV DTS titles would include *Interview with the Vampire* and *Twister*.

AUDIO SHIPMENTS ROSE 2.1% — CEA: Boom in after-market autosound sales fueled by popularly priced in-dash CD players spurred 2.1% rise in 1999 factory audio equipment shipments, CEA reported.

Overall shipments for 1999's 12 months climbed to \$8.07 billion from \$7.9 billion in 1998, led by 13.3% rise in after-market car audio to \$2.16 billion from \$1.9 billion. Systems joined autosound as industry's only broadbased category to post 1999 increase, and 4.8% rise to \$2.07 billion was relatively modest. For 4th quarter, audio shipments jumped 10.6% to \$2.49 billion from \$2.25 billion.

In year of extravagantly successful DVD sales, 3.1% decline in separate components shipments to \$1.44 billion seemed to represent major industry disappointment. However, CEA said DVD ruboff sales of Dolby Digital receivers grew 77% for year, and shipments of receivers 10% overall. Denon Vp Stephen Baker, CEA Audio Div. chmn., said strong performance of multichannel AV receivers "supports our belief that consumers are continuing to seek a more complete audio experience." He predicted that trend would lead to "quick acceptance" of DVD-Audio and Super Audio CD formats this year.

Here's CEA breakdown of factory audio dollar shipments for Dec. and 1999's 12 months (shipments in thousands):

Product	Dec. '99	Dec. '98	% Chg
Portables#...	\$179,011	\$154,593	+15.8
Separates...	123,940	126,009	- 1.6
Systems.....	147,611	136,753	+ 7.9
Autosound*...	117,186	116,735	+ 0.4
TOTALS...	\$567,748	\$534,090	+ 6.3

Product	12 Mo. '99	12 Mo. '98	% Chg
Portables#.	\$2,402,291	\$2,533,714	- 5.2
Separates..	1,441,863	1,488,751	- 3.1
Systems....	2,071,988	1,977,903	+ 4.8
Autosound*.	2,157,132	1,903,768	+13.3
TOTALS...	\$8,073,273	\$7,904,137	+ 2.1

* aftermarket only.

includes home radios.

Nvidia posted increased earnings and sales for 4th quarter ended Jan. 30. Company, which makes 3D graphics processors, said income jumped to \$14.6 million from \$7.7 million year ago while revenues soared to \$128.5 million from \$65.5 million (see financial table). On year, income rose to \$38.1 million from \$4.1 million and revenue to \$374.5 million from \$158.2 million. In last quarter, company entered work station market with introduction of its Quadro in Nov. Company also announced cross-licenses with SGI and S3. Since Sept., press reports have indicated Nvidia's GeForce 256 GPU will be used in Microsoft's upcoming "X-Box" videogame console (TVD Sept 13 p12) — something Nvidia wouldn't comment on in Sept. or earlier this month (TVD Feb 14 p13). S3 also has been named as company involved with still unofficially announced Microsoft game system.

DVD RENTAL PRICING NEAR — BLOCKBUSTER: DVD prices charged to retailers may "creep up" and begin to reach high levels approaching range for VHS rental titles "during 4th quarter this year or right afterward," which will necessitate revenue sharing with studios, Blockbuster Chmn.-CEO John Antioco told analysts last week in conference call on 4th-quarter financial results.

Antioco said that although "all the studios would love us to convert to revenue sharing now" on DVD, Blockbuster doesn't want to do so because with prices still low it's "not economically advantageous." Most studios keep retail prices on new DVD releases in \$24.95-\$29.99 range, although they have gone into \$30s in some cases and even higher on some collector editions. Antioco said DVD wholesale prices on new releases now are mainly in \$12-\$20 range, making it better for chain to buy product at outset rather than follow revenue-sharing model of paying studios nominal upfront fee and then sharing rental revenues with them. Currently, margins on DVD are higher than those on revenue-shared VHS titles, Antioco said.

But he said he suspects DVD prices will "creep up" toward rental pricing levels of VHS (usually above \$60 wholesale without volume discounts) as soon as 4th quarter, when DVD penetration is likely to approach level necessary for DVD to be considered mass-market product. If such price rise occurs, revenue-sharing model would begin to make sense for DVD and would be "fine with us," Antioco said.

However, independent retailers have been suggesting since at least last summer that revenue sharing on DVD wouldn't be so fine with them. We expect to report details soon of organized protest being formulated by independent video retailers against higher DVD prices. Independents believe they will be supported on issue by group with which they often have opposing views — large sellthrough retailers, which in this case share interest in keeping DVDs priced low enough to appeal to customers looking to buy.

Some DVD price increases already have occurred. For example, Disney officially hasn't announced Oscar-nominated *The Insider* yet (see report, this issue), but its Web site lists title as April release on DVD at \$32.95 SRP, \$22.95 MAP — price point that's crept above studio's usual \$29.95 for DVD movies. It has instituted even loftier pricing on its animated titles, with new DVD release *Tarzan* priced at \$39.95 SRP, \$29.95 MAP.

Lowest CE prices are in U.S., according to survey of 4 countries sponsored by U.K.'s Dept. of Trade & Industry. Comparison made by ACNielsen for govt. compared 56 identical items sold in U.S., U.K., France, Germany. Among CE-related items, top 5 DVDs cost \$24.39 in U.S. and \$31.79 in U.K., and top 5 VHS \$16.73 and \$25.18, respectively. Music CDs in top 10 charts averaged \$15.15 in U.S. and \$21.30 in U.K. Sega Dreamcast videogame console cost \$218 in States, \$330 in Britain, while Sony PlayStation videogame titles had average stickers of \$43.65 and \$51.75. Price comparisons included sales tax, and fieldwork was done in Atlanta, Chicago, London and Manchester last Nov.-Dec. Generally, prices in France and Germany CE-related items were higher than in U.S. but lower than in U.K. Commodity that's cheaper in U.K. is Pampers diapers: 34-pack there cost \$9.90 compared with \$13.33 in U.S.

CD ALBUMS GREW 11% IN 1999 — RIAA: Sixteen-year-old CD format remained recording industry's mainstay product in 1999, rising 10.8% in unit shipments and 12.3% in dollars, RIAA said in year-end statistical review.

Overall music shipments edged up 2.3% in units to 869.7 million from 850 million year earlier, slower than 4% growth rate of 1998. Dollar shipments were up 7.3% last year to \$13.05 billion from \$12.17 billion year earlier, when dollar volume also had advanced at more robust 12.6% rate vs. 1997. Accentuating positive, RIAA Pres.-CEO Hilary Rosen said 20% dollar growth rate in last 2 years "is a clear indication that despite the ever-increasing competition for the consumer's entertainment dollar, music has an intrinsic value that touches Americans — they love their music and they want more."

Album-length CDs again were industry's shining light, rising 10.8% in units to 938.9 million discs from 847 million year earlier and dollar shipments 12.3% to \$12.82 billion from \$11.42 billion. By comparison, CD units and dollars grew 12.5% and 15.1% in 1998.

Cassettes accelerated decline toward oblivion, falling 22% and 25.2% in units and dollars, respectively. RIAA said cassettes "are losing the advantage of mobility as more and more cars are sold complete with CD units, and sales of portable players of many different kind continue to increase." It was first time since cassettes' erosion began that RIAA didn't praise format's viability.

3Com shares hit 52-week high of \$75.88 last week as it prepares to spin off Palm Computing unit in 2 weeks. Despite trouble in recent weeks with increased competition in its networking market, 3Com is moving closer to 4-year high of \$81.38 in Dec. 1996. Palm filed for IPO in Dec. (TVD Dec 20 p18) and plans to raise upward of \$368 million. When 3Com first announced plans for spinoff (TVD Sept 20 p18) its stock was at \$27. 3Com will retain 93% stake in Palm, although America Online, Motorola and Nokia also are investors. Meanwhile, software developer Take-Two Interactive said it has released its first games for Palm operating system and plans "several additional products" for later this year. Take-Two released *Great Palm Computing Platform Games Vol. 1...* Palm rival Psion's stock went on roller coaster ride last week, trading at twice its normal level on London Exchange shortly before announcement of development agreement with IBM, but falling back 10.6% Feb. 18. Symbian mobile phone group, of which Psion is member, signed deal with IBM under which they will work together to create software giving access to Web and corporate data from mobile devices. Symbian, which includes mobile phone makers Ericsson, Matsushita, Motorola and Nokia, is developing mobile devices based on Psion's EPOC operating system.

Tokyo Video Festival attracted more than 2000 entries from 32 countries, said sponsor JVC. Company awarded 49 prizes in 22-year-old competition, with top honors (about \$5,000) going to entries from Sapporo high-school and Spanish videographer.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at ¥109 = \$1, except where noted.

NEW HIFI.COM SITE OPENS: HiFi.com, seeking to capitalize on what it says is untapped CE market, last week launched new e-commerce site targeting women.

HersHiFi.com, which will have links to main site, will carry content such as product reviews and articles tailored to women and offer room-by-room analysis recommending which CE devices would fit best.

New site will use same buying staff as HiFi.com, but will add 100 SKUs starting at \$15 from Philips, Sony and Vtech that will target women, among them minicomponent systems, CD, clock and shower radios, 900 MHz phones and boom boxes in different colors, baby monitors, TVs, TV/VCR combos, HiFi.com Mds. Vp Thomas Hannaher said. Hi-Fi.com currently offers more than 700 items, he said. Site will carry HiFi.com programs including free, 2-day shipping via UPS (\$100 fee for big screen TVs); E-matic low price guarantee, 45-day in-home trial.

Decision to create site was based largely on internal surveys as well as separate one involving 1,000 women that found 50% were either somewhat or very intimidated by process of buying CE products. About 50% of those questioned felt that CE superstores didn't serve their needs with same percentage buying through national chains such as Circuit City and Best Buy, HiFi.com Product Analyst Kate Connors said.

Overall, women accounted for 22% of \$81 billion spent on CE in 1999. About 10% of those buying products via HiFi.com were women with order size in \$300 range, about \$100 below overall average. HiFi.com declined to disclose total revenue or number of registered users. "We want to close that purchasing gap and we realize that it's going to take a while before women become more comfortable and confident in making purchases on the Web," Program Mgr. Laurie Nova said. "The Internet is really the great equalizer."

Major difference between men and women in buying CE products is interests. "Women are not as concerned with room-shaking bass and 12 digital sound fields, but ease of use and design is really important," Connors said. "They don't want to disrupt their decor with big, ugly speakers."

In effort to get exposure for HersHiFi.com, company will seek ties with other female-oriented Internet companies including iVillage, Oxygen Media and Women.com, Nova said.

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As HiFi.com embarks on new strategy, its bricks-and-mortar affiliate Cambridge Soundworks has revamped merchandise mix. CS, which operates 28 stores in New England and San Francisco areas, has added Onkyo brand and expanded Marantz, but narrowed overall number of SKUs, spokeswoman said. CS is continuing to sell products under own brand, she said. It has discontinued catalog operation in switching to direct mail strategy, and has picked up catalog business, she said. Companies were purchased by Creative Technology in 1998.

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EMusic.com completed acquisition of privately held Tunec.com last week. In process, downloadable music seller EMusic.com gains control of latter's RollingStone.com music information Web site. EMusic.com said it already has started to merge and integrate its downloadable music and RollingStone.com editorial content. Newly combined Web company has staff of 190.

VIDEO UPDATE HAS 'BUDDY': Child's interactive TV learning accessory first tested by Video Update rental chain last year is poised for national rollout following formal introduction at last week's Toy Fair in N.Y.C. (see report, this issue). Video Buddy from Bloomington, Minn.-based Interactive Learning Group (ILG) will expand beyond chain's Twin Cities stores for sale in other video outlets and mass merchandisers in 2nd and 3rd quarters, ILG said.

Group, in which Video Update has undisclosed equity stake and 2 seats on 7-member board, at Toy Fair announced distribution agreements with Ingram Entertainment and Sacramento-based Video Product Distributors. ILG spokeswoman told us product will be carried in Best Buy this year — Ingram already supplies chain with video software. ILG also said it's pursuing additional licensing agreements with major studios for high-profile video titles. It said it has 9 titles adapted for interactive learning to date, including *Comfy Couch, Muppet Babies, Once Upon a Tree, The Adventures of Paddington Bear, Salty's Lighthouse*. Titles so far come individually on 30-min. cassettes in \$9-\$12 range, but at Toy Fair, ILG talked up test-market DVD that would include those 5 titles.

Video Buddy is \$50 peripheral that attaches to TV screen with suction cup. Questions for kids ages 3 to 6 based on show are encoded optically on program and transmitted as b&w flashes through small square at bottom right side of screen. Suction cup placed there has optical pickup that transfers data to handset, where it's decoded to activate one of 5 answer buttons. While decoding takes place, onscreen character prompts viewer to answer question. If child selects incorrect button, show gives immediate feedback, encouragement and further prompting. If child selects correct button, program immediately affirms choice. Cartoon-like sound effects accompany prompts. When quiz is over, off-switch tells kids, "See you next time!"

ILG said optical coding can be edited onto video in final phase of production. Consequently, coding can be applied to new or older catalog titles, enabling content owners to reintroduce backlist titles in new, enhanced format. Coding can be applied to existing and future video media, such as CD-ROM, DVD, Internet, analog or digital cable, satellite or terrestrial TV, ILG said. Technology works on all worldwide TV standards, b&w or color. ILG said it plans to extend application from kids games to interactive learning in adult training and continuing education. It hopes to issue IPO in 2-3 years. Initial capitalization of \$3.5 million came from more than 100 investors, ILG said.

Technology basis for Video Buddy is 1997 patent application by Ralph Baer, technology consultant to ILG who's known as "father of videogames." Baer in 1969 invented and in 1972 received patent for technology underlying all videogame systems, and since has added more than 50 U.S. and 100 international patents related to optical sensing systems. Other tech consultant for ILG is Robert Pelovitz, specialist in software design and embedded applications who has developed software and firmware for 20 toys and games. ILG founder, dir. and pres. is Robert Voss, whose background is video replication with Duplication Factory and Vaughn Communications. ILG Chmn.-CEO is David Campbell, ex-packaged goods specialist with Pillsbury and S.C. Johnson Wax. Exec. Vp Steven Petersen has background developing education and entertainment products as CEO of Argo & Assoc.

NEW VIDEOGAMES UNVEILED: Although number of interactive videogame companies taking part in last week's American International Toy Fair in N.Y.C. obviously wasn't quite on same level as E3, category was well represented with titles from Mattel Interactive (MI), Hasbro Interactive (HI), Radica Games, others.

Among MI's new line are its first 2 titles for Sega Dreamcast — *Tyco R/C Smash & Bash Racing* and *Max Steel Adventure*, each shipping in fall at \$39.99. Version of *Smash & Bash* also will ship for Sony PlayStation, which will be MI's first Tyco R/C title for that platform. Company also will ship *Tyco R/C Racin' Ratz* for Nintendo Game Boy Color in fall at \$29.99.

MI also is entering arena combat category this year with *Rock 'Em Sock 'Em Robots* for PlayStation (fall, \$39.99) that will be promoted via multimillion dollar print and TV ad campaign.

Company is expanding its Hot Wheels and Matchbox software lines geared at boys. Hot Wheels titles for first time have been divided into 3 different categories: Hot Wheels for Boys for 5-10 year olds, Hot Wheels X-Treme for teens, Hot Wheels Racing for adults. Line includes *Micro Racers* for PC (spring, \$19.99) and *Stunt Track Driver 2.0* for PC (fall, \$29.99) — both in Hot Wheels for Boys division — and *X-Treme Hot Waves* surfing game for PC and PlayStation (4th quarter, \$39.99). Company said first Hot Wheels Racing title will be introduced at E3 in May.

Looking to strengthen its software titles for girls, MI unveiled expanded lines of Barbie and Purple Moon titles. Barbie line includes *Barbie Beauty Styler* CD-ROM for Mac and PC (summer, \$19.99); *Barbie Pet Rescue* for Game Boy Color and PC (fall, \$29.99); *Barbie Magic Genie Bottle* and CD-ROM for PC (\$39.99) and *Barbie Magic Genie* game for Game Boy Color (\$29.99), each shipping in fall; *Barbie As Princess Bride* CD-ROM for Mac and PC (fall, \$29.99); *Barbie Fashion Pack Games* for Game Boy Color (summer, \$29.99). Graphics on *Barbie Pet Rescue* — especially its lifelike pooch — were standout last week among titles demonstrated at Mattel's showroom. Company promised that graphics will be even better by time game ships in final version, when it will include about 20 different realistic-looking pets.

MI's Purple Moon line includes *Rockett's Carnival Maker* for PC (fall, \$19.99) and *Rockett's Sleepover* CD-ROM for Mac and PC and Game Boy Color version (fall, \$29.99). Also new is *Diva Starz* CD-ROM for Mac and PC (fall, \$29.99). Title is part of MI's new Diva Starz doll brand.

Following what it said was success with 4 Nickelodeon titles last year, MI expanded line under that brand. Among titles are its first *Blue's Clues* games for Game Boy Color and PlayStation.

Radica's games at Toy Fair included 4 Plug & Play titles shipping in 2nd half at \$49.99 that utilize Xavix single chip, multiprocessor integrated circuit that company recently signed licensing agreement with SSD to use (TVD Feb 7 p20). First titles in Plug & Play series are *Baseball*, *Hunting*, *Opus*, *Ping Pong*. Radica Interactive Mktg. Dir. John Sauer said games will be supported by TV ad campaign as well as promotion at General Cinema theaters, where games will be set up for consumers to try out. Additional products using technology will follow in 2001, Radica said.

Day before Toy Fair came to close, Radica reported that U.S. marshals had seized knockoffs of company's *Deep Sea Fishin'* game from Daidaixing of Hong Kong, which manufac-

tures through Gao Ming in China. Radica said seizures took place at Javits Center exhibition area. Company also said U.S. Dist. Court judge issued temporary restraining order against further use of Radica game titles.

New HI games included *Tonka Space Station* shipping in Oct. for PC at \$29.99 and \$39.99 for PlayStation; *Monopoly Tycoon* for PC (Oct., \$29.99); *NASCAR Heat* (Oct., \$29.99) for PC and PlayStation; *Grand Prix 3* for PC (spring, \$29.99); *Frogger 2* (Sept., \$29.99) for PC and PlayStation.

As usual, traditional videogame software publishers who don't have noninteractive games in lines — as Hasbro, Mattel and Radica do — sat out show. They will unveil their new titles at E3.

Moviemaking on digital video has been on rise, with producers using high-definition professional cameras and videotape instead of film (TVD Feb 14 p4). But even consumer MiniDV camcorder format got boost lately from its extensive use in multi-Oscar nominee *American Beauty*, where main character wields Sony-branded Digital Handycam to shoot footage that's displayed onscreen through camcorder's LCD monitor. Director Sam Mendes praised MiniDV quality at London screening of *American Beauty* Tues. that coincided with L.A. announcement of Academy Awards nominations. Coincidentally, Mendes resides in same Belsize Court neighborhood of London as our European correspondent. He took questions from audience after screening at local art theater, called Screen-on-the-Hill. There, Mendes told us resolution of MiniDV used for scene-within-scene was so close to film quality that he "fiddled extensively" with video footage in postproduction to intentionally make it look different from main body of filmed movie. Mendes told us he played with MiniDV's digital zoom to add pixelization to video sequences — process that downgrades resolution by adding graininess and flattening contrast compared with Panavision-shot 35mm stock. Key sequence is when main character shoots plastic bag dancing on wind — Mendes said MiniDV quality there was "too good" to make clear distinction from film, so he reduced resolution in postproduction. Although movie's dir. of cinematography is veteran Conrad Hall, Mendes shot bag scene himself. Asked if there were any symbolism or underlying message in sequence, self-deprecating Mendes told us "Er... no." Meanwhile, he enthused on role that consumer DV camcorders will play in movies in future, citing recent examples such as *The Blair Witch Project*. "I believe this is going to be the future of filming," Mendes told us. "It's the kind of camera you can go to Woolworth's and buy." Woolworth's, name of defunct U.S. five-and-dime, remains marque of major U.K. discount-CE chain. For those not familiar with Mendes, *American Beauty* is his first movie as director. He's primarily been stage boss of London productions such as *The Blue Room* with actress Nicole Kidman, *A Little Voice* with Jane Harrocks and, most recently, reprise of 1920s newsroom classic *The Front Page*. Asked what directorial debut for Oscar-nominated *American Beauty* meant to him, Mendes said: "I didn't care about the money... I'd have paid my own bus fare to Los Angeles to direct it."

