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FCC OWNERSHIP RULES PLEASE SOME, NOT OTHERS: NBC and Fox are continuing to oppose FCC's latest ownership decisions, but other broadcasters kept relatively mum. Broadcasters should be allowed to own 2 TV networks, FCC said in biennial review report released last week, but Commission tentatively decided to retain radio ownership limits and newspaper-broadcast cross-ownership rule. New rules would "balance the public interest in diversity of ownership with the demands of a changing marketplace," FCC Chmn. Kennard said. Comr. Tristani opposed network change. Commission will seek comments on proposals in separate rulemaking. FCC also voted to retain local radio ownership limits, 35% national TV ownership cap, cable-TV cross-ownership rules.

Fox immediately said it would challenge national ownership cap in federal court. Fox TV CEO Chase Carey called FCC decision "arbitrary and capricious" in that TV ownership cap "long ago outlived its rationale and is now harming rather than promoting its original public interest objectives of diversity, localism and competition." He said Cox can own 2 TV stations in San Francisco because "the FCC correctly recognized that changes in the competitive landscape [from cable and DBS] required relaxation" of local ownership rule, but Fox "cannot buy even a first station in San Francisco" because of ownership cap. Carey also said AT&T will reach nearly 40% of U.S. homes because FCC has chosen to focus on number of homes "actually being served" while ownership cap for broadcasters still is based on potential reach rather than viewership, which he said among 4 major networks is only 14% of homes, combined, throughout day.

Reflecting smaller network audience and fragmented viewing habits, FCC should base its national ownership cap on actual audience, rather than potential audience reach, NBC is arguing in wake of FCC decision to keep cap. Change probably would allow station group owners to at least double number of stations they could hold, officials acknowledged. Potential audience reach of owned stations is "a ludicrous yardstick," NBC Exec. Vp-Gen. Counsel Rick Cotton said.

Consumer Electronics

THOMSON READIES \$400 PVR with Microsoft for DirecTV and WebTV caching on 30 GB disc. (P. 10)

SONY DVD-RW DECK BEING STUDIED for debut at CES, Sony Electronics chief Nishida says. He says DVD-RW offers 'friendliest' compatibility route to DVD-Video. (P. 11)

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CULBERG CITES CHANGING INDUSTRY for home video veteran's leap to tech startup VM Labs. (P. 12)

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B&O EXPANDS COMPANY-OWNED stores as it readies return to video market with 30W digital TV. (P. 14)

"There may once have been a world when potential reach made sense, but it's certainly not true now." Although he wouldn't give exact figures, he said NBC-owned stations actually reach "far less than" 10% of total national audience (one source put figure at about 6%). Cotton said that even if NBC were able to double potential reach of its stations, actual reach still would be "around 10%."

Cable MSOs, in contrast, can own systems reaching 30% of national audience, Cotton said, so it's not fair to limit broadcast group owners to less than 10%. He said NBC recently has been promoting definition change at FCC and on Capitol Hill: "We are trying to take a megaphone to this very focused issue... Times change and there are multiple voices, so there is no need for this kind of regulation."

Other broadcast networks were less vocal about national ownership caps than Fox and NBC, both of which left NAB over its continued support of caps. ABC officials weren't commenting on FCC ownership decisions, and CBS spokesman said that network was "generally pleased," particularly with ruling that apparently would allow CBS to continue owning UPN. Spokesman said FCC "is well aware" of CBS opposition to ownership cap, but "we expect the 35% cap to remain in place at least for now."

NAB, at behest of its board, remains "pleased" that FCC plans to retain national ownership cap, spokesman said. He said, however, that it disagrees with decision to change broadcast-newspaper cross-ownership rules only in largest markets, calling them "a relic of a bygone era" since consumers have "a multitude of media options available" such as Internet, cable, DBS: "It's no longer a 3-network world, and the rules ought to reflect that." When asked why ownership cap isn't "relic," spokesman merely referred to early statement on cap. NAB also is disappointed that FCC is considering changing radio market definition, spokesman said.

In its decision, FCC said major broadcast network, such as CBS, would be allowed to own "emerging" network, such as UPN. FCC said ability to own multiple networks could help put broadcasters on more even footing with owners of cable networks and DBS and wouldn't unduly harm diversity of ownership. However, Commission said merger of any 2 of 4 major networks would raise "significant competition and diversity concerns."

Tristani said in dissent that "even merger of major and emerging network would further erode the already tenuous level of diversity available on the public airwaves." She said Congress acted on dual network rule only 4 years ago, after creation of emerging networks, and didn't allow dual network ownership: "Even assuming that UPN and WB are still 'nascent' networks, they were far more nascent in 1996, when Congress specifically decided that they should fall within the dual network rule's application."

Media market hasn't changed enough to justify full overhaul of newspaper-broadcast cross-ownership rule, FCC said, but it said there may be situations where cross-ownership is in public interest. For example, it said market may be so large and diverse that sufficient diversity would remain despite cross-ownership. It acknowledged that cross-ownership could create efficiencies that would benefit public and said it would examine details later. Comr. Ness said rule actually could undermine diversity of views since broadcaster might not be able to afford news department without cross-ownership.

FCC will conduct rulemaking on local radio market definition, it said. It also decided: (1) to consider eliminating prohibition on owning multiple experimental broadcast stations. (2) to observe consolidation trend more before eliminating 35% ownership cap. (3) to reconsider UHF discount for ownership limits later in DTV transition. (4) that cable-broadcast cross-ownership ban promotes diversity.

NBC is pleased that FCC is moving toward lighter regulation in other areas, such as newspaper-broadcast cross-ownership, Cotton told us: "Any moves to bring broadcast regulation into the 21st century are good, but the FCC is being extremely erratic and haphazard in doing it." Newspaper-broadcast cross-ownership change is particularly good news for Tribune Co., which could have faced selling properties in N.Y.C., L.A. and Hartford, as well as Ft. Lauderdale.

AT&T-MEDIAONE DEAL NEARS FCC APPROVAL: AT&T's proposed \$58 billion purchase of MediaOne Group finally appears on verge of gaining FCC approval, almost one month after Commission Chmn. Kennard said he expected resolution within "a matter of days." Following weeks of debate on 8th floor, 5 commissioners have agreed to okay merger as long as AT&T sheds enough cable properties to come under Commission's 30% ownership limit. Commissioners still were debating exact wording of final order but one well-placed source said Kennard and Comrs. Ness and Powell were ready to start voting at our deadline. "It's on the front burner and we're actively working on it," Kennard told Reuters June 2. FCC Cable Bureau spokeswoman declined comment.

Sources and press reports said FCC would give AT&T choice of 3 options to squeeze under 30% cap: (1) Sell its interest in Liberty Media Group. (2) Sell MediaOne's 25.5% stake in Time Warner Entertainment. (3) Sell enough individual cable systems to bring down its audience share. Despite AT&T's strenuous arguments against inclusion of Time Warner Entertainment's holdings, FCC has concluded that AT&T-MediaOne combination would control 40% of nation's cable and satellite households if merger were approved with no conditions. Even with any of those divestitures, AT&T still could easily reclaim title of nation's largest MSO from Time Warner.

In minor victory for AT&T, FCC seemed likely to grant MSO one year to sell off any properties, rather than 6 months that Commission traditionally grants and that consumer groups have been pressing for. But AT&T wouldn't get full 18 months it had been seeking in special waiver request. Moreover, AT&T would have to tell Commission which way it planned to proceed within 6 months.

AT&T declined comment on proceedings, spokesman saying only that: "We're looking forward to getting approval soon." FCC action would follow May 25 consent decree with Justice Dept. giving antitrust clearance to MediaOne acquisition with less stringent conditions, including sale of MediaOne's stake in Road Runner and prior govt. approval of broadband deals between AT&T and proposed America Online-Time Warner union (TVD May 29 p2).

One cable analyst predicted that, in light of DoJ's consent decree and AT&T's fight against 30% ownership cap, AT&T would contest FCC's stronger conditions in courts. "I don't see why they wouldn't," said Broadband Intelligence Pres. Cynthia Brumfield. "Clearly, AT&T is not going to take it lying down." AT&T spokeswoman declined comment.

In novel request to FCC Chmn. Kennard, Media Access Project Pres. Andrew Schwartzman is seeking list of all Commission members and staffers who attended NCTA convention in New Orleans last month. Citing strict FCC notification rules on ex parte presentations, Schwartzman said list should be disclosed immediately because cable convention occurred at "the penultimate moment of the Commission's review" of pending AT&T-MediaOne merger. He said scores of AT&T and MediaOne executives attended show, as well as at least dozen FCC staffers and members, but agency has filed no notices of meetings between FCC personnel and 2 cable companies. "Given the importance of this matter, and the extensive press attention which has been focused upon the Commission's deliberations, it defies credulity that not one new presentation addressing the merits of that pending transaction took place during the NCTA meeting," Schwartzman wrote May 17. "The absence of filings is especially troublesome in light of the fact that the Commission has insisted on strict enforcement of the... notification requirement."

Nielsen will evaluate Arbitron's Portable People Meter (PPM) technology as part of new agreement between companies. Deal calls for Nielsen to provide financial support and TV survey research expertise to Arbitron for latter's planned Philadelphia field trial of PPM, to begin in 4th quarter. Nielsen also has option after tests to join Arbitron in future deployment of PPM in U.S. "We are committed to exploring all avenues to improve the measurement of audience, and we see promise in the Arbitron Portable People Meter," Nielsen CEO John Dimling said. He said deal allows Nielsen to fully evaluate technology. Arbitron Pres. Steve Morris said Nielsen participation provides resources for quality testing and deployment of PPM. Arbitron plans to install 300 PPMs in Philadelphia market in 4th quarter, expand that in late 2001. PPM is pager-sized device worn by consumers throughout day that automatically detects and records inaudible codes embedded in TV signal to determine what program is on in room. Technology was tested in England beginning in 1998.

Nippon TV and Wowow of Japan agreed to joint venture to start DBS service that will compete with SkyPerfecTV in 2nd quarter 2001. Space Communications Corp. is expected to be investment partner.

Sen. Dorgan (D-N.D.) in letter to FCC Chmn. Kennard said cost for N.D. Prairie Public Bcstg. to convert 7 stations to digital TV by 2003 deadline is "simply beyond" group's ability. Prairie won't be able to comply with FCC and congressional mandates unless it gets "significant external assistance," he said. Dorgan said: "I believe that the Commission should recognize the fiscal challenges facing rural stations and that those rules give the Commission discretion to approve unique DTV conversion plans by public TV broadcasters." Prairie has come up with plan to work with commercial TV broadcaster Reiten TV. In public/private partnership, Dorgan said, they would provide digital TV service to 16 counties surrounding Bismarck in cost-effective way. Prairie and Reiten would share one digital TV station for duration of DTV transition, with Prairie using 51% of digital capacity and Reiten using rest for commercial programming. He said Reiten, in exchange, would provide funds to match Public Telecom Facilities Program grant given to Prairie. Funds would be used only for construction of DTV station in Bismarck. Public/private partnership would be doomed, Dorgan said, if FCC rulemaking on whether ban against advertising in Sec. 399B of Communications Act continues to apply to all broadcast programming streams provided by public DTV stations. If ban applies, Reiten would be unable to air advertiser-supported commercial TV programming on Prairie's Bismarck public DTV station, he said. Dorgan urged FCC to consider ways to allow for such public/private partnerships.

Cable operator in 2 rural Colo. communities — Ouray and Ridgway — is planning to switch entire customer base to satellite service because of "the economics of running cable systems in small rural communities and the one-sided franchise process." Ken Schumann, owner of Ouray Cablevision, said he plans to end cable operations by end of June, when all subscribers would be converted to DBS. Eighteen-year cable operator said about 1,000 cable subscribers will be given free satellite system, with Dish Networks service at \$22.98 per month for 44 channels compared with cable's \$29.95 for 22 channels. He said company renewed cable franchise 2 years ago, but "there's nothing in it that bars us from pulling out." Ouray city official wasn't optimistic other cable operators would agree to provide service.

CBS AFFILIATES WOODED: While proclaiming recently combined Viacom-CBS as “the biggest and greatest media company in the world,” CBS TV Pres. Leslie Moonves reassured affiliates in Las Vegas last week that “we understand that the strength of our network relies on you... Our first and foremost business is over-the-air broadcasting.” Referring to recent truncated affiliate conventions of ABC and NBC in N.Y., Moonves said: “We did not put our affiliates in the back of the theater as an adjunct to upfront presentations. You’re too important to us... Without a doubt, the future — our future — looks great.”

At closed meeting without CBS executives, some affiliates expressed concern that network has no plan for digital era — and Moonves addressed issue but had no details to present. Noting that several weeks ago he had asked stations to talk with CBS before “you commit your [digital] spectrum to one of the aggressive new media wholesalers,” he said network seeks to form long-term digital partnerships with affiliates and “any other business modules we can work out within our CBS family.”

At least 3 new co-ops have been formed by stations groups — without network participation — seeking outside partners for use of same digital spectrum that CBS wants to share but with no specific plans. But, said Moonves, “we’re well along in the process of change... We have been and will continue to be talking about and exploring” many opportunities.

COO Mel Karmazin urged affiliates not to sign away their rights to nonbroadcast spectrum in digital era, saying “we think we know what we’re doing,” and he disagreed with earlier statement by Exec. Vp Martin Franks that CBS may have been late getting started on plans for digital era. Franks had acknowledged CBS might be slow on digital data, but Karmazin said it’s in discussions with Microsoft, Intel and other companies at CEO level on future use of spectrum and told affiliates: “We want you to stay alongside of us.”

Franks conceded CBS doesn’t “yet know what our digital spectrum business will be. There are many possibilities, but we have a ways to go before we land on one or more. [But] we will be in this business whatever it turns out to be.” Network and affiliates “are natural partners for this endeavor,” he said. On other data co-ops, Franks said: “I am not here to belittle the spectrum plans of others, although I confess we are having trouble making sense out of some of those business and technical strategies. However, I am here to ask you to be careful that you preserve your option to participate in our joint spectrum strategy — whatever it is.” He also told affiliates CBS isn’t trying to control their digital spectrum, as other networks allegedly are trying to do.

Affiliates have formed New Media Committee, co-chaired by Jack Dempsey, WJHL-TV Johnson City, Tenn., and Sandra Yost, WTKR Norfolk, which plans at least monthly meetings with Franks and Russ Pillar, pres. of CBS Internet Group who moved over from Prodigy 3 months ago, and other CBS officials.

During CBS News presentation, Presidential candidates made unannounced live appearances via satellite — Democrat Al Gore from Atlanta, Republican George Bush from Lake Placid, N.Y. In answer to query by William Moll, gen. mgr. of WKRC Cincinnati, Gore said content and localism give broadcasting “a core advantage that is likely to see you through in the

long haul.” Thus, he said, “I think your future is very bright” and “your content is the key.”

For first time in many years, there was no presentation on Washington scene for CBS affiliates. When asked, Karmazin refused to comment on FCC’s statement last week that it didn’t plan to relax 35% station ownership cap — move that will require Viacom-CBS to sell several stations since together they reach more than 40% of U.S. TV households. On agency’s plan to reevaluate dual network ownership prohibition, he told us Commission “has laid the groundwork” to let Viacom-CBS retain ownership of UPN TV Network.

Karmazin didn’t go into details about benefits to affiliates of Viacom’s ownership of CBS and subject of concern to stations wasn’t mentioned from podium — where Viacom’s fledgling UPN TV Network would fit into future of combined CBS-Viacom since FCC has indicated that it won’t require UPN to be spun off under dual network restriction. There had been speculation that during convention that Moonves also would be put in charge of UPN — but that didn’t happen and there was no indication from any CBS presentations that another network is now under same umbrella.

CBS News Pres. Andrew Heyward and Karmazin made pitches for affiliates’ support of network’s attempts to turn around morning news show. Co-hosts “Bryant [Gumble] and Jane [Clayson] and the rest of the team are going to make us very competitive” in early morning, Karmazin said. Despite its poor ratings, he said network doesn’t have difficulty selling early news show to advertisers. Going into this convention, many affiliates were openly restive about show’s poor performance and threatening to preempt it. But Affiliates’ Chmn. Paul Karpowicz of LIN TV told us: “We’re [affiliates] patient. We’re going to wait and see” if CBS can turn things around.

Lockheed Martin Space Systems, TRW and Hughes Space & Communications won joint \$2.5 billion bid to build next generation of highly secure communications satellites under Defense Dept. Advanced Extremely High Frequency (AEHF) contract. Under agreement, Lockheed Martin will serve as overall system integrator and prime contractor and will issue subcontracts to Hughes and TRW. “What this does is it leverages the strengths of each company into one,” Lockheed Martin spokesman said. “We’ll be able to get this advanced highly secure satellite system in place 18 months sooner than if we had stayed with the original plan to compete for the contract.” Division of contract will be decided later, Lockheed spokesman said. However, he said, “we’re looking, approximately, at equal shares.” Production is scheduled to begin in April 2001, with first of 5 satellites to be launched late in 2004. AEHF constellation will consist of 4 cross-linked satellites that will provide coverage of Earth from 65° N latitude to 65° S. Fifth satellite could be used as spare or launched to provide additional capability to constellation, Lockheed said.

NCTA and Time Warner defended 5C copy protection technology developed by software companies and DFAST technology developed by CableLabs as most effective ways to block unauthorized copying. They called for FCC to endorse 2 technologies promptly to accelerate rollout of digital TV. “Without such barriers to unauthorized copying, the transition to digital television will not likely become a reality,” Time Warner said.

KENNARD WON'T SUSPEND LOW POWER FM (LPFM): FCC Chmn. Kennard has no intention of suspending LPFM implementation despite request by several members of Congress following veto-proof passage of restrictive legislation (HR-3439) in House. Meanwhile, 11 senators sent letter backing bill (S-2518) by Commerce Committee Chmn. McCain (R-Ariz.) that would allow LPFM to move forward, and CPB said it would consider grants for LPFM stations.

Kennard wrote May 26 to HR-3439's sponsor, House Telecom Subcommittee Vice Chmn. Oxley (R-O.), and other members that "I respectfully submit that it would be inappropriate to suspend the implementation of LPFM service at this time" given pending action in Senate and long rollout schedule for service. Kennard gave Oxley similar message in private meeting May 16.

Kennard wrote in response to May 2 letter requesting suspension from Oxley, as well as from Reps. Green (R-Wis.), Pallone (D-N.J.), Stearns (R-Fla.). He said FCC is rolling out service "in 5 stages over a 12-month period," giving Commission "an opportunity to monitor these stations and to ensure that this new service is implemented without any adverse impact on existing radio service." He said FCC would address interference in its reconsideration of Jan. order on LPFM, which he said should be issued "this summer, well in advance of the licensing of any LPFM stations."

Oxley spokeswoman responded that letter showed "a distinct lack of regard for the legislation passed by the House, and legislation co-sponsored by one-third of the Senate [S-2068 by Sen. Gregg (R-N.H.)]." She said reconsideration is in response to NPR's petition, which while dealing with important issues such as reading services for blind and unique interference factors in noncommercial band, doesn't address "the broad commercial landscape" affected by LPFM.

Senate "has only begun to consider" LPFM, Kennard said. While dismissing HR-3439 and Gregg's S-2068 that would prohibit LPFM "as contemplated in the FCC's rules," Kennard drew attention to McCain's S-2518, which wasn't introduced until May 8. Kennard said S-2518 "would allow noninterfering LPFM stations to operate fully without further delay."

Under McCain's bill there would be no restrictions to licensing before fact. However, existing stations could file suit in any U.S. Dist. Court if they suspected interference, with National Academy of Sciences (not FCC engineers) conducting tests. Cost of tests would be borne by losing party, and burden of proof would be on low-power operator.

LPFM supporters said they were encouraged by Dear Colleague letter sent by office of Sen. Kerrey (D-Neb.) May 25. Letter, signed by 11 senators including McCain, opposes Gregg's S-2068 "or any other efforts to limit the [FCC's] decision to open up the airwaves... through the Low-Power FM initiative."

Commission "used its technical expertise carefully," letter said, and LPFM "will not significantly harm the integrity of full-power FM radio service." Low-Power Radio Coalition applauded letter, Exec. Dir. Michael Bracy saying it "sends a very strong message that these key members agree with the vast LPFM constituency." Other signatories included Democrat Sens. Breaux (La.), Durbin (Ill.), Feingold (Wis.), Inouye (Ha-

waii), Kohl (Wis.), Rockefeller (W.Va.), Schumer (N.Y.), Torricelli (N.J.), Wellstone (Minn.).

CPB should provide funding to LPFM stations, Radio Vp Richard Madden said at recent Public Radio Conference in Orlando. However, he said, in order to get CPB money, LPFM stations must meet same qualifications as other public radio stations that receive allocations.

"The principles embodied in the 30-year evolution of station grant eligibility criteria remain grounded in the notion that scarce taxpayer resources must be allocated more in the listener's interest than in a grantee's interest," Madden said. To meet eligibility standards, LPFM stations must be in compliance with audience service criteria, nonfederal financial support, employment requirements, broadcast schedule, shared time and operating time and must operate with power of at least 100 w, he said.

Media Access Project Deputy Dir. Cheryl Leanza said she didn't see many LPFM stations meeting CPB eligibility standards. "I'm pleased that CPB is sticking to one standard for now," she said, but "I hope that in the future CPB would consider grants that are more acceptable to low-power."

FCC is receiving LPFM applications for 100 w until June 5 (today). Bracy said "certainly there'll be dozens of applications."

Proposed merger of America Online and Time Warner sparked fresh dispute between broadcasting and cable industries. In ex parte letter to FCC calling for strict conditions on merger, NAB reissued its calls for digital must-carry mandates and required cable carriage of all parts of over-air broadcast signals, including electronic program guide information. In reacting to cable operators' recent complaints about retransmission consent rules, NAB countered that govt. actually should "strengthen" retransmission rules, including adding provision that would allow all broadcasters in any market to negotiate collectively with regional cable operator. In response, NCTA in letter to FCC Chmn. Kennard objected to issues of "general applicability" being raised in merger review. "These 2 policy questions are by no means specific to Time Warner but apply to all cable operators," wrote Daniel Brenner, NCTA law & regulatory policy senior vp. "Thus, we believe it is unwarranted and unhelpful for parties which represent a wide variety of interests to inject themselves into specific merger proposals with 'drive-by' comments on issues on which they have already fully had an opportunity to comment elsewhere."

Ill. congressman wrote FCC Chmn. Kennard May 30, concerned that agency might preempt local zoning authority on tower sitings to accommodate DTV transition. Rep. Lipinski (D-Ill.) asked for update on pending petition (DA 00-764) involving Denver TV stations seeking to overturn local ruling that prevents them from erecting new 1,200-ft. tower near Lookout Mt. west of city. Lipinski wrote that in making zoning decisions, "state and local governments carefully consider many factors, including the potential long-term health effects of radio emissions and community esthetics and planning." He said he wasn't writing in response to any particular case in his district but rather was "deeply concerned that states and localities nationwide retain control over zoning."

ECHOSTAR MISSES 4 ON DEADLINE: By FCC deadline May 29, EchoStar had signed multiyear retransmission consent agreements with broadcast stations in 28 markets that will allow them to keep offering 121 of 124 local channels to DISH subscribers. Company said it negotiated extensions of prior agreements or worked out new deals with broadcast groups that agreed to contracts. Four channels shut off local signals — WTVF (Ch. 5, CBS) Nashville; WFTC (Ch. 21, Fox) Minneapolis; KTVX (Ch. 4, ABC) Salt Lake City; WWOR-TV ((Ch. 9) UPN) N.Y.C.-Secaucus — prompting EchoStar to file complaint with FCC against station owners Chris-Craft, Landmark, Clear Channel.

EchoStar wants FCC to force Clear Channel to negotiate in “good faith” so inconvenience to customers is minimized. DISH network is giving customers affected by shutoff of local signals free off-air antennas and free local TV service for other stations. Complaint charges stations refused to: (1) Negotiate retransmission consent. (2) Offer more than one “unilateral proposal” and/or consider some other form of consideration other than carriage of affiliated programming. (3) Participate in mediation. (4) Agree to short-term extensions while permanent resolutions are being worked out.

EchoStar CEO Charles Ergen said “network broadcasters have abused the law by their refusal to negotiate in good faith.” He said Chris-Craft and Landmark want EchoStar to carry other company-owned channels in addition to broadcast signals, and broadcasters don’t have right to “refuse customers their popular channels unless consumers pay the costs for seldom watched channels.”

Chris-Craft blamed EchoStar for loss of service, saying it offered “short-term agreement” that was rejected by EchoStar. Chris-Craft apologized for “any inconvenience” and promised to continue negotiations despite what it said were “erroneous allegations” in EchoStar complaint to FCC.

Satellite Bcstg. & Communications Assn. (SBCA) Pres. Charles Hewitt said EchoStar’s problems showed retransmission consent “isn’t working in the marketplace” because of what he charged was “unfair advantage given broadcasters.” He said “inflexibility of must-carry rules” would hurt DBS companies in other markets: “Any way you look at it, consumers lose and broadcasters win.”

New deals will provide EchoStar with local programming in Atlanta, Boston, Charlotte, Chicago, Cleveland, D.C., Detroit, Denver, Houston, Kansas City, Kan., Kansas City, Mo., L.A., Miami-Ft. Lauderdale, Minneapolis-St. Paul, Nashville, N.Y.C., Orlando-Daytona Beach, Philadelphia, Phoenix, Pittsburgh, Portland, Ore., Sacramento-Modesto-Stockton, Salt Lake City, San Francisco-Oakland, Seattle-Tacoma, St. Louis.

Sirius has chosen agency for \$100 million publicity campaigns that will start its satellite radio services next year — Goodby, Silverstein & Partners. Rival XM said it expects to pick between McCann Ericsson and TBWA Chiat/Day for its \$100 million effort within 2 weeks. XM Senior Vp Stephen Cook said, “There will be an ad battle on the airwaves, but that will be a positive thing because it will serve to educate more and more people about” satellite radio. XM also signed agreement with Best Buy and Tweeter Home Entertainment to market and distribute XM radios.

ACCESS HEADED TO COURT?: With one U.S. Appeals Court now weighing open access mandates and another likely to tackle issue, legal scholars and other experts increasingly expect U.S. Supreme Court to decide whether competing ISPs have right to be carried on broadband cable systems. Despite failure of open access advocates to advance favorable legislation on either federal or state levels, observers think issue has legs because of interesting legal questions and 2 dueling opinions by separate U.S. Dist. Courts in recent months. Some also cite 3rd recent opinion by another U.S. Appeals Court striking down federal regulation of pole attachment rates for ISPs. “The Portland [Ore.] open access, Richmond open access and pole attachment [rulings] create very different interpretations of existing laws,” said Legg Mason analyst Scott Cleland.

Experts think issue almost certainly will advance to Supreme Court if 9th U.S. Appeals Court, San Francisco, and 4th U.S. Appeals Court, Richmond, both uphold respective lower court rulings being brought before it. San Francisco circuit is weighing appeal of Portland ruling upholding local authority to impose open access requirements while Richmond circuit is expected to hear appeal of lower Richmond court ruling overturning local open access requirements. “It’s a classic case for the Supreme Court to take when circuits are split,” said N.Y.U. Law School Prof. Yochai Benkler.

Although they stress that court rulings are impossible to predict, some experts also think there’s good chance that San Francisco circuit will uphold Portland ruling while Richmond circuit strikes down Dist. Court decision there. They contended that Portland ruling seemed better reasoned, making it less likely to be overturned. They also said Richmond Dist. Court Judge Richard Williams tends to be overturned on local sovereignty issues while his Portland counterpart doesn’t.

If either Supreme Court or both Appeals Courts should decide in favor of open access, experts expect FCC to reverse its hands-off regulatory stance and plunge in. They doubt Commission would allow local regulatory authorities to impose differing open access requirements on cable operators. “If the Portland decision ends up being the law of the land, I predict you’ll see FCC action very quickly” to preempt local authorities, Benkler said.

House Telecom Subcommittee Vice Chmn. Oxley (R-O.), Senate Antitrust Subcommittee Chmn. DeWine (R-O.) and 10 other Ohio members of Congress wrote FCC Chmn. Kennard urging him to protect spectrum used for state’s public safety radio operations. Members, echoing concern of Gov. Bob Taft (R), expressed their “grave concern” that FCC is about to sign DTV letter of understanding with Canada that could lead to Canadian TV broadcasts’ interfering with state’s Multi-Agency Radio Communications System (MARCS). MARCS, currently under construction at cost of \$272 million, must operate at 700 MHz public safety frequency, members said: “While we appreciate the importance of digital broadcasting and our cooperative relationship with the government of Canada, we believe that public safety must be given the highest priority.” Letter said officials in Me., Mich., N.Y. and Vt. had similar concerns. Other Ohio signatories were Reps. Boehner (R), Gillmor (R), Hobson (R), Kasich (R), LaTourette (R), Portman (R), Pryce (R), Sawyer (D), Strickland (D), Traficant (D).

COPY PROTECTION CLASH AT FCC: Despite recent last-min. deal between CEA and NCTA on digital set labels (TVD May 29 p10), resolution of difficult copy protection technology issue remains elusive. That picture emerges from comments filed by more than 2 dozen broadcasters, movie studios, consumer electronics makers, cable networks, cable operators, software firms, retailers, sports leagues, satellite providers and trade associations in FCC's proposed rulemaking on DTV-cable compatibility.

Led by CEA, consumer electronics makers and retailers generally called for "rational, consumer-friendly" encoding rules that would preserve "reasonable and customary consumer home video recording practices," such as unlimited copying for broadcast and basic cable networks but greater restrictions for premium and pay-per-view programming. Assn. also argued that "the consumer electronics industry should not be forced to bear the burden of policing copy protection safeguards, particularly safeguards that intrude upon consumers' customary practices regarding home video recording."

In separate comments, Circuit City, Motorola, Philips Electronics and Thomson Consumer Electronics seconded that notion. They also said technology licensing agreements shouldn't make older or competitive devices obsolete. They expressed concern that Dynamic Feedback Arrangement Scrambling Technique (DFAST) technology promoted by cable industry would favor digital cable set-top boxes over rival DTV equipment.

MPAA and its allies countered that effective copy protection technology is needed to ensure steady supply of quality digital TV programming. They called for scrambling of even nonpremium services to provide that protection. "Consumers deserve the best that content providers can responsibly give them in terms of programming content and viewing options," MPAA wrote. Group said FCC shouldn't regulate what content owners decide to put at risk, what level of acceptable risk is or what copy protection cost and conditions should be set.

ABC, CBS, NBC, Fox, MGM, Viacom, Turner, HBO and group of major sports leagues came down on same side, calling for protection against unrestricted copying and Internet transmission. They argued that all digital programming, broadcast and nonbroadcast, basic and premium cable, should be encrypted to protect their copyrights. "Content owners must receive the same protection for their programs on broadcast television as they do on pay services," said 4 major broadcast networks in joint filing.

NCTA and Time Warner Cable defended 5C copy protection technology created by software companies and DFAST technology developed by CableLabs as most effective ways to block unauthorized copying. They called on FCC to endorse both technologies promptly to accelerate rollout of digital TV. "Without such barriers to unauthorized copying, the transition to digital television will not likely become a reality," Time Warner said.

Satellite interests said new breed of digital TV devices shouldn't favor cable over DBS and other rival technologies. Concerned that DBS might be left behind because of "the tilt" caused by "a cable-ready standard," Satellite Bcstg & Communications Assn. (SBCA) called for Commission to "not deliberately foster an interface standard that ignores the capabilities of other, noncable technologies such as direct-to-home satellite."

Instead of 2 "Digital TV-Cable Connect" and "Digital TV-Cable Interactive" labels adopted by NCTA and CEA, EchoStar urged FCC to consider "alternative designations which are delivery-system neutral" to describe equipment.

FCC wants to know whether there have been any improvements in TV receivers, or increases in viewer expectations, that would justify changing signal strength standards for purposes of Satellite Home Viewer Improvement Act (SHVIA). In series of related actions, Commission implemented several SHVIA requirements, began inquiry (FCC 00-184) into signal strength standards and set improved model for predicting signal intensity. Changes are intended to make it easier to determine which households can't receive adequate over-air signal and therefore are eligible for satellite delivery. Improved model for predicting signal strength adds effects of vegetation and land cover to earlier version, which considered effects of terrain and buildings. It also would allow other factors affecting signal strength to be incorporated into model later. Inquiry asks what developments should be considered in deciding whether to modify current Grade B standard for determining acceptable TV signal. Among questions: (1) Whether TV receiver noise figures still are valid. (2) Whether viewer expectations of picture quality have changed. (3) Whether FCC should base signal quality standards on use of outdoor antenna, or even rotating outdoor antenna. (4) How much impact multipath (ghosting) has on TV reception. (5) Whether Grade B standard should be replaced entirely. Comments are due June 27, replies July 12.

FCC Mass Media Bureau should be asking whether mergers are in public interest, rather than whether they change competitive landscape, Comr. Tristani said in statement on approval of sale of 3 Bloomington, Ill., radio stations to Citadel from Bloomington Bcst. Holdings. Tristani said sale will give Citadel "staggering" 90.5% of radio ad revenue in Bloomington: "I have serious doubts that this level of concentration of the public airwaves is in the public interest." She said Bureau should have considered other options, such as requiring seller to show it had tried to find other buyers for stations.

Public Radio International (PRI) dropped lawsuit against U. of Southern Cal. and has given consent to sale of Marketplace Productions to Minn. Public Radio (MPR). Consent comes after PRI signed agreement with MPR for distribution of *Marketplace*, which airs on NPR member stations. In joint statement, companies said agreement calls for them to invest in further development of *Marketplace* and to cooperate in building program's audience reach and impact. PRI will continue to play lead role in distribution and sponsorship sales and MPR will have sole responsibility for all editorial and production matters.

Granite Bcstg. said it signed definitive agreements with NBC to implement previously announced affiliation of KNTV (Ch. 11) San Jose to become network's San Francisco affiliate, effective 2002. Deal includes alliance for use of digital spectrum, joint purchases of programming and broadcast technology, joint sales agreement with Pax TV stations, plans to explore San Francisco cable news service.

Comcast said it plans to redeem remaining \$171.3 million of its senior subordinated debentures due May 15, 2005. It also became 2nd MSO partner in N.Y. Interconnect, which sells commercial time on N.Y. cable systems reaching 3.5 million homes.

RURAL TV BILL STALLED: House sponsor of rural TV loan legislation said last week that some "discrete and minor concerns" need to be worked out before conferees can be named. Both houses passed bills by substantial margins 2 months ago. Rep. Boucher (D-Va.), co-sponsor with Rep. Goodlatte (R-Va.), told us that there are "relatively easy remedies" for current disputes, which include makeup of oversight board and riders attached on House side, although he didn't suggest solutions.

Addressing those issues in full conference now, even though general philosophy of program already has near-universal backing, could open report to amendments on all sorts of issues, Boucher said. "It would be a mistake to pass up this opportunity [to serve rural America] by opening a full conference" that could become mired in procedural details, he said. While refusing to make specific prediction, he said ultimate passage of legislation was near-certain, and most likely would come this summer.

Conference is likely to have some of Congress's "more hot-headed members," one source said. Some of conferees could include such strong-minded members as Senate Banking Committee Chmn. Gramm (R-Tex.) and Commerce Committee Chmn. McCain (R-Ariz.), as well as House Commerce Committee Chmn. Bliley (R-Va.) and Telecom Subcommittee Chmn. Tauzin (R-La.). Fear of "grandstanding" was expressed if issues such as makeup of oversight board and riders attached to bill in House weren't resolved before conference.

There's already some precedent for that on digital signatures, another source said. Legislation cleared both houses last year but conference report still hasn't been submitted. Many of members (and staffs) involved in digital signatures conference would be in rural TV conference, source said.

Reports conflict on how much staff contact is occurring on rural TV legislation. Among concerns: (1) Gramm wants Federal Reserve to have seat on oversight board and opposes House version that substituted that seat for one from Commerce Dept. Gramm has been most stubborn on digital signatures (in fact, current conference report has most conferees' signatures, but not Gramm's, who still is holding out for bill with fewer carveouts), and we're told no one wants to begin conference if he isn't satisfied on board makeup. (2) House attached some riders to bill that McCain and others feel aren't necessary or appropriate. However, separate from riders, 2 bills have same general focus of providing rural loan guarantees.

House and Senate leadership is likely to have to step in if conference is to occur, we're told, particularly as time is running out in 106th Congress. Consensus was that approaching end of session would inspire compromises because no members want to go home to their constituents without bill in hand.

Two members of FCC Cable Bureau are leaving for private sector. Ruth Dancey, asst. bureau chief for management, will become administrative manager for Gemini Networks in Falls Church, Va. Ann Morgan, deputy asst. bureau chief for management, will take Dancey's place as acting asst. bureau chief. Adonis Hoffman, deputy bureau chief, left to become senior vp-counsel of American Assn. of Ad Agencies in Washington. His replacement hasn't been named. James Heimbach, special adviser in Cable Bureau, will become bureau's acting legal adviser, succeeding Clint Odom, recently named legal adviser to Chmn. Kennard.

GEOSTATIONARY ORBITS FREE: Equatorial countries don't own rights to geostationary orbit (GEO), Legal Subcommittee will report to U.N. Committee on Peaceful Uses of Outer Space (UNCPUOS) in Vienna June 7. Report ends 25-year debate, concluding GEO is part of outer space and shouldn't be treated differently from other space activities. Report apparently means there will be no change in orbital slot assignments since ITU will continue regulating orbital slots and frequencies.

Countries such as Colombia and Ecuador had argued since 1970s that countries on Equator had special relationship to GEO because of their geographic location, said State Dept. official familiar with subcommittee, and thus should have more control over GEO satellite slots. He said they "didn't want the geostationary orbit filled up by the developed world."

U.S., western countries and underdeveloped nations reached consensus that as matter of law GEO shouldn't be treated differently from outer space. However, State Dept. source said: "We did recommend in the process of coordinating orbital slots and frequencies that states cooperate so that other states will have equal access to that orbit."

ITU's position was that GEO debate wasn't technical issue, State Dept. source said: "This is a fundamental legal issue that needs to be considered within the context of the space treaties and space laws." Treaties are Outer Space Treaty, Liability Convention, Registration Convention, Rescue & Return Agreement, Moon Treaty. Competent entity to deal with GEO issue was UNCPUOS, "so the Outer Space Committee was asked to look at the character of the geostationary orbit, including ways to ensure equitable use of that orbit without prejudice to the role of the ITU," he said.

UNCPUOS is only standing body of U.N. General Assembly that has been mandated to consider cooperation in peaceful uses of outer space, official said. Report will be posted at www.un.or.at.

House Telecom Subcommittee plans hearing on consumer implications of proposed America Online-Time Warner merger, June 7, 10 a.m., Rm. 2322, Rayburn Bldg.

Obituaries

Irving Goldstein, 62, of Chevy Chase, Md., died May 26 of esophageal cancer at Memorial Sloan Kettering Hospital in N.Y. Goldstein, former head of Comsat, played pivotal role in privatization of Intelsat. He also was Dir. Gen. and CEO of Intelsat for 6 years before being diagnosed with cancer in Feb. 1999. Native of Catskill, N.Y., Goldstein graduated from Queens College of City U. of N.Y. and N.Y.U. School of Law. He also was on boards of Computer Assoc. International and IDT Corp. Survivors include wife, 2 daughters.