Fry's Electronics is laying groundwork for Internet strategy that includes providing Web access to its customers, CNET News.com reported last week. Cal.-based Fry's is planning ISP that it wants to make "as good as its competition" including America Online, Earthlink and CompuServe, CNET said. Chain is asking its employees to test product and provide feedback in what retailer is calling first phase of Internet strategy. Fry's Web site is under construction and is likely to reemerge as Internet store, industry sources said.

DV CAMCORDER IS 'BEAUTY' — MENDES: Moviemaking on digital video has been on rise, with producers using high-definition professional cameras and videotape instead of film (TVD Feb 14 p4). Even consumer MiniDV camcorder format got boost from its extensive use in multi-Oscar nominee *American Beauty*, where main character wields Sony-branded Digital Handycam to shoot footage that's displayed onscreen through camcorder's LCD monitor.

Director Sam Mendes praised MiniDV quality at London screening of *American Beauty* Feb. 15 that coincided with L.A. announcement of Academy Awards nominations. Coincidentally, Mendes resides in same Belsize Court neighborhood of London as our European correspondent, and took questions from audience after screening at local art theater called Screen-on-the-Hill.

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"I believe this is going to be the future of filming," Mendes told us. "It's the kind of camera you can go to Woolworth's and buy." Woolworth's, name of defunct U.S. 5-&-10, remains marque of major U.K. discount CE chain.

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Goodguys.com, moving closer to goal of 2nd-quarter debut, signed exclusive agreement for WebNW to develop, manage and maintain e-commerce Web site. Goodguys.com, which will be 49% owned by brick-and-mortar chain, will sell high-end CE products from Portland, Ore., hq. WebNW, based in Ore., has developed more than 100 Web sites. Goodguys.com is continuing search for CEO. New e-commerce business represents most recent action taken by Good Guys as it seeks to turn around retail business. Founder Ronald Unkefer returned to chain last July and since has moved to sharpen focus on CE products, dropping home office category last fall.

Creative Technology plans to increase investments in Internet startups this year, Chmn.-CEO Sim Wong Hoo told Reuters last week. Company, which owns both Cambridge Soundworks and HiFi.com in U.S., invested \$100 million in 1999 and Sim said funding is part of effort to transform company to Internet company from just manufacturer of audio sound cards for PCs. Creative's share price doubled to \$44.50 earlier this month after it announced unrealized profit gains of \$150 million from Internet investments in 2nd quarter. Gains came largely from successful IPO of Mediaring.com in which Creative had 15% stake. Hoo said last fall that company was weighing spinning off some units to boost share value (TVD Oct 18 p17). Among those is expected to be HiFi.com, although timing hasn't been set (TVD Oct 25 p17).

I-O Display Systems is making \$500,000 equity investment in media company C-3D Digital. Investment will enable latter "to strengthen upcoming cable launches" for its C-3D Television Network "into new markets," C-3D Digital CEO-Chmn. Michael Heil said. C-3D also is creating 3D.com Virtual reality Web portal, launching in mid-2000, that will offer e-commerce, real-time online gaming streaming video. Menlo Park, Cal.-based i-O is best known for personal display i-glasses that come packaged with version of Panasonic's portable DVD player that doesn't have built-in LCD screen (TVD April 19 p21). DVD package — Televisor Portable DVD Theater — consists of Panasonic P-10 and i-O i-glasses.

First Electronic Arts title for Sony's upcoming PlayStation2 game console will be *SSX/Snowboard SuperX*, Redwood City, Cal.-based publisher said. Game was demonstrated in public for first time at Sony Festival in Tokyo last week. Game is based on new sport known as boardercross, which combines high-speed snowboard racing with competition of Supercross event on snow-covered motocross track. Electronic Arts was 3rd-biggest videogame software publisher last year with 10.7% unit share and 11.6% dollar share, recent PC Data study said (TVD Feb 7 p19).

Mitsubishi chose 24-7 Showroom.com to develop its online retail sales associate training program. Companies said program will provide Mitsubishi with full access to control content, user participation and reporting with complete tracking of users. Springboro, O.-based 24-7 is e-commerce company that helps transform regional appliance, electronics and furniture brick-and-mortar stores into click-and-mortar businesses. 24-7 is opening network of e-commerce Web sites based on zip codes. Pres. Charles Palko, former vp-Roberds CE & Appliances, told us company plans to have all zip codes covered within 18 months (TVD Jan 10 p19).

Interactive TV standard for Europe will be demonstrated by Philips at CeBit show in Hannover Feb. 24-March 1. Company said Multimedia Home Platform (MHP) endorsed by DVB Consortium has been developed further since debut at Internationale Funkausstellung in Berlin last summer, and newest application to be demonstrated is interactive TV advertising. Philips said that at CeBit it also will show Personal TV with TiVo, MPEG-4 Internet based audio-video streaming, home networking system.

Little performance difference is evident among brands in ratings for home theater AV receivers published by *Consumer Reports* in March issue. Of 16 AV receivers tested, only Sony got "very good" ratings, with rest rated "good." Sony received accolade for model with Dolby Digital and DTS decoding, another with Dolby Digital only. Runners-up in dual-decoder category respectively were Onkyo, Kenwood, Technics, Pioneer, JVC. In Dolby Digital category, Yamaha, Pioneer, Optimus (RadioShack), Kenwood and JVC were rated "good."

PEGASUS LOSS WIDENS: Despite shortages of DirecTV IRDs that left it scrambling for inventory, Pegasus Communications reported 4th-quarter revenues rose to \$104.3 million from \$64.1 million although loss grew to \$50.4 million from \$44.3 million.

Pegasus, which expects to complete \$693.1 million acquisition of NRTC rival Golden Sky (TVD Jan 17 p21) by mid-March, said it added 71,000 subscribers in quarter to raise total to 702,000. Among new subscribers were 30,000 from Primestar, which DirecTV bought in 1999, and 6,200 from acquisitions. Monthly revenue per subscriber increased \$3.97 to \$45.37, company said. Revenue increase is result of new sales commission plan implemented Feb. 1 and emphasis on selling Total Choice and other program packages, Pres.-CEO Marshall Pagon told analysts in conference call. For year, DBS revenues increased 95% to \$139.2 million as subscriber acquisition cost jumped to \$349 from \$344.

However, revenue suffered from tight supply of DirecTV IRDs that left Pegasus about 100,000 units short during Sept.-Dec. While main IRD suppliers — Hughes Network Systems and Thomson — had been producing 350,000-400,000 units per month, demand outstripped supply and shipments were reduced 25-35% by fall, Pagon said. Tight inventory was allocated largely to national retailers and converted Primestar customers. Shipments to NRTC, of which Pegasus is member, were down 75%, Pagon said. Shortage eased in Jan. with 50,000-unit increase in shipments and industry's monthly output will reach 500,000 by midyear, Pagon said.

In local-into-local programming service, which DirecTV launched in Nov. with passage of federal law, Pegasus had 50% "take rate" in some markets, Pagon said. Figure could climb to 80% as service reaches Top 50 market in next 4 quarters, Top 100 in 30-40 months, he said.

Pegasus also continued legal battle with DirecTV, filing amended complaint earlier this month that removes original request for class action status to enable NRTC's nonprofit telecom electric cooperatives to pursue own legal action, Pagon said. Amended documents also alleged that DirecTV "coerced agreements" from Thomson and HNS to supply equipment exclusively for its dealers and threatening to cut off retailers and distributors that sold products for use in NRTC territories. DirecTV spokesman said amended suit "doesn't raise any new issues" and said company "has done nothing to damage the business with the NRTC."

Pegasus and Golden Sky filed suit in Jan. alleging that DirecTV breached 1994 agreement by refusing to allow NRTC to sell premium services such as HBO in its territories. Instead, DirecTV has sold premium packages directly to NRTC customers, suit said. NRTC filed similar suit last year that remains pending.

Both DirecTV and Pegasus have expressed optimism that suit could be settled. DirecTV Senior Exec. Vp Eddy Hartenstein has declined to comment on possible settlement of suit but has said Pegasus is "much more like-minded" about DirecTV than is NRTC. "We would hope there is some basis for a settlement, and prospects for that are better now than they were 3 to 4 months ago," Pagon said.

Pegasus, which still is awaiting DirecTV approval of Golden Sky purchase as well as audit of 1999 financial results, said it has closed 4 of its rival's sales offices and plans to shut another 20 by

March. Golden Sky operated 70 sales offices and some will be combined with Pegasus's 2,500-dealer network. While Golden Sky's revenues per subscriber are lower than Pegasus's, they're expected to "climb modestly" in March, company said.

Pegasus also is readying "TV-centric" 2-way Internet access service for delivery in 3rd quarter, Pagon said. As part of plan, Pegasus also will have "one or more broadband alternatives" by year-end.

Golden Sky reported 4th quarter loss grew to \$31.3 million from \$24.7 million despite 73% rise in revenue. Operating loss increased to \$18.6 million from \$16.9 million. Golden Sky fell into violation of some loan covenants last fall (TVD Nov 22 p18). It added 24,500 subscribers in quarter and 3,300 in Jan. to bring total to 345,000.

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EchoStar is said to be in discussions with Israel's Gilat Satellite Networks on alliance for high-speed, 2-way service for Internet access. Gilat's new company, McLean, Va.-based Gilat-To-Home (GTH), last week received boost when Microsoft said it would invest \$50 million for 26% stake in company. Microsoft Senior Vp Jon DeVaan also will serve on GTH's 3-member board. EchoStar has long ISP alliance that would allow it to compete with AOL TV, which is expected to launch on DirecTV this summer. GTH has conducted trials of its 2-way service and expects broad availability by year-end. EchoStar spokeswoman declined comment.

Smith Corona (SC), despite cutting 2nd-quarter loss in half to \$3.6 million, has hired Deloitte & Touche to review options ranging from debt or equity private placement to sale of company. Sales, suffering from delayed shipments of headsets, Inkjet Solutions cartridges and downturn in typewriters, plunged to \$7.6 million from \$13.3 million year earlier. Year-ago results included fax machines and phones, which since have been dropped (TVD Feb 22 p12). Office Depot also began sales of 4 SC-branded calculators, but company won't recognize royalty revenues until 3rd fiscal quarter. SC signed 7-year agreement with Office Depot in July and first products had been expected by end of 1999. As result of downturn in revenue, SC violated net worth covenant of loan agreement as of Dec. 31 and is negotiating waiver. "What we are going to look at is what makes the most sense in terms of keeping the business going and what is in the best interests of shareholders," spokeswoman said. Typewriters and related accessories account for 80% of SC revenues, although new products are designed to reduce reliance on category... **Brother International**, which waged fierce 14-year antidumping battle with SC over typewriters throughout 1980s and early 1990s, reported last week that Bartlett, Tenn., plant had produced 10-millionth unit. Brother and SC conceded they spent millions on trade battle before calling truce in 1994 (TVD Feb 14/94 p16). Brother at one point sought to file antidumping complaint against SC after latter imported typewriters from Singapore. SC often responded that Bartlett operation was "screwdriver" plant with bulk of Brother production remaining in Japan. About 600,000 typewriters are sold annually in U.S., Brother said.

DVD replication capacity at Sony Disc Mfg. Terre Haute plant will increase fivefold this year with addition of 25 production lines. Company said expansion will increase annual capacity to 120 million discs from 24 million by midsummer.

Digital Video Systems, crediting improved sales of DVD-ROM drives and DVD loaders, reversed year-earlier \$3.7 million 3rd-quarter loss to post \$933,000 profit as sales rose to \$23.4 million from \$5.1 million. Gross margins increased to 15.5%, up from 11.4% in 2nd quarter, due largely to "increasing procurement volumes" and "effective value engineering," company said. Deliveries of DVS' new low-cost DVD loaders/drives, which are being produced in China, are expected in late March, company said. DVD accounted for 93% of DVS revenue in quarter, up from 60% year ago, reflecting company's decision to drop Video CD and other drives. DVS's return to China production comes after it scrapped earlier Video CD strategy amid allegations that joint venture partner had misappropriated funds (TVD Aug 17/98 p17). It entered DVD business in buying Hyundai assets. DVS also projected earnings of 13-15¢ per share in 4th quarter on revenue of \$17 million... **Energy Conversion Devices**, blaming sharply lower revenue from product development and licensing agreements, said it lost \$3.7 million in 2nd quarter vs. \$340,000 profit year ago as revenue fell to \$6.7 million from \$11.8 million. Earnings benefitted from \$1.7 million battery technology license fee from Toshiba, but figure was down from \$4.4 million received from Sanyo year ago. Revenue from contracts with National Institute for Standards Technology (NIST) for optical memory and battery technologies also dropped, to \$870,000 from \$1.7 million. Optical memory, which includes ECD's phase change technology, recorded increase in royalty revenue in quarter to \$61,610 from \$35,734, although product development dropped to \$686,541 from \$1.2 million. Overall product development revenue declined to \$5.5 million from \$8.6 million and license and other agreements for batteries to \$2.1 million from \$4.4 million. Sales in U.S. (\$9.7 million, down from \$11.3 million) and Japan (\$3.6 million vs. \$5.4 million) decreased, but were partly offset by first revenue from Netherlands (\$687,500).

Hollywood Entertainment will take \$21-\$24 million charge against earnings to cover settlement of lawsuit with Rentrak. Hollywood will pay Rentrak \$14 million — \$8 million for outstanding invoices and disruption of business and \$6 million for legal costs. Rentrak also received 200,000 shares. Rentrak sued Hollywood in 1998 over exclusive terms of chain's revenue-sharing pact with studios and alleged misreporting of income from videos purchased as part of deal. It had sought \$180 million. Total cost of settlement was disclosed in SEC filing as Hollywood registered to sell 8.7 million shares as part planned IPO of subsidiary Reel.com. Hollywood purchased Reel.com in 1998. Among those listed as selling shareholders are CMGI, which will reduce stake to 2.4 million shares from 4.7 million, and Intel and Microsoft co-founder Paul Allen's Vulcan Ventures, both of which will sell all of 463,774 and 927,547 shares owned, respectively. Rentrak also is listed as selling its 200,000 shares. Hollywood, which operates 1,615 stores, said in filing that it plans to add 350 outlets in 2000... **Movie Gallery** (MG) board last week voted to buy back up to \$5 million of chain's common stock — 8% of 12.3 million outstanding. Authorization includes open market purchases and private transactions, company said. MG, which has 961 stores, recently completed earlier \$5 million buyback and board's decision demonstrates "our confidence in the company's future growth prospects," Chmn.-CEO Joseph Malugen said.

Mobile multimedia system worth \$10,000 is grand prize in Alpine Internet sweepstakes promotion that runs March 6-May 26. System includes CD-ROM navigator, in-dash monitor, DVD-Video player, CD changer, speakers, amplifiers. CD head unit worth \$600 and other prizes will be awarded weekly at www.alpine1.com and www.mm-station.com.

Kopin Corp., crediting strong sales of gallium arsenide (GaAs)-based products for wireless phones and optical fiber networks, reversed year-earlier \$2.6 million loss to post \$776,666 profit in 4th quarter. Revenues increased 96% (see financial table). Kopin's GaAs heterojunction bipolar transistors (HBT), which are used to produce power amplifier circuits for CDMA, TDMA and GSM phones, accounted for \$11 million of its \$13.5 million in revenue in quarter. It won major GaAs order from Mitsubishi Electric for GSM phones in quarter. Sales of Kopin's CyberDisplay microdisplay, which JVC has installed as mono viewfinder in camcorder, "grew substantially," although company didn't disclose figures. Current 0.24" CyberDisplay, which also has been licensed to Matsushita, has 320x240 resolution, and Kopin will double annual production to 200,000 units, Pres.-CEO John Fan told analysts in conference call. CyberDisplay is being used in Matsushita camcorders in Europe. Kopin also has delivered sample quantities of 0.38" microdisplay with 640x480 resolution and may introduce technology for new generation of 3G cellular phones. CyberDisplay business is projected to break even by midyear, CFO Richard Sneider said. While HBT technology has largely targeted cellular phones, it also may be marketed for digital TV tuner and cable modem applications.

Copy-proof CDs have been recalled in Europe owing to extensive incompatibility problems with wide range of CD and DVD players. Record label BMG in Germany issued top-selling album *Razorblade Romance* by Finnish band HIM using new Cactus Data Shield (CDS) anticycopy technology that's supposed to prevent CD from being duplicated on audio CD recorder or PC-based CD-R/W drive. CDS, jointly developed by BMG-owned replicator Sonopress and Tel Aviv-based encryption developer Midbar, uses Embedded Masking Technology that also is supposed to prevent CD from being converted to MP3 music file or transmitted over Internet. But after BMG shipped 100,000 albums with CDS, label learned it wouldn't play on 11 different types of CD players, autosound decks, variety of DVD players. Spokesman for Sonopress said company had tested discs before sale, but didn't test car stereo or Philips-brand CD players. Replicator did find some playback problems with DVD decks, but disregarded them because installed base is low, spokesman said. BMG now is reassessing CDS with its development partners.

Microsoft sued 4 Mass. companies, accusing them of distributing counterfeit software. Software giant described suits as part of its antipiracy efforts. It also began rebate program in conjunction with Tandy under which customers who buy computer products at RadioShack stores and subscribe to Microsoft's MSN ISP service get \$400 rebate to apply toward purchase of RadioShack merchandise. Microsoft also announced similar rebate for customers who buy Compaq Presario computer at RadioShack or other retailers. In Nov., Microsoft invested \$100 million in RadioShack.com Web site and announced deal with retail chain that will provide Microsoft with store-within-a-store section in 7,000 RadioShack brick-and-mortar locations (TVD Nov 15 p10).

Ranking of 36" TVs in March issue of *Consumer Reports* finds JVC and Sony sharing top slot, with "very good" rating, just short of "excellent." Also rated "very good" were Philips-Magnavox, Zenith, Hitachi, Sony flat-screen model, Sharp and Toshiba, in that order. Sets from RCA, Panasonic and Sanyo received "good" rating, but magazine said RCA and Sanyo had "mediocre" picture and cautioned that Thomson brands were "among the least reliable" in repair histories reported by its readers.

Strong holiday DVD sales and demand for other copy-protection technologies gave big boost to 1999 sales and bottom line for Macrovision. Copy-protection developer said revenue increased 76% in 4th quarter ended Dec. 31, to \$12.8 million from \$7.3 million in 1998. Net income for quarter was \$3.7 million, up 66% from \$2.2 million year ago. For full year, Macrovision had \$37.4 million sales — 53% jump from 1998's \$24.4 million revenue. Net income from year, after write-offs for goodwill amortization and in-process research and development, was \$7.2 million, up from \$6.3 million in 1998. Earnings before 1999 write-offs were \$11 million and would have reflected 74% gain over 1998, when no write-offs were taken, Macrovision said. Besides revenue from DVD, VHS and CD-ROM copy protection technologies, it said it enjoyed continuing demand for its pay-per-view copy protection owing to growth of digital satellite and cable TV networks. But in conference call with investors, Macrovision executives conceded there had been no copy-protection activation among U.S. satellite broadcasters, although U.K.'s BSkyB uses Macrovision encoding on all its pay-per-view features. In other areas, executives said company is in 2nd month of developing copy-proof CD with partner TTR Technologies. Work-in-progress on CD that can't be copied with audio CD recorder or PC-based CD+R/W drive is "challenging task" given "hundreds of different audio CD players and thousands of PC models," company said. Nonetheless, Macrovision executives said company is optimistic that compatibility testing will be 6-month project, with summer target date for copy-proof CDs hitting market. They called copy-proof CD "better short term revenue for us" than MP3 anticontroling solutions sought by Secure Digital Music Initiative (SDMI) because of greater number of competitors that SDMI must consider. Meanwhile, as for Macrovision copy protection proposal for DVD-Audio, company executives said issue "remains stalled" at Copy Protection Technical Working Group (CPTWG) because of potential "liabilities" inherent in company's competition with alternative proposal by Galaxy Group. Liability issue would concern possible infringement on Macrovision patents by competition. Macrovision Chmn.-CEO John Ryan told investors he had "no idea" when CPTWG might reach decision. Company "took strong position on our own patents" when presenting latest revision to CPTWG and record labels, and asked for exchange of information with Galaxy Group. "We are trying to understand what the other guy has," but competitor has been unresponsive, Macrovision executive said.