Yolanda G. Barco, 74, cable attorney and founding member of Pa. Cable & Telecom Assn. (PCTA), died May 27 in Meadville, Pa. She was principal attorney for cable group in its formative years, particularly in landmark cases involving rights-of-way, copyright, franchising, pole attachments. She was gen. mgr. of Meadville Master Antenna 1953-1959 and later exec. vp-treas. of company until its merger with Armstrong Communications in 1987. First woman to receive NCTA's Vanguard Award, Barco helped found Pa. Cable Network, one of first educational cable networks.

Personals

Billy Pitts resigns as ABC vp-govt. relations, plans not announced... **Olivia Cohen-Cutler** promoted to vp-bcst. standards & practices, ABC... **Greg Johnson**, ex-Lifetime TV, joins Olympus as dir.-sales/distribution... **John Hartinger** promoted to vp-affiliate sales, mid-Atlantic region, A&E TV Networks Interactive... **Nora Rothrock**, ex-Virgin Interactive Entertainment, named senior vp, MTVi Europe... **Dave Neubecker** appointed vp-sports mktg., FOXSPORTS.com.

James Murdoch appointed chmn.-CEO, Star TV... **Steve McIntosh** named controller, Belo Interactive... **Thomas Gresback** appointed dir.-sales, Belo Mktg. Solutions, Belo... **Ken Kotara** becomes vp-finance, Belo... **Pierre Jaspas** promoted to vp-technical/engineering operations, Cisneros TV Group... **Wayne Brown** named vp-regional mgr., Charlotte, Raleigh-Durham and Atlanta, Radio One... **Diana Vargas** resigns as vp-gen. mgr., KTTV L.A., effective June 30, "to pursue other interests"... **Brian Kelly** promoted to senior vp-mktg., Time Warner Cable.

Stuart Glickman to resign as Carsey-Warner vice chmn.-CEO Aug. 31... **James Ellis** appointed vp-group operations, Tribune Bcstg... **Joseph Clayton** elected to E.W. Scripps board... **Alex Davidson** joins Twin Entertainment as chief technical officer... **Tim DuBois**, ex-Arista-Nashville, named pres., Gaylord Entertainment's Creative Content Group... **Paul Culberg**, ex-Sony's Columbia Tristar Home Video unit, named exec. vp-COO, Nuon, VM Labs... **Sean Burton** appointed vp-business development, Warner Bros. Online/Entertaindon.com... **Jay Green** named vp-dir., corporate relations, Unapix Entertainment... **Scott Seigler** appointed pres.-COO, KnowledgeBcstg.com.

Cox Communications promotions: **Jennifer Johns** to vp-regulatory affairs, Cox R.I. Telecom; **Jill Butler** to vp-regulatory affairs, Cox Va. Telecom; **Richard Smith** to vp-regulatory affairs, Cox Communications, Cal.; **Marvel Vigil** to vp-exchange carrier relations, Cox Cal. Telecom; **Bruce Baker**, ex-WSOC-TV Charlotte-WAXN Kannapolis, promoted to exec. vp-TV affiliates, Cox Bcstg; **Khadeeja Sherell** advanced to dir.-human resources, Cox Interactive Media; **John Civileto** promoted to dir. of operations-ad sales, Cox Communications.

Changes at CableLabs: **William Kostka** promoted to dir.-broadband services; **Thomas Gallagher** named dir.-broadband test program for data-over-cable service interface specification (DOCSIS); **Greg Matheny** named project dir.-DOCSIS certification testing; **Simon Krauss** joins as assoc. counsel; **David Birks** appointed OpenCable dir.-advanced platforms; **David Broberg** named dir.-OpenCable requirements; **Tom Thompson** appointed project dir.-PacketCable Interoperability Testing Program; **Matt Osman** joins as dir.-multimedia signaling architectures; **David McIntosh** named project mgr.-telecom architecture.

Dan Ozley, ex-Lockheed Martin, joins Dialectic Communications as vp-bcst. sales & mktg... **Tom Becherer** promoted to vp-gen. mgr., Conus News Services... **Michael Boychuk**, ex-Bell Canada-BCE, joins Teleglobe as CFO... Ex-Global Crossing CEO **Robert Annunziata** moves to startup PF.Net Communications as chmn... **Ed Raymund** elected to eSAT board... **Sean Kelly**, ex-Katz Media, joins NetRatings as dir.-Internet media strategies.



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More than 38% of all TV stations responding faced some govt. delay in implementing DTV, NAB said in survey. Although only 15.6% of stations said they had delays in getting tower crews, 26.6% said equipment deliveries were slow. NAB predicted that delays would increase as more stations make conversion. Zoning and similar local issues were biggest factors, NAB said, with average delay of 11 months. Nearly 28% of stations also said they experienced delays in FCC's processing of DTV applications. Survey results were submitted as part of NAB comments on FCC's biennial review.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from CEA, for week ending May 19 and year to date:

	MAY.13- MAY 19	1999 WEEK	% CHANGE	MAY. 6- MAY 12	20 WEEKS 2000	20 WEEKS 1999	% CHANGE
TOTAL COLOR TV. (a)	453,494	397,884	+ 14.1	368,809	9,756,386	8,732,187	+ 11.7
DIRECT-VIEW**	437,158	387,335	+ 12.9	355,879	9,303,598	8,385,367	+ 11.1
TV ONLY#....	360,448	335,854	+ 7.3	294,164	7,741,393	7,115,336	+ 8.8
TV/VCR COMBO.	76,710	51,481	+ 49.0	61,715	1,562,205*	1,270,031	+ 23.0
PROJECTION...	16,336	10,549	+ 54.9	12,930*	452,788*	346,820	+ 30.6
TOTAL VCR**...	571,789	382,426	+ 49.5	330,246*	8,954,271*	8,015,331	+ 11.7
HOME DECKS...	495,079	330,945	+ 49.6	268,531	7,392,066*	6,745,300	+ 9.6
CAMCORDERS.....	89,600	87,412	+ 2.5	91,417*	1,837,166*	1,591,494	+ 15.4
DVD PLAYERS....	83,097*	54,953	+ 51.2	70,951*	1,785,798*	802,196	+122.6

Direct-view TV 5-week moving average#: 2000-366,507; 1999-397,589 (down 7.8%).

Projection TV 5-week moving average: 2000-19,907*; 1999-17,145 (up 16.1%).

VCR deck 5-week moving average: 2000-447,145*; 1999-431,725 (up 3.6%).

TV/VCR 5-week moving average: 2000-95,973*; 1999-66,518 (up 44.3%).

Camcorder 5-week moving average: 2000-107,736*; 1999-102,931 (up 4.7%).

DVD player 5-week moving average: 2000-102,187*; 1999-64,998 (up 57.2%).

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

THOMSON READIES DIRECTV-WEBTV PVR SET-TOP: Joint announcement is planned for next week in which Microsoft and Thomson are expected to introduce combination DirecTV/WebTV personal video recorder (PVR) with 30 GB hard drive, according to retailers we polled who said they had been briefed on Thomson plans.

Thomson spokesman declined comment on specifics other than to confirm that his company plans joint announcement with Microsoft June 12. Combo product, which Thomson COO-Senior Exec. Vp James Meyer first promised in Dec. (TVD Dec 13 p13), will contain dual tuner and be priced around \$400 for 3rd-4th quarter delivery, sources said. Dual tuner will allow user to record one program while watching another.

Thomson has been developing PVR with Microsoft-owned WebTV, CE company's executives have said. Although Thomson hasn't released details, it's presumed that product will combine typical PVR functions, such as live TV control, pause and instant replay, with Internet access and interactive TV programming. Device also is expected to contain electronic program guide from Gemstar, in which Thomson has financial stake.

One retailer who said he had been briefed on Thomson plans with eye toward late-2000 introduction told us: "I would doubt Thomson will make a move into the TiVo or ReplayTV camp because they already have a menu system with Gemstar, and they have a delivery vehicle with DirecTV." Combo product also appears to give Thomson-investor Microsoft means to counter AOL TV/DirecTV set-top box that's being built by Philips for planned introduction later this year.

New device also appears to counter Sony's plans for combo product that combines DirecTV and TiVo PVR technology. Sony currently markets standalone TiVo recorder with 30 GB hard drive at \$399, but price for combo hasn't been set.

Unclear is what impact product will have on WebTV-EchoStar relationship. Latter has developed DISHplayer combo that's sold under Philips brand with 17.2 GB hard drive. EchoStar's pact with WebTV isn't exclusive, and company will continue to market DISHplayer that it unveiled in 1999 (TVD Jan 11/99 p17), spokeswoman said. DISHplayer, though, will

"evolve" into more of PVR, spokeswoman said. Indeed, EchoStar has investment in PVR marketer ReplayTV (TVD Jan 31 p13), but hasn't announced plans for product. Source close to EchoStar described WebTV technology as "weak link" in its IRD line, but spokeswoman declined comment. Microsoft spokesman declined comment.

As services are configured, consumers will have to subscribe separately to DirecTV and WebTV, retailers said. Set-top combines technologies from 2 of Thomson prominent investors — Microsoft and DirecTV — each of which has about 7% stake in company.

SONY EYEING DVD-RW INTRODUCTION FOR JAN. CES: Sony is actively "studying" possible introduction of DVD-RW deck for consumer home video recording, Sony Electronics Pres. Fujio Nishida told reporters last week. And while there is no "definite plan" yet to offer such product, he indicated strongly that observers should watch for developments at Jan. CES in Las Vegas.

Introduction would mark significant policy change for Sony, which for months has publicly eschewed idea of joining its competitors in commercializing 4.7 GB recorders on ground that they offer insufficient capacity needed for next-generation HDTV-quality DVD recording. Sony has insisted that work continues on developing 20 GB DVD recording technology to address that very application, even after company's move last month to endorse Pioneer-developed DVD-RW platform and join multicompany RW Products Promotion Initiative (RWPPi) (TVD May 15 p10). Nishida repeated Sony party line that company now believes 4.7 GB DVD is well-suited for household video editing functions, dubbing from camcorders, time-shift recording from analog TV broadcasts. Nishida also reconfirmed that Sony would continue to support Philips-backed DVD+RW platform for data storage, but believed that DVD-RW offers "more friendly" compatibility migration route for existing base of DVD-Video playback devices.

As for other DVD-related developments, Nishida said Sony continues to hold No. 1 leadership position in DVD player market share. In particular, he said, \$599 combination DVD player and amplifier-receiver has been "significantly accepted" in marketplace and predicted that rival suppliers would offer assortment of copycat products in months ahead.

Nishida said recent slowdown in rate of DVD player shipments to dealers from torrid 200% pace at start of year wasn't due to lag in demand but to chip shortages that also have crimped shipments of other high-demand CE products, including wireless communications devices and gaming machines. He said: "Chip supply is really key to meeting demand." If reality is consistent with projections that industry will ship 10 million DVD players this year, he said, it will have no problem meeting that demand.

On other Sony issues, Nishida said: (1) Sony's Vaio notebook PCs have overtaken Toshiba as No. 2 market-share holder in its category. He said Sony plans to use this month's PC Expo in N.Y.C. to introduce new sub-\$1,000 line of Vaio desktop PCs that will be differentiated from competitive models by accentuating "the entertainment side of the computer application." (2) PCs represent one of 4 "gateways" for delivering digital entertainment and information to consumers, others being TVs and set-top boxes, PlayStation2, mobile PDAs. Sony will introduce its first Palm-based PDA at PC Expo, Nishida said. (3) Sony in next 12 months will introduce sub-\$1,000 Super Audio CD players in stark contrast to stratospherically priced models now available at retail and targeted toward most discerning audiophiles. Nishida said emphasis on more mainstream-priced SACD decks will be to "create additional value for the CD player."

SONY WILL LICENSE PLAYSTATION2 TO OTHERS: In move to strengthen efforts to make its PlayStation2 (PS2) dominant home entertainment device, Sony Computer Entertainment (SCE) said last week that it will sell console's chipset to other manufacturers looking to market videogame. SCE said it "will also work to develop processors for next-generation digital home entertainment products for the external market."

Decision to license technology was "based upon the success of PS2's launch in Japan and the increase in semiconductor production capacity" facilitated by new \$1.16 billion capital investment company is making in 0.18 micron semiconductor production for PS2. SCE said it shipped more than 2 million PS2 consoles in first 82 days of debut in Japan.

When Sony will start licensing PS2 and to what companies wasn't clear at our Fri. deadline. News came just week after Forrester Research issued report saying that Sony must adjust its strategy for PS2 to succeed in U.S. One key step that Forrester said Sony will have to take is to partner with cable operators and other companies.

Echoing comments of many in industry, Forrester Senior Analyst Jeremy Schwartz said \$299 is right price for next-generation videogame console, which ships in U.S. on Oct. 26. He said he also believes competition from Microsoft, Nintendo and Sega "won't be fierce," as many in industry expect. That, he said, is because Sega is concen-

trating on narrowband delivery of its Dreamcast games at this point, while Nintendo is keeping mostly silent on its Dolphin plans, and Microsoft's Xbox "will stumble coming out of the gate."

Sony's strategy for PS2 is in stark contrast to competitors, Schwartz said. He said Sony essentially is "skipping narrowband" with its agenda to transcend games and create broadband delivery terminal for wide variety of different content. But Sony's success with strategy "will depend on partnerships with technology players and other content providers," he said. Report also said Sony would have to create balanced content strategy and make sure that consumers get add-on module.

On cable partnership front, report suggested that Cablevision "could foster broadband adoption by giving away PlayStation2 add-on modules with cable modems." Report said Sony also should partner with "edgecasters" such as iBeam, in which Sony already is investor, and Akamai.

It's conceivable that Sony could create broadband network with PS2 that would favor its own digital content, Forrester said, but that wouldn't be in Sony's best interest. Report said "a balanced strategy that opens [Sony's] network to media competitors like Disney, Warner Brothers and Viacom will expand content breadth and ensure the platform's success." Additionally, "Sony must also give consumers flexibility in using downloaded content rather than create obstacles based on copyright fears, as [Sony] did with its Music Clip portable music player," report said.

"Sony should work with 3rd parties such as Electronic Arts to bundle hard drives with content or services" because that will provide "multiple opportunities to grow adoption," Forrester said. Hard drives have made possible business models such as ones currently used for subscription-based games and pay-per-view movies.

Sony's broadband strategy will shake up entire industry, report said, and "as PlayStation2s with hard drives and broadband pipes proliferate, the way consumers acquire and play games will change." Report predicted: "Downloading entire games or parts of games will be common by 2004, as 14% of online game sales will come from downloads." Sony didn't return call to comment on Forrester report by our deadline.

Also on PS2 front last week, Sony reportedly was about to boost output of console's high-capacity "Emotion Engine" chip jointly developed with Toshiba well ahead of PS2's Oct. Europe and U.S. rollout. Japanese press report said Sony had agreed to invest additional \$1.21 billion in chip development and production this year.

In related news, Sony Pictures Entertainment acquired online gaming company Verant Interactive in yet another move designed to increase Sony's presence in online space. San Diego development studio will be merged into Sony Online Entertainment.

CULBERG CITES CHANGING INDUSTRY IN LEAP TO TECH STARTUP: Video veteran Paul Culberg said introduction of revenue sharing and other new business models had taken much of excitement out of home video industry and was one of main reasons for his surprise departure from Columbia TriStar Home Video (CTHV) to join DVD technology company VM Labs as exec. vp-COO (TVD May 29 p15).

"Marketing and salesmanship had gone out of the business," Culberg said in interview last week. "With the advent of revenue sharing and contractual agreements, there wasn't the same excitement. It's a great business and still has a long way to go, but it lost a little bit of its polish for me," he told us.

In his new position, Culberg is responsible for overall strategy and implementation as VM Labs prepares to introduce its first Nuon-enhanced DVD players this month. While conceding that VM Labs still needs to further define Nuon's place in CE marketplace, Culberg expressed faith in company's interactive DVD technology and its benefits. Because it was founded in part by former Atari executives, VM Labs has struggled with perception that Nuon is primarily videogame platform.

Culberg told us one of his tasks is to change that view. "I believe the product is basically a DVD player. It is a better machine with more capabilities," he said. "The idea is not to go up against Dreamcast or N64. The idea is to be a great DVD player and ancillary to that maybe some games will be played that aren't as hard-core as the PlayStation."

Part of his job will be to leverage his extensive contacts in Hollywood to get studios to commit to building Nuon-enabled features and content into their DVD movie offerings, Culberg said. "To sit here and tell you that it's a slam dunk that all these guys will come to the table, I can't," he said. "They have to be very sure that the acceptance of this technology is going to help them sell more DVDs."

PIONEER MAKES DVD PUSH: Pioneer, making strong push with progressive scan DVD players, will introduce both 5-disc and single-play models with \$399 and \$349 street prices, respectively, retailers said.

New progressive scan players will be paired with standard 5-disc and single-play models that will carry \$299 and \$249 street prices, dealers said. All models improve ease of operation and remote controls, but main differentiating feature will be progressive scan outputs, dealers said. Pioneer declined comment on product details, but said suggested retail prices would be about \$100 higher.

"Pioneer is being pretty aggressive in progressive scan and I'm sure that you will see a responsive from their competitors," Midwest dealer said.

Source close to Pioneer said progressive scan outputs are next "logical step" in DVD technology because "they keep the signal in its most pristine state."

Unclear is what response of Pioneer competitors will be. Toshiba, which has championed progressive scan technology for DVD, is said to be readying single-play model in \$400 price range.

But even as Pioneer introduced new DVD players with step-up features, it also will have model at \$199, price point that is expected to be standard for branded entry-level product by Christmas. It hasn't disclosed what profit margins will be on entry-level piece, but dealers speculated that it would be in 18-20% range.

"The industry will be there by Christmas and the secondary tier will be well below that," retailer said of off-brand players that already have hit \$149 in some cases. "Pioneer won't be driving that price point, but they'll be there if their competitors are."



Panasonic signed deal with RealNames under which CE manufacturer will integrate latter's Internet Keyword navigation throughout its consumer and retail marketing, advertising and promotional programs. Panasonic said Internet Keywords makes it easier for consumers to search for what they're looking for when they don't know specific Web address offhand. Don Iwatani, pres.-COO of Panasonic's U.S. division, said: "The use of Internet Keywords is not only an innovative way for consumers and retailers to quickly and easily learn about consumer electronics and Panasonic products, but it helps extend the reach of our marketing efforts. With RealNames' technology, we can move beyond today's Web limitations and integrate traditional print, television and radio advertising with our Internet presence, effectively extending the power of our brands."

EMI Recorded Music selected Liquid Audio and Amplified as digital service providers when it starts testing digital downloads of its music to consumers in July. As EMI announced earlier (TVD May 15 p16), it will begin making music available exclusively in Microsoft's Windows Media format. Separately, Sony Music Entertainment said last week that digital downloads of its music are available online now through more than 35 of its business-to-business partner Alliance Entertainment's online retailing customers, including National Record Mart, Peaches Music, Penny Lane Records.

Take-Two Interactive said income and sales increased in 2nd quarter ended April 30 in what N.Y.C.-based game maker called its best showing to date. It said income jumped to \$3.4 million from \$1.6 million year ago and sales to \$70 million from \$52.2 million. Take-Two said gross margin continued to improve, reaching 34%. It credited its publishing business and expanding distribution and budget publishing margins for results. CEO Ryan Brant said company continued "to leverage the successes of our diverse business model into investments in next-generation gaming technologies which we believe will pave the way to an even brighter future for Take-Two." Individual Investor Online Research Analyst Will Frankenhoff said Take-Two's results were ahead of estimates and were especially "impressive" in light of company's taking \$600,000 loss on new Broadband Studios division. He said performance "should dispel any lingering doubts that investors have about the company's prospects." Take-Two also announced exclusive agreement that gives it exclusive N. American console distribution rights for London-based game maker Empire Interactive's titles. It said first titles under agreement are slated to ship in summer.