Lego, seeking to simplify Mindstorms robotics system, will ship \$99 version in midyear that allows on-board programming. *Star Wars: Dark Side* Developers Kit includes 582 pieces along with 8-bit Micro Scout microprocessor that has built-in light sensor, motor, 7 preprogrammed commands. Set features 3 levels of building: Jedi Apprentice, Knight and Master, each requiring 200 to more than 500 pieces, respectively. On-board microprocessor is major advance for product that had required CD-ROM software and PC for programming. Dark Side kit will replace Droid product introduced year ago with 600 pieces. Lego also is continuing step-up Robotics Invention System (\$199) and Discovery Kit (\$149). As it expanded line, Lego also shut down Mindstorms Div. and moved it under new group targeting 7-to-16 year-olds, spokeswoman said. As part of restructuring, Mindstorms development group was moved to Novato, Cal., from Denmark, she said. Lego's software arm also will brought under new group, although details haven't been finalized, spokeswoman said.

Consumer Electronics Personals

AI Levene, JVC East Coast Branch vp, named vp-mdse. mgr. of New Products and Special Markets, new div.; **Frank Taylor**, JVC Professional Products eastern regional sales engineer, promoted to product mgr. of presentation products in newly created Visual Systems Div... **Harry Elias**, Columbia House Video Library vp, promoted to Video Clubs senior vp; **Linda Andersen**, music club ad vp, and **Richard Caposella**, video club ad vp, named ad vps of new unified member acquisition dept.

David Pearson, ex-Sony, appointed NXT CEO... **Jeffrey Buchanan**, Three-Five Systems CFO, named chmn., U.S. Display Consortium governing board... **Kevin Miller**, ex-Credit Research & Trading, joins Cybershop.com as pres... **Judith Harrison**, ex-Monet Group, named ZanyBrainy.com CEO... GetMusic appointments: **Lynn Thomlison**, MTVi/SonicNet, creative dir.; **Joseph Rosenthal**, ex-RollingStone.com, managing editor; **Cheri Cheng**, ex-SonicNet, exec. producer; **Margo Sippel**, ex-Reuters Health Information, e-commerce vp... **John Valentino**, Appliance & TV Discounters pres., elected Marta treas... **Steve Pritchett**, ex-Atlantic Records, named Navarre Digital Entertainment content acquisition vp... **Bud Johnson**, F.A.O. Schwarz pres.-COO, promoted to CEO; **David Niggli**, mdsg. dir., adds COO responsibilities... **Kerry Moyer** promoted to CEA dir., Product Div... **James Wallace**, ex-3Dfx and Pioneer, named Planetweb mktg. communications dir... **Paul Zeller**, Imation corp. controller, adds vp title... **Bruno Bonnell**, Infogrammes chmn.-CEO, retains same title with acquired GT Interactive, replacing **Thomas Heymann** and COO (John Baker, who resigns... **James Adams**, ex-Hasbro Interactive, named Vallon pres.-CEO... **Thomas Baxter**, ex-Comcast and Evercore Partners, appointed Audible Inc. pres.-CEO, succeeding Chmn. **Donald Katz**, who had been on interim basis... **Tony Bers** resigns as Team Concepts mktg. vp, plans unknown... **Bo Ericsson**, ex-Cirrus Logic, and **Jose Flahaux**, ex-Raycham, join SanDisk as product mktg. and business systems vps, respectively... **Patrick Mazzuca** promoted to national sales mgr., Marcan, supplier of optical disc replication systems... **Joseph Gilbride**, ex-Lowe Group, named Acclaim Entertainment finance vp & corp. controller.

CompUSA is "reevaluating" cozone.com Internet business in wake of disappointing holiday selling season. Online sales of \$7.5 million in 2nd fiscal quarter ended Dec. 25 were higher than \$6.2 million year earlier, but "lower than expected," company said in SEC filing. Cozone.com had \$16.7 million operating loss vs. \$445,000 profit year ago as site suffered "lower sales volume" coupled with advertising and marketing tied to start of rebranded site in Oct. Gross profit was up slightly to 8.6% of net sales from 8.5% year ago. Depending on outcome of review of cozone.com, CompUSA said it may "incur additional charges" or "require additional capital" related to changing Internet strategy. CompUSA reported \$2 million loss overall in 2nd quarter compared with \$12.9 million profit year earlier as sales fell 18% (TVD Feb 7 p16). At same time, Grupo Sanborns, which has proposed buying CompUSA for \$797 million, said waiting period under Hart-Scott-Rodino antitrust law had been terminated by FTC. Mexican retailer's \$10.10-per-share tender offer for CompUSA expires Feb. 29 unless extended. Retailer also signed agreement for pcOrder.com to provide configuration technology and product information.

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Analog Devices			
2000-13 wk. to Jan. 29	490,277,000	93,007,000	.53
1999-13 wk. to Jan. 30	300,500,000	29,894,000	.19
BHC Communications			
1999-year to Dec. 31	469,347,000	50,533,000	2.24
1998-year to Dec. 31	445,850,000	39,573,000	1.75
1999-qtr. to Dec. 31	130,190,000	26,093,000	1.16
1998-qtr. to Dec. 31	122,981,000	3,166,000	.14
Blockbuster			
1999-year to Dec. 31	4,463,500,000	(69,200,000)	---
1998-year to Dec. 31	3,893,400,000	(336,600,000)	---
1999-qtr. to Dec. 31	1,196,000,000	(6,800,000)	---
1998-qtr. to Dec. 31	1,086,800,000	(12,900,000)	---
Cablevision Systems			
1999-year to Dec. 31	3,942,985,000	(800,607,000)	---
1998-year to Dec. 31	3,265,143,000	(448,504,000)	---
1999-qtr. to Dec. 31	1,160,658,000	(216,050,000)	---
1998-qtr. to Dec. 31	977,354,000	(184,735,000)	---
CBS			
1999-year to Dec. 31	7,373,000,000	780,000,000	1.08 ^a
1998-year to Dec. 31	6,805,000,000	(21,000,000)	---
1999-qtr. to Dec. 31	2,219,000,000	251,000,000	.34 ^a
1998-qtr. to Dec. 31	1,791,000,000	(1,000,000)	---
Chris-Craft Industries			
1999-year to Dec. 31	491,547,000	42,433,000	1.25
1998-year to Dec. 31	467,093,000	29,470,000	.87
1999-qtr. to Dec. 31	136,458,000	27,202,000	.80
1998-qtr. to Dec. 31	129,082,000	1,073,000	.03
Chyron			
1999-year to Dec. 31	60,709,000	(29,784,000)	---
1998-year to Dec. 31	83,710,000	(4,447,000)	---
1999-qtr. to Dec. 31	12,756,000	(1,782,000)	---
1998-qtr. to Dec. 31	19,027,000	(970,000)	---
Digital Video Systems			
1999-9 mo. to Dec. 31	45,567,000	2,619,000	.20
1998-9 mo. to Dec. 31	11,047,000	(12,786,000)	---
1999-qtr. to Dec. 31	23,481,000	933,000	.21
1998-qtr. to Dec. 31	5,182,000	(3,705,000)	---
EMCEE Broadcast Products			
1999-9 mo. to Dec. 31	2,935,002	(799,046)	---
1998-9 mo. to Dec. 31	5,171,345	(320,487)	---
1999-qtr. to Dec. 31	1,147,361	(210,428)	---
1998-qtr. to Dec. 31	806,551	(376,575)	---
Energy Conversion Devices			
1999-6 mo. to Dec. 31	14,350,000	(8,036,000)	---
1998-6 mo. to Dec. 31	18,047,000	(3,558,000)	---
1999-qtr. to Dec. 31	6,770,000	(4,290,000)	---
1998-qtr. to Dec. 31	11,869,000	1,666,000	.13
Golden Sky DBS			
1999-year to Dec. 31	140,573,000	(131,267,000)	---
1998-year to Dec. 31	75,924,000	(64,727,000)	---
1999-qtr. to Dec. 31	43,416,000	(31,269,000)	---
1998-qtr. to Dec. 31	25,034,000	(24,748,000)	---
GT Interactive Software			
1999-9 mo. to Dec. 31	314,478,000	(163,820,000)	---
1998-9 mo. to Dec. 31	478,845,000	19,944,000	.29 ^b
1999-qtr. to Dec. 31	101,727,000	(103,429,000)	---
1998-qtr. to Dec. 31	246,303,000	16,772,000	.24 ^b
Image Entertainment			
1999-9 mo. to Dec. 31	60,904,000	(295,000)	---
1998-9 mo. to Dec. 31	53,689,000	647,000	.05
1999-qtr. to Dec. 31	25,067,000	1,261,000	.08
1998-qtr. to Dec. 31	22,715,000	1,129,000	.08
Ingram Micro			
2000-year to Jan. 1	28,068,642,000	183,419,000	1.24 ^b
1999-year to Jan. 2	22,034,038,000	245,175,000	1.64
2000-13 wk. to Jan. 1	7,828,461,000	74,988,000	.51 ^b
1999-13 wk. to Jan. 2	6,219,855,000	73,222,000	.49
Kopin			
1999-year to Dec. 31	38,662,010	775,271	.03
1998-year to Dec. 31	26,904,997	(2,967,887)	---
1999-qtr. to Dec. 31	13,581,732	776,666	.03
1998-qtr. to Dec. 31	6,918,606	(2,636,210)	---
Macrovision			
1999-year to Dec. 31	37,390,000	7,230,000	.38 ^b
1998-year to Dec. 31	24,434,000	6,342,000	.37 ^c
1999-qtr. to Dec. 31	12,807,000	3,687,000	.19
1998-qtr. to Dec. 31	7,284,000	2,224,000	.12 ^c

Company & Period	Revenues	Net Earnings	Per Share
NVIDIA			
2000-year to Jan. 30	374,505,000	38,098,000	1.28
1999-year to Jan. 31	158,237,000	4,130,000	.28
2000-qtr. to Jan. 30	128,455,000	14,587,000	.47
1999-qtr. to Jan. 31	65,537,000	7,662,000	.48
Pegasus Communications			
1999-year to Dec. 31	343,926,000	(201,519,000)	---
1998-year to Dec. 31	195,221,000	(93,881,000)	---
1999-qtr. to Dec. 31	104,362,000	(50,490,000)	---
1998-qtr. to Dec. 31	64,190,000	(44,389,000)	---
Philips Electronics^d			
1999-year to Dec. 31	31,459,000,000	1,799,000,000	5.22
1998-year to Dec. 31	30,459,000,000	6,053,000,000	16.81 ^a
Pioneer Electronics^e			
1999-qtr. to Dec. 31	163,640	2,690	14.96 ^f
1998-qtr. to Dec. 31	147,360	2,280	12.71 ^f
Seagram			
1999-6 mo. to Dec. 31	8,613,000,000	433,000,000	1.00 ^g
1998-6 mo. to Dec. 31	5,574,000,000	938,000,000	2.65 ^g
1999-qtr. to Dec. 31	4,970,000,000	557,000,000	1.29 ^g
1998-qtr. to Dec. 31	3,327,000,000	(226,000,000)	---
Smith Corona			
1999-6 mo. to Dec. 31	15,892,000	(3,916,000)	---
1998-6 mo. to Dec. 31	24,931,000	(11,923,000)	---
1999-qtr. to Dec. 31	7,611,000	(3,601,000)	---
1998-qtr. to Dec. 31	13,343,000	(6,252,000)	---
TDK			
1999-9 mo. to Dec. 31	502,290	35,510	266.58 ^f
1998-9 mo. to Dec. 31	520,750	39,310	295.11 ^f
1999-qtr. to Dec. 31	172,800	12,150	91.22 ^f
1998-qtr. to Dec. 31	167,900	10,730	80.55 ^f
3D Labs			
1999-year to Dec. 31	46,223,000	(2,841,000)	---
1998-year to Dec. 31	42,710,000	(32,188,000)	---
1999-qtr. to Dec. 31	14,227,000	583,000	.03
1998-qtr. to Dec. 31	5,181,000	(5,150,000)	---
TV Guide			
1999-year to Dec. 31	1,135,305,000	4,651,000	.02 ^b
1998-year to Dec. 31	621,940,000	102,059,000	.59
1999-qtr. to Dec. 31	317,866,000	(19,265,000)	---
1998-qtr. to Dec. 31	161,301,000	24,122,000	.14
Valley Media			
2000-9 mo. to Jan. 1	685,466,000	636,000	.08
1999-9 mo. to Dec. 26	631,102,000	3,189,000	.66 ^b
2000-qtr. to Jan. 1	294,514,000	1,100,000	.13
1998-qtr. to Dec. 26	287,751,000	4,759,000	.98
Viacom			
1999-year to Dec. 31	12,858,800,000	334,000,000	.46
1998-year to Dec. 31	12,096,100,000	(122,400,000)	---
1999-qtr. to Dec. 31	3,572,400,000	133,100,000	.19
1998-qtr. to Dec. 31	3,342,400,000	18,500,000	.05 ^b
Walt Disney			
1999-qtr. to Dec. 31	6,830,000,000	356,000,000	.17 ^a
1998-qtr. to Dec. 31	6,521,000,000	622,000,000	.30 ^a
Westaim			
1999-year to Dec. 31	115,220,000	(23,861,000)	---
1998-year to Dec. 31	85,056,000	(15,467,000)	---
1999-qtr. to Dec. 31	34,234,000	(7,689,000)	---
1998-qtr. to Dec. 31	23,568,000	(8,813,000)	---
Winstar Communications			
1999-year to Dec. 31	445,637,000	(638,277,000)	---
1998-year to Dec. 31	244,447,000	(444,724,000)	---
1999-qtr. to Dec. 31	141,504,000	(162,292,000)	---
1998-qtr. to Dec. 31	81,093,000	(143,126,000)	---

Notes: *Includes special credit. ^aAfter special charge. ^bAdjusted.

^cIn euros. ^dIn millions of yen. ^ePer ADS in yen. ^fAfter special charge; adjusted.

Columbia House eliminated 87 jobs last week — 2% of company's fulltime staff of 3,500. Lost were 49 jobs at N.Y. hq, along with 9 at Terre Haute distribution facility, 28 in Toronto, one in Colorado City. Company also said 62 open positions have been closed. Columbia House Pres. Brian Wood said staff reductions will save company \$10 million per year. Company is direct marketing joint venture of Sony and Time Warner. In July, company and CDNow announced definitive agreement to merge (TVD July 19 p20), although deal hasn't been finalized yet.



TELEVISION DIGEST WITH CONSUMER ELECTRONICS

The Authoritative Service for Broadcasting, Consumer Electronics and Allied Fields

FEBRUARY 28, 2000

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

DTV COMPATIBILITY AGREED between cable, consumer electronics industries. Broadcasters call accord sham, say it will delay transition. FCC says it's good enough to delay rulemaking. (P. 1)

DESCRIPTION DELAY SOUGHT: NAB says FCC plan to aid visually impaired is premature, possibly illegal. Cable, broadcast, satellite support concept but say it's technologically and competitively impossible. (P. 3)

NBC, GANNETT AGREE on 6-year affiliation deal. Compensation reduced, but not eliminated. Others claim 'divide-and-conquer' strategy by network. (P. 4)

CAMPAIGN COVERAGE HIT, PRAISED: Broadcasters say survey shows coverage is adequate. Activists say more is needed to meet public interest responsibilities. (P. 5)

LIBERTY BUYING ASCENT: Deal for hotel video provider revived — at lower price. Liberty also buys Canadian radio station and TV network owner Corus Entertainment. Deals total \$900 million. (P. 6)

ECHOSTAR ADDS SATELLITES, plans new personal video recorder box. Gilat deal aimed at adding Internet access to DBS service, boosting competition with DirecTV. (P. 7)

SET MAKERS, CABLE AGREE ON DTV-CABLE COMPATIBILITY: CEA and NCTA officials announced agreement on technical standards for hooking up new DTV sets to digital cable systems after more than year of contentious negotiations that finally prompted threats of imminent govt. action from FCC Chmn. Kennard. Leaders of industries said deal would pave way for introduction of cable-compatible DTV sets in 14-18 months, but they still must settle prickly differences over copy protection technology and labeling of digital sets, prompting angry complaints from broadcasters that cable-compatible digital sets still are several years away. Kennard said he would support halting rulemaking on agreed-upon issues, but might start one later on sticking points.

Broadcasters immediately blasted agreement as window dressing. NAB Senior Vp-Technology Lynn Claudy said deal merely codifies previous agreement and "deftly maneuvers to avoid addressing issues that have been a problem all along." He said agreement won't result in cable-compatible DTV sets for several years.

"If you hold this agreement about 10 feet away and read it real fast, it looks pretty good," Claudy said. But, he said, "the real issues of cable-DTV compatibility are not addressed... The short-term problems are left hanging, as they have been all along." Claudy expressed surprise that FCC would accept agreement: "I would hope that the FCC takes a less superficial look and on further reflection decides that there are depths yet to be plumbed."

Consumer Electronics

DTV-CABLE DEBUT UNCLEAR: Set-makers say unresolved issues in DTV-cable compatibility pact make product availability difficult to predict. (P. 10)

DVD SECURITY DEFEATED by sub-\$200 Apex player, our exclusive lab test shows. Chinese deck can turn off regional coding, Macrovision copy protection, CSS encryption. (P. 11)

WARNER JUMPS ON DTS BANDWAGON, confirms June 6 street dates on DVD reissues of *Interview with the Vampire* and *Twister*. Titles also will have Dolby Digital 5.1 multichannel audio. (P. 13)

STRONG YEN CRIMPS SALES at Matsushita, but operating profit rises slightly. JVC to accelerate job cuts. (P. 13)

TANDY EARNINGS RISE on strong sales of DirecTV and wireless phones, Thomson store-within-a-store format to launch nationwide in June. (P. 14)

ECHOSTAR TO EXPAND, with plans to add 2nd IRD with hard drive and Gilat's 2-way high-speed Internet access service by fall. (P. 15)

SAGE TO BUY FAROUDJA in all-stock deal valued at \$155 million, will add focus to OEM, continue retail distribution. (P. 16)

Agreement "doesn't sound like an agreement to me," MSTV Senior Vp Victor Tawil said. "It certainly doesn't move the process forward." He said broadcasters are "very, very disappointed" because lack of agreement on copyright and 1394 connection means it will be at least 30 months before cable-compatible DTVs can be on market. Tawil said broadcasters believe FCC still should conduct rulemaking on compatibility, although agreement "does help a little bit in the technical area."

Cable and consumer electronics executives disagreed that they came up short. "I don't think anybody contemplated this agreement would address every single outstanding issue," CEA Vp-Technology Policy Michael Petricone said.

Time-to-market for cable-compatible DTV sets won't be clear for some time, according to set-makers we polled following agreement. Company spokesmen said comment would be premature, as relevant manufacturing executives hadn't studied nuts-and-bolts of standards agreement (see separate story, Consumer Electronics section).

As expected (TVD Feb 21 p4), cable and consumer electronics executives unveiled long-awaited deal on DTV standards covering about 60 technical specifications, including signal strength, RF issues, interface between cable and DTV equipment, on-screen program guides. In last major issue resolved, parties agreed that cable systems would pass through independent program guides with 12 hours worth of listings to digital sets, but put limits on how much system capacity would be used. "We split the difference," CEA spokesman said. "Both sides gave and both sides received."