Cidco has signed up more than 9,000 subscribers for its MailStation e-mail product (\$129) in first quarter but continued to see sharp drop in sales of Caller ID and other telecom services. Distribution of MailStation had expanded to 1,000 retail stores as of March 31, up from 80 at end of 1999, growth that was partly responsible for rise in sales and marketing costs to \$7.9 million from \$7.3 million. Cidco added 3,200 subscribers in quarter, increasing total to 9,150, it said in SEC filing. Revenue generated by MailStation was offset by plunge in fulfillment sales of Caller ID and other equipment to consumers to \$8.9 million from \$20.1 million, as sales of direct marketing services, including Caller ID, dropped to \$900,000 from \$9.9 million. Overall sales fell to \$16.5 million from \$47.2 million as gross profit shrank to 6.9% from 25.8%. Cidco posted \$10.3 million loss vs. \$1.5 million profit year earlier as it took \$500,000 charge to cover severance costs in shrinking of telecom business. It also stands to benefit from Cisco Systems' proposed acquisition of InfoGear in which it owned 245,000 shares. Cidco had bought stake in InfoGear as part of joint venture aimed at marketing iPhone screen phone that provided Internet access. Partnership dissolved in 1998 (TVD Oct 12 p12) when InfoGear purchased product's development assets after Cidco produced only limited sales.

CDNow said last week it has continued to attract strong interest among potential merger and investor partners and now "expects to be able to announce a transaction by June 30." Announcement was in keeping with claims that CDNow Pres.-CEO Jason Olim made in May in conference call with analysts (TVD May 8 p15). CDNow said more than 2 dozen companies had expressed interest and it has narrowed list to "short list of prospective investors and merger partners." CDNow's management team, as of Fri., still was meeting with each of those parties, it said. Meanwhile, latest CDNow custom CD promotion is in conjunction with 7 Up. Companies started "Tune Into 7 Up" instant win game offering total of \$90 million in custom CDs to consumers who buy specially marked soda bottles through Sept. They said one out of every dozen 7 Up customers will win free custom CD, which can be created by selecting from songs at www.cdnow.com. Promotion is being advertised at Web site and is being supported in stores with point-of-purchase signs nationwide. Separately, CDNow also announced start of new Latin music section at its e-commerce Web site, weekly audio/video broadband interviews, Sears.com-sponsored Father's Day Custom Shop.

BANG & OLUFSEN RESUMES RETAIL: As Bang & Olufsen (B&O) resumes opening company-owned stores, it's revamping home theater room to feature new BeoVision Avant 30W digital TV that ships in midyear at \$8,500.

In opening company-owned outlets, B&O returns to strategy it employed before starting dealer-operated program that has resulted in several retailers, including Sound Advice and Harvey Electronics, running own B&O stores, Pres. Ole Beck said. Decision to add new company-owned stores — about half of 20 planned for next 12 months — was made in effort to speed expansion with goal of having 180 outlets within 4-5 years, Beck said.

B&O will continue dealer-operated strategy, but also will seek to form joint ventures to operate 10-15 stores. It also intends to avoid conflicts with existing dealers by targeting understored markets such as Providence and W. Palm Beach, Beck said. B&O has 38 stores, 8 of which are owned by company.

"Part of the problem with their original formula is that it was designed for smaller retailers and there aren't enough of them out there to handle consumer electronics," B&O dealer said. "I'm also not sure there are 180 places in the country that can support their concept, but I wish them well."

Beck conceded that B&O had run into problems "finding the right owner and the right location." While it doesn't have "strong desire" to operate stores, "we couldn't pass up some opportunities," he said.

In opening company-owned stores, B&O also redesigned its home theater room to merchandise Runco front projector based on Texas Instruments' Digital Light Processing (DLP) technology along with 30W set. Room also has drop-down motorized screen, Lutron lighting system, BeoLab1 main speakers — BeoLab 6000 for surround and BeoLab 4000 as rear. New 30W, with RGB and component video connectors, will be paired with Panasonic high-definition (HD) decoder, Product Mgr. David Zapfel said. Set also will be merchandised in smaller floor display with BeoLab 8000 as main speakers and BeoLab 6000 as rears. New displays are expected to be available this month.

New HD-ready set has 480p native resolution, built-in Dolby Digital and DTS decoding and 2 speakers — 4.5" subwoofer and 3/4" dome tweeter — that have 96 dB sound pressure level. It was designed into motorized stand that can rotate 35° and has 2 programmable preset positions that operate via remote.

Avant also can handle conventional, letterbox and widescreen programming. Default picture setting for conventional format is 15:9, but set also has 14:9, Zapfel said.

"Putting the center channel speakers and Dolby AC3 into the set makes a lot of sense because it brings Bang & Olufsen back into the home theater business," Harvey Electronics Pres. Franklin Karp said.

B&O had planned to introduce 30W in 1999 holiday selling season, but postponed debut because of delays in development of line-doubling module (TVD June 7 p18). While TV cabinet

and Philips tube remain same as those designed for similar set sold in Europe, "virtually every other board and circuit had to be customized," Zapfel said. "It was much more complicated than we expected."

Despite making first concerted push into video in 6 years, B&O has no immediate plans to expand line. It carries Panasonic 42W plasma displays, but won't have own brand for 2 years, Zapfel said. It also has developed prototype that brings DVD technology into design similar to BeoSound 2300 CD player, he said.

As it readies new products, B&O is discontinuing AV 7000 system that it introduced in 1994, Zapfel said. "It needs a major upgrade so that it is compatible with HDTV," he said.

Let's Talk Cellular (LTC) filed for bankruptcy protection last week after efforts to find buyers or investors for 259-store chain apparently failed. Cellular and wireless retailer, in filing in U.S. Bankruptcy Court, Wilmington, Del., listed assets of \$38.4 million, debts of \$51.5 million, with top 5 creditors being BellSouth Mobility (\$1.1 million), AT&T Wireless (\$999,179), distributor Brightpoint (\$639,767), Brightpoint-Nextel (\$463,700), Voicestream Wireless (\$427,456). LTC hired Merrill Lynch in Dec. to find buyers or investors after conceding that its growth had overwhelmed its administrative infrastructure (TVD Dec 20 p15). At time, LTC had expanded to 270 stores from 40 in 1997. LTC has battled tight finances for better part of year and had moved to sell Cellular Warehouse wholesale business and 8 stores in Conn. and Mass. in attempt to raise funds (TVD June 14 p16). LTC also operates subsidiaries Telephone Warehouse and Cellular Unlimited. Unclear was impact bankruptcy filing would have on LetsTalk.com e-commerce business in which LTC is investor, but that also includes venture capital firms Accel, Brentwood, H.I.G. (TVD Aug 23 p17)

TELEVISION DIGEST NOW AVAILABLE IN PDF 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.

TANDY STUDIES LARGER STORES: As RadioShack (RS) and Thomson prepare for formal debut of RCA Digital Entertainment Centers this week, retailer is testing slightly larger stores that will include section for making online purchases, analysts said.

Tandy executives, in briefing analysts in N.Y.C. last week, outlined plan for revamping or relocating 17 stores and closing 2 others in Tucson market with goal of having all stores there ready by Sept. First store with new format opened last week.

About 40% of Tucson outlets will be relocated in connection with new format, but figure will be closer to 20% in most markets, company said.

Stores will add 300-400 sq. ft. to standard 2,500-sq.-ft. RS blueprint and divide it into 4 segments: (1) "Destination zone" at back of store for RS-branded parts, accessories and batteries. (2) "Connecting places" section for A/V and PC products. (3) "Connecting people" area for telecom devices. (4) "Virtual zone" for online ordering from RadioShack.com site.

Test is expected to run 18-24 months, will involve cross-selling of products and services and could expand "very quickly" if it proves successful, analysts said. Second market is expected to be added in early 2001, they said. Test also will include new color scheme that will be more "contemporary" than its traditional gray and red design, analysts said. RS CEO Leonard Roberts told analysts that chain hopes to have store-within-a-store format for selling cable services by year-end, with main sticking point being residuals.

"If you think about every change they've made to their stores in recent years it has been completely incremental," to revenues, analyst said. "This is going to test their merchandising mettle. They would want to do it [new format] selectively because you don't want to mess with a good thing. It may have an impact on the whole chain, but it would be years before that happens."

Test in Tucson isn't first time RS has attempted to increase store size. It opened 10,000-sq.-ft. prototype in Denver (TVD May 19/97 p16) to test concept of selling CE products, parts and accessories to engineers, technicians and electronics enthusiasts, but never expanded. RS, formally Tandy before changing name in May, has checkered history with new formats that have come and gone, including Computer City, Incredible Universe, McDuff's, Video Concepts.

As it readies new strategy, RadioShack.com, which counts Microsoft among its investors, is planning to offer revamped 2.0 version of Web site later this month. Among additions is "Ask the Shack" section that will be powered by Ask Jeeves engine and improved search process for batteries, company said. Addition of Internet business gives Tandy another 18,000 SKUs to sell and allows chain to increase its exposure with women, it said. While more than 60% of brick-and-mortar store customers are male, RS said it's seeking to have women account for 50% of Web site traffic. Coupons also will be available through RadioShack.com.

In cellular business, RS's sales growth has slowed to "mid-teens" on annualized basis, slightly below target of 20%. Slowdown is tied to consolidation in industry including

WorldComm's proposed acquisition of Sprint, which supplies PCS service to RS, company said.

Meanwhile, DSL provider Northpoint, which sells service through Dallas-area RS stores, has encountered problems with new order management software, CNET reported. Northpoint has suffered glitches in new Operational Support System software that is designed to connect its lines to those leased from RBOCs. Harry Taxin, pres. of Northpoint ISP MegaPath Networks, told customers that company won't be able to meet promises of activation within month and that information on status of orders won't be available for 2 weeks, CNET reported. Northpoint ended first quarter March 31 with 41,300 lines installed and plans to have 150,000-155,000 in service by fiscal year-end, analysts said.

Sharp Electronics is readying new LCD projectors that will bring it into large venue market for first time and continue its push into ultraportable category. After entering lightweight projector market year ago with sub-6-lb. model based on Texas Instruments' Digital Light Processing (DLP), Sharp is expected to introduce unit designed around Sony's 0.7" LCD panels at Infocomm later this month. Pricing and specs weren't available, but when Sony showed 0.7" panels at Comdex in Nov., it said 6.4-lb. projector had 800x600 resolution, 600 lumens, \$2,699 price (TVD Dec 6 p11). Unclear was whether Sharp would replace 5.9-lb. Notevision7 that had single 0.9" DLP chip and was sourced from Plus Corp. Plus recently introduced 2.9-lb. model (TVD May 15 p18) featuring 0.7" DLP chip, but Sharp declined comment on whether it would offer similar unit. In entering high-end projector market, Sharp will offer model with three 1.8" polysilicon TFT LCDs with 1,280x1024 resolution, 300:1 contrast ratio, 4,000 lumens, \$29,995 price. Projector, which has Digital Visual Interface (DVI) and component inputs, will ship in July at price more than double that of Sharp's existing high-end unit. Top-end model currently is Notevision6, with 1,024x768 resolution and \$14,000 price.

Hastings Entertainment faces mid-June hearing before Nasdaq's Listing Qualifications Dept. as it seeks to avoid being delisted for failing to file annual report in "timely manner." Hastings was to be delisted effective May 30, unless it filed 10K by May 25, but has received extension through hearing, CFO Gaines Godfrey said. Chain hops to avoid hearing by filing 10K in "next few weeks," he said. Hastings is renegotiating \$60 million revolving credit facility and has received extension of waiver originally granted after it had violated loan covenant on net worth, Gaines said. He declined to disclose size of new credit being sought. Original agreement was set to expire in late 2001. Gaines also declined comment on speculation that buyer was being sought for chain. Hastings has been subject of shareholder lawsuits in recent months after disclosing that it would take noncash charge to restate earnings for first 3 quarters of fiscal 1999 and "probably for the prior 4 fiscal years" (TVD March 27 p18).

NCT Group, battling tight finances (TVD May 29 p15), is asking stockholders to approve increase in outstanding shares of common to 450 million from 325 million and in shares available under 1992 stock plan to 50 million from 30 million, it said in proxy filed with SEC for July 13 annual meeting. Chmn.-CEO Michael Parella received \$120,000 salary in fiscal 1999, same as year before, but bonus decreased to \$168,878 from \$205,889. However, he was granted options for 5 million shares at 41¢ under 1992 stock plan that expire in April 2009.

PIONEER STORE OPENS AT 800.COM: Grand opening of 800.com's Pioneer Store comes this week, and e-tailer also has unveiled upgraded Car Audio Configurator in mobile audio section of its Web site.

As 800.com and Pioneer said in Feb. (TVD Feb 28 p18), e-tailer is first "pure-play" (Internet-only) retailer to receive manufacturer's authorization to sell Pioneer products online. Pioneer spokesman told us last week that only other retailers it has authorized for online sales so far are CircuitCity.com and Crutchfield.

Although Pioneer Store opens this week, 800.com Senior Mds. Vp Frank Sadowski told us last week that Pioneer section was up "for a couple of weeks" in test mode as part of soft launch — similar to strategy 800.com used when it launched Sony store at site in April (TVD April 24 p16).

800.com is carrying full line of Pioneer's products, including home theater components, DVD players, mobile audio, TVs. Sadowski said 800.com also plans to sell new products in Pioneer line that manufacturer will be unveiling later this month — among them single-play progressive scan DVD player and progressive-scan 5-disc DVD changer. He said 800.com's buyers recently returned from Pioneer dealer meeting, where they saw manufacturer's new offerings. He said, "we feel [Pioneer's] new DVD lineup... is going to be a very, very strong lineup."

Timing of Pioneer Store debut meets projection Sadowski gave us in Feb., but he pointed out 800.com was waiting for start of upgraded mobile audio section before it opened Pioneer Store because of manufacturer's strength in that category. Car Audio Configurator allows consumer to browse easily through site's offerings that are designed for their specific vehicles. It also features educational content and detailed buying guides giving customers tips on how to make appropriate purchase for their car.

Sadowski said 800.com will be running "online promotions with a lot of our partners" in conjunction with start of Pioneer Store and upgraded mobile audio section, but declined to give specifics.

Meanwhile, he said 800.com's IPO, which it filed for in March (TVD March 27 p20), "is still going forward," although he said company is "still in registration with the SEC at this time" and "the offering has not been priced" yet. Whether or not 800.com may be questioning its IPO timing in light of current market conditions, he declined to say. In last few weeks, industry has seen many dotcom and other types of technology companies delay IPOs.

Ultimate Electronics CEO William McEntire's annual salary rose to \$325,000 in fiscal 2000 from \$286,538 as bonus jumped to \$494,486 from \$246,059, company said in SEC filing. Pres.-COO David Workman's salary increased to \$300,000 from \$276,923 and bonus to \$474,795 from \$222,285, filing showed. Chmn. William Pearse received \$275,000 salary, up from \$236,538, while bonus rose to \$455,103 from \$229,282. He remained chain's top stockholder with 1.8 million shares (17.65%), followed by Dresdner RCM Global Investment (1 million, 9.72%); Founders Asset Management (586,618, 5.47%); Dimensional Fund Advisers (537,200, 5.01%); Workman (163,667, 1.51%); McEntire (132,225, 1.22%).

EMusic.com started promotion in which it's giving free 32 MB Creative Labs Nomad II portable digital audio player to any customers who buy \$50 worth of downloadable music from its Web site, www.emusic.com. Creative sells Nomad II online for \$219.99. Meanwhile, EMusic.com has made equity investment in Portland-based independent music distributor Northwest Alliance of Independent Labels (NAIL), terms not disclosed. EMusic.com also signed alliance with Troy, N.Y.-based ReQuest Multimedia. As part of deal, EMusic tracks are being bundled with new AudioReQuest MP3 Jukebox, \$799.95 home stereo component that companies said can store, organize and play more than 300 hours of CD-quality music. Separately, in SEC filing, EMusic.com said its existing capital is sufficient to fund it for next 12 months. But Redwood City, Cal. Internet music company said: "Unless we raise additional capital, we may need to reduce the scope of certain activities." As we reported, company's revenues in last quarter jumped to \$2.1 million from \$21,000 year ago while loss widened to \$22.5 million from \$14.3 million (TVD May 1 p15). Company broke down revenues in SEC filing, saying that it had downloadable music sales of \$450,000, up from \$2,600 in year. EMusic also broke down some of its many expenses, noting that product development expenses for quarter alone were \$7 million, up from \$1.7 million year earlier. It also said: "To date, revenue from barter advertising and commissions has accounted for less than 10% of our revenues."

OfficeMax must pay Gateway \$100 million if "change in control" of chain results in its owned by "major" PC or Internet retailer or, PC manufacturer, it said in SEC filing. OfficeMax would receive \$100 million if Gateway were acquired by another office supply superstore chain. Terms of master license agreement were disclosed as Carlos Helu increased stake in chain to 11.7% (13.2 million shares) from 8% earlier in year (TVD May 29 p20). Helu is part of Grupo Sanborns retail empire that bought CompUSA earlier this year and OfficeMax board adopted shareholder rights plan earlier this year that limits ownership in chain to 15% (TVD March 20 p14). OfficeMax signed 5-year agreement with Gateway to install departments in each of its 960 stores (TVD Feb 28 p17).

Best Buy said sales in fiscal first quarter ended May 27 jumped 24% to \$2.96 billion from \$2.38 billion year earlier as same-store sales rose 9.5%, slightly below what had been "double-digit whisper number," analyst said. Sales of digital products, PCs and music were main drivers as Best Buy said it expected to post per-share earnings of 34¢, above analysts' expectations of 28¢. In year-earlier quarter, BB reported income of \$47.3 million (22¢) on sales of \$2.4 billion. Best Buy shares rose \$6.68 (11%) after release of earnings June 1, closing at \$70.68 and ending week at \$75.

Beatnik raised \$30 million in funding from companies including Media 100, Hong Kong's Pacific Century CyberWorks, Sun Microsystems, Viacom's MTVi Group. Shortly before funding was announced, Beatnik requested that its IPO be withdrawn because of unfavorable market conditions (TVD May 8 p17). San Mateo, Cal., company, founded by musician Thomas Robertson, licenses out its proprietary technology that enables consumers and companies to deliver digital audio online and through devices including cellphones and set-top boxes. Sun and MTVi are among companies that already have started using Beatnik's technology.

CircuitCity.com is offering free ground shipping on all products bought at Web site through June 18.

AMAZON.COM EXPANDS MIX: Amazon.com expanded its product mix last week with additions of Handspring Visor handheld computers, greater Hewlett-Packard (H-P) presence at site, Audible.com Downloads Store.

Deal with Handspring made Amazon exclusive online retailer for former's Visor and Visor Deluxe handheld computers for 60 days, although products still were sold direct to consumers at Handspring.com as well.

While Amazon is selling Visor with 2 MB of RAM for \$179 and Deluxe model with 8 MB of RAM and carrying case for \$249, Handspring.com is offering bare-bones Visor for only \$149. Deluxe version comes in choice of 5 colors. Amazon also is carrying Springboard expansion modules and Visor accessories.

Amazon Electronics Store Gen. Mgr. Carl Gish told us last week company planned to start variety of promotional efforts in conjunction with Handspring exclusive. He said it will spotlight Handspring products via heavy emphasis in Web site's electronics section and "may be doing some notification of customers through e-mail" and some print media advertising. He declined to say how much company is spending on promotional effort.

Despite exclusivity of arrangement, Gish said Amazon will continue to sell products from Handspring competitors, including Compaq, H-P, Palm.

Deal marked first time that Handspring products have been sold online other than at Handspring.com. Only brick-and-mortar retailers carrying Visor products are Best Buy, CompUSA and Staples, Handspring N. American Sales Vp Greg Woock told us last week. But he said "we'll be in an expansion mode" and additional retail stores may start carrying its products in future. As for if and when Handspring will sign on additional online retailers, he said: "We don't have plans to do it right now."