Praising agreement, Kennard said deal "will jump-start the digital revolution for television." Kennard, who earlier set April 1 deadline for industries to achieve DTV compatibility standards (TVD Jan 10 p1), said he would recommend Commission drop its proposed rulemakings on technical standards and program guide issues, but he favored continuing review of proposed rules on copy protection and digital-set labeling, with goal of passing rules by summer. FCC Comr. Ness also hailed agreement as "good news for the American consumer." However, saying "we can't declare victory when the game's only at halftime," she said she would support proposed rulemakings for copy protection and digital-set labeling.

CEA said agreement would allow consumer electronics manufacturers to move ahead quickly with production of cable-compatible DTV sets, allowing them to hit retail shelves in time for next year's fall shopping season. Despite usual 18-month build cycle, they indicated compatible sets may be ready even sooner, as they incorporate technical standards into planned models that already have been announced. "We're optimistic it'll be very soon," CEA spokesman said.

NCTA officials said deal resolved all their outstanding engineering issues with DTV sets. Although copy protection technology and labeling of digital sets still hadn't been settled, they saw those matters as content and marketing issues, not technology concerns. "We're very pleased," NCTA Vp-Technology William Check said. "We think it's a big step forward."

Two industries plan to keep negotiating on copy protection and digital-set labeling, where they remain at odds. In particular, they will be huddling on labeling issue, with big meetings beginning last week in Washington. With Kennard still planning rulemaking on that issue, cable officials said they hoped to achieve agreement within month. "We've not been told when the ball will drop on the rulemaking but my guess is we'll have to do this promptly," NCTA Gen. Counsel Neal Goldberg said.

Cable and consumer electronics interests punted on "firewire" issue, agreeing that manufacturers would make DTV sets with and without 1394 connectors favored by cable industry. Both said matter would be lumped together with labeling debate, leaving it to marketers to decide what to call digital sets lacking those connectors. "We and cable have to agree what to call them," CEA's Petricone said.

On copy protection issue, 2 sides seem to feel less urgency, planning to wait until they have more feedback from FCC. NCTA officials, who still favor adoption of 5C standard, said they were willing to let set manufacturers and content providers work that one out. "In our view, the boat has already gone away from the dock," Check said.

"Huge" 4th-quarter results propelled Big 3 TV networks to 16.31% overall growth for period, according to Ernst & Young figures compiled for Bcst. Cable Financial Management Assn. (BCFM). Fueled by World Series and "upsurge" in NFL football, sports ads were up 27% over 4th quarter 1998 and "power of [ABC's] *Who Wants to Be a Millionaire*" helped boost prime-time growth 13%, BCFM said. Evening news was up 60% (nearly \$60 million), with daytime (down 2.21%) and children's programming (down 19%) showing only decreases.

Ex-FCC Chmn. Dennis Patrick has been named pres. of AOL Wireless. AOL COO Robert Pittman described wireless unit as "one of our major 'AOL Anywhere' initiatives," noting AOL's recent acquisition of Tegic Communications and pending takeover of MapQuest.com. Since leaving FCC in 1989, Patrick has been CEO of Time Warner Telecom, Milliwave LP and Doeg Hill Ventures, operated his own international consulting firm, as well as senior adviser to Pittman.

DESCRIPTION DELAY SOUGHT: Reaction to FCC's video description rulemaking was at best mixed. Commission is proposing to require network affiliates in major markets and "larger" multichannel video program distributors to include audio descriptions of TV programming in at least 50 hours of programming per quarter (TVD Nov 22 p5). Although virtually everyone supported principle of expanding TV audience to visually impaired, most said proposal is premature for technology or competitive reasons.

Requiring video description services would eliminate "other important uses" of TV signal, such as foreign language audio and Secondary Audio Programming (SAP) services, NAB said. It submitted study saying at least 24% of stations are using SAP. Assn. said FCC "would be better advised to focus now on ensuring that the digital equipment currently being developed will fully accommodate video description." FCC underestimates technical challenges of description services for visually impaired, NAB said, and lacks legal authority to require it. APTS said PTV stations "face financial challenges" in adding service, particularly when they must invest in DTV. It cited estimate that adding video description would cost \$4,000 per program hour, in addition to \$5,000-\$25,000 initial equipment investment.

Even National Federation of the Blind said FCC shouldn't mandate video description. Group said it supports voluntary development of description services, saying visually impaired are "ambivalent" about description services because they often are "irritating, overdone and full of irrelevant information" and because they would prefer improvements in delivery of current information that's carried in text messages on screen: "We fail to comprehend why anyone would want... describing costumes, lighting and gestures when real information remains unavailable." However, National TV Video Access Coalition said "need for video description is immediate" and would increase TV audience size "by millions." Noting arguments that description could displace SAP, Coalition said there "will not be significant conflict" since programs could be aired twice, once with description and once with 2nd language.

Video description requirement could be unconstitutional, C-SPAN said: "As a form of compelled speech... such a requirement is very likely unconstitutional as a restraint on our right not to speak." It also said requirement is unnecessary for public affairs programming and, like others, said "technical limitations" could make it big burden on program providers.

NCTA said that although it "fully supports" goal of making TV more accessible, video description is much more difficult than closed-captioning because captioning technology is well established, while description technology "is still in its nascent stages." Telecom Act requires FCC to report on description, NCTA said, "but it gave the Commission no authority to act further."

Satellite Bostg. & Communications Assn. said it's particularly concerned by technological burdens of description services, especially for program distributors with limited bandwidth: "The current rulemaking appears to be rushing the Commission headlong into a difficult and complex area where more information on the infrastructure of different program distributors must be considered." It said FCC must assure that description requirement doesn't make it impossible for satellites to compete with cable and others. DirecTV, while noting it already provides more video description than FCC would require, said Commission doesn't have statutory authority to require it, and "this proposal is funda-

mentally incompatible with DBS technology." It said only about 1/3 of DBS channels could carry description, and 80% of them already carry SAP. Result, it said, would be "an immense technological and financial burden on DirecTV."

FCC shouldn't, and can't, use different methodology for determining whether households have access to broadcast TV signals, affiliates of NBC and CBS said in comments on Commission rulemaking (ET 00-11). Group said Congress intended FCC to modify only Longley-Rice model for assessing signal strength if new system is validated by "actual field test data." Affiliates also said Longley-Rice takes into account such factors as buildings and land contours, and compulsory license requires that model be given presumption of accuracy. However, Assn. of Federal Communications Consulting Engineers said FCC proposal to use combination of Longley-Rice and U.S. Geological Survey Land Use database "has some merit." It also suggested that Commission use its own TV Allocations Study Organization (TASO) database to refine measurements. National Rural Telecom Co-op said in filing that improving signal prediction model won't have substantive effect unless FCC modifies Grade B signal standard. It said it supports improving model, but Commission also should begin separate inquiry into whether Grade B means TV signal actually is acceptable.

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NBC AND GANNETT AGREE: In major affiliation agreement that had been expected (TVD Feb 21 p1), Gannett Bcstg. Pres. Cecil Walker said group had signed new 6-year affiliation agreement with NBC for 13 of its owned TV stations. Deal, which will run through 2006, includes payment of substantially reduced network compensation, although Walker and NBC refused to say how much latter would pay Gannett over length of contract or how large cut in compensation would be. However, Gannett official told us published report that NBC payments would total about \$10 million over 6 years (down from estimated \$25 million) "isn't close."

Walker said Gannett always has had "a full and very strong relationship" with Big 3 networks and compensation "isn't a material part of that... We are very pleased." He said Gannett contracts, all with compensation, now are set with Big 3 networks through 2004 — except for one of its smaller stations where renewal negotiations will begin later this year.

NBC TV Network Pres. Randy Falco called Gannett "our largest and most supportive affiliate group... This agreement is a win for both companies. It's consistent with the goals we have outlined in the past [and] we are looking for ways to work with our affiliates jointly to grow our businesses." NBC has been notably unsuccessful in reaching any kind of accommodation with its affiliates as a body and all talks had been broken off since last fall.

Some large affiliate groups were highly critical of Gannett-NBC deal, one saying station group had "knuckled under" to network. Another, noting breakdown of network talks with affiliates as a group and coming close after NBC's unprecedented reverse compensation deal with Granite, said it was further evidence of NBC's strategy to "divide and conquer." Unlike deal in San Francisco, where fact that Granite will pay NBC \$362 million over 9 years to affiliate with KNTV San Jose, was widely trumpeted by both parties, NBC's financial arrangements with Gannett weren't disclosed.

Several affiliate groups, in negotiating new contracts in last several months, have been forced to accept major cuts in compensation — particularly from NBC and CBS. However, head of major group affiliated with all of Big 3 networks said "there's not that much still out there for [contract] renewal" anytime soon, with bulk of new negotiations starting in 4 years. And, he said: "At the end of the day, this is all about distribution... The networks won't make many Granite-type deals where their program distribution will be hurt that much."

Convergence seems to be order of day among communications law firms as well as their broadcast and telecom clients. Six-person Gurman, Blask & Freedman said it's merging into Morrison & Foerster, which has 800 lawyers in 17 cities worldwide, including 75 in Washington. Ten-lawyer Washington communications law firm Haley, Bader & Potts merges into Garvey, Shubert & Baker, which has 150 lawyers with offices in Seattle, Portland, Ore., and Washington. Originally, Haley & Pierson firm was formed more than 60 years ago. Earlier this month, Fisher Wayland Cooper Leader & Zaragoza law firm (formed in 1945) and its 35 lawyers merged into 330-lawyer firm Shaw, Pittman. Mergers are effective March 1.

Annual awards dinner of National Assn. of Black Owned Bcstrs. is scheduled March 30, Marriott Wardman Park Hotel, Washington. Grammy-award winner Gladys Knight will entertain — 202-463-8970.

Soon no one will talk about TV and Internet separately because "they will become one synergistic, fused medium," GO.com Chmn. Steven Bornstein told Disney stockholders last week. Bornstein echoed Chmn. Michael Eisner and Disney COO Robert Iger in hyping Internet as future of Disney. Eisner said "Internet will make its next quantum leap when content from Disney and others redefines it for consumers as a full entertainment medium." Iger said broadband Internet and wireless technology "will enhance our ability to provide content to consumers in astounding ways. Today, any company developing distribution paths needs Disney and the other valuable brands we own. Technology will be a voracious consumer of content." Bornstein said potential for TV-Internet convergence is "our largest competitive advantage."

Proposal by federal Bureau of Alcohol, Tobacco & Firearms (ATF) to ban all health claims in alcoholic beverage ads "could result in a massive censorship regime that would block consumers from receiving important health information," Assn. of National Advertisers (ANA) said. In comments on ATF rulemaking, ANA Exec. Vp Daniel Jaffe said there's "a growing body of scientific evidence," including govt. research, that moderate drinking results in lower risk of heart disease. Such claims should be permitted in ads so long as they are "truthful and nonmisleading," he said. ATF now has authority to regulate such ads on case-by-case basis "without adopting across-the-board bans on truthful information that may be very important to many consumers," Jaffe said.

MediaOne will pay city of Atlanta \$8.1 million in exchange for return of some public, educational and govt. (PEG) channels and relief from institutional-network (I-net) construction obligations, company spokesman said. Deal was part of MediaOne's cable franchise renewal, which was transferred technically to AT&T Broadband and Internet Services. MediaOne spokesman said city proposed deal so it could use money as start-up fund for building inner city technology and Internet centers. "We thought it was an overall good investment to get the [PEG] channels back," spokesman said, "and even after rebuild, our channel capacity was limited." City renewed franchise without open access condition.

Group W Network Services received license to access Eutelsat satellites from within U.S. Eutelsat was granted landing rights by FCC Feb. 1 and has permitted list application pending. License allows Group W to provide transatlantic connections directly to 18 countries in Europe and N. Africa for broadband services, including IP multicast, Internet data, video programming. Service begins next month in Amsterdam, Berlin, Bratislava, Brussels, Dublin, Geneva, London, Luxembourg, Madrid, Munich, Paris, Prague, Rome, Vienna, Warsaw N. Africa, Algiers, Rabat, Tunis. News, sports and entertainment feeds will be delivered to Europe by GWNS's 18-antenna earth station located in Conn. Service is being offered on bidirectional basis. Company also plans to deliver content from Europe to U.S.

Latest Washington office for online industry is for eBay, to be headed by Todd Cohen, ex-MPAA. Cohen's initial mission in Washington, eBay said, will be to push legislation extending copyright protection to online databases. House Commerce Committee Chmn. Bliley (R-Va.) is aggressively backing his own database bill, but it isn't considered by online community to be sufficiently supportive of their position.

CAMPAIGN COVERAGE HIT, PRAISED: Despite highly competitive campaigns for Democratic and Republican Presidential nominations, Big 3 TV networks have averaged airing only 29 sec. each daily of "candidate discourse" in evening news since Feb. 1 N.H. primary, according to Alliance for Better Campaigns. On other hand, study of N.H. primary showed that stations there had provided enough or even too much coverage of campaigns.

Of 19 debates among major candidates through Feb. 21, just 2 were aired on national TV network, Alliance Exec. Dir. Paul Taylor said: "Apparently, the broadcasters have concluded that the Presidential campaign is a niche event, suitable only for cable... Voters who turn to broadcast television to learn about the candidates are getting nothing but ads and sound bites. The networks are abdicating their responsibility to inform the public."

However, TV and radio stations in N.H. provided "right amount" (50%) of time or "too much" (37%) coverage of Presidential primary campaign in that state, according to 87% of 400 voters surveyed by Wirthlin World. And in S.C. and Mich. — where Republican primaries were held Feb. 19 and 22, respectively — stations went all out to get candidates on air. In N.H., only 6% of voters said stations gave "too little time" to coverage of primary and 77% watched or listened to one or more debates. Broadcast coverage was "most helpful" to 40% of N.H. voters in picking candidate, compared with only 15% picking newspapers.

Nearly all S.C. TV and radio stations offered time to candidates, including open-ended, one-on-one interviews. Typical comment during campaign in state was that of WLTX Columbia Gen. Mgr. Rich O'Dell: "We are running extensive coverage... following them [candidates] wherever they go." Said Bruce Barkley, news dir. of WOLO-TV Columbia: "We're being very aggressive trying to get them to nail down time for us rather than just a few stand-up questions at events... The candidates are being offered plenty of time."



After month of plunging stock prices that slashed value of merger and made investors increasingly uncomfortable, AOL and Time Warner shares made double-digit price jumps last week, helped by bullish report from Merrill Lynch analysts Henry Blodget and Jessica Cohen. Collaboration between Internet analyst Blodget and cable analyst Cohen had been awaited throughout industry as investors wondered whether more traditional cable valuations or more growth-oriented Internet valuations would predominate in merged company. Analysts' report said merger would increase value of both companies. It said combined companies' competitive position and strong brand was more important than precise valuation analysis, but at under \$50 to start day, AOL "appears undervalued by almost any measure." Report projected 83% jump for AOL over next 12-18 months to \$90, 81% increase for Time Warner to \$135. It said management is approaching combination "in the most sensible way" by "starting from a blank sheet of paper." Merrill Lynch said it had been concerned about Time Warner's growth prospects, lack of cohesive Internet strategy and increasing complexity of negotiating AT&T telephony deal, and all 3 had been addressed by deal.

Aerospace Industry Assn. Dir. John Douglas said international sales by U.S. satellite companies dropped 40% last year, reducing their market share to 65% from 72%. Satellite companies have blamed decline on more stringent licensing requirements and shift in satellite license authority to State Dept. from Commerce.

Internet Caucus Co-Chmn. Goodlatte (R-Va.) and Boucher (D-Va.) met last week with members of European Internet Foundation (EIF) in Brussels. Formation of EIF, announced same day, consists of more than 50 members of European Parliament. EIF founders said they will host debates on e-commerce and other online issues but won't take positions. Membership in nonpartisan Foundation will be open to any interested group, founders said, "consistent with the revolutionary character of the Internet itself." EIF has Web site at www.EIFonline.org. Goodlatte and Boucher were joined at session by Reps. Canady (R-Fla.), Gordon (D-Tenn.), Pickering (R-Miss.) and Stearns (R-Fla.), all Internet Caucus members. Group traveled across Europe during House recess last week promoting e-commerce, with stops at British Parliament, German Bundestag, European Commission, World Intellectual Property Organization, World Trade Organization.

Bill to provide \$1.25 billion loan guarantee program for rural access to local TV was introduced Feb. 24 by Senate Communications Subcommittee Chmn. Burns (R-Mont.) and Sen. Gramm (R-Tex.). Bill would guarantee programming for rural consumers and loans of up to 70% for providing local TV signals to rural areas. It calls for assistance to groups that want to broadcast on local stations in rural areas and would require them to carry all local broadcasts in any market they serve. Three-member board of Secy. of Treas., Secy. of Agriculture and Federal Reserve System chmn. would have to approve loans.

Blacks are numerically well represented on TV network programming — accounting for 16% (compared with 12.2% of U.S. population) of regular characters on 6 national TV networks — but they tend to be segregated into sitcoms, particularly on WB and UPN. That, according to study for Screen Actors Guild by USC Sociology Prof. Darnell Hunt, who monitored comedy and drama series on all 6 networks for 5 weeks. Study showed that half of black characters appear on comedies, with 7 predominantly black sitcoms weekly on UPN and WB. ABC leads Big 4 with 15% of characters in its series black, CBS 13%, NBC 11%, Fox 10%. Findings are important, said Hunt, because way TV shows minorities reflects "unresolved questions about power imbalances in our society." NAACP west coast official Frank Berry said study "seems to go right to the heart of what our effort is all about" (CD Feb 1 p4).

FCC should test impact of LPFM on subcarriers before launching low-power service, Minn. State Services for Blind said in letter distributed to Commission and others. Group said subcarriers, which are used for various services such as Radio Talking Book, are located on edge of FM station's frequency, and "it seems logical to us that these are the signals which will receive the first, and most harmful, interference from new, untested signals." Group said it supports concept of diversity and community access, but said LPFM also may affect digital audio broadcasting.

U.K. broadcasters applauded govt. decision to allow BBC only £3 increase in license fee, rather than £24 DTV conversion fee proposed by funding review panel. Fee increase still will mean £200 million per year increase for BBC, officials said. Malcolm Miller, CEO of DTV equipment maker Pace Micro Technology, said lower fee will contribute to "a strong, competitive domestic market." Granada Group CEO Charles Allen said higher fee would have had "damaging effects" on DTV. BBC CEO Tony Ball said increase is "still a huge payday for the BBC."

LIBERTY BUYING ASCENT: Continuing its aggressive spending spree, AT&T's Liberty Media will buy Ascent Entertainment Group for \$460 million in cash, plus \$295 million in assumed debt, reviving deal that had expired 2 months ago. Deal, worth 50% above previous stock price, came day after Liberty bought 19.9% (5.125 million shares) of Canadian radio station and TV network owner Corus Entertainment for \$138 million (nearly \$200 million Canadian).

Removing chief stumbling block from last fall's negotiations, Liberty said it would continue Ascent's drive to sell Denver's new Pepsi Center and its 2 pro sports teams, basketball's Denver Nuggets and hockey's Colorado Avalanche. Collapse of first Ascent agreement to sell all 3 to Denver millionaire Donald Sturm last fall killed earlier deal by Liberty to acquire Ascent for \$513 million in Liberty stock. NBA and NHL rules prohibit Liberty from holding onto 2 teams because of its partial ownership of N.Y. Knicks and N.Y. Rangers through AT&T's stake in Cablevision Systems.

Renewed offer by Liberty may have come after other suitors emerged for Ascent, whose main business is providing pay-per-view entertainment and information services to hotels through its majority-owned On Command Corp. Arthur Aaron, exec. vp-business affairs for Ascent, declined to say whether there were other bidders, but said "it's fair to say the board had alternatives to look at."