Addition of Amazon to distribution base comes as Mountain View, Cal.-based Handspring is preparing to sell 10 million shares — 8% of company — as part of IPO (TVD May 22 p14). Although it had said in SEC filing that it expected to price stock between \$19 and \$22, it since has dropped range to \$17-\$19. If shares sell for \$18 each, company would raise \$166.8 million, vs. \$190.2 million if price were \$20.50.

Despite timing, Woock said IPO and decision to add Amazon to its distribution base were "disconnected events." He said company selected Amazon.com because it has been looking for vendors that have greatest "ability to build brands for their vendors" and "we believe that in the Internet space, Amazon is the best choice."

Day before announcing Handspring deal, Amazon said it signed agreement with H-P that made latter primary Internet infrastructure provider for e-tailer. H-P also becomes anchor tenant in Amazon's Electronics Store with more extensive selection of H-P products than in past. As result of deal, Amazon has become one of H-P's top 5 customers.

On same day, Amazon also launched Audible.com Audio Downloads Store in site's bookstore, providing more than 22,000 hours of spoken audio content. Spoken audio program-

ming can be bought by customers online, then downloaded or streamed for playback on PC or AudibleReady portable digital audio players.

Amazon last week also said it signed agreement with Lightning Source, electronic print-on-demand company based in La Vergne, Tenn., that e-tailer said would give its customers access to wide selection of books not offered at site before — many of them hard to find or out of print.

But Amazon apparently isn't stopping expansion plans at technology categories. Forrester recently reported that Amazon Pres. Joe Galli strongly hinted that e-tailer would add apparel and money management service to its growing list of categories.

Forrester said Galli called Amazon "company in transition" that will shift at least some of its focus from new technology to traditional business practices, including greater emphasis on communicating with and lobbying politicians in nation's capital. As we reported, Amazon and subsidiary Alexa Internet are targets of 3 federal lawsuits that claim Alexa's tracking and storage of Web usage paths of consumers violated federal and state statutes prohibiting computer fraud, unfair competition, unauthorized interception of private electronics communications, trespass, invasion of privacy — charges denied by Amazon and subsidiary (TVD May 1 p15).

Forrester also said Amazon will expand into offline channel such as magazine or TV that will function as additional revenue stream and another way to get company's brand name out in public. Report said Amazon would look for additional ways to reach specific demographics — possibly via additional Web sites such as women.amazon.com, as Hifi.com recently did with its HerHifi.com (TVD Feb 21 p16), or DIY.amazon.com.

Internet-only toy dealers topped their brick-and-mortar competitors in Forrester Research's "Power rankings" released last week. Amazon.com was first, followed by SmarterKids.com and eToys in 2nd and 3rd, respectively. Distant 4th was Buy.com. In comparison, KBKids.com, Toysrus.com and Wal-Mart's Web site fared far worse, Forrester said, with J.C. Penney last. KBKids.com, which recently fired 30% of its staff and ousted CEO-founder Srikant Srinivasan (TVD May 22 p16), topped other brick-and-mortar dealers because of its quick e-mail responses but still suffered from problems including poor order tracking capabilities. Although Forrester said Toysrus.com provided "solid customer service," lack of basic features including customer reviews and wish list hurt it, as did "poor product packaging and unreliable shipping." Forrester said Wal-Mart's site was difficult to navigate and didn't offer many popular toys. Rankings were established by combining data from 19,000 consumers surveyed and Forrester's own shopping tests.

Consumer intentions on buying TV sets rose slightly in May from April, according to preliminary data in Conference Board monthly survey. Of 5,000 households polled, 7.9% said they planned to buy TV set in next 6 months, vs. 7.3% in April, 7.7% in March, 8.4% in May 1999. Consumer Confidence Index rebounded in May from slight decline in April, Conference Board saying figure is expected to remain strong through summer.

YAHOO MAY BUY MYPLAY: Yahoo may be buying Redwood City, Cal., Web music company Myplay in deal expected to cost about \$200 million, *Wall St. Journal* reported last week. Myplay spokeswoman declined comment and Yahoo spokeswoman told us: "We don't comment on rumor or speculation."

News came just one week after privately held Myplay announced it had raised more than \$18 million in financing. Investors were led by Paul Allen's Vulcan Ventures. Myplay said it would use money to further develop new services for its customers, including support for wireless devices and broadband applications.

Company, founded last year by ex-Apple Computer employees Douglas Camplejohn and David Pakman, provides service that allows consumers to store their digital music collections in virtual "lockers," then gain access to those tunes from anywhere around world via Internet and any of various electronic hardware units, including cellphones, computers, handheld devices. Pakman also served as vp at N2K and left that company after it merged with CDNow in 1998.

Myplay hasn't inspired venom among record companies as did MP3.com or Napster — each of which has been targeted with lawsuits by RIAA — but it has yet to forge alliance with any of major music labels. While some in industry believe acquisition by Yahoo may provide sort of clout that would encourage record companies to sign licensing deals with Myplay in future, there is no guarantee that would be case. For one thing, Yahoo has earned wrath of some because of large amount of pirated software that has been found at its and other companies' online auction sites (TVD April 24 p19).

One possible snag in Yahoo acquisition may be Myplay's relationship with Yahoo rival AOL. Myplay signed deal with AOL in March that integrated its service into AOL's Spinner and Winamp properties. If Yahoo doesn't make outright acquisition, it could opt to make investment in Myplay instead, CNet said last week.

Myplay also introduced Infinite Locker last week. Feature allows users to add unlimited amount of music to their storage lockers when they obtain songs from Myplay partners that use its "Add to Locker" button technology, including EMusic.com, Rollingstone.com, Winamp.

DVD player prices dipped to new lows going into last weekend. Circuit City advertised Oritron brand DVD100 at \$149.99 while e-tailer 800.com beat that price by nickel on original Oritron DVD-200 with jog-shuttle dial. Internet dealer also carried Konka KD1800 and Sylvania DVL1000 at \$179.94. Latter player is made by Funai, which licensed former Philips brand.

Eastman Kodak and Scientific-Atlanta signed letter of intent to develop interactive photo-sharing, TV-based service for latter's Explorer set-top box platform. Companies said that when development is complete, service will give consumer ability to view, organize, enhance, share and order prints of photos by using Explorer set-top boxes and interactive digital network and Kodak's networked printing infrastructure. Testing of service is expected to start in fall. Separately, Kodak's online photo processing subsidiary, PictureVision, signed deal with Kideo Productions to co-market latter's personalized photo products through AOL's "You've Got Pictures" service. Kideo manufactures and sells children's calendars, photos, videos.

EToys plans to open party goods and hobby "stores," as well as new children and parents content channels by Christmas, company said. E-tailer also said it's "exploring additional commerce categories for 2001." It said that through changing its product mix, it should be able to improve gross margins. EToys Pres.-CEO Toby Lenk said adding new stores and children-parents content to Web site is "key part of our mission to create the premier family-oriented site on the Internet."

Mitsui and Nikon jointly will commercialize optical engine by combining new LCD panel, developed by U.S.-based Three-Five Systems, and optical components such as prism to be developed by Nikon. Optical engine will enable rear-projection TV to display bright and clear images at lower power consumption, achieving CRT- and plasma-caliber resolutions. Plans call for marketing optical engine to CE manufacturers in Japan and abroad next summer.

Web site listing more than 4,000 films available over Internet has been started by IFilm Network (www.ifilm.com), which itself has 1,000 films available for online viewing. Besides listings by genre, site provides editorial information on features and links to other movie sites.

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ZANY BRAINY TO ADD VIDEOGAMES: Zany Brainy (ZB) will enter videogame business in fall, carrying Nintendo Game Boy, N64 and Sony PlayStation2 hardware/software as it broadens its mix beyond educational PC titles.

ZB, which is acquiring rival Noodle Kidoodle that will create 163-store chain, will merchandise "games and hardware that fit into Zany Brainy mission," Chmn.-CEO Keith Spurgeon said, presumably meaning chain won't sell those with violent content. ZB will start gradual rollout of videogames section in Aug. and will carry 30-40 titles for each hardware platform, Pres. Thomas Vellios said. ZB currently carries 300-500 educational software titles and won't reduce selection at start, he said.

"Will the Sony and Nintendo titles replace some PC titles over time? Possibly," Vellios said. "With so much of the product going to Nintendo and Sony we felt it was imperative to get into the business."

Chain's decision to broaden merchandise mix came as educational titles suffered double-digit declines in sales in first quarter, according to PC Data. Changes also are roiling educational software market as Mattel seeks to sell Learning Co. business (TVD April 17 p21), one-time industry leader that it acquired for \$3.4 billion in 1999. Among potential suitors is said to be Havas International, whose stable includes Davidson & Assoc. and Sierra Online that it acquired from Cendent in 1999 for \$800 million (TVD March 1/99 p16).

Move to add videogames came as ZB reported first-quarter loss widened to \$5 million from \$1.4 million year earlier as revenue edged down to \$39.4 million from \$40.6 million. Same-store sales plunged 22.8% on declining sales of Beanie Babies and Crazy Bones, which accounted for 2% of revenue in quarter, down from 18% year earlier. At least 16% of same-store sales decline involved Beanie Babies and Crazy Bones, with rest linked to "soft pattern" in books and creativity toys, company said. Gross profit fell to 20.6% from 27.6%.

ZB continued to invest in zanybrainy.com online business, adding another \$7 million in quarter, while joint venture partner On Line Retail Partners provided \$5 million, Spurgeon said. Joint venture invested \$15 million to start business in Nov. and ZB will supply another \$2-\$3 million in rest of fiscal year, CFO Robert Helpert said. While ZB didn't disclose online revenue, Spurgeon said chain would post loss from operation in 2nd quarter, meaning business was losing more than \$20 million. He predicted that, despite losses, zanybrainy.com will turn profit by Jan. 2002.

While other online toy retailers have suffered setbacks, including layoffs at KBKids.com and shutdown of Toysmart.com, Spurgeon said zanybrainy.com would succeed by "leveraging brand building and marketing awareness" of chain's brick-and-mortar and catalog businesses.

Noodle Kidoodle acquisition is "progressing as planned" (TVD May 8 p15) and is expected to be completed by 2nd-3rd quarter. ZB will take \$15 million charge to cover merger of chains, which it projected would generate \$5 million in annual saving in overhead, Helpert said. Large portion of charge will cover severance, including payments to Noodle Chmn.-CEO Stanley Greenman and Pres.-COO Stewart Katz, who are expected to sign 6-month contracts with ZB that will pay them base salaries of \$257,500 and \$232,500, respectively, according

to proxy statement filed with SEC. At end of 6 months, Greenman and Katz will receive "stay bonuses" of \$225,000 and \$200,000 and lump-sum payments of \$350,000 and \$325,000, respectively, proxy said. Noodle executives also will sign 2-year consulting agreements with ZB, barring them from competing with chain.

Proxy also revealed that Greenman and Spurgeon first discussed possible merger in Aug. 1996-Oct. 1996, but dropped plans early following year. Talks resumed in Sept. 1999 and picked up speed in fall, ending with approvals of boards in April, proxy said. As part of proposed merger, Noodle agreed to pay \$2.25 million termination fee and reimburse Zany \$1 million if its board fails to recommend that shareholders approve deal, proxy said.

Noodle Kidoodle also blamed declining sales of Beanie Babies as first-quarter loss grew to \$2.4 million from \$1.3 million year ago despite 5% rise in sales to \$24.1 million from \$22.9 million. Same-store sales fell 15%, but minus Beanie Babies, rose 1%, company said. Greenman said chain was making "good progress" toward completing merger with ZB. Noodle Kidoodle ended quarter with \$541,000 in cash and cash equivalents vs. \$4.7 million year ago as inventories rose to \$34.4 million from \$25.9 million. Chain also increased credit facility with CIT Group to \$50 million in renewing pact for 3 years.

Virgin Entertainment threw its hat into growing Internet radio arena last week with debut of Radio Free Virgin (RFV) service. Company said venture was "first of several online investments" that Virgin Group Chmn. Richard Branson plans. He expects to invest total of \$247 million in Web enterprises, it said. Branson said free RFV service will serve as alternative to limitations of traditional radio stations and "will be a champion for the consumer with the best music, commercial free, with excellent sound quality." Company said streaming audio provided by RFV is CD-quality. RFV player can be downloaded by consumers free at www.radiofreevirgin.com. RFV channels include Electronica, Funk It Up, GameGoth, Guilty Pleasures, Hip Hop 101, In Rock We Trust, Lovesexy, Swingin' Oldies. By Wed., Virgin said 500,000 players already had been downloaded.

Sony will offer built-to-order Vaio PCs through Sony Style.com Japan. Customization option for Vaio PCs brought through site will be available by summer, and possibly as early as mid-June. At outset, site will offer variety of different system configurations, and later on systems will be fully configurable. Sony had not announced any target for direct sales yet.

Square polymer lithium battery has been developed by TDK. Company said 2 types of 62x35x3.8 mm battery use proprietary solid polymer electrolyte (SPE) and have capacities of 630 mA and 580 mA. Company has begun supplying samples to cellular handset makers and will decide whether to commercialize new battery by Sept.

THIS WEEK'S YEN RATE

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

Rex Stores, riding strong sales of DVD players and big-screen TVs, reported first-quarter income rose 56% (see financial table) as sales increased 8% on 4% gain in same-store sales. Gross margin rose slightly to 26.8%, but was "negatively impacted" by warranty sales, revenues from which are recognized on "straight line" accounting basis, CFO Douglas Bruggeman said. While DVD player sales climbed 400% in quarter, VCRs were "sinking dramatically," CEO Stuart Rose told analysts in conference call. And while sales of big-screen TVs — direct-view and projection — increased 50%, revenues from smaller screen sizes were "down a little bit," he said. Sony has been Rex's lead brand for digital TV, but chain is adding Hitachi, Magnavox and Panasonic models as it expands category, Rose said. Cellular phone business, which Rex has sought to expand to 30% of its stores (TVD March 27 p17), has suffered "major supply problems" and is "not going to be a good category for us any time soon," Rose said. BellSouth is chain's main carrier, but it's also seeking to add Sprint. Rex's investment in Fla. State Power synthetic fuel limited partnership generated \$1.23 million in revenue in quarter as related tax credits lowered effective tax rate to 25%, company said. In quarter, Rex closed 3 stores in leaving Des Moines market, but retained 9 other locations in state. "These were old, tired stores and the leases were coming due and it just made sense to leave that market," Rose said. Closed stores were "break-even propositions" with "potential to be a long-term drag on managerial resources," Morgan Keegan analyst David Childe said. Rex said it plans to open 30-35 stores in rest of fiscal as it expands to more than 260 outlets.

Acclaim is appealing Nasdaq decision to delist game maker's securities from National Market. Company said it was notified by Nasdaq May 30 that it didn't meet net tangible asset requirement for continued listing under Maintenance Standard 1 and wasn't in compliance with \$5 minimum bid price for continued listing under Maintenance Standard 2. Although Nasdaq said Acclaim's securities would be delisted as of opening of business June 8, company said delisting process had been suspended pending resolution of appeal. Acclaim qualifies for listing on Nasdaq SmallCap Market. But it said it was evaluating alternatives to present to Nasdaq Listing Qualifications Panel, including possible reverse stock split — action Acclaim said it believed would result in increase of bid price for company's common stock to more than \$5.

Imix.com was selected by Pepsi as exclusive custom CD provider for its "Choose Your Music" promotion in Canada. As we reported, Musicmaker.com was picked by Pepsi for promotion's custom CD fulfillment in U.S. (TVD April 3 p19). Imix.com, which recently changed its name from CustomDisc.com (TVD May 15 p20), also said it formed strategic alliance with Liquid Audio that will expand its digital download library. Under deal, Liquid Audio will add 70,000 tracks to imix.com's library, which already had 200,000 songs. Content will be distributed by Liquid Audio's Retail Integration & Fulfillment System.

Sega Dreamcast sales received large boost after several U.K. retailers dropped price on console \$75 to \$222, British press report said last week. Report said retailers saw sales increase 250-400%. Meanwhile, retailers there have stepped up calls requesting that Sega officially drop price on console in U.K. Strong performance by new Eidos game for system, *Code: Veronica*, was credited with improved sales. Report said 17,000 units of game sold in only 2 days week earlier.

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
C-Phone			
2000-year to Feb. 29	1,401,150	(3,363,628)	---
1999-year to Feb. 28	1,621,196	(4,478,725)	---
2000-qtr. to Feb. 29	218,352	(732,834)	---
1999-qtr. to Feb. 28	274,419	(1,502,970)	---
Gemstar International			
2000-year to Mar. 31	241,439,000	81,317,000	.40 ^a
1999-year to Mar. 31	168,166,000	60,145,000	.30 ^b
2000-qtr. to Mar. 31	83,993,000	27,331,000	.13 ^a
1999-qtr. to Mar. 31	55,077,000	22,210,000	.11 ^b
Rex Stores			
2000-qtr. to Apr. 30	107,183,000	3,246,000	.46
1999-qtr. to Apr. 30	99,056,000	2,087,000	.28
Take-Two Interactive			
2000-6 mo. to Apr. 30	192,925,799	8,140,869	.32
1999-6 mo. to Apr. 30	120,445,985	4,456,008	.22
2000-qtr. to Apr. 30	70,036,073	3,354,211	.13
1999-qtr. to Apr. 30	52,165,332	1,561,172	.08

Notes: ^aAfter special charge. ^bAdjusted; after special charge.

Consumer Electronics Personals

Appointed at Sony Electronics (SEL): **Michael Vitelli**, most recently exec. vp, Sony Bcst. & Professional Co., returns to Sony's consumer AV business as pres., Sony Consumer Electronics Group; **Edward Grebow** promoted to deputy SEL pres., also continues as pres., Sony Bcst. & Professional Co.; **SEL CFO Nobuyuki (Nick) Oneda** promoted to deputy pres... **Ryusuke Hoshikawa**, Fujitsu Microelectronics chmn., promoted to pres.-CEO, replacing Yuji Ezura, who returns to Japan to head marketing for Electronic Devices Group... **Marcus Nucci**, ex-Value America, joins Good Guys as chief information officer for company's online subsidiary goodguys.com... Promoted at JVC: **Jerry Barbera**, **Karl Bearnarth** and **Michael Holmes** to vps for consumer video, consumer audio and color TV, respectively; **Yutaka (Jim) Ohkuma**, **Takeshi (Tommy) Inagaki**, **Takeo (Tad) Hirano** and **Yasutoyo (Jeff) Imada** become gen. mgrs. for color TV, consumer video, mktg., and military sales, respectively; **Gary Defeo** to mdsg. mgr., recording media, from sales & mktg. mgr., national accounts... **Wayne Borg**, ex-Tops Appliance City, joins Panasonic as product mgr., consumer telephones... **Kelly Flock**, ex-989 Studios pres., named CEO, Sony Online Entertainment.

SpotLife began live personal broadcasting service online. San Mateo startup said service allows anyone with PC, QuickCam Internet Video Camera and typical Internet connection to easily broadcast shows to family and friends around world. Resolution of image varies. Spokeswoman told us last week that "point, click and broadcast" service is "designed to automatically optimize" video footage being sent "based on the quality of the broadcaster's Internet connection and also the complexity of the content." She said video often can be as fast as 30 fps. Broadcasting is free with charter membership, which automatically provides 15 MB of space for stored content and 240 live streaming min. per month with maximum of 25 simultaneous views. Viewing broadcasts at www.spotlife.com is free. Company already has partnership with Logitech, which is bundling SpotLife software with all of its USB QuickCams sold at retail worldwide. Stores carrying software include Best Buy, Circuit City. Good Guys. SpotLife expects it to support more than one million personal broadcast shows in next 2 years, with more than 20 million viewers worldwide.



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JUNE 12, 2000

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OVERBUILDS GROWING in response to data opportunities. More than dozen new 'broadband service providers' jostling for position. (P. 3)

FOX LOOKS AT DATA, asks affiliates to delay joining other groups. Network to announce plans in Sept. Affiliates take 'wait-and-see' approach. (P. 4)

EISNER HITS PIRACY in Capitol Hill speech, says Internet distribution of stolen intellectual property is 'crisis.' Others call program overstated. (P. 4)

AT&T TESTS MULTIPLE ISPs, plans 6-month technical trial. MSO to team with Excite@Home, others. Glitches expected. (P. 5)

GOVT. PRIVACY ROLE SMALL, Gates and Grove say, but 'explicit regulations' may make consumers feel more secure. (P. 6)

Consumer Electronics

BRANDED DVD PLAYERS AT \$199 expected by holidays, but price free-fall slows with parts shortage. Best Buy, Wal-Mart said to be seeking sub-\$100 models. (P. 10)

SONY DIGITAL CAMCORDERS SCARCE as product competes with cellular phones and PlayStation2 for tight IC supply. Full shipments not likely until fall. (P. 11)

SONY DELAYS HDTV LINE because of engineering setback, unresolved issues. But it still will provide DTV products for fall. (P. 12)

RADIOSHACK.COM STORE OPENS in revamped 10,000-sq.-ft. outlet in Denver, will serve as area fulfillment center for online business. (P. 13)

SONY WILL SHIP PORTABLE PLAYSTATION game console next month in Japan. N. American and European rollout will follow in fall. (P. 14)

INVESTORS SEEK NEW RENTRAK BOARD and ouster of Chmn.-CEO Berger in effort to boost stock price. (P. 15)

AT&T-MEDIAONE FOCUS SHIFTS TO TIME WARNER: Spotlight switched from Washington to upcoming negotiations between AT&T and Time Warner following FCC's June 5 approval of AT&T's \$58 billion purchase of MediaOne Group. Industry observers see talks between nation's 2 largest MSOs, involving such thorny issues as local phone service over cable lines, cable carriage of multiple ISPs and ownership of major programming networks, as key to future of both cable giants. Discussions also will have impact on timing of closing of AT&T-MediaOne deal, as well as regulatory scrutiny of pending merger between America Online and Time Warner. "The chessboard is getting more complicated," Broadband Intelligence Pres. Cynthia Brumfield said.

Neither AT&T nor Time Warner had much to say about their forthcoming negotiations, all but required by MediaOne's 25.5% stake in Time Warner Entertainment (TWE), AT&T's 9% existing interest in Time Warner through Liberty Media and Time Warner's current right to veto acquisitions of TWE partner MediaOne. AT&T officials declined comment while Time Warner executives couldn't be reached. But Time Warner spokesman told *Wall St. Journal* that "we have lots of issues to discuss with AT&T" and talks should begin "imminently."

Industry observers expect negotiations to be particularly intense over next 2 months while Time Warner continues to hold its veto power over MediaOne sale. That right expires Aug. 3, prompting prediction by James Cicconi, AT&T gen. counsel and senior vp for govt. affairs, that MediaOne deal should close no later than Aug. 4. Observers believe companies are likely to discuss sweeping agreement that would put AT&T-branded local phone service on Time Warner's cable lines in return for placing AOL's new high-speed data service on AT&T's cable lines. They also think Time Warner will try to recover MediaOne's stake in TWE while AT&T will attempt to retain it for greater leverage over its rival.

Beyond that, industry experts split over what AT&T will do to satisfy govt. conditions. Some believe AT&T will gladly hand over its minority TWE interest to Time Warner, preferring that option to shedding its Liberty Media and Rainbow Media programming interests or selling off cable systems with 9.7 million subscribers. "Why would they want to sell a whole subscriber when they could sell a 25% interest in a subscriber?" asked analyst Scott Cleland of Legg Mason Precursor Group. Analysts estimate sale of TWE stake could fetch more than \$12 billion.

Others think AT&T will move to spin off Liberty and Rainbow despite possible tax bill of \$5 billion-\$7 billion from disposing of Liberty before March. Sale of Liberty and Rainbow would allow MSO to keep all its cable systems as well as its stake in TWE, boosting its distribution reach. "They did this deal to gain the homes," Brumfield said, "so jettisoning Liberty is really the way to go." In favorable report on AT&T stock prospects, Credit Suisse First Boston agreed, estimating that MSO still might have to pay up to \$512 million in extra taxes to divest Liberty even if it avoids larger tax bite.

Saying company was "delighted" by FCC's action, Cicconi said AT&T hasn't decided what course it will take. In general, he said, agency granted both of AT&T's requests — to have "full range of options" and "necessary time" to implement them. He stressed that AT&T had no intention of selling Liberty and never has, prompting some observers to wonder whether company might argue to IRS that it was being forced to sell Liberty by FCC, allowing it to qualify for govt. waiver from big tax bite. "I'm sure if they have to, they'll try that," said Anna-Maria Kovacs, analyst with Janney Montgomery Scott.

In unanimous vote, FCC approved AT&T's purchase of MediaOne June 5, clearing way for nation's largest long distance provider to add MediaOne's 5 million cable subscribers and become nation's largest MSO as well. As expected, FCC imposed conditions to keep AT&T below Commission's 30% cable ownership limits, requiring MSO to shed either MediaOne's 25.5% stake in TWE, its Liberty and Rainbow programming interests or cable systems with total of 9.7 million subscribers. AT&T has almost one year to carry out divestiture but must make "irrevocable election" among 3 options within 6 months of merger closing. FCC also imposed interim "programming safeguards" initially proposed by AT&T to maintain programming diversity and competition during divestiture period.

In news conference, FCC Chmn. Kennard said decision "strikes the appropriate balance between promoting competition in local telephone service and protecting competition in cable and high-speed Internet service." He credited companies with making "meaningful commitments and concessions," including AT&T's taking "all necessary steps to comply with our channel occupancy rules" and MediaOne's reducing its stake in Time Warner's local telephony unit. He also noted that AT&T has committed to carrying multiple ISPs on both AT&T and MediaOne cable systems and that Justice Dept. is requiring AT&T to divest MediaOne's direct 25% stake in high-speed cable ISP Road Runner.

Kennard said FCC's "specific, nonseverable conditions" on merger would prevent AT&T-MediaOne combination from "serving as a gatekeeper in the video programming market." Under its original application, he said, AT&T would have ended up controlling 34.4 million customers, amounting to 41.8% of all cable and satellite video subscribers and more than half of purely cable universe. But now, he said, new entity will come in under govt.'s 30% cable ownership cap, mandated under statute whose constitutionality was upheld by U.S. Appeals Court, Washington, 3 weeks ago (TVD May 26 p6). AT&T and Time Warner are challenging ownership limits in federal court.

Despite concurring in approval of AT&T-MediaOne deal, FCC Comrs. Tristani, Powell and Furchtgott-Roth all spoke out strongly against specific aspects of decision. Tristani contended that "Commission has failed to consider seriously the significant impact that an AT&T-MediaOne combination could have on the diversity of media voices," saying that AT&T could end up owning all or part of 22 of 59 — 37% — of major basic cable networks if it chooses to hang onto TWE, Liberty, Rainbow. Along with ABC/Disney, CBS/Viacom, News Corp./Fox and NBC, she said, new AT&T would thus be one of 5 companies controlling 40 of 59 — 68% — of major cable networks, top 4 pay cable channels and all 4 major broadcast networks.

Powell and Furchtgott-Roth objected to FCC's application of its 4-part public interest test to merger. Both contended that Commission simply should apply its cable ownership limits to deal and not overlay them with other conditions, such as interim programming safeguards. "Such an approach, I believe, subsumes the rules and puts too much weight on our more ambiguous 'public interest' authority," Powell said.

Consumer groups, which had pressed FCC to make AT&T divest TWE and Liberty interests, blasted decision. Arguing that Commission's approval of merger "defies logic" and "smacks of political favoritism for one company," Con-

sumers Union contended that merged entity still would exceed govt.'s cable ownership limits. Gene Kimmelman, co-dir. of group's Washington office, said Consumers Union would try to overturn decision in court and also would press Congress to restructure FCC's merger authority.

OpenNet Coalition, which has pushed for mandated carriage of competing ISPs by cable operators, applauded FCC's public support for open access but bemoaned lack of access requirements in merger approval. OpenNet Co-Dir. Greg Simon said decision "continues to leave open access to the discretion of the cable industry." By time FCC determines whether AT&T has fulfilled its "vague voluntary commitments," he said, "it may be too late to offer customers meaningful choices for cable Internet services."

NEW BROADBAND PLAYERS RUSH INTO CABLE, TELECOM: Thanks partly to surging consumer demand for fast Internet access, more than dozen new "broadband service providers" (BSPs) have popped up in markets around U.S. to overbuild traditional cable and telecom companies. Inspired by growth and fund-raising prowess of RCN Corp., "granddaddy of overbuilders" backed by billionaire Paul Allen, broadband players are raising capital, seeking open video system (OVS) certifications and local cable franchises and building fiber-rich systems in more than 2 dozen big markets, including Boston, Chicago, Dallas, Denver, Houston, L.A., N.Y., Philadelphia, Portland, Ore., Raleigh/Durham, San Diego, San Francisco, Seattle, Washington. "There's sort of a land rush going on now," said Western Integrated Networks (WIN) CEO James Vaughn, whose company is targeting Austin, Dallas, Houston, Sacramento, San Antonio, San Diego.

Several BSPs already have locked horns in some markets, including Portland, Austin and San Antonio. In last 2, for example, one BSP, WideOpenWest (WOW) recently withdrew from local franchising process because of stiff competition from 3 other new players — Digital Union, Grande Communications, WIN. "It's a matter of focus for us," said Michael Steinkirchner, WOW marketing vp. "We're focusing on where we're clearly ahead."

Others are concentrating on areas traditionally ignored by major cable and telecom companies, such as midsized markets or fast-growing areas like Raleigh-Durham. In Carolinas, for instance, Carolina Broadband has raised \$450 million to build broadband systems in Raleigh-Durham, Charlotte and Winston-Salem, N.C., plus Columbia and Greenville/Spartanburg, S.C. "We want to focus on a region where we can control a number of factors," said Carolina Broadband CEO William Schuler.

Despite failure of nearly all previous cable overbuilders to prosper, Wall St. is pouring money into new breed of BSPs. Taking their cue from Allen's whopping \$1.25 billion stake in RCN late last year, investors have now sunk nearly \$10.7 billion into overbuilds, Donaldson, Lufkin & Jenrette estimated in recent report. Besides Allen's Vulcan Ventures, such financial heavyweights as AT&T Ventures, Blackstone Group, CALPERS, First Union Capital, Fleet Ventures, Goldman, Sachs, J.P. Morgan and Robert Bass's Oak Hill Capital Partners have invested in firms. "There's an extraordinary amount of smart money chasing all of us," said Joseph Cece, CEO of Digital Access, which is targeting Indianapolis, Kansas City, Milwaukee, Nashville.

Headed largely by cable industry veterans such as Cece and Vaughn, new broadband players hope to succeed where earlier overbuilders failed by offering bundles of high-speed data, cable and telephony services to consumers. Competing against incumbent cable and telecom providers, they generally aim to capture 15%-30% of market for each service over next 5 years. With 3 services packaged together for cheaper prices, they see some customers spending upwards of \$150 per month on bundles. "It's a very good business with those penetration and revenue figures," said American Broadband Pres. Edward Holleran, whose company is pursuing franchises in Atlanta, Baltimore, Pittsburgh, R.I., southeast Florida, other locales. "It looks like it makes economic sense."

Many new BSPs see incumbent cable operators as prime rivals and video as their lead service. American Broadband, Digital Access and WIN, for instance, all are initially targeting video as their biggest service because of its greater growth prospects and cable industry's relatively poor customer service reputation. "I think the local phone companies have much stronger branding and incumbency than the local cable companies," Vaughn said.

But nearly all see high-speed data as most promising of their 3 services, particularly over long haul. With no entrenched incumbents in data field, they think they can easily lure 12% to 15% of online users in first few years and then build from there. In Colo., Portland, Ore., and Tex., for instance, WOW is promoting fast Internet access as its key differentiator. It's also playing up pledges to offer multiple ISPs over its broadband plant immediately, in contrast to such leading cable MSOs as AT&T. "We're focusing on the Internet," Steinkirchner said. "That's going to be huge."

FOX LOOKS AT DATA: On issue of future use of digital spectrum, "we cannot be divided in the face of existing competitors and entirely new technology platforms," Fox TV Chmn. Chase Carey told TV network affiliates in Scottsdale last week. He said Fox doesn't have "full-blown plans for revenue splits, specific spectrum dedication and some of the other tactics within our overall digital strategy," promising that such plan would be disclosed to affiliates in Sept.

Carey said "nobody understands the business model for Internet content and transactions" today: "One of the things most arguably disconcerting right now is that some parties [read that as affiliates] out of a lack of patience will sacrifice their true growth opportunities by selling or contributing core assets like digital spectrum to 3rd parties." In answer to question, Carey said Fox was tying in use of digital spectrum in negotiations with stations for new affiliation contracts.

Carey said "3rd party players like i-Blast and Geocast don't have the answers. They are simply aggregating spectrum to try to buy time. Worse yet, however, is that entering into these partnerships is tantamount to turning your entire investment in local infrastructures and time periods over to digital syndicators."

Affiliates Vice Chmn. Linda Gray of WXIN Indianapolis told reporters affiliates are taking "a wait-and-see" attitude on how best to use their digital spectrum for nonbroadcast transmissions." Carey's presentation, she said, simply "reinforces Fox's position that it wants to partner with us."

Carey outlined major concessions Fox will make to affiliates on inventory buyback plan (reluctantly agreed to by stations year ago) and on children's TV — programming element stations want Fox to drop. Starting July 1, he said, network will reduce by \$5 million (to \$50 million annually) amount affiliates must pay to Fox in spot buyback. Most of that refund will go to affiliates in markets below top 100, he said. Robert Quicksilver, pres.-network distribution, said termination notices have been sent to "small handful" of affiliates for nonpayment but "we have left the door open" and no station's affiliation has been canceled.

On children's TV, Gray said affiliate board made it plain at meeting with Fox executives that stations want network to get out of children's programming. As result, Carey said, stations will form subcommittee to meet with network to "explore... the means by which we can together mitigate some of the problems with kids... You have our further assurance that we will have a proposal to more dramatically improve the kids situation no later than January." He said Fox has tried to deal with changes in economics of networking "while also keeping an eye toward retaining our competitive advantages." Carey took crack at actions of other networks — such as "CBS's significant changes to affiliate compensation, not to mention its likely use of UPN as a dumping ground."

Maureen Smith, exec. vp of Fox Family Channel, cautioned reporters that Carey's statement didn't mean Fox was getting out of programming for children. What it means, she said, is "now there will be collaboration... We're more than willing to work together" with affiliates.

Radio One said it completed acquisition of 3 Indianapolis radio stations plus LPTV station W53AV Indianapolis from Shirk Inc. for \$40 million. Radio stations are WHHH(FM), WBKS(FM), WYJZ(FM).

EISNER HITS PIRACY: Disney Chmn. Michael Eisner in speech June 7 on Capitol Hill began what some said is new offensive against Internet piracy of video and audio content. He said Internet distribution of stolen intellectual property had become "crisis" that threatened U.S. creative leadership, and asked members of Congress not simply to refrain from creating compulsory copyright license for digital content, which he said was "ill-suited to a global medium like the Internet," but also to pressure Internet industry to work on technology to prevent unauthorized copies.

U.S. Internet Industry Assn. Exec. Dir. David McClure said, "This is the first volley in the reengagement of the copyright war" between ISPs and content providers, with establishment of 1998's Digital Millennium Copyright Act (DMCA) marking only temporary truce.

Senate Judiciary Committee Chmn. Hatch (R-Utah) promised "a series of hearings" on copyright problems created by new technologies. Rep. Rohrabacher (R-Cal.) said he supported Eisner on issue, but said there's also "hypocrisy on your side," with entertainment industry not treating other industries well.

Content creators are developing watermarks and other solutions to privacy, Eisner said, but they have struggled to convince ISPs to use them. "Most people want to do the right thing," he said, and content companies are considering developing warning label comparable to the FBI warning that precedes home videos. Content industry is one of most important in U.S., Eisner said, exporting more than automobile or agriculture industries: "This affects our nation's balance of trade." Showing clip from the new Disney production *Dinosaur*, he said big projects won't happen in future if they're ripped off so easily. However, McClure said such doom-and-gloom projections were just rhetoric and "they can't quantify any losses to the film industry or the music industry... You'd have to be an idiot to download for 12 hours and sit in a room and watch a movie in a 2-inch by 2-inch box on your computer screen to save 8 bucks."

Prodded by Rep. Goodlatte (R-Va.), Eisner called for cable open access. He said allowing combination of intellectual property assets with distribution outlets such as cable systems always has led to "disaster" and U.S. govt. intervention. Eisner said there's threat that such owner would decide "his content moves quicker than ours." Mentioning Time Warner-Disney retransmission consent feud that briefly caused ABC to be dropped from Time Warner systems, he said "we got a lot of clout, and we still got thrown off the air."

Cox Radio said Midwestern Bcstg. accepted its previously announced offer to acquire WALR(FM) Atlanta for \$280 million. Station is to be swapped to Salem Communications for WSUN(AM) Tampa and KKHT(FM) Houston. Cox also said it will offer 8 million shares of common stock in offering managed by Credit Suisse First Boston and Morgan Stanley Dean Witter.

Henrico County, Va., filed appeal in 4th U.S. Appeals Court, Richmond, of district court ruling invalidating mandatory open access provisions in AT&T-MediaOne franchise transfer. BA and GTE, which were allowed by district court to intervene in case, already have filed separate appeals. County was awaiting briefing schedule from appellate court preceding oral argument, likely later this year, county attorney Joe Rapisarda said.

AT&T TESTS MULTIPLE ISP ACCESS: AT&T plans 6-month technical trial of its ability to carry multiple ISPs on single cable system, marking first such major test in U.S. Decision comes several months after unveiling set of open access principles with Mindspring. AT&T said it will team with Excite@Home, high-speed cable ISP that it largely owns and carries exclusively, to test carriage of 10 national and regional ISPs on cable system in Boulder, Colo. Known as "AT&T Broadband Choice," trial will involve up to 500 consumers. Other tests may follow.

AT&T move came only 2 days after it received FCC approval of its \$58 billion purchase of MediaOne Group without Commission's imposing any open-access requirements, and one day after Boulder City Council granted competitive cable franchise to Wide Open West, new broadband player that has pledged to carry multiple ISPs on all its systems. FCC, which has opted not to impose open access mandates because it prefers marketplace solution, declined comment while NCTA praised test as "further proof of the FCC policy to let the market take care of this issue."

AT&T and Excite@Home officials said Boulder test would help them resolve technical and operational problems that must be overcome before open access can be rolled out commercially over cable systems. White Paper prepared for White House National Economic Council last year spelled out many problems, including issues with cable plant, backend servers and networks, cable modems, spectrum, technical equipment standards. "We think we've figured out a good way to do it," said James Cicconi, AT&T gen. counsel and exec. vp for govt. affairs. But he quickly added, "I'm sure there'll be some glitches along the way."

Plans call for up to 500 Boulder cable subscribers, or 50 of each ISP's existing customers, to receive special software package, or "service agent," from AT&T. Once installed on their computers, service agent will allow subscribers to select ISPs, choose connection speed, change connection speed later and adjust speed to match capabilities of their devices. Service agent also will have diagnostic and help functions.

Spokeswoman for AT&T Broadband said MSO won't charge customers for participating in trial, nor will ISPs be charged for interconnections. So, even after test is over, AT&T still will lack financial model for offering multiple ISPs. She said Boulder was picked because of its close proximity to AT&T Broadband hq in Denver, relatively small size of cable system and city's high concentration of PC owners and online users.

AT&T has invited 10 ISPs — its own Excite@Home and WorldNet services, America Online, Dell.net., Denver News, Juno, Mindspring, MSN, MSN, RMI.net, Yahoo — to participate. Spokeswoman said 5 ISPs have expressed interest but none had made formal commitment.