Despite price lower than Liberty offered last fall, Aaron expressed pleasure with deal because it would be all cash and no longer conditioned on sale of teams and arena. Aaron said Ascent still is trying to sell Pepsi Center, Nuggets and Avalanche but has no takers. Liberty said it crafted new cash offer for Ascent because it had \$4 billion warchest and no longer had to make deal dilutive to its shareholders.

Liberty COO Gary Howard expressed particular interest in On Command's "consumer access" services, which reach nearly one million hotel rooms. Among other things, company hopes to put its Encore and Starz! premium movie networks in those rooms and use upscale hotel guest market as "testbed" for its fledgling interactive and other digital services. "Given our extensive relationships in video programming, interactive television and high-speed data services, the acquisition of On Command will position us perfectly to offer even better and more comprehensive services for business and recreational travelers," Howard said.

With spinoff of Shaw Communications, Canada's 2nd-largest cable operator, Corus owns 14 radio stations and 3 TV networks. It also owns parts of 3 other networks.

Nearly year and half after it was established by Child Online Protection Act (COPA) in Oct. 1998, Commission on Child Online Protection is preparing to meet for first time. Sixteen-member Commission scheduled March 7 meeting, 10:30 a.m.-12:30 p.m., Rm. 4830, Commerce Dept. NTIA said meeting will be "devoted to organizational matters." Commission members weren't named until late last year, by which time panel's one-year charter had expired, so Satellite Home Viewer Improvement Act contained rider extending it for another year. Commission is charged with reporting to Congress on how effective various technologies, such as filtering and age verification, are in restricting material harmful to minors.

Dow Jones (DJ) and Excite@Home are partnering on what they said would be leading business Web portal, combining former's content with latter's infrastructure and portal expertise. Site will use Excite@Home's Work.com domain, which currently is subset of Excite.com. Content will include selections from *Wall St. Journal* online, which currently is subscription-only. Site, expected to debut in midsummer, will be funded by ads at start and will move to "subscription model in its more mature state," Excite@Home CEO George Bell said in conference call. He said there's no "strong competitor" already in business portal marketplace, so Work.com can claim first mover advantage. Despite Excite@Home's considerable cable ISP assets, Bell said "principal opportunity" for Work.com is "still narrowband, based on audience size." DJ's Dowjones.com "won't continue to exist" as standalone site, Senior Vp Gordon Crovitz said. He said new site will be anchored by Dowjones.com content, but also will seek material from other publishers. Companies, which at outset will each own 50% of venture, said they expect to make public offering of minority stake if all goes well.

FCC's "credibility is at stake" in implementation of DTV transition, according to joint letter to Chmn. Kennard from NAB, MSTV, ALTV. Letter expresses "discouragement" at delays on DTV-cable compatibility, DTV receiver implementation by manufacturers, DTV must-carry. It's not surprising that some broadcasters would support delaying DTV transition, they said, but other broadcasters already have made significant DTV investments: "Broadcasters are honoring their end of the bargain at an ultimate cost of some \$17 billion, but other parties to the process are not doing their part. As faith in the process collapses, the transition is put in serious jeopardy." FCC has given cable "sacred cow status," broadcasters charged, while TV "is under strict, precise and detailed government mandates for the DTV transition." Groups seek meetings with Kennard to press issues.

U.S. Dist. Judge Donald Middlebrooks threw out 6 of 7 counts in TCI and MediaOne lawsuit against open access ordinance of Broward County, Fla., finding companies have standing only to assert their First Amendment claims. In ruling similar to one in suit filed by Comcast Cablevision and Advocate Communications, Middlebrooks held that TCI and MediaOne "have not met their summary judgment burden of demonstrating their standing to assert their non-First Amendment claims." He dismissed counts on federal preemption, Commerce Clause, due process, impairment of contract, takings clause, unconstitutional delegation. OpenNet Coalition Co-Dir. Rich Bond said decision has "significantly undercut the cable industry's legal arguments against open access."

Records in registration and exhibitors were set at Jan. 24-27 NATPE convention in New Orleans (TVD Jan 31 p8), Assn. said announced Feb. 21. Attendees totaled 17,520, up from 17,440 at same site in 1999, with international delegates up 12% to 4,380, new media up 300% to 3,152. Exhibitors increased 9% to 780, including 310 international companies and 140 (up 360%) from new media businesses. Said Pres. Bruce Johansen: "NATPE has been able to retain its traditional broadcast constituency... while at the same time attracting high-profile members of the new media industry." Convention shifts to Las Vegas in 2001 and 2002, then will return to New Orleans.

CEA plans to start annual CES Show in Las Vegas day early in move to reduce exhibitor costs. Instead of Jan. 7-10, show will be Jan. 6-9 to avoid weekend overtime for booth delivery and construction, it said.

ECHOSTAR ADDS SATELLITES: EchoStar said it ordered 3 satellites, 2 of them with spot beams, signed agreement with Israel's Gilat Satellite for 2-way services and plans to market set-top box capable of recording live programs on hard drive instead of tape. Announcements were made to 1,600 DISH network retailers, boosted EchoStar stock price 25%.

Launch of EchoStar 7 and 8 satellites is scheduled for Dec. 2001. Both will have spot beam signals that will give DISH network subscribers in up to 60 markets access to local channels. EchoStar 9 is to fly in 2002. Company said it will be Ku- and Ka-band satellite used for DISH network services that include Internet, data, 2-way communications. EchoStar VII will be built by Lockheed Martin and EchoStar VIII and IX by Loral. Company already has 5 satellites in orbit providing 500 channels to 3.4 million subscribers, with 6th scheduled for spring.

EchoStar said agreement with Gilat will result in offer of 2-way, high-speed Internet access with hundreds of channels of DISH Network programs with small consumer dish. EchoStar/Microsoft partnership will provide installation of satellite TV receiver, 2-way Internet terminal, single-dish antenna. Service is to be available at end of year.

EchoStar also plans to market set-top box capable of recording live programs without tape in separate partnership with OpenTV, similar to personal video recorders offered by other manufacturers. OpenTV gave EchoStar 2,250,000 shares of stock as part of deal. Sale of box is to begin in 4th quarter, with first rollout in spring 2001.

EchoStar also said it settled lawsuit with Speedvision and Outdoor Life Network programmers, and both channels will be offered to DISH 500 subscribers in spring. CNN/Sports Illustrated and Cartoon Network are added for DISH 500 subscribers starting April 1.

Financials: Clear Channel profit more than doubled to \$22.8 million in 4th quarter ended Dec. 31 from \$9 million year ago. Revenue doubled to \$986.4 million because of acquisitions, and operating profit was up 18% to \$104 million... **High Speed Access Corp. (HSAC)** reported net loss of \$23.3 million on \$1.4 million in net revenue for 4th quarter 1999. Results were big improvement over \$117.8 million loss on \$145,000 in revenue year earlier. However, most of 1998 loss was due to one-time noncash charge of \$112.8 million to boost carrying value of company's previously outstanding preferred stock to its IPO redemption value. HSAC said it ended 4th quarter with 16,099 cable modem subscribers, up 73% from end of 3rd quarter. Company now passes 2 million homes on 107 cable systems, including more than 1.1 million Charter Communications households... **Radio Unica** said revenue surged 183% to \$5.1 million in Dec. 31 quarter.

Brazilian technical committee's recommendation of COFDM instead of VSB modulation for DTV (TVD Feb 21 p4) "is by no means the last word in Brazil," but "it is a tremendous setback," Advanced TV Systems Committee Chmn. Robert Graves said in letter to members. He said decision "will certainly have negative impacts in other countries, including the United States." Lack of current ability of U.S. system to handle mobile reception was "one significant factor," Graves said. U.S. interests are planning to meet with Brazilian regulators this week to discuss reversing decision.

Broadcasters "typically" are demanding 50¢ per EchoStar subscriber per month for retransmission consent for local-into-local DBS, company complained to FCC in filing. DBS operator also said broadcasters are demanding many other "onerous" conditions, providing "further concrete evidence of many broadcasters' unfortunate inclination to make demands that... run afoul of the good-faith requirement" of law on local-into-local. EchoStar said that means FCC should adopt strict rules on what broadcasters can demand for DBS retransmission consent. Cash demands often come from broadcasters that don't get any cash for cable carriage, EchoStar said, and "none has provided... any proof that this dramatic difference in terms is due to competitive marketplace considerations." Among other things EchoStar said broadcasters are demanding: (1) Prohibition on importing distant signals, even to unserved households. (2) Prohibition on exporting stations' signals to other areas. (3) Demanding DBS carriage of other stations as condition for consent for major station. (4) Additional costs such as funding awards or agreeing to devote major portion of EchoStar ad budget to their stations. (5) "Bounty" on EchoStar equipment sales. At least one broadcaster has refused outright to give retransmission consent under any conditions, EchoStar said.

Satellite service is "key link" to educational programs for schools and students in remote areas of world, Lockheed Martin Vp-Business Development Karl Savatiel told 20 diplomats at EdSat Americas breakfast last week. "There are a lot of hidden gems that we will never discover if we don't work to provide them with the tools they need to learn," he said. "Satellite technology is here and if we don't use it, we may not discover the next Einstein because we didn't give them the chance to develop their full potential. We are going to see some amazing things in the world of satellite technology. Look at what Gilat and Microsoft did... There are many places that don't have qualified teachers or the resources to hire them. Satellite Internet provides for interactive distance learning." Keynote speaker Cesar Gaviria, Secy. Gen. of Organization of American States, said goal of EdSat Americas Project is to "establish a mechanism that subscriber countries would run in conjunction with member organizations, to operate and manage a satellite and land-based infrastructure linking up education and health care institutions." Members of 10-nation organization will decide which satellite systems to use for service. Organization is in planning stage.

With FCC seen leaning toward delaying DTV must-carry rulemaking, public broadcasters are renewing efforts to convince Commission of need for PTV-specific rulemaking. Commercial networks may be having success obtaining carriage for digital signals, joint APTS-CPB-PBS ex parte filing argued, but PTV is at disadvantage because it can't deny cable operators retransmission consent. That means public broadcasters "have little ability to control degradation, placement or navigation of their signals, much less compel carriage," groups said. It said cable's compulsory copyright license and must-carry rules are "inextricably interwoven into a single policy fabric," and maintaining former without extending latter leads to "imbalanced federal policies" that leave public broadcasters with no leverage. APTS-CPB-PBS said none of 11 PTV stations currently transmitting digital signals have had them carried by cable. They said another 29 stations will be digital by end of year, and PTV has taken "leadership role" in development of content and local services for new technology.

NTIA set March 29 deadline to file applications for Pan-Pacific Education & Communications Experiments by Satellite (PEACESAT) program. Agency expects to make single \$450,000 award.

Canadian telecom company BCE offered \$2.3 billion cash for Canadian broadcaster CTV. BCE CEO Jean Monty said CTV's programming experience "will squarely place BCE as a leading player in the converging broadcasting and new media industries." He also said CTV would complement recent BCE investments in new media companies Sympatico and Bell ExpressVu. Because of emergence of Internet, Monty said, BCE needs access to more local content, and convergence of broadcasting and Web "opens up unlimited opportunities for e-commerce." Deal is subject to regulatory approval, as well as agreement by CTV board to waive shareholder rights plan.

FCC must reject any proposals that would leave LPTV Class A stations "secondary to anything," Community Bstrs. Assn. (CBA) said in reply comment on Class A rulemaking (MM 00-10). CBA said "fundamental" provision of Class A plan is giving qualified LPTV stations primary status. It said Telecom Act gives protection only to operating full-power stations, not to applicants, and doesn't mandate cut-off date for Class A applications. CBA also said it doesn't oppose protecting translator stations, but said they should be dealt with under separate regulatory structure. CBA's spring meeting will be April 10 in Las Vegas, during NAB convention.

Nielsen Media Research said it plans to add 51st electronically metered market — Ft. Myers-Naples, Fla. — in May 2001, increasing total to 51 covering 67% of U.S. TV households. Currently, 47 metered markets are operating, with more than 20,000 sample households. Ft. Meyers-Naples is 81st among TV markets with 343,550 TV households. Meters will begin operating in April in Buffalo, 44th market with 621,460 households, followed by Albuquerque-Santa Fe (49th, 568,650 homes) in Oct.

American Bar Assn. Forum on Communications will join with NAB April 9 to once again sponsor day-long forum for attorneys on new developments in communications law. It will be held at Bellagio Hotel in Las Vegas day before formal start of NAB convention. Panel subjects, featuring FCC and Hill staffers, include electronic filing, political broadcasting, litigation and Internet issues such as streaming. NTIA Dir. Gregory Rohde will be luncheon speaker. Registration deadline is March 31 — 312-988-5580.

Disney's Go.com said audience for its ABC.com rose 60% in Jan. to 4.4 million users from 2.7 million in Dec., jumping site 4 places to No. 5 position among entertainment sites. It said success is due in large part to popularity of online version of *Who Wants to Be a Millionaire*. Disney said ABC.com now exceeds CBS.com's reach by 73%.

At-work Internet users spent double amount of time online as did at-home users in Jan., according to Nielsen/NetRatings. It said workplace audience of 30.6 million is less than half 77 million at-home users, but workers spend 21 hours per week online, compared with less than 10 for others. That's despite 14% jump in time spent online by home users, to 9 hours and 27 min. from 8:17 in Dec.

Senate Judiciary Committee hearings: (1) Full Committee on AOL-Time Warner merger, Feb. 29, 10 a.m., Rm. 226, Dirksen Bldg. (2) Criminal Justice Subcommittee on Internet attacks, Feb. 29, 2 p.m., Rm. 2141, Rayburn Bldg.

Erosion of TV audience was halted, and even reversed, in first half of current TV season, TvB said, based on its analysis of Nielsen figures. It said combined broadcast ratings are up 8% to 38.1, vs. 24.1 for cable. "It would appear that the reports of the decline of broadcast television were indeed greatly exaggerated," said Harold Simpson, TvB vp-research.

Cablevision Systems said it's standardizing channel lineups throughout its N.Y.C. metropolitan systems to offer uniform programming and services to its 2.8 million customers in tristate area and comply with must-carry mandates. Company said it will start making channel changes in late March at no extra cost to customers.

Holland, Mich. voters turned down proposal to install Internet filtering software in its public libraries by 4,379 to 3,626 margin. Referendum had been closely watched by advocates and opponents of filtering.

European Commission has voiced opposition to House and Senate bills HR-3261 and S-376 in letter to Secy. of State Madeline Albright. Bills seek to privatize Intelsat and Inmarsat. EC said legislation would restrict market access for Intelsat and Inmarsat and would violate World Trade Organization agreement.

Scientific-Atlanta board approved 2-for-one split of common stock and 33% increase in quarterly cash dividend. Cable equipment maker said stock split, 100% stock dividend, will be payable to shareholders of record March 10. Cash dividend, which boosts S-A's dividend rate to 1¢ cent per share on postsplit shares, will be payable to shareholders of record March 28.

Disney employees contributed \$56,550 to Hillary Clinton's Democratic campaign for Senate in N.Y., more than any other corporation, according to Center for Responsive Politics. All told, entertainment industry has contributed \$437,000 to her campaign, Center said.

Loral signed contract to provide satellite capacity for Hughes Network Systems DirecPC service in Americas. Hughes is to lease 10 Ku-band 36 MHz transponders on Satmex5 through 2005. DirecPC is high-speed Internet service.

TELEVISION DIGEST NOW AVAILABLE IN PRINTABLE FORMAT

Subscribers to Television Digest with Consumer Electronics now can receive their weekly issue electronically in the widely used PDF format, which duplicates the look and feel of the print version on any PC. Delivery of this version will take place the Friday before the Monday publication date. Subscribers who want to replace the print (or non-PDF electronic) versions they now receive may do so simply by sending an e-mail request to tvldinpdf@warren-news.com or calling us at 202-872-9200. "Adobe Acrobat Reader" software, already loaded on most computers and free for downloading from the Internet, is required to read PDF files.

Personals

Michael Jordan, ex-CBS, elected to global advisory board, ci4net.com... **Joel Cheatwood**, ex-KYW-TV, Philadelphia, named vp-news, CBS TV Stations and news dir.-WCBS-TV, N.Y.C... **Geoffrey Wells** promoted to vp-information technology, ABC Bctg. Group... **Sallie Schoneboom** advanced to vp-media & talent relations, ABC Daytime... **Herman Rush**, ex-Columbia Pictures TV Group, joins board, High Speed Net Solutions... **Carole Feld**, PBS senior vp-communications & brand management, leaves to become vp-brand mktg., The Motley Fool... **Patricia Nugent**, ex-Carsey-Werner, named head of children's programming, PBS.

Reynard Corley, pres.-gen. mgr., WXII Greensboro/Winston-Salem, to retire at end of year... **Linda Fisk**, ex-Gaylord Entertainment, named vp-mktg., Belo Interactive... **Nicolas Valls** promoted to senior vp-network sales & mktg., Univision Communications... **Cheryl Pearson-McNeil**, ex-Boys & Girls Clubs of Chicago, named dir.-station relations, WMAQ-TV Chicago... **Franklin Byrd**, ex-AM/FM Radio Networks, appointed CFO, Hispanic TV Network.

Dan O'Brien, pres., High Speed Access, adds CEO & acting COO... **Rick DeGrauwe**, ex-TCI/AT&T, named vp-finance, and **Maurice Ambler**, ex-Prosource Distribution Services, vp-human resources, Cox Middle America Operations; **Tom White** promoted to dir.-mktg., Cox residential telephony; **Steve Gorman** advanced to dir.-mktg., Cox high-speed Internet service... **Minard Hamilton**, ex-ESPN International, appointed gen. mgr.-international business, ESPN Internet Group... **Darrell Well** promoted to dir.-Network Operations Div. IV, Cox... Changes at Cal. Cable TV Assn. (CCTA): **Lesla Lehtonen** advanced to vp-regulatory & legal affairs; **Phillip Enis**, ex-Cal. PUC, named dir.-regulatory... A&E TV Networks changes: **Rick Canonaco** promoted to controller, International Div.; **Andrew Lemaire**, ex-Sony, named vp-corporate controller... **Todd Tarpley**, promoted to vp.-AETN Interactive, A&E TV Networks... **Rod Mickler** advanced to senior vp-gen. mgr., Fox Sports Net Fla., Rainbow Sports... **Denise Palmer**, vp-development, strategy & finance, Chicago Tribune, named CEO & pres., affiliated CLTV News... Court TV additions: **Joanna Lisanti**, dir.-ad sales promotion; **Michael Labriola**, dir.-N.Y.C. ad sales; **Debra D'Arinzo**, dir.-sales planning & pricing... Changes at Discovery Kids: **Laura Sullivan**, ex-Sony Music, appointed vp-mktg.; **Bilai Silar**, Discovery Latin America/Iberia, moves to dir.-programming & operations; **Travis Pomposello**, ex-CBS, named dir., on-air promotion... TBS superstation advanced **Melanie Pope** and **Gina McKenzie** to publicity dirs.

Hilary Goodall, ex-Cox, appointed vp-programming, Geocast Network Systems... **Steven Gavenas**, ex-McKinsey & Co., named senior vp-new business development, XM Satellite Radio... **Gregory Swienton**, Ryder System, joins Harris Corp. board.

CBS's Nashville Network lost court battle to win Web address www.tnn.com from The Network Network, computer consulting organization. U.S. Dist. Court, L.A., Judge Nora Manella said Nashville Network "missed its opportunity to select the domain name it would now like to have" and can't revoke one that Network Network had been using for more than 5 years. She said there's no evidence Network Network is seeking to trade on Nashville Network's name. Network Network filed motion to have CBS pay its court costs that's scheduled to be heard May 1.

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FCC issued public notice to remind all licensees of Sept. 1 deadline for compliance with rules establishing safety limits for human exposure to RF emissions. Commission said that after Sept. 1, if any facility, operation or device is found not to be in compliance with RF exposure guidelines, and if required environmental assessment (EA) hasn't been filed, discovery of violation could result in possible fines, forfeiture or other actions deemed appropriate by the Commission." — www.fcc.gov/oet/rfsafety.

Consumer Electronics

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STATE OF THE INDUSTRY

Sales to dealers, from CEA, for week ending Feb. 11 and year to date:

	FEB. 5- FEB. 11	1999 WEEK	% CHANGE	JAN. 29- FEB. 4	6 WEEKS 2000	6 WEEKS 1999	% CHANGE
TOTAL COLOR TV.	411,016*	342,165	+ 20.1	342,435	2,422,581*	2,289,771	+ 5.8
DIRECT-VIEW**	389,578*	327,589	+ 18.9	327,026	2,293,524*	2,195,186	+ 4.5
TV ONLY#....	323,492	296,278	+ 9.2	292,147	1,978,200	1,906,835	+ 3.7
TV/VCR COMBO.	66,086	31,311	+111.1	34,879	315,324*	288,351	+ 9.4
PROJECTION...	21,438*	14,576	+ 47.1	15,409*	129,057*	94,585	+ 36.4
TOTAL VCR**....	344,889	150,542	+129.1	264,073	1,951,530*	1,683,385	+ 15.9
HOME DECKS...	278,803	119,231	+133.8	229,194	1,636,206*	1,395,034	+ 17.3
CAMCORDERS (a) ..	58,183*	20,030	+190.5	53,842	408,711*	268,758	+ 52.1
DVD PLAYERS....	54,508*	16,545	+229.5	54,611*	479,150*	156,827	+205.5

Direct-view TV 5-week moving average#: 2000-357,203; 1999-338,460 (up 5.5%).

Projection TV 5-week moving average: 2000-23,541*; 1999-17,259 (up 36.4%).

VCR deck 5-week moving average: 2000-296,715*; 1999-251,268 (up 18.1%).

TV/VCR 5-week moving average: 2000-56,521*; 1999-51,500 (up 9.7%).

Camcorder 5-week moving average: 2000-75,064* 1999-49,466 (up 51.7%).

DVD player 5-week moving average: 2000-86,992*; 1999-28,704 (up 203.1%).

* Record for period. ** Includes TV/VCR combinations. # Excludes TV/VCR combinations. (a) Includes analog camcorders only.

TIME FRAME IS MURKY FOR CABLE-COMPATIBLE DTV: Debut for cable-compatible DTV sets isn't yet clear, according to set makers we polled following agreement on technical standards announced last Wed. by CEA and NCTA (see report, Bcst.-Cable section). Most company spokesmen said comment would be premature because relevant manufacturing executives hadn't studied details of standards agreement covering about 60 technical specifications for cable-DTV interoperability.

Sole exceptions were Panasonic and Sony. At CES, latter announced it would incorporate IEEE-1394 connector with Digital Transmission Content Protection (DTCP) on all its DTVs later this year (TVD Jan 10 p11). Company still is on track for digital interface, Sony spokesman told us. Meanwhile, Panasonic could have cable-compatible DTV ready by end of 2001, TV Group Gen. Mgr. William Mannion told us. "We have the technical specs for a baseline level, and we can design now for DTV sets with an integral tuner for analog digital cable in the clear, or scrambled cable through a smart-card supplied by the MSO," he said. Toshiba engineer also told us sets could be out in 18 months.

As agreement leaves unresolved key issues such as copy protection and deployment of IEEE-1394 digital interface, little else could be learned about manufacturers' plans in 2 days after announcement. Top brass of RCA-parent Thomson was out of country last week and hadn't seen details of CEA-NCTA agreement, while others with manufacturing expertise were in DTV set-labeling meetings in Washington, spokesman told us. For similar reasons, relevant executives of other major brands weren't reachable. Thomson spokesman told us that for time being, company was deferring comment on cable compatibility agreement to CEA.

As for unresolved issues, Mannion said Panasonic sees CEA-NCTA agreement as presenting 2 different issues for product design — ability to view cable through DTV set, compared with receiving DTV through cable. "Basic cable is now covered," he told us, while DTV "political issues" such as copy protection and cable must-carry still are pending. "The blueprints for the highway have been issued and this paves the way for DTV through cable," he said. Thomson spokesman said variety of issues remain to be resolved, such as how sets without 1394 connector are to be labeled, and

inclusion of digital copy protection. Source at Thomson told us that for that and other reasons, not nearly enough is known even to begin writing firmware for cable compatibility.

Copy protection still is contentious issue. Thomson spokesman said company and partner Zenith still were promoting co-developed Extended Conditional Access (XCA) copy protection system that uses renewable smart card, and Thomson believes there's still room for system other than 1394-based DTCP supported by cable industry, Sony and its DTCP co-developers.

"Killing a fly with a sledgehammer" is how 2nd Thomson spokesman characterized cable-DTV interface based on IEEE-1394. "Sure, there's a place for 1394 at the high end, but the way to replace 250 million analog TVs is not by adding cost," he said. Costs entail development of software as well as hardware, he said. "And nobody's said what they want this software and 2-way communication to do, except for DTCP, and that's for 3rd-party control of the system," spokesman said, alluding to potential for content owner to deny access to programming in event DTCP security is breached.

Hollywood's blessing is needed on copy protection system before issue can be resolved, and to date only Sony Pictures and Warner Bros. have endorsed DTCP. Other major studios want system that protects content beyond home network, such as preventing retransmission over Internet. Otherwise, they're unlikely to release compelling content for DTV broadcasts.

APEX DVD DECK DEFEATS ANTICOPY CODING, OUR LAB TEST SHOWS: Based on lab test and extensive evaluation, we have confirmed that Chinese-made Apex DVD player has "secret menu" that can reset regional coding — and turn off Macrovision copy protection and DVD Content Scrambling System (TVD Feb 7 p11). Bargain-priced deck, sold primarily through Circuit City (CC), also permits display of PAL-format discs on NTSC set, and vice versa.

Apex AD-600A first drew attention for ability to play MP3 compressed music recorded on blank CD+R/W discs, making it first deck in U.S. to incorporate MP3 decoder and multiread laser for recordable CDs. Player also has component video output and multistandard TV operation, features seldom seen even in midline decks let alone model that sells for \$149-\$199, depending on CC store. Other features include S-Video output; digital coaxial audio output for Dolby Digital, DTS or MPEG-2 audio; Video CD (VCD) and Super VCD playback including karaoke discs, for which deck has 2 microphone inputs for sing-along.

Unique features and attractive price alone would have made Apex player popular, although our lab measurements reveal just average video and audio performance. But interest in deck skyrocketed when reports appeared on Internet touting "secret menu" that enables owner to defeat DVD regional coding, CSS encryption and Macrovision copy protection. Apex Digital, based in Ontario, Cal., doesn't promote menu features or reveal them in manual, which carries all usual regional coding and copyright advisories. Deck even ships to U.S. preset to Region 1. But this won't be first or last time that clever hackers find trap doors into DVD operating systems.

Menu modifications worked as reported on Apex deck we bought at CC for testing. Actual onscreen display says "Loopholes Menu" and carries message "You Should Not Be Here." In our hands-on evaluation, we used remote control to switch among regional codes or set deck to all-region play. Separate menu for turning Macrovision off enabled us to make videotape copies of Macrovision-encoded DVDs; with copy protection turned on, tape copies had characteristic Macrovision ColorStripe marring picture. This was evident only from Region 1 DVDs for NTSC; ColorStripe didn't carry through to tape from Region 2 PAL discs.

Rationale for turning off CSS encryption is puzzling, as are menu items for turning off Automute and Dither. Possibility exists that ability to override CSS is hedge against future, when home recording made on products such as DVD camcorder might not have scrambling and "key" that CSS-equipped deck requires to play them. Apex player has analog video outputs only, and no obvious way to take descrambled digital bitstream from deck. We checked circuit board where decoding is done and found no test-points or other obvious places where tap could be made to divert descrambled bitstream to digital recording device, such as PC's hard drive. Given current lack of consumer recorders with DVD-quality or capacity removable media, exercise seems pointless unless program were transmitted over Internet or copied onto multiple VCDs with inferior quality.

Hands-on evaluation confirmed MP3 playback in Apex, although deck is finicky and wants disc to be formatted with titles in track-root. It was possible to skip forward and backward among tracks, but not fast forward or reverse within tracks. Test also verified that Apex player has multiread laser to cope with CD-R and even less reflective CD+RW discs. Deck rejected computer DVD-ROMs and CD-ROMs but had no trouble with hybrid movie discs such as *The Matrix*, which have DVD-ROM-like interactive features.

Deck's other impressive feature was NTSC-PAL conversion. By selecting NTSC display in general menu (other choices are for multistandard and PAL sets), Region 2 PAL discs played well on NTSC monitor. Color was perfect and there was no 50 Hz PAL roll, although picture had some artifacts attributable to conversion from 625-line PAL to 525-line NTSC. They included very slight vertical compression of images in 4:3 aspect ratio programs, somewhat more obvious vertical elongation when 16:9 ratio program is displayed as letterbox on 4:3 set. Apex also handled VCDs without trouble, either NTSC or PAL.

Apex deck's obvious violations of licensing agreements for CSS, regional coding and Macrovision drew muted response when we queried parties responsible for enforcement. Spokesman for DVD Copy Control Assn. that administers CSS license told us group "is aware of reported problems with these machines and is looking into them, and will respond appropriately when it is determined how serious they are." Macrovision spokesman said company was "extremely concerned" and investigating situation. Spokesmen for CC wouldn't comment, reiterating chain's policy that it doesn't participate in trade press reports. Apex spokesman didn't return our calls, and in past wouldn't reveal who manufactures deck. But apparent OEM in China is Visual Disc & Digital Video Corp., whose Web site prominently lists selection of Apex-branded players with option to defeat regional coding and copy protection systems.

As for performance, Apex deck has respectable specs although not as good as other Chinese-made players in same price range that we have tested (TVD Sept 20 p10). Those were Konka and Oritron decks, which compared favorably with lab's previous measurements on 2nd-generation decks from 2 major brands in \$750-\$850 range, as well as \$650 first-generation deck that used mostly discrete components, such as hardware decoders for MPEG-2 video and Dolby Digital. Point is important, as Apex, Konka and Oritron decks are gutless wonders with only DVD drive and handful of ICs under hood. Electrical measurements were conducted by Advanced Product Evaluation Laboratory (APEL), independent test facility in Bethel, Conn. APEL was CBS lab before management buy-out and routinely tests CE products for publications, major retailers, govt. departments, others. Tests were supervised by Frank Barr, APEL pres. and veteran CE engineer involved with industry-standard measurements for video and audio performance.

Apex deck was middling in video frequency response, which measures resolution or sharpness of deck's output. AD-600A measured -4.15 rolloff at 6 MHz point, meaning deck delivers somewhat less than full 480-line horizontal resolution inherent in DVD format. By way of comparison, best frequency response APEL has measured to date was down just -0.18 dB at 6 MHz — in \$850 deck. Color Purity of Apex deck was "very good" as measured on vectorscope for color red that's challenge for video to reproduce accurately. In general, DVD players render red better than analog video products. So, "very good" rating is relative to other DVD decks we have tested: It's within vectorscope's target for red — not veering toward magenta or yellow — but not dead-on bull's-eye.

Video signal-to-noise ratio was just fair compared with other decks. In test for luminance (B&W) noise, Apex measured 49.6 dB at composite video output and 52 dB for S-Video. Those compare with 63.8 dB and 64.5 dB, respectively, for Oritron DVD200, which measured among best. As for color signal-to-noise (red field chroma), Apex measured 68 dB in AM modulation through composite video output. Test disc used for procedure, *Avia DVD1001* from Ovation Software, wasn't available for our previous tests. But APEL's Barr said chroma noise reading was respectable. Other test discs used for APEL measurements were *Video Essentials* and *Sony HLX-4001* for video, *CBS CD-1* and *Pierre Verany* discs for audio. Display monitor used for visual evaluation was 27" Toshiba CN27H95 with component video inputs.

Dicier area of performance for all DVD decks is stairstep-linearity, which tests player's ability to correctly resolve shades of gray from black to white — fundamental building blocks of video picture. Measurement for stairstep linearity is expressed as percentage, which, relative to perfection (0%), tells how closely deck comes to resolving shade correctly. That seldom occurs at more than one step among 10 in test, with any DVD player APEL has tested to date. Apex deck was no different — but had far wider deviations than we've seen in past. At step for black, deck came within 75% of resolving shade and step for white was within 8% of accuracy. At intermediate steps, deviation ranged from 5% to 10%.

Apex deck made up for video shortcomings when picture was displayed from its component video outputs. Compared with composite output that was just good, picture quality from component video was noticeably better in terms of color depth and purity, less video noise and fewer artifacts such as dot-drawl. Difference would be obvious even to untrained eye. Oddly, Apex labels its Y-Cr-Cb component outputs "ColorStream" — which is term trademarked by Toshiba. It's not clear why Apex uses term, but possible explanation lies in coincidence that owner's manual for AD-600A is nearly identical clone of those for earlier Toshiba SD-2108 and SD-3109 DVD players.

Audio numbers for Apex were on par with other Chinese decks though not as good as lab has measured. Barr said in most cases that's irrelevant because difference is measurable but not audible. AD-600A showed flat frequency response out to 20 kHz, where signal dropped 2.79 dB — about 2x that of other Chinese decks. Rolloff had been fraction of dB in decks previously measured. In audio signal-to-noise ratio, Apex weighed in at 89.3 dB, and dynamic range measured was 91.1 dB. Measurements have averaged 100 dB in each category for players testing best in past.

Meanwhile, harmonic distortion is virtually nonexistent in Apex player or any others. And channel separation was sufficiently wide (79.7 dB) to prevent any audible crosstalk between left and right channels of stereo signal. Good measurement also ensures accurate steering among channels in Dolby surround sound modes. Previously, best separation measured was 91 dB.

In hands-on evaluation, Apex compared favorably to any we have seen. Under hood, construction was solid, with state-of-art electrical grounding and unique shielding that completely enclosed main circuit board — as well as acting as heat-sink. Although 120v AC player lacks universal power supply, it will work off 50 Hz or 60 Hz service. DVD drive was whisper quiet, with 2.2-sec. scan time from instant of disc insertion, speed typical of all drives. Drive is supplied by Digital Video Systems from Korea, model DSL600A using version LD10 firmware. Main microprocessor is ES4308 Video Drive from Fremont, Cal.-based ESS Technologies. Latter said that besides decoding MPEG-2 video and audio, Dolby Digital and MPEG-1 VCDs, its Swan-DVD Solution chip controls DVD navigation and Content Scrambling System. It also has SmartScale feature that performs NTSC-to-PAL conversion and vice versa. ESS said it also supplies chip to DVD makers Acer, Diotech, Labway, Raite, Sampo and Sony in Taiwan and Apex, Panda, QiSheng, Sony and Wyan in China.

FIRST WARNER DTS IN DVD TITLES DUE JUNE 6: Warner Home Video (WHV) confirmed it has set June 6 street dates on reissues of popular DVD titles *Interview with the Vampire* and *Twister*, which will be studio's first with DTS encoding.

Current DVD versions of those films will continue to be available only while supplies last, WHV Vp Dan Miron said in letter to trade. Reissues will carry same \$24.95 list pricing as originals but will be packed with many more features, Miron said. Besides dual Dolby Digital and DTS 5.1 multichannel tracks, films will feature assortment of behind-scenes bonus footage and documentaries not available on original titles. Reissues will be widescreen only, without pan-and-scan option available on original DVD versions.

Reissues will use dual-layer, single-sided "DVD-9" discs and will be replicated at Warner Advance Media Operations (WAMO) plant in Olyphant, Pa. WHV spokesman confirmed that titles were used full-fledged version of DTS, which operates at rate of 1.54mbps. More scaled-down version of DTS that's not being used by WHV runs at 0.768mbps. Sources familiar with DVD specifications said DVD-9 can hold upwards of 162 min. of MPEG-2 video if higher DTS data rate is used, 189 min. with scaled-down version.

WHV's use of dual Dolby Digital and DTS multichannel audio isn't without precedent, as Universal has taken similar approach with films such as *The Red Violin* and others. However, WHV endorsement is strong potential shot in arm for beleaguered effort to bring DTS encoding to DVDs, as WHV was first studio to embrace DVD and its Pres. Warren Lieberfarb is format's most emotional supporter.

MATSUSHITA REPORTS 3RD-QUARTER PROFIT RISE: Strong performance of industrial equipment and components spurred Matsushita to 6% rise in consolidated 3rd-quarter operating profit despite sluggish consumer product sales in Japan and overall 4% sales decline on adverse impact of stronger yen.

Consolidated 3rd-quarter sales fell to \$18.3 billion (\$1 = ¥102) on 2% decline in domestic Japanese sales and 5% drop in overseas sales to \$9 billion. As with other major Japanese firms, Matsushita said on local currency basis overseas sales increased in all major product categories. Despite sales declines, consolidated operating profit climbed 6% to \$533 million on improved profitability in components and better overall management efficiency.

Consumer product sales fell 8% in quarter to \$8.19 billion, despite "solid overseas sales growth" on local currency basis and "rapid expansion of DVD players" in U.S. and Europe. Matsushita said overall consumer AV equipment sales fell 11% to \$4.74 billion on sluggish sales of VCRs and TV sets in Japan and negative impact of stronger yen overseas.

Meanwhile, Matsushita's affiliated JVC said "unfavorable exchange rate" and sluggishness of consumer spending and capital investment in Japan forced it to accelerate job cuts planned for fiscal year ending March 2001. JVC said it had targeted elimination of 1,500 jobs, but now believes 1,900 "will be shed." Staffing cuts will leave JVC with total of 11,000 employees by end of fiscal year this March 31. Job cuts will be accelerated, JVC said, with package of early-retirement benefits, outplacement support and financial loans for management-level employees. Company said it hoped to realize fixed cost saving of up to ¥10 billion annually from staffing cuts, reduced management bonuses, sale of facilities "rendered idle" by restructuring.

As part of streamlining effort, JVC said it will expand efforts to relocate production offshore for key products such as VHS-C camcorders. Overseas production now accounts for 50% of total, but goal is to boost that to 60%. In production of TV sets, most of shifts will involve European business, with half of JVC TV production for markets there outsourced, company said. Key to product strategy will be expanding "ILA" display technology to smaller portable applications from present large-screen equipment. Company said it also will pursue "more aggressive" sales of ILA displays to outside companies.

TANDY EARNINGS RISE: Tandy, crediting strong sales of DirecTV and wireless phones at RadioShack, reported 4th-quarter profit rose to \$120.6 million from \$106.1 million year earlier as sales increased 15% on 10% gain in same-store sales. Minus \$9 million charge for stock awards to store managers, income increased to \$129.6 million.

Earnings rise came as Tandy reported that sales of DirecTV IRDs increased 79% in 1999 to 600,000 units and are projected to hit 900,000 this year. Sales of wireless phones, including those for Sprint PCS service, jumped to 3.3 million units from 2.1 million, will reach 4 million in 2000, CEO Leonard Roberts said.

Residuals from sales of DirecTV and wireless phones increased to \$63 million and are projected to hit \$92-\$100 million in 2000 as RadioShack adds broadband services and Microsoft Network Internet access, Roberts said. Wireless phones accounted for 80% of residuals for year, DirecTV, 13%. Residual rose 18% in 4th quarter to \$18 million. Despite those gains, RadioShack's overall gross margin slipped to 50.5% in 1999 from 52.1% year earlier and 53% in 1997.

"Despite the ramp-up in residuals, the areas that Tandy can get growth in don't have margins that are as high as those in their core areas of parts, batteries and accessories," Sanford Bernstein analyst Ursula Moran said.

While sales of CE products were up 30% in 4th quarter, gross margins tumbled to "mid-30s" from "mid-40s" as RadioShack started transition to RCA brand from private label Optimus. Tandy said it has created inventory reserve of less than \$10 million to cover close-out of Optimus product. CE products accounted for 17% of revenue in 4th quarter, up 14% in year.