"It is a positive step," RMI.NET CEO Douglas Hanson told us, but much remains to be worked out. "It is not clear to us at this point exactly what the conditions are for us to get access to the customer base," he said. Hanson said draft agreement is covered by confidentiality clause, so he couldn't go into point-by-point detail, but "the limitations as we see them now are greater than we would like." Still, he said, "our hope is that by getting a seat at the table, we can convince AT&T that they need to freely open the pipe."

Others had fewer reservations. "We're certainly excited about participating," Juno spokeswoman said. "I expect that we will." U.S. Internet Industry Assn. Exec. Dir. David McClure said move "validates the possibility that we'll see true open access for at least some ISPs" and "I don't think anyone in the industry expected everyone... would qualify." AT&T's inclusion of regional ISP Denver News and RMI.NET, which seeks to go national but remains predominantly Rocky Mountains-based, shows AT&T is "opening to geographically based ISPs" as well as largest ones, he said: "That indicates more flexibility than they've shown in the past."

GTE, which has led fight for open access requirements on cable systems since AOL dropped out of crusade earlier this year, also welcomed AT&T move. "We think it proves that this isn't rocket science," GTE spokeswoman said. But she expressed concerns that AT&T's service agent might not provide customers with "nondiscriminatory access" to and "a direct relationship" with their ISP of choice. "We want something that's enforceable and verifiable that it's truly open access," she said.

L.A. City Council's Information Technology Committee voted June 7 to approve proposal by Committee Chmn. Alex Padilla to require all cable operators serving city to provide open access to competing ISPs once they signed new or renewed franchises. Measure now moves to full council vote, most likely in week of June 19, aide said. He said 3 of 15 council members will have to recuse themselves from vote because they own stocks in cable companies. Fact that most cable companies had committed to provide open access bolstered Padilla's case, he said, and proposal seeks only to provide regulatory framework for policy. NCTA spokesman said industry was optimistic council would reject "regulations that only serve to reduce fast deployment of broadband and consumer choices." OpenNet Coalition Co-Dir. Rich Bond commended Padilla for doing "excellent job of separating the myths from the facts" and said he was confident City Council would approve measure. Policy would affect 7 cable companies, including Time Warner, Adelphia and AT&T, in city's 13 franchise areas once their contracts come up for renewal, starting at end of 2002. Proposal also would require cable companies to: (1) Build out cable modem platforms uniformly throughout city. (2) Build out cable Internet service as quickly as possible and provide updates to city. (3) Provide free cable Internet service to local public schools, libraries and public hospitals as part of franchise renewal.

House Appropriations Commerce-State-Justice Subcommittee marked up its FY 2001 spending bill last week, earmarking \$207 million for FCC, \$29 million less than Clinton Administration had sought. FTC would increase \$10 million to \$134.8 million, still \$29 million below amount requested. Commerce Dept. would receive \$4.4 billion, down \$287 million from this year. National Institute for Standards and Technology (NIST) would take significant cut, dropping \$216 million to \$422 million, \$290 million below request.

AOL will become first online service to provide gavel-to-gavel coverage of national party conventions this summer, it said. Coverage is to include streaming video and audio feeds of all proceedings at Democratic and Republican conventions, as well as interviews, chats, data, other services.

DirectTV signed agreement with MDU Communications USA to provide DBS service to U.S. multidwelling unit (MDU) market, including apartments, condominiums and town homes, by July.

GOVT. PRIVACY ROLE SEEN SMALL: Microsoft Chmn. Bill Gates and Intel Chmn. Andy Grove said govt. should have small, targeted role in protecting online privacy at Hill hearing June 6, responding to prodding from members. Gates and Grove were joined in testifying before Joint Economic Committee, composed of Senate and House members and chaired by Sen. Mack (R-Fla.). Gates said it's important for Congress "to separate out different domains" when regulating privacy because "buying books or movies is quite different" from use of information related to health care, taxes or financial services. In those areas, he said, there should be "explicit regulations" that "ought to be black and white." Regulations would help online industry, he said, by making consumers feel more secure.

"A person's individual data" are "the currency of the Internet," Grove said in explaining difficulty of regulating its use. He said he viewed individual data as property, and govt. has long history of regulating use and sale of property, so he said "various levels of governments are going to get in and regulate it." He said "I fear that states will take matters into their own hands," resulting in 50 separate U.S. policies as well as numerous others abroad, so federal govt. should provide some guidelines.

Grove complimented Congress for Telecom Act, saying that "in the nick of time that law has encouraged and allowed increased competition involving connected computers." He said most — but probably not all — of mergers resulting from Act would benefit economy and consumers, but "we're still waiting to see the full effect of deregulation on bringing out broadband deployment."

Low-power FM (LPFM) supporters, fearful that Congress would pass legislation restricting industry, held rally in Senate Commerce Committee hearing room June 8, complete with performance by folk-rock duo Indigo Girls. Senate Commerce Committee Chmn. McCain (R-Ariz.), Sens. Durbin (D-Ill.), Kerrey (D-Neb.) and Wellstone (D-Minn.) and House Democratic Minority Whip Bonior (Mich.) spoke in support of LPFM. Wellstone faulted media concentration "in the hands of a few big corporate media conglomerates," while Bonior added vitriol for their "high-powered lobbyists." In not-so-veiled reference to NAB opposition, Wellstone said: "I love David vs. Goliath fights but this is taking it a little bit too far." Focus of rally was to back McCain's S-2518, which would allow LPFM to move forward, and to defeat S-2068 by Sen. Gregg (R-N.H.). Several organizers we spoke with afterward expressed concern that anti-LPFM language could be added to nongermane bill or language barring FCC funding for LPFM could be included in appropriations bill. Speakers dismissed interference concerns of NAB and NPR, with Kerrey saying "the threat of interference has been grossly exaggerated, especially by those who fear competition at the community level." Michael Brasher, who wore many hats as gen. mgr. of NPR member KANW(FM) Albuquerque, pres. of Albuquerque city council and member of FCC's Local-State Govt. Advisory Committee (LSGAC), said FCC engineers "have a good understanding of interference issues... the standards that have been set are good." Asked about NPR's contention of interference, particularly in noncommercial band, Brasher said "we disagree, we absolutely disagree. I think NPR is wrong." Asked whether NPR was concerned about competition, he said "I think competition is the primary concern for commercial broadcasters and noncommercial broadcasters." Kerrey added: "NPR has forgotten their roots." Hearing room was packed with Hill interns and staffers.

Changes in digital transmission are "turning the old regulatory world upside down," FCC Comr. Ness told IRTS Foundation seminar in N.Y.C. She said "challenge at the FCC is to talk to these new technologies and changes that benefit consumers while insuring a competitive marketplace that works for all Americans." Ness said that while goal "sounds catchy," Commission should pursue 4-track strategy: (1) "Examine the underlying public purpose behind each of our rules to ensure that the goals are still valid in this rapidly changing marketplace." (2) Make sure any govt. intervention is "least intrusive possible." (3) Think more "creatively and rapidly" than in past because "by the time we complete a rulemaking, it's already obsolete" in fast-paced Internet technology environment. (4) Wean industries off policies of govt. regulation to "let the marketplace roll." "As markets become more competitive, we need to step back from traditional regulation and let the marketplace govern the outcome," Ness said. "At the same time, we must ensure that legacy bottlenecks do not extend to new services."

In timely move, U.S. Appeals Court, D.C., upheld FCC's order requiring cable operators to start providing separate point-of-deployment (POD) security modules for hybrid analog-digital cable set-top boxes and begin phasing out old "integrated" converters. In 11-page ruling June 6, court dismissed challenge by General Instrument and NCTA that cable operators should be able to continue offering integrated set-tops, which perform both conditional access and ancillary functions, as long as they make separate security modules available in stores. Court agreed with Commission that retail market for hybrid boxes, while limited now, may grow in future and looser security requirements for such boxes might end up "interfering with competition in the digital market." Ruling comes as cable operators face July 1 deadline for making separate security cards available for hybrid boxes sold in stores as set-top boxes make transition to retail. Both AT&T and Charter Communications are seeking waivers of POD rule at FCC in move backed by NCTA but opposed by CEA and Circuit City (TVD May 15 p7).

FCC opened rulemaking on carriage of local TV signals by DBS operators beginning in 2002 under Satellite Home Viewer Improvement Act (SHVIA). SHVIA requires DBS to have carriage opportunities similar to cable, so FCC is asking about carriage obligations and definitions, market definitions, signal quality and duplication, channel positioning, content to be carried, DTV obligations, compensation for carriage, remedies for carriage violations. Comments are due July 7, replies July 28.

CTIA and FDA signed cooperative R&D agreement on potential health issues involved in wireless phone safety. FDA will provide research recommendations and oversight of studies of health effects of radio frequency emissions from wireless phones and CTIA will provide \$1 million in funding over 3 years. Research itself will be conducted by 3rd parties and will cover lab studies of wireless phone users focused on whether RF emissions from wireless phones pose any health risk.

General Motors said it will split Hughes Electronics tracking stock 3-for-1 following proposal for sixfold increase in number of authorized Hughes shares. Split will make Class H stock "substantially more liquid and accessible by broader range of investors," GM head John Smith said.

DTV-CABLE BATTLE RESUMES: Despite reaching formal agreement on digital set names late last month (TVD May 29 p4), NCTA and CEA still are squabbling over DTV-cable compatibility standards for TV sets and set-top boxes. In reply comments filed June 8 in FCC's DTV-cable compatibility rulemaking, 2 trade groups jostled over whether: (1) All digital sets should have 1,394/5C connectors favored by cable industry. (2) Similar labels should be placed on other DTV sets and set-top boxes. (3) FCC should get involved in negotiations over CableLabs' Dynamic Feedback Arrangement Scrambling Technique (DFAST) copy protection licensing technology. (4) FCC should move up deadline for banning existing "integrated" cable set-tops that combine security and other functions.

In most notable move, CEA hedged on scope of digital set label deal, arguing that proposed labels are evolving names, "not set in stone," and shouldn't be basis for any labeling requirements imposed by Commission: "The voluntary agreement of May 24 must be recognized for what it is: an initial step based on convenience and compromise, in what will be a continuing process that will seek to define the labeling of new products and services as they become available."

CEA also called for cable industry to develop open standards to describe how interactive TV features can be incorporated into integrated DTV sets without need for proprietary cable set-top box. Consumer electronics group also urged FCC to move up deadline for banning proprietary cable set-tops to Jan. 1, 2002, from current Jan. 1, 2005.

NCTA, on other hand, called on Commission to endorse voluntary labeling agreement between 2 industries. Cable group also defended CableLabs' proposed license terms for DFAST technology and urged agency to steer clear of adopting govt. standards for copy protection. In 3rd filing, National Rural Telecommunications Co-op (NRTC) contended that any digital set labels should have neutral names that don't favor cable over DBS.



In response to federal court ruling striking down FCC's jurisdiction over pole attachment rates for cable ISPs and wireless telecom carriers, FCC filed for "en banc consideration" by full court. Commission asked 11th U.S. Appeals Court, Atlanta, to reconsider decision by 3-judge panel of court that Congress didn't give FCC statutory authority to regulate pole attachment rates paid by cable operators carrying data services and wireless carriers. In 15-page filing late last month, FCC argued that both 1978 Pole Attachment Act and 1996 Telecom Act clearly grant Commission authority to regulate such rates. "The apparent result of the panel's decision," agency wrote, "is to strip cable companies of those protections if they use their wires, even in part, to provide their customers with high-speed Internet access in combination with ordinary video programming. Congress did not intend that perverse result. To the contrary, Congress has expressed its intent to make it easier, rather than harder, for American industry to provide state-of-the-art Internet access to consumers."

Senate Commerce Committee Chmn. McCain (R-Ariz.) made brief appearance in Scottsdale at Fox TV affiliates convention June 5. In answer to question from Fox TV News Chmn. Roger Ailes, he once again said campaign finance reform is vital for American political campaigns, although he didn't spell out any plans to pursue issue following his losing campaign for GOP presidential nomination.

WIT Soundview said it was reducing rating for Pegasus and Hughes stock from buy to hold. In case of Pegasus, WIT Soundview cited "substantial slowdown" in rural subscriber growth in last 4 months and uncertainty over pending lawsuits involving Pegasus, National Rural Telecommunications Co-op (NRTC) and Hughes. Analysts said they didn't see any "near-term catalysts" to aid subscriber growth, and numbers for quarter had been "taken down." WIT Soundview also said company remains "takeover candidate" for DirecTV. DirecTV subscribership for May is 3rd consecutive month of declining numbers, WIT Soundview said. While company will reach 2nd-quarter projections of 430,000 net additions, it said it didn't expect "significant upside."

In largest slamming settlement ever at FCC, WorldCom agreed to make \$3.5 million payment to U.S. Treasury and to change its consumer protection practices, agency and company announced. Agreement terminates Commission investigation into unauthorized customer service changes by WorldCom sales representatives. "WorldCom condemns unauthorized carrier switches and we cooperated fully with the FCC's review," WorldCom CEO Bernard Ebbers said. FCC Chmn. Kennard said action "puts the entire industry on notice that consumers should not be hoodwinked over the phone."

Burden of proof in satellite retransmission consent disputes shouldn't be shifted to broadcasters from multichannel video providers, NAB and network affiliate associations said in FCC filing. They oppose proposal by U.S. West and Wireless Communications Assn. that agency reconsider its earlier decision that burden of proof is on multichannel provider filing retransmission complaint. Broadcasters said proposal "would be a breathtaking rejection of the bedrock principle of American jurisprudence that a plaintiff must prove its claim."

Cox Radio said it will exercise right of first refusal to buy Midwestern Bcstg. for \$280 million. Assets include WALR(FM) Atlanta. Cox said it hasn't received final acceptance of offer, but it plans to swap station, along with KLUP(AM) San Antonio and WSUN(AM) Tampa for KKHT(FM) Houston, now owned by Salem Communications. Cox would retain right to WALR(FM) program format, which it will broadcast on its WJZF(FM) Atlanta.

Ariz. Gov. Jane Dee Hull (R) signed SB-1256 that allows telephone and cable operators to charge customers late fees for unpaid bills subject to certain conditions. Fee must not be more than \$5 for unpaid balance of \$25 or less. For unpaid balance of more than \$25, fee will be \$10 or 5% of balance, whichever is more. Operator is required to notify customer at least 10 days before date of imposition of late fee and fee is to be charged 15 days after issue of notice. In addition to delinquency fee, bill allows operators to levy collection fee of not more than \$10.

Although it doesn't claim results can be repeated at all locations, CEA said June 1 demonstration in Arlington, Va., showed "rock solid" reception of all 10 DTV stations in D.C. and Baltimore using RadioShack indoor double bowtie antenna with reflector grid (most stations also could be received on simple bowtie antenna). Officials who attended demonstration said no antenna movements were needed and movement inside hotel room didn't affect reception on Harris ARX-H200 receiver. Hotel room is just across Potomac River from D.C., facing general direction of most transmitters.

Number of new DBS subscribers has doubled those of cable TV this year, but cable will remain formidable rival in battle for market share in next 2 years, Allied Business Intelligence (ABI) study said. ABI annual report *CATV Infrastructure 2000: Equipment Markets and System Trends* said cable added 2 million subscribers in U.S. in 1999 and will add 2 million in 2000, compared with 2.7 million in 1999 and 4.5 million this year for DBS companies. ABI predicted that after 2002, cable additions would "exceed" DBS as initial effect of carrying local channels is spent — (516-624-3113 or www.alliedworld.com).

TiVo unveiled its first weekly interactive TV program, *TiVo Takes*, to preview, review and promote upcoming shows to digital VCR subscribers. Hosted by CNET veteran Daphne Brogdon, series also will let viewers record highlighted shows by pressing their remote controls.

FCC and state regulators plan to develop nationwide database of broadband deployment efforts through Internet. Commission said Federal-State Joint Board on Advanced Telecommunications Services will survey local communities over new Web site, www.nrri.ohio-state.edu/broadbandquery.php, and make results available on same site.

Adelphia Communications will buy more than 1.6 million digital cable set-top boxes, 300,000 cable modems and 100 digital headends from Motorola for \$535 million, companies announced. Adelphia, which plans to complete purchase by end of next year, said it will use equipment to support its interactive TV and high-speed Internet access rollouts throughout U.S., particularly in L.A. and southern Cal. Overall, 4 million homes in Adelphia areas will be passed by Motorola devices.

DirecTV set May record with 130,000 new (net) customers, 24% increase over May 1999 total. Company said 160,000 customers were transitioned to DirecTV from PrimeStar in May, increasing total of conversions to one million. DirecTV has added 715,000 customers in first 5 months of 2000 and said it now has 8.5 million.

DirecTV and NBC Cable Networks signed agreement for DBS provider to offer CNBC on DirecTV Airborne, in-flight programming service for U.S. commercial airlines. Deal also allows DirecTV to distribute MSNBC and work with NBC to identify other NBC-controlled programming, such as 2000 NBA Finals and 2000 Olympic Games coverage, to be featured on DirecTV Airborne. Terms weren't disclosed.

Paxson has begun 6-channel multicasting of DTV signal of its Chicago station, WCPX-DT (Ch. 46). Multiplex includes 3 time zone feeds of Pax network signal plus 3 religious channels. Paxson said it's asking Chicago area cable systems to carry all 6 program feeds. CEO Jeff Sagansky said DTV conversion provides "new and exciting opportunities" for additional program services, as well as "new revenue streams."

Advanced TV Systems Committee added directed channel change (DCC) technology in latest revision in DTV standard. DCC allows ads to be targeted to particular zip codes, for example, as well as locally focused news and other services. It also enables viewer to select types of programming, easing multicasting.

Paxson said it completed previously announced acquisition of 6 full-power TV stations from DP Media. Stations are in Grand Rapids, Indianapolis, Milwaukee, Raleigh-Durham, St. Louis, Washington.

Charter Communications said it's accelerating sign-up of digital cable and high-speed data customers. At its first annual shareholders meeting in Bellevue, Wash., Charter, nation's 3rd largest MSO with 6.2 million basic subscribers, said it has signed up more than 225,000 digital customers and has installed 266,500 digital set-tops in subscribers' homes. Company, which has more than 123,000 data customers, said it's now adding 2,500 cable-modem subscribers each week.

National Mobile TV (NMT) will buy ABC Sports' mobile production vans and provide ABC's production services under new 4-year contract. As result, NMT created new division to be headed by Chris DeLauro, former ABC Sports dir.-production planning. Deal includes 3 large mobile units, along with 7 support units, 12 tractors, other equipment. Terms weren't disclosed.

Hispanic TV Network bought KLDL (Ch. 55, Ind.) Lake Dallas (Dallas-Ft. Worth market) from Doug Johnson Bcstg. for undisclosed price. HTVN said it also is buying small stations in 8 other markets, with KLDL to become its flagship station. Other stations are in Brownsville, El Paso, Laredo, Las Vegas, Orlando, Sacramento, Salinas-Monterey, San Francisco. HTVN also said it signed new affiliation deals with stations in Duluth, Reno, Watertown, N.Y.

Emmis Bcstg. acquired option to buy 3 radio stations in Phoenix from Hearst-Argyle, companies said. Emmis will manage stations — KTAR(AM), KMVP(AM) and KKLT(FM) — under local marketing agreement. Terms weren't disclosed.

Paxson Communications said it reached agreement with AT&T to carry Pax programming on all its cable systems in Pittsburgh, 19th largest TV market. It said Pax TV now will be available in 81% of U.S. TV households. With 532,000 subscribers, AT&T is Pittsburgh's largest MSO.

Comcast began offering digital cable service in Anne Arundel County, Md., last week as it continued \$75 million system upgrade. Digital service encompasses more than 200 programming channels, including 45 for premium movies, 45 for audio of digital music and more than 40 for pay-per-view. Basic digital package costs \$9.95 per month. Comcast said it would begin its @Home high-speed data service in county this summer.