RadioShack has started installation of new RCA format and is moving at rate of 250 stores per week with goal of being chainwide by June. Overall gross margins are expected to dip 0.5% in first half, but will rise later this year with rollout of format that offers RadioShack some "exclusives" on RCA products, Roberts said. Source close to Thomson, however, said RS will sell some derivative models, but that exclusivity will be in launching some products. Among them might be Thomson's WebTV product that's expected later this year. New format also will expand RadioShack's assortment of digital camcorders and cameras, shelf systems, audio components and TVs, COO David Edmondson said. "We're not excluding any retailers from the products they get," Thomson source said.

RadioShack also expects to have Microsoft Internet services installed in 2,300 stores by 3rd quarter. Microsoft, which beat out America Online (AOL) to sign deal with Tandy late last year, also is working on revamp of RadioShack.com site that's scheduled to return in 3rd quarter, Roberts said. RadioShack halted sales of AOL's Compuserve in late Jan. and has switched to Microsoft. "This will make the site more relevant to the stores and to the business-to-business space," Roberts said. Microsoft could add \$100 million to residuals by 2004, he said.

Microsoft service also will be paired with Northpoint Communications' digital subscriber line (DSL) service. While Tandy, investor in Northpoint, has limited DSL sales to Dallas area, service will available in 2,300 stores by 3rd quarter. RadioShack also will sell Gilat-To-Home (GTH) 2-way satellite service, Roberts said. Analysts also said late last week that Tandy is expected to pick Excite@Home to provide cable modem service.

In connection with new services, RadioShack will have Amerilink installation program available in 3,000 stores by April, nationwide by Sept. Tandy purchased Amerilink last spring.

Aaron Rents (AR), unlike its hard-charging competitors, won't seek to acquire rival dealers as it moves to expand 475-store chain, Chmn.-CEO Charles Loudermilk told analysts in conference call last week. Loudermilk said there are 1-2 chains that "we would like to acquire because they operate in a similar manner." Among them is Canfield, O.-based Rainbow Rentals (RR), although he said there have been no discussions between chains. "I don't see us operating any large store chains that will affect our top and bottom line," Loudermilk said. AR CFO Michael Pecchia wasn't available for comment. AR also said 4th-quarter income rose to \$6.2 million from \$5.7 million year ago on 20% gain in revenue (see financial table). AR's Rental Purchase Div. revenue gained 37% in quarter to \$72.8 million, but rent-to-rent sales were flat and group's "performance has been below plan," Loudermilk said. In attempt to boost rent-to-rent unit, AR has shifted focus to business furniture market. "We will see less top-line growth, but a better bottom line," he said. Chain plans to open 20 company-owned and 50 franchised stores this year. It had backlog of franchise agreements covering 122 stores at year-end, 75% of which involved existing owners, CFO Gilbert Danielson said. Stores are averaging \$1.2 million in annual revenue.

CE Toys: Tiger Electronics will ship Lightning Mail e-mail device (\$59) in Sept. that allows user to send text-only messages via RF or Internet. Device, with 56 kbps modem, will be NetZero's Internet access software. Tiger also will market MP3 player-like device that can download audio from Internet. Yahoo HitClips (\$24) will be packaged with 2 MB SmartMedia card... **Sakar International** has licensed Yahoo brand for line of PC keyboards and mice... **Discovery Channel** has licensed brand to Vtech for 4 products (\$29-\$49) including DiscoveryFact Reactor handheld game that ships in fall. **MTV** forged alliance with Manley Toy Quest for 6-item assortment that includes sound effects, mixer and handheld game products (\$9.99-\$19.99).

Addendum: Identity of Tesco executive who wrote letter to Warner Home Video demanding lower DVD prices and end of regional coding was omitted from our report last week. Writer was Christine Cross, sourcing dir. of U.K. supermarket chain.

ECHOSTAR EXPANDS SERVICES: EchoStar, in moves that better position it to compete with rival DirecTV, will add 2nd IRD with hard drive recorder and Gilat Satellite's 2-way high-speed Internet access service by fall.

New IRD will contain OpenTV interactive software, building on service already available in existing product. Receiver will have hard drive and while storage capacity hasn't been set, it will match or exceed 17.2 GB currently available in Philips brand DISHplayer for WebTV service, EchoStar spokesman said. Pricing also hasn't been set, but current DISHplayer carries \$399 retail. OpenTV also gave EchoStar 2.2 million shares of common stock.

Also unclear is source of hard drive, although Seagate is supplier of WebTV-based product. Device will offer broader selection of OpenTV services including news, weather, interactive ads. There are no immediate plans to combine OpenTV and WebTV into single IRD and products will target separate markets — former for interactive services, other for Internet access, EchoStar spokesman said. WebTV currently charges \$9.99 monthly fee for basic service and OpenTV has indicated that it may charge for specific program such as regional weather forecast. Its service currently is free.

Alliance with Israel's Gilat will give EchoStar high-speed service to compete with DirecTV's AOL TV that launches in summer. Gilat, which had narrowed field of potential partners for U.S., market to 3 last fall, will provide its data from GE satellites positioned near EchoStar slot at 110° W. Specifics on satellite, including power of transponders and how many would be dedicated to EchoStar, weren't available. Gilat has said service will be priced competitive to digital subscriber line (DBL) at \$55-\$70, dishes and receivers at \$100-\$200. Gilat-to-Home will be available via equipment capable of receiving programming from Gilat satellite as well as EchoStar birds at 110° W and 119° W, spokesman said.

Some analysts have expressed skepticism that Gilat will be able to deliver 400 kbps downstream service at \$55. Return rates are expected to be in 50 kbps range, spokesman said.

Agreement also will pair EchoStar with veteran of VSAT market where Gilat competes with DirecTV's related company Hughes Network Systems (HNS) for contracts that link gas stations owned by BP Amoco, Shell, Texaco and others via satellite.

Burst of EchoStar deals came as satellite company met with retailers at its Team Summit 2000 last week in Denver. EchoStar said Gila service will be sold through more than 20,000 retailers nationwide, although currently its 2 largest customers — Target and Sears — represent fewer than 2,000 storefronts. However, Tandy told analysts last week that it expects to offer Gilat service through RadioShack stores (see related store, this issue) that also sell DirecTV.

Other result of Gilat will be to tighten EchoStar's relationship with WebTV parent Microsoft. Software giant earlier this month invested \$50 million in Gilat for 26% stake (TVD Feb 21 p19).

In seeking to expand service, EchoStar also unveiled plans to add 3 satellites to its current constellation of 5 by 2002. EchoStar 7 and 8 will be high-power birds containing thirty-two

120 w transponders that also feature spot beam technology enabling company to expand delivery of local channels to 60 markets in U.S. from current 2 dozen. EchoStar 7 will be at 119° W and 8 at 110° W. Both will be delivered in Dec. 2001, with 7 built by Lockheed Martin Commercial Space Systems and 8 by Space Systems Loral. Third satellite, EchoStar 9, will have thirty-two 110 w transponders and will be built by Loral. It will be at 121° W and go will online in 2002. New satellites won't necessarily add programming to existing 500-channel service, but rather will expand it by adding space for local and high-definition channels, EchoStar said.

On promotional front, EchoStar extended its DISH Network one-rate plan to WebTV DISHplayer (\$399), offering \$199 rebate and free installation with purchase of product. Consumer also must buy year's subscription to Top 100 CD package at \$39 per month. DirecTV is expected to renew its free installation promotion in March. Starz Encore Group also signed new affiliation agreement with EchoStar to expand offerings to 15 channels (12 primary and 3 time zone feeds) from 10. Pricing starts with Starz Encore Super Pak with 9 channels at \$10.99 per month.

Privately held Lego said worldwide sales jumped 25% in 1999 to \$1.33 billion. Profit before restructuring costs "improved over" 1998's \$200 million, although Lego didn't disclose amount or charges taken to cover revamping. Restructuring included folding Mindstorms technology division into group targeting 7-to-16-year-olds (TVD Feb 21 p21). Lego Media Div., which markets PC and video game software, doubled sales. It will ship *Lego Creator System: Knights Kingdom* PC title in Sept. at \$29. Lego, which released *Lego Racers* for Nintendo 64, Sony PlayStation and PC in 1999, had 0.3% unit share of education category at retail, 2.2% of dollars, PC Data said and in 4th quarter had 0.7% share of units, 4.4% of dollars. Lego also moved Mindstorms microprocessor technology into its Duplo bricks targeting 4-6-year-olds. *Lego Mybot* (\$49) is designed as cockpit that's activated when minifigure is placed in it creating different sounds.

MP3.com formed joint venture with live video concert performance footage supplier Livemusicchannel.com. As part of deal, new joint Web site will provide streaming footage of recorded live concerts and "video of the month"

TELEVISION DIGEST NOW AVAILABLE IN PRINTABLE FORMAT

Subscribers to Television Digest with Consumer Electronics now can receive their weekly issue electronically in the widely used PDF format, which duplicates the look and feel of the print version on any PC. Delivery of this version will take place the Friday before the Monday publication date. Subscribers who want to replace the print (or non-PDF electronic) versions they now receive may do so simply by sending an e-mail request to tvdinpdf@warren-news.com or calling us at 202-872-9200. "Adobe Acrobat Reader" software, already loaded on most computers and free for downloading from the Internet, is required to read PDF files.

SAGE TO BUY FAROUDJA: Sage will buy video processor developer Faroudja in stock deal valued at \$155 million. Faroudja shareholders will receive 3.9 million shares of Sage common.

Proposed acquisition, which is expected to close by June 30, will transform Faroudja into Sage subsidiary with focus on OEM business, said Sage CEO Chandra Reddy, whose company supplies digital display processing chips largely to PC industry.

Under new ownership, Faroudja is likely to "wind down" LCD front projector it developed jointly with In Focus Systems, but will continue carrying 58W (\$32,500) rear-projection set through year-end, Faroudja Sales Vp Thomas Harvey said. It also will continue distribution of standalone video processors through network of 20 distributors and 450 dealers including Definitive Audio and Listen Up, he said.

"They clearly understand the importance of the box [videoprocessor] business and by doubling the engineering staff we will have a good opportunity to accelerate it," Harvey said.

Faroudja and Sage signed joint licensing agreement last year (TVD Aug 16 p21), former taking stake just under 5% (365,000 shares) in Sage. Under agreement, companies are developing single-chip video processor that will ship later this year combining decoding, deinterlacing, color enhancement and other features. Previous processor consisted of 8 chips, Reddy said.

"We will focus on providing chips to their customers, but we won't do the turnkey business the way they did," Reddy said. Faroudja founder & Co-Chmn. Yves Faroudja, who launched company in 1971, will be retained as consultant, while Pres.-CEO Glenn Marschel joins Sage board. Faroudja Sales Vp Thomas Harvey will head broadcast and home theater business, Reddy said.

Faroudja suffered as it sought to expand outside core video processing business. Venture into rear-projection TV began with 48W and 58W models in 1997, but following delays former was dropped from line. Faroudja also has marketed digital format translators to broadcasters that convert analog and digital signals to high-definition, but has met limited success. In 3rd quarter ended Sept. 30, Faroudja reversed year-earlier \$1.8 million loss to post \$23,000 profit on 17% rise in revenues to \$3.8 million (TVD Oct 18 p15).

San Jose-based Sage, which has 80 employees at operations in Cal. and India, reported loss for 3rd quarter ended Dec. 31 narrowed to \$426,000 from \$747,000 year earlier as revenue rose to \$4.8 million from \$2.2 million. NEC and Fujitsu accounted for 40.1% and 10.3% of revenue, respectively. In 9 months ended Dec. 31, revenue jumped to \$12.2 million from \$3.6 million with digital display processors accounting for 53.5% of sales, circuit boards 46.5%. Kawasaki LSI and Fujitsu Microelectronics have been Sage's major suppliers of processor ICs that are sold under Cheetah brand, while Topline Electronics provides circuit boards. Sage will keep Faroudja hq in Sunnyvale, Cal., for time being, but is likely to merge it with San Jose operations, Reddy said.



Lexar Media has filed for IPO. Company based in Fremont, Cal., which markets line of removable digital memory products in CompactFlash, SmartMedia and PC card formats, said Chase H&Q and J.P. Morgan are serving as lead underwriters for offering.

Cobra Electronics, minus \$10.4 million tax benefit from year ago, reported 4th-quarter income fell to \$2.2 million from \$12 million on 14% rise in sales (see financial table). Without tax valuation allowance year ago, Cobra said it would have posted income of \$1.2 million. Earnings benefited from strong sales of microTALK 2-way and CB radios as gross margin increased to 26.9% from 25.1%. Demand for microTALK radios "continues to be strong" and Cobra has added model with AM/FM tuner, Sales & Mktg. Vp Anthony Mirabelli said. Cobra, which says it's 2nd in market share behind Motorola in Family Radio Service (FRS) category, said it made first microTALK sales in Europe in quarter. Cobra has continued to expand FRS sales and is seeking to crack Wal-Mart, Finance Vp Gerald Laures said. It will start delivery of new HighGear brand CB accessories in April including antennas, microphones, speakers. Cobra has 57% share of mobile CB radio market, Laures said. Company will add line of 9-band radar detectors (TVD Dec 13 p14) that contain both Safety Alert warning system and Strobe Alert, technology that senses signal transmitted between traffic lights and emergency vehicles.

Aura Systems has signed agreement with Infinity Group to restructure \$17 million in debt. Pact is step Aura has taken to bolster sagging finances. Earlier it sold AuraSound speaker technology and MYS manufacturing arm. Aura has eliminated more than \$34 million debt by converting it into equity or forgiveness and is attempting to rebuild business around its AuraGen electromagnetic generator technology. It sold AuraSound to Algo Technology, which also assumed \$1.6 million in debt, according to SEC filing. Aura also received \$1.5 million license fee that will paid in monthly installments. Aura retains licensing agreement with Daewoo Electronics for its thin-film micromirror array-activated display (TMA) technology, although latter won't bring product to market until 2001 (TVD Feb 21 p14). Daewoo signed original TMA licensing agreement in 1992. Company also is awaiting federal court approval of settlements of 2 separate shareholder suits that call for Aura to pay combined \$6.7 million cash and issue 3.5 million in warrants, while insurance covers another \$12.3 million. Aura also has agreed to pay \$2.4 million to NEC to settle suit that accused failed subsidiary Newcom of not paying for PC peripherals it received as part of OEM contract.

Electronic Arts (EA) acquired Microsoft-DreamWorks SKG joint venture DreamWorks Interactive (DWI) last week. Financial terms of deal, which makes DWI wholly owned subsidiary of interactive game publisher EA, weren't disclosed. EA also announced details of its upcoming *The World Is Not Enough* James Bond game. Title — first resulting from exclusive licensing deal EA signed with Danjaq, Eon Productions and MGM Interactive — is being developed for PC, Sony PlayStation and upcoming PlayStation2. EA will ship title late this year and said it will be one of first to debut closely with PlayStation2 in N. America. Web site to promote new game — 007.ea.com — opened last week also.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at ¥111 = \$1, except where noted.

OFFICEMAX, GATEWAY IN DEAL: OfficeMax, seeking to revamp flagging PC sales, signed agreement last week for Gateway to install departments inside each of its 1,000 stores by year-end.

Under 5-year pact, Gateway will build and staff 400-sq.-ft. departments within 23,500-sq.-ft. OfficeMax stores to sell its PCs and other services including Internet access and training. It also will invest \$50 million in OfficeMax, \$20 million of which will target retailer's online business. Gateway will lease space from OfficeMax and sell 2 models through store, with rest available through shipment.

Deal came together less than year after OfficeMax embarked on similar agreement with IBM (TVD March 15 p17). IBM format was tested in 35 outlets, but never expanded as PC maker moved last fall to shut down retail business (TVD Oct 25 p16). OfficeMax has \$75-\$100 million in existing PC inventory from IBM as well as Compaq and Hewlett Packard that it expects to sell off by year-end. Gateway rollout starts in March on regional basis, company said. Gateway had competed with IBM for original proposal, OfficeMax said.

"We're essentially out of a [desktop and laptop PCs] business where we saw no light at the end of the tunnel and we won't have to worry about the margin and payroll costs," OfficeMax Chmn.-CEO Michael Feuer said. Company will lease space to Gateway and share in revenues from online sales of its products.

"It may or may not get them back to the same level of PC sales, but their feeling is they needed to do something to make it a better business," Sanford Bernstein analyst Ursula Moran said. "They will probably mean more to Gateway then they would have to either IBM or Compaq."

Indeed, Feuer said OfficeMax was losing \$100 on every sale of desktop or laptop PC. In 3rd quarter ended Sept. 30, company said sales of desktops, laptops and monitors fell 9% to \$82.4 million from \$91 million (TVD Nov 15 p15); same-store sales of PCs 26% and average sale price 19%. New strategy essentially will eliminate loss by 2001, Feuer said.

New strategy will place Gateway PCs near front of OfficeMax outlets, with latter's icon to be installed on all models. Icon will provide link to OfficeMax.com site. Gateway will receive share of sale of its PCs through OfficeMax site, with reverse for sales through Gateway.com.

Gateway also will cover 50% of preprint ad costs for new concept in first year, 100% thereafter, Feuer said. Deal will be exclusive to OfficeMax in PC superstore channel that includes CompUSA, Office Depot, Staples.

Strategy will alter slightly in markets shared by OfficeMax and Gateway's 240 company-owned Country Stores. Gateway Dept. at OfficeMax is likely to shrink to 100-sq.-ft. end cap and companies will adopt "hub-and-spoke" strategy with Country Stores serving as hub, Feuer said. About 80 OfficeMax stores share same zip code as Gateway outlets, including one — Framingham, Mass. — where they operate in same shopping center.

OfficeMax pact is part of growing trend among some retailers to adopt store-within-a-store strategy as way to offset plunging PC prices. Tandy signed similar deal with Compaq in 1998,

and CompUSA has agreement with Apple. However, other competitors including Office Depot and Staples as well as Best Buy and Circuit City continue to carry own PC assortments.

"Right now, they are the weak sister in that [desktop, laptop] retail business so it's not a surprise that going to try and edge away from it a little," PC Data analyst Steve Baker said.

OfficeMax venture is Gateway's latest attempt to expand brand that began 2 years ago with Gateway.com that offered both PC lease program and Internet access. Gateway now plans to obtain 40% of revenue from non-PC sources such as Internet services and software. Last fall, it signed \$800 million alliance with America Online, which took over management of Gateway.com. OfficeMax also offered rebate program in conjunction with AOL's Compuserve last summer.

"My expectation was that at some point those Gateway Country stores would carry inventory to generate more traffic, and one of the issues you have with a one-product store is how do you get people to come back," Baker said. "Going into OfficeMax is one way to alleviate that problem."

In addition of OfficeMax venture, Gateway formed alliance with Sun Microsystems, which will offer customers its PCs. In return, Gateway will include Sun's desktop applications software on those PCs. Sun generates most of its revenue from server and work station sales. Gateway also said it will invest \$25 million in Linux software distributor eSoft to develop Internet applications and services for small businesses.

Circuit City Stores has sold \$470 million of notes backed by receivables generated by credit card operations, sources told Reuters last week. Offering featured 3 classes of bonds that mature in 3 years: \$365 million of A class notes priced at 23 basis points over one-month London Interbank Offering Rate (LIBOR), compared with earlier mid-20 basis point area; \$57.5 million of B class at 59 basis points vs. earlier 50-55; \$47.5 million C class at 120 basis points against earlier 105-110.

Silicon Storage Technology (SST) filed with SEC to offer up to 3.5 million shares common excluding 525,000 that will be available as part of underwriters' overallotment option. Flash memory supplier has agreed to sell 168,000 shares to Acer Investment Worldwide, unit of Acer Group. SST sells flash memory cards under SuperFlash brand. **Flextronics** said Fri. offering of 8.6 million shares has been priced at \$59. Contract manufacturer said it plans to use proceeds from sale to fund working capital, capital expenses, general corporate purposes.

Best Buy COO Bradbury Anderson has filed with SEC to sell 83,700 shares with value of \$4.6 million. He owns 2 million shares... **Circuit City (CC)** Vice Chmn. Alan Wurtzel plans to sell 138,000 shares with combined value of \$6.73 million through various trusts he controls. Wurtzel, who was CC CEO (1972-1986) and chmn. (1984-1994), owns 299,437 shares.