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Personals

Felicia Behr advanced to senior vp-programming, ABC Daytime... **Marci Pool** named exec. vp-original movies & mini-series, Fox Bcstg... Warner Bros. TV promotions: **Steve Pearlman** to exec. vp-development, **Tom Campbell** to oversee alternative programming development, **Leonard Goldstein** to vp-drama development... **Candy Altman** advanced to group news exec., Hearst-Argyle TV... **Brian Ongaro** named exec. vp-mktg. mgr., Dallas Station Group, AMFM/Clear Channel Communications... **David Boylan**, Fox's WTVT Tampa, shifts to vp-gen. mgr., co-owned KTTV L.A.

MTV Networks changes: **Judy McGrath**, pres., MTV, becomes pres., MTV Group and chmn., MTVi Group Interactive Music; **Bill Roedy** promoted to pres., MTV Networks International... **John Sykes**, pres., VH1, moves to pres., VH1/CMT; **Van Toffler**, gen. mgr., becomes pres., MTV... Cablevision Systems promotions: **Ray Andersen** to senior vp & controller, **Gemma Toner** to senior vp-new media development... **Tom Halleen** named vp-original movies, acquisitions & scheduling, Fox Family Channel... Oxygen Media changes: **Curtis Brown** ex-Skymall, joins as chief technical officer; **Rob DeBaun** promoted to vp-e-commerce; **Tara DeVaux** advanced to vp-audience development; **Craig Fanning** promoted to vp-interactive sales; **Dan Orum** named COO, Oxygen Online; **Marjorie Rogers** promoted to vp-business development; **Lydia Stevens** advanced to pres., Oxygen Sports; **Debby Beece** ex-Nickelodeon Pictures, joins as creative consultant... **Joseph DiTrollo** promoted to vp-corp. controller, Comcast... **Jake Tauber** advanced to exec. vp, Game Show Network.

Andrew Corp. promotions: **Rolf Bergman** to vp-Europe, Africa, Middle East, South Asia and C.I.S.; **Jim McIlvain** to vp-Asia Pacific/Global OEM Sales; **Don Peterson** to vp-wireless infrastructure sales for US/Canada... Lawrence **Brickman** named senior vp-programming, Source Media's Interactive Channel... CommerceTV additions: **William Paldino**, ex-Lifetime TV, as vp-sales; **Jerry Kulin**, ex-AT&T Broadband Internet Services, as vp-operations... Elected to Media Institute board: **Byron Marchant**, exec. vp-chief administrative officer, BET Holdings; **Shaun Sheehan**, vp-Washington, Tribune Co... **Troy Dow** appointed counsel-technology & new media, MPAA... **Eric Chang** ex-American Society of Travel Agents, joins Satellite Bcstg. & Communications Assn. as dir.-mktg... **Michael Tasooji**, Walt Disney Attractions, named senior vp-chief information officer, Walt Disney Co... **Robert Hostetler** elected to board, EMCEE Broadcast Products.

Excite@Home said it will conduct its first interactive TV trials with Cox Communications in San Diego, starting in 2nd half of year. In test, Excite@Home, cable industry's largest high-speed ISP, will offer personalized news, weather, stock quotes and other information to Cox TV viewers, as well as e-mail, electronic shopping, full Web access. Separately, Excite@Home signed agreement with Microcast to deliver higher quality broadband video and audio to Excite's cable modem subscribers. Meanwhile, Cox announced its own separate deal with Concurrent Computer Corp. to provide video-on-demand (VOD) services to Cox subscribers in Phoenix, following earlier deal with Concurrent in San Diego.

Beasley Bcst. Group closed on purchase of 3 Miami-area radio stations from SMH Bcstg. for \$18 million, broker Blackburn said. Stations are WHSR(AM) and WWNN(AM) Miami and WSB(AM) W. Palm Beach.



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WideOpenWest (WOW), one of more than dozen new broadband service providers, said it's pursuing local cable franchises in St. Louis and Minneapolis-St. Paul metropolitan areas. WOW, which recently won franchises in Dallas-Ft. Worth and Denver markets, is seeking to offer discounted bundles of video, voice and data services to more than 2 million homes in St. Louis and Minneapolis. Company, which also is pursuing franchises in Houston and Portland, Ore., said it's targeting other markets west of Mississippi River as well. "We're talking to a lot of people in a lot of places," said Michael Steinkirchner, WOW mktg. vp.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from CEA, for week ending May 26 and year to date:

	MAY 20- MAY 26	1999 WEEK	% CHANGE	MAY 13- MAY 19	21 WEEKS 2000	21 WEEKS 1999	% CHANGE
TOTAL COLOR TV. (a)	793,612	963,473	- 17.6	453,494	10,549,998	9,695,660	+ 8.8
DIRECT-VIEW**	761,185	924,623	- 17.7	437,158	10,064,783	9,309,990	+ 8.1
TV ONLY#....	540,640	735,066	- 26.5	360,448	8,282,033	7,850,402	+ 5.5
TV/VCR COMBO.	220,545	189,557	+ 16.3	76,710	1,782,750	1,459,588	+ 22.1
PROJECTION...	32,427	38,850	- 16.5	16,336	485,215	385,670	+ 25.8
TOTAL VCR**....	1,073,484	909,429	+ 17.8	571,789	10,027,755*	8,924,760	+ 12.4
HOME DECKS...	852,939*	719,872	+ 18.5	495,079	8,245,005*	7,465,172	+ 10.4
CAMCORDERS.....	182,378	188,595	- 3.3	89,600	2,019,544*	1,780,089	+ 13.5
DVD PLAYERS....	260,454*	157,616	+ 65.2	83,097*	2,046,252*	959,812	+113.2

Direct-view TV 5-week moving average#: 2000-403,208; 1999-464,886 (down 13.3%).

Projection TV 5-week moving average: 2000-22,418; 1999-20,858 (up 7.5%).

VCR deck 5-week moving average: 2000-438,938; 1999-422,993 (up 3.8%).

TV/VCR 5-week moving average: 2000-115,248*; 1999-93,288 (up 23.5%).

Camcorder 5-week moving average: 2000-126,654*; 1999-122,338 (up 3.5%).

DVD player 5-week moving average: 2000-138,958*; 1999-79,947 (up 73.8%).

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

BRANDED DVD DECKS TO HIT \$199 BY FOURTH QUARTER: New entry-level DVD players from major brands are expected to hit \$199 street prices by 4th quarter, while those that already have plunged below that mark could drop to \$98 in promotions. Industry has its eyes on Wal-Mart, which has procured large quantity of DVD players for annual Black Friday post-Thanksgiving blowout, sources told us. Meanwhile, Best Buy also is said to have large quantity on order for \$99 sale this year.

Although \$199 tickets emerged last fall, price point has been limited primarily to closeouts or volume-driven leader models from off-brands such as Apex, KLH, Konka, Oritron (Orient Power Group), Raite, Sylvania (Funai). But come 4th quarter, market leaders such as Pioneer, Thomson and Toshiba are expected to join fray.

"The hot price for the 4th quarter will be \$199, but the dealer will dictate where it goes," JVC Consumer Video Gen. Mgr. Jerry Barbera said, and company will "respond" to competition, but won't lead market to \$199. Toshiba, which led market to \$299 price in 1998, also won't take lead, but "we will defend our market share," Toshiba DVD and Home Theater Audio Product Planning Dir. Craig Eggers told us. Pioneer also is said to be readying \$199 deck that will carry 18-20% margin, although company declined comment. Shift to lower entry-level price will come in market where average sale price has fallen 36% in last 2 years to \$270 range from slightly more than \$400, vendors said. So far this year, 58% of DVD players have sold between \$199-\$299 and 87% are under \$399, NPD Intellect said.

Downward pricing spiral almost began last fall, when Wal-Mart was to have DVD at then-low \$149 for Thanksgiving. But 2,500-store retailer pulled in horns when playback compatibility problems emerged with Warner Home Video DVD *The Matrix*. Sources said candidates for postponed DVD blowout last year were Emerson and GE brand decks, as well as Chinese-made Oritron DVD-100. Although that deck is distributed here by Koss Audio Video Electronics (KAVE), Hazelwood, Mo.-based OPG subsidiary, it's believed Wal-Mart deals directly with Oritron parent.

Leading charge this year is Wal-Mart, which is said to be seeking \$98 DVD player for post-Thanksgiving Day promotion. Sources confirmed that Wal-Mart has at least one volume deal for DVD players timed for Black Friday but they said player can't sell for \$98 unless retailer is willing to write off enormous loss. Meanwhile, sources also said Best Buy has large order for DVD players from Hong Kong OEM Total Technology Co. that retailer will promote for \$99 this year. Best Buy spokeswoman declined comment.

Sources said OPG has Wal-Mart order for quarter million of its DVD-100 player to cover Black Friday sale period. Oritron player now sells as low as \$149, and sources speculated Wal-Mart would price it at \$119-\$129 for Black Friday sales. However, chain has been known to sell high-profile CE products below its cost in order to build value image and store traffic. Dealer cost for entry-level DVD in volume quantities could hit \$109 in 3rd quarter, sources told us.

Quantity of Oritron players probably isn't sufficient for Wal-Mart's potential volume, sources said, fueling speculation that retailer could have deals with other DVD vendors. One source told us that in last year's Black Friday push, Wal-Mart moved more than 500,000 each of Philips VCRs at \$69 and Symphonic 19" TVs at \$100. Given current shortages of basic components for DVD players and other CE products, though, few vendors will go out on limb and promise quantities they can't guarantee. Vendor would be in particular jeopardy when dealing with Wal-Mart, which has "just-in-time" stipulations in contracts and penalties for delivery too early or too late.

Yet even some of low-end suppliers were skeptical that Wal-Mart would drop DVD price below \$100. KAVE CEO Kenneth Salky declined comment on possible agreement with Wal-Mart but said "bill of materials isn't there yet" to support sub-\$100 player. "This is a good business right now and I would hope it doesn't get to \$99," he said.

March to \$199 also will be dictated to some extent by availability of product. While most vendors we polled hadn't experienced any product shortages, many said tight availability of standard components such as diodes, resistors and others that are keys to DVD players could change category's complexion by fall. NPD is projecting sales of 10 million units for year, up from 4.1 million in 1999, NPD analyst Thomas Edwards said. Some vendors have been less aggressive in estimating sales at 8-10 million units.

"The demand continues to grow and the question becomes what will be the reaction of manufacturers if in fact there are any kind of manufacturing constraints," said Larry McKinney, worldwide DVD product management vp at Thomson, which is selling \$199 player through RadioShack and others. "With the increasing number of manufacturers for DVD players, is that going to take up all capacity of some of these key component groups?"

Fears of shortage are fueled largely by fact that many component suppliers are dedicating large percentage of production capacity to fast-selling cellular phones, industry sources said. Worldwide sales of cellular phones are projected at 400 million units worldwide this year, they said.

Other dynamic driving lower DVD player prices at rate faster than any previous CE product has been addition of Chinese manufacturers such as Oritron and Konka, which took market by surprise with \$199 players last fall. In recent weeks, Taiwan-based Raite also has had \$149 player promoted in CompUSA circulars.

"I think the China production is obviously filling a gap there and there also has been competition going on between the major Chinese manufacturers," CE executive said. "This puts the Korean manufacturers between Chinese and Japanese vendors and made it very hard to compete because of the price compression."

As national CE chains and discounters focus on low-cost players, price gap between them and CE specialty retailers is widening to \$300 in some cases, Edwards said. "The mass merchants will sell lesser products at low, low prices, while A/V specialists with better sales forces will sell changers and better performing units like those with progressive scan," he said.

Yet even highly featured models aren't immune to price competition. Pioneer is readying single-play progressive scan DVD player at \$349, stepping to 5-disc changer at \$399 (TVD June 5 p13). Latter model is at price that Toshiba, which championed progressive scan players, maintains for its single-play model.

SONY DIGITAL CAMCORDERS IN SHORT SUPPLY: Sony digital camcorders, competing with cellular phones and its own PlayStation2 game console for ICs, are expected to be in short supply through early fall, retailers said.

Sony, which has more than 60% share of digital camcorder market, first warned of possible shortfall earlier this year and dealers have reported receiving about half their orders, sources said. Supply is expected to ease in July-Aug., but even then dealers said they still were expecting 25-30% shortfall.

IC shortage has hit almost all digital camcorder vendors to some degree, but appears to have especially hampered Sony because it also is competing for chips with its own videogame console, dealers said. To offset shortage of Sony digital camcorders — DV and Digital 8 models — some dealers have brought in JVC while others have weighed entreaties for additional product from Panasonic and Sharp as well. Through April, Sony, including its Digital 8 models, had 67% share of digital camcorder market in U.S., followed by JVC (21%), Panasonic (7%), Canon (4%) and Sharp (2%), according to NPD Intellect. Excluding Digital 8, JVC had 39% share, followed by Sony (37%) and Panasonic (13%), NPD said.

"The shortage is real and will last until Sept. for most retailers," Tweeter Home Entertainment Mds. Vp Bernard Sapienza said. "We're not out of the woods yet, but we've improved from where we had been. Sony is the only one that is experiencing a big problem, but they [vendors] all are to some degree." Sony spokeswoman confirmed that there "had been some delays," but said shipments should improve within 30 days. "The bottom line is there is a bit of a shortage against demand and we're trying to remedy the situation," she said.

About 520,000 digital camcorders were sold in 1999 representing 27.4% of category's overall dollar sales and 14.8% of its units, NPD said. Through April, digital camcorder sales were 181,000, constituting 39% of dollar sales and 22.2% of units, NPD Intellect said. Average price remained in \$1,100 range through April, while category, including analog models, stood at \$540, NPD said.

"We're trying to ramp up on models from other brands, but it's hard for these guys to react at a moment's notice when Sony was supposed to be shipping," ABC Warehouse Video Buyer Daniel Schuh said. "The Sony deal really is impacting everybody."

As digital camcorders grab larger market share, they're impinging on retail shelf space previously dedicated to analog versions. Shift is most evident at CE specialty chains such as Ultimate Electronics (UE), where digital camcorders accounted for 73.7% of category's sales in fiscal first quarter ended March 31, up from 59.6% year earlier (TVD May 29 p18). UE's average sale price for camcorders rose \$34 to \$800. Sound Advice (SA) said it's dropping analog models following Father's Day sale this month and going with will all-digital lineup.

"Where we're selling 40 to 50 digital camcorders, we're selling 8 to 10 of the analog models," SA Exec. Vp Michael Blumberg said. "The margins [on analog camcorders] are low as are the prices and we need to focus where we can get more money." Indeed, Queen City Pres. Chip Player predicted analog camcorders would be "leader models in the next couple of years where you will have very little stock of them." To increase its digital mix, 10-store Queen City recently added JVC and Panasonic digital cameras as well as camcorders.

Overall, digital camcorders are expected to account for 40% of camcorder sales this year, said JVC Consumer Video Gen. Mgr. Jerry Barbera, who said company has received "good supply" of product, but conceded that there is "widespread shortage" of key components. Canon, Panasonic and Sharp officials weren't available for comment.

While specialty chains are making big push in digital camcorders, discount and CE/major appliance chains are making slower transition largely because analog models will be price leaders for near future, industry sources said. While JVC's low-end digital camcorder starts at \$799, analog VHS-C model is advertised at \$299-\$399.

"Even traditional guys like us are moving toward digital, but we're just getting into it and we've got a lot of making up to do," said Eddie Maloney, exec. vp at Cowboy Maloney's Electric City, Jackson, Miss., where digital camcorders accounted for 20% of category's sales in 1999.

SONY DELAYS SOME DTV SETS, CITING UNRESOLVED ISSUES: Despite postponement of some models in previously announced HDTV line, Sony still will provide HDTV products to retailers for fall selling season.

Sets originally scheduled for 4th quarter sale have been sidetracked owing to manufacturing slip-up and company's apprehension over unresolved DTV technical issues such as copy protection, Sony Pres.-Home Network Products Vic Pacor told us at N.Y. briefing last week. Despite setbacks, company will supply retailers with variety of 1080i HDTV-capable displays in time for holiday season, he said.

Postponed sets had been announced at Jan. CES and were to have integrated DTV tuner, IEEE-1394 link with Digital Content Transmission Protection (DTCP), prices in \$4,000-\$7,000 range. Pacor said difficulties in writing firmware for DTCP-compliant sets made delivery impossible for "overly ambitious" fall target.

In meantime, renewed debate over ATSC's 8-VSB modulation standard — and lack of industry consensus on copy-protection technologies — prompted Sony to punt on DTCP-compliant sets, Pacor said. Instead, within weeks it will announce place-keeper line of 16:9 aspect ratio widescreen displays capable of 1080i imaging, although it's not certain yet whether displays will include integrated tuner-decoder, he told us. But vendor has \$699 HD-100 ATSC/DirecTV outboard set-top in line that could be marketed as companion piece to monitors, he said.

Sony will ship previously announced 4:3 aspect ratio HighScan sets that can display HDTV-1080i image within letterbox area of 53" and 61" screens. It also will carry over current 34W direct-view HDTV and 65W rear-projection HDTV, although Pacor conceded \$7,499 and \$9,999 respective tickets are high compared with more recent product from competitors.

Details of fall DTV products will come in weeks, Pacor told us. Meanwhile, delay in HDTV sets won't affect Sony's HDTV advertising, marketing, programming sponsorships or other DTV promotions, he said.

RADIOSHACK.COM STORE OPENS: RadioShack (RS) has revamped 10,000-sq.-ft. store in Denver to serve as fulfillment center for both its online business and other area outlets, Exec. Vp-COO David Edmondson said.

RS, which added Denver store in 1997 to try larger format, reopened it in spring as part of test that will run for undetermined time, Edmondson said.

"We're still looking at it and studying it," he said in interview following unveiling of RCA Digital Entertainment Center store-within-a-store format in N.Y.C. last week. "It has the capacity to serve as a fulfillment center for the customer who wants the product immediately and for smaller stores as well."

RS is expected to resume radioshack.com Web site in 3rd quarter as part of joint effort with Microsoft and has said online store could add as many as 18,000 SKUs to standard merchandise mix. It also is readying 17-store test in Tucson of slightly larger outlet that will include area for e-commerce. RS opened first of stores earlier this month and expects complete rollout in Tucson by Sept.

New RCA display, which contains slightly more than 100 SKUs and includes kiosks that merchandise shelf systems with DirecTV and camcorders with wireless systems, adds 32" (\$699) and high-resolution 36" monitor (\$1,999) to mix. Display also features 13-27" TVs (\$149-\$279), 300- and 100-disc CD changers (\$249 & \$149), 10-band graphic equalizer and turntable (\$99 each) as well as 5-9" TVs including one built into boombox.

RCA agreement could add \$180 million to RS revenues this year as it starts at 5,000 company-owned stores and eventually grow to \$1 billion in annual sales, Edmondson said. While A/V products typically have accounted for 15-16% of RS's annual revenues, new format may push figure to nearly 20%, he said.

At same time, RS is selling off inventory of house brand Optimus product and has about \$4 million worth remaining, Edmondson said. RS also previously sold select products from Sony, which competed with Thomson for store-within-a-store format before latter won contract year ago (TVD May 3/99 p11).

In making push into broadband services, RS plans to sell Gilat-to-Home (GTH) satellite-based Internet access in Compaq PC section in fall (TVD May 29 p18), which will be adjacent to A/V area that's expected to feature DirecTV's 2-way service. RS also will continue to expand Northpoint Communications' digital subscriber line (DSL) service, which it currently markets in Dallas and San Francisco, Edmondson said.

Plans to increase DSL sales come despite Northpoint's struggles with new order of management software that has forced it to push back promises of activation within month (TVD June 5 p15). "All of this is really in the getting ready stages and it's hard to explain to people how long it takes to get stuff in place," Edmondson said. "It really takes about a year to get yourself in a position where you can pull the trigger, and we'll be in that position in Sept