Latest multiregion DVD player available in U.K. is DVD2000 from British brand Bush. Deck comes preset to play Region 1 U.S. discs as well as Region 2 Europe titles, although company doesn't openly promote feature. It sells for \$299-\$319 through Argos chain and Asda supermarkets. Deck is made in China but Bush spokeswoman declined to tell us OEM source.

PIONEER AUTHORIZES 800.COM: 800.com has become first "pure-play" (Internet-only) e-tailer to receive authorization to sell Pioneer CE products online.

Reason Pioneer picked 800.com rather than any of its brick-and-mortar authorized dealers that have Web sites remained unclear at our Fri. deadline, but spokeswoman said: "We chose them because they fulfilled all of our requirements on our Internet policy." She called 800.com authorization "reflection of a minor policy change" by Pioneer: "Our approach to the channel has changed in response to the channel's ongoing development."

In June, spokeswoman told us Pioneer wasn't authorizing any of its dealers to sell products online, but "started testing the waters with Crutchfield," which it earlier had authorized for catalog sales. She also told us that while Pioneer itself started selling certain products direct to consumers online from its own Web site, it was "stopping that and reviewing the whole e-commerce business and looking to see what our options are." Since then, Pioneer has resumed selling select products direct to consumers.

Pioneer updated Web policy in July, informing dealers in letter that they were allowed to mention Pioneer brand and product information on their Web sites but still couldn't actually sell them online (TVD July 12 p11).

Despite Pioneer's strict e-commerce policy, various e-tailers — including Amazon.com (TVD July 19 p12) — have continued to sell its products online.

800.com Senior Mds. Vp Frank Sadowski said his company will carry "full line of Pioneer products," including "home audio and video and a broad range of mobile electronics products." First Pioneer products will appear at 800.com site "some time this spring," he said. While products will be presented as part of "custom-designed Pioneer store" within site, consumers also will be able to find Pioneer merchandise while doing search among overall product categories. 800.com also will offer consumers direct link to Pioneer Web site.

Sadowski said "we plan to offer the most full-service approach to selling mobile audio" — category that manufacturers have been particularly concerned about being sold online due to complex installation requirements they involve. He said 800.com will offer consumers "custom configurator" at site that will allow them to enter "the make, the model, the year of [their] automobile and be shown only products that fit that particular vehicle. Installation kit will be included with each mobile purchase, he said.

Less than week before Pioneer authorization was revealed, 800.com announced it had received authorization to sell DirecTV satellite receivers and systems online. But Sadowski said 800.com actually already had added RCA-branded DirecTV satellite systems and receivers to its e-commerce Web site several weeks before official authorization announcement.

800.com is providing limited introductory offer giving new DirecTV customers free professional installation in 48 states by DigiVision Satellite Services. Web site also lists various DirecTV programming options from which consumer can pick.

Explaining why company chose to authorize 800.com, DirecTV E-Commerce Dir. Mark Rubin said: "This relation-

ship further expands our distribution channel, enabling DirecTV customers to buy from an e-retailer that specializes in consumer electronics. 800.com has established a reputation for superior customer service and we are confident that consumers who purchase a DirecTV system at the site will make an informed buying decision."

Pricing of RCA satellite receivers and systems at 800.com was \$50 higher than same models on RCA.com last week, but 800.com's free installation offer saves customer equivalent of \$199.99 — fee that DigiVision usually charges. 800.com last week was selling RCA's DRD515RB and DRD222RD satellite receivers for \$349.95 and \$149.95, respectively, as well as DS2122RD, DS2232RD and DS5451RB satellite systems for \$149.95, \$299.95, \$399.95.

Saying he was "not surprised that there is a disparity in the pricing" among different Web sites, Sadowski pointed out that "DirecTV and the direct satellite business, in general, is highly involved with installation and services purchased by the consumer, and that affects the retail price." Although he said he didn't know whether 800.com would change its DirecTV pricing after free installation offer is finished, he said "we'll continue to review competitive pricing."

DirecTV is first satellite system that 800.com has carried to date and site — at this point, anyway — isn't selling DISH product from EchoStar, which recently filed suit alleging DirecTV had made cash payments to retailers to bar DISH products from stores (TVD Feb 7 p10). Although Sadowski said he "would not comment on conditions" that were or weren't placed on 800.com before it received DirecTV authorization, he said "we will not rule out carrying any competing product" in future.

CD-ROM replicator Metatec has been authorized as licensed reseller of Macrovision's SafeDisc optical media copy protection technology. Macrovision said Metatec's clients now can obtain SafeDisc protection directly from replicator without need for separate contract with Macrovision. SafeDisc uses encryption technique to scramble data on CD-ROM and embeds digital signature in data that authenticate disc for playback.

Low-cost blank video disc that uses resin base instead of aluminum has been developed by Sony and Nippon Zeon. They said resin disc can hold 5 GB data, similar to aluminum disc, but costs 30%-40% less. Although disc will be targeted for PCs at start, Sony also plans to use it as home server medium for recording digital video. It will develop drive for resin disc with U.S. hard-drive maker Castlewood Systems.

Lightweight DVD portable from Panasonic with 7" widescreen LCD will go on sale March 10 in Japan. Company said new DVD-LV75 (\$1,055) weighs just 22 oz. Companion piece DVD-PV55 (\$530) without LCD weighs 11 oz. Battery pack (\$229) adds 16 oz. to each player and gives 4 hours' play for DVD-LV75, 7 hours for non-LCD model.

Vacuum-tube audio buffs will have additional source of comparative shopping information with this year's 3rd issue of bimonthly magazine *Glass Audio*. Publisher, Audio Amateur, said magazine will begin running reviews of finished vacuum-tube audio equipment with that issue. Magazine also appointed Ken Nelson, *ex-Stereophile*, as new ad rep.

Consumer Electronics Personals

Daniel O'Brien, ex-Primestar and Time Warner, appointed CEO, High Speed Access... **Steven Gavenas**, ex-WorldSpace Communications, joins XM Satellite as senior vp-new business development... **Michael Kavanagh** promoted to Cobra Electronics managing dir.-Europe... **Herbert Waltl**, ex-Hyperium, named gen. mgr., Future Disc Systems' DVD Digital Services... **Charles Van Orden**, ex-Honeywell, joins SanDisk as vp-gen. counsel... **Richard Coleman** and **Michael Zagar**, Rainbow Rentals store mgrs., promoted to Mich. and eastern Pa. regional supervisors, respectively... **James Litwak** resigns as Trans World Entertainment exec. mdsg. & mktg. vp... OfficeMax promotions: **Mark Race**, senior vp-store planning & real estate, to exec. vp; and 3 to senior vps: **Laurie Brlas**, vp-controller; **Arthur Kainz**, real estate vp, **John Pollock**, mdsg. vp; **Robert Pfefferl**, commercial sales vp, to div. vp; **Michael Tilton**, tax vp, to vp-treas... **Brett Beveridge**, Let's Talk Cellular & Wireless co-founder and exec. vp & chief mktg. officer for chain's online venture, named pres.-CEO, succeeding **David Eisenberg**, who remains chmn.; **Steven Gallers**, corp. controller, promoted to CFO, replacing **Alan Feller**... **Emily Susskind**, Sony senior vp-interactive services, promoted to pres., Broadband Services Co., newly created company that will manage Sony's cable and broadband-related businesses... **Hilary Goodall**, ex-Cox Interactive Media, named Geocast Network programming vp... **Martha Ritchason**, Boca Research human resources vp, promoted senior gen. administration vp... **Stephen Meyer**, **Matthew Freivald** and **Alan Noble**, all ex-NetMind, join Puma Technology, which bought company, as pres.-COO, exec. strategy vp and engineering vp, respectively; **Gary Rieschel**, Softbank exec. managing dir., elected to board.

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Sound Source Interactive (SSI) reported steep drop in revenue and widening net loss for 2nd quarter ended Dec. 31. It said revenue plunged to \$353,454 from \$1.7 million year earlier while net loss expanded to \$1.2 million (21¢ per share) from \$758,103 (13¢). Company blamed variety of factors for results, including sales returns of unsuccessful titles released earlier in year, disappointing sales of recent titles, internal restructuring of exclusive N. American distributor MDP, shifting of company's focus from CD-ROM games to console-based titles. SSI intends to market only limited number of PC titles in future, it said. Chmn.-interim CEO Vincent Bitetti said: "Cleaning the retail channel of slow-moving goods is just one step in a process that we will continue as necessary in order to implement and facilitate our entry into the console marketplace and planned company turnaround." As it makes change, it said "TDK Recording Media Europe has provided the company with significant capital to produce products for this transition." At same time, SSI says it's seeking investment capital in form of equity sale of securities, merger or sale of company and its assets.

BMG and Universal Music Group joint online venture GetMusic signed deal with Riffage.com for cross-promotions of their recording artists at their respective Web sites. Arrangement gives visitors to Riffage.com site that specializes in up-and-coming talent direct access to content and music by more established artists who are part of BMG and Universal's catalogs. In return, GetMusic will showcase Riffage.com artists and offer streaming music play lists on Web pages of musicians who inspired them.

Sensory Science, seeking to spur sales of Loewe-branded TVs, has cut prices \$400-\$900 on conventional 32-36" digital sets, company confirmed. Biggest hit was in 32" where Arcada with high-gloss finish dropped to \$2,800 from \$3,900 and black matte Calida to \$2,600 from \$3,500. In 36", Planus model was cut \$500 to \$4,500. All sets are HD-ready and have digital comb filter, PIP, component video input. SS Senior Sales & Mktg. Vp Ralph Palaia said price moves were made to meet competition and "the timing is right to catch the wave" of digital TV sales. "They took some serious markdowns to get to a more competitive price," retailer said. At same time, **Good Guys (GG)** agreed to carry Loewe line, giving SS its largest retail account for product to date. Sets are expected to be chainwide by March and GG is likely to carry sampling of product on sales floor, with additional models in warehouse. GG operates 79 stores. SS introduced line in 1998 as part joint venture with German TV maker Loewe.

Take-Two Interactive (TTI) last week posted increased profit and sales for 2nd quarter ended Jan. 31. N.Y.-based interactive game publisher said sales jumped to \$122.9 million in quarter from \$68.3 million year ago and income rose to \$4.8 million from \$2.9 million. Company said growth came largely from increases in its domestic and international publishing businesses. CEO Ryan Brant said: "The company is focusing its expansion efforts on the Internet by continuing to evaluate and make strategic investments in online entertainment and e-commerce providers, and building on the Internet brand identity of Rockstar Games and the multiplayer capabilities of its interactive gaming content with particular focus on broadband connectivity of next-generation video game systems." Earlier this month, TTI said its Rockstar division would ship 4 Nintendo Game Boy Color titles and one Sega Dreamcast game based on Austin Powers films this year.

Kyushu Matsushita Electric made "strategic" investment in ShareWave last week, terms not disclosed. Financial stake is in addition to licensing agreement for home networking technology companies signed earlier. Matsushita's investment is latest move as home networking inches closer to consumer market. ShareWave began with compression technology that it licensed to equity investor Philips for RF transceiver that connected PC to TV (TVD Nov 23/98 p11). Philips Ambi (\$399) product never reached market and was hurt by falling PC prices that drove retail below \$500. Philips remains ShareWave investor. Matsushita also had developed Microcast RF product that has yet to reach retail despite being shown as prototype 4 years ago. As home networking products failed to hit retail, ShareWave changed focus to selling ICs and network protocols, spokesman said. Both Philips and Matsushita will be using common ShareWave technology, difference will be in product design, ShareWave spokesman said. Its technology is likely to appear in broadband services including cable modems and set-top boxes, it said.

Electronic Entertainment Expo (E3) exhibitors will fill 548,000 sq. ft. of space at L.A. Convention Center in May — most ever for event, Interactive Digital Software Assn. (IDSA) said last week. IDSA, which runs event, also said exhibit space sold out in record time this year. E3 is being held May 11-13.

Correction: Price of Thomson 34" widescreen DTV is \$3,499 not \$3,000 as reported (TVD Feb 21 p14).

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Aaron Rents			
1999-year to Dec. 31	437,359,000	25,602,000	1.28
1998-year to Dec. 31	379,659,000	21,484,000	1.06
1999-qtr. to Dec. 31	116,312,000	6,240,000	.31
1998-qtr. to Dec. 31	97,136,000	5,738,000	.28
Clear Channel Communications			
1999-year to Dec. 31	2,678,160,000	72,470,000	.23 ^a
1998-year to Dec. 31	1,350,940,000	54,031,000	.23
1999-qtr. to Dec. 31	887,525,000	(22,817,000)	— ^a
1998-qtr. to Dec. 31	441,385,000	9,041,000	.04
Cobra Electronics			
1999-year to Dec. 31	118,693,000	3,983,000	.66
1998-year to Dec. 31	103,414,000	14,200,000	2.30 ^b
1999-qtr. to Dec. 31	38,260,000	2,228,000	.37
1998-qtr. to Dec. 31	33,579,000	12,020,000	1.98 ^b
Egghead.com			
1999-year to Dec. 31	514,804,000	(154,929,000)	— ^c
1998-year to Dec. 31	356,472,000	(49,089,000)	— ^c
1999-qtr. to Dec. 31	146,138,000	(90,364,000)	— ^c
1998-qtr. to Dec. 31	100,925,000	(12,012,000)	— ^c
Gaylord Entertainment			
1999-year to Dec. 31	510,788,000	349,792,000	10.63 ^a
1998-year to Dec. 31	524,475,000	31,194,000	.95 ^c
1999-qtr. to Dec. 31	133,576,000	268,616,000	8.12 ^a
1998-qtr. to Dec. 31	154,587,000	14,690,000	.45 ^c
Granite Broadcasting			
1999-year to Dec. 31	149,847,000	47,128,000	1.43 ^a
1998-year to Dec. 31	161,104,000	42,405,000	1.63 ^a
1999-qtr. to Dec. 31	39,468,000	153,000	— ^b
1998-qtr. to Dec. 31	44,728,000	3,516,000	— ^b
Handiman Co.			
2000-9 mo. to Jan. 31	858,458,000	28,820,000	.97
1999-9 mo. to Jan. 31	801,557,000	(47,325,000)	— ^c
2000-qtr. to Jan. 31	343,246,000	14,660,000	.50
1999-qtr. to Jan. 31	290,115,000	5,628,000	.18 ^a
Movie Gallery			
2000-year to Jan. 2	276,945,000	5,017,000	.38 ^a
1999-year to Jan. 2	267,633,000	(23,076,000)	— ^c
2000-13 wk. to Jan. 2	74,073,000	1,811,000	.14
1999-13 wk. to Jan. 2	69,083,000	3,643,000	.27
Nam Tai Electronics			
1999-year to Dec. 31	145,054,000	11,798,000	1.26 ^b
1998-year to Dec. 31	101,649,000	3,529,000	.34 ^a
1999-qtr. to Dec. 31	38,283,000	1,025,000	.11 ^c
1998-qtr. to Dec. 31	20,853,000	(7,703,000)	— ^c
Puma Technology			
2000-6 mo. to Jan. 31	13,308,000	(3,092,000)	— ^c
1999-6 mo. to Jan. 31	9,154,000	(3,469,000)	— ^c
2000-qtr. to Jan. 31	7,030,000	(306,000)	— ^c
1999-qtr. to Jan. 31	4,742,000	(1,863,000)	— ^c
QSound Labs (in Canadian dollars)			
1999-year to Dec. 31	3,625,623	(2,302,815)	— ^c
1998-year to Dec. 31	2,125,372	(1,237,409)	— ^b
1999-qtr. to Dec. 31	1,198,896	(102,948)	— ^b
1998-qtr. to Dec. 31	620,130	(385,218)	— ^c
Saga Communications			
1999-year to Dec. 31	90,020,000	8,552,000	.52
1998-year to Dec. 31	75,871,000	6,351,000	.40 ^c
1999-qtr. to Dec. 31	24,412,000	2,659,000	.16
1998-qtr. to Dec. 31	20,151,000	1,689,000	.11 ^c
Sound Source Interactive			
1999-qtr. to Dec. 31	353,454	(1,212,789)	— ^c
1998-qtr. to Dec. 31	1,692,483	(760,503)	— ^c
Take Two Interactive			
2000-qtr. to Jan. 31	122,889,726	4,786,658	.20
1999-qtr. to Jan. 31	68,280,653	2,894,836	.15
Tandy			
1999-year to Dec. 31	4,126,200,000	297,900,000	1.51 ^a
1998-year to Dec. 31	4,787,900,000	61,300,000	.28 ^d
1999-qtr. to Dec. 31	1,389,000,000	120,600,000	.61 ^c
1998-qtr. to Dec. 31	1,208,200,000	48,400,000	.24 ^d
THQ			
1999-year to Dec. 31	306,424,000	32,941,000	1.63
1998-year to Dec. 31	216,111,000	14,618,000	.79
1999-qtr. to Dec. 31	131,697,000	14,875,000	.72
1998-qtr. to Dec. 31	111,508,000	10,869,000	.57

Company & Period	Revenues	Net Earnings	Per Share
Trans World Entertainment			
2000-year to Jan. 29	1,358,100,000	61,400,000	1.17 ^c
1999-year to Jan. 30	1,282,400,000	61,000,000	1.19
2000-13 wk. to Jan. 29	517,900,000	60,600,000	1.15
1999-13 wk. to Jan. 30	497,700,000	51,500,000	.99

Notes: ^aIncludes special items. ^bIncludes special credit. ^cAfter special charge. ^dAdjusted; after special charge.

Behind continued success of its *Rugrats* and WWF wrestling titles as well as strong *Toy Story 2* game sales, THQ's income and revenues increased in 4th quarter ended Dec. 31. Interactive game publisher said it earned \$14.9 million in quarter, up from \$10.9 million year earlier, on \$131.7 million revenue, up from \$111.5 million. For year, company income more than doubled to \$32.9 million income from \$14.6 million and sales rose to \$306.4 million from \$216.1 million. Among new titles to ship this year are *Aidyn Chronicles* and *Summoner*. New franchises for company this year are *Evil Dead*, *Power Rangers*, *Scooby-Doo*.

Upgraded "Marquee" plan was introduced by netflix.com under which members can rent unlimited number of DVDs for \$19.95 per month without shipping charges, due dates or late fees. Program kicks off with one-month trial offer that's free except for one-time \$4.95 shipping charge. Maximum of 4 titles can be checked out at any given time. Previous Marquee plan at \$15.95 waived shipping charges, due dates and late fees for up to 4 rentals per month. Netflix.com said existing Marquee members will receive free upgrades.

I-Jam Multimedia and Interactive Objects (Iobjects) are collaborating on line of digital audio players utilizing latter's Portable Stereo Reference Design. First of I-Jam's next-generation devices created through partnership will ship next quarter. Companies said Iobjects platform supports Microsoft's Windows Media Audio format, will allow for USB connection, enable devices to be SDMI-compliant. Multimedia cards will be used for portable memory. Iobjects, based in Bellevue, Wash., was founded in 1995 by former Microsoft employees.

Lower DVD prices will appear in U.K. market next month with release of 30 catalog titles priced at \$15.99 each under distributor VCI's Cinema Club label. Titles range from international hits such as *Fried Green Tomatoes* and *The Fabulous Baker Boys* to British cinema classics such as *The Lady Vanishes* and *The Battle of the River Plate*. Top-selling DVDs cost \$31.79 on average in U.K. compared with \$24.39 in U.S., and even back catalog titles are comparatively more expensive.

Square signed deal with long distance and international NTT Communications to deliver music, videogames and other content online starting at end of year, Japan press reports said. With service, users will be able to play real-time games against one another from home consoles or video arcades. But special software will need to be bought and installed into consoles or PCs. Interactive game developer Square also is one of investors in Sony's new PlayStation.com division.

DVD production capacity by replicator MPO/America will expand to 40 million discs worldwide this year, it said. Production lines in Ireland, Spain and Thailand have been added to already expanded plants in Cal. and France, boosting capacity 200% over 1999 when they ran at full capacity, replicator said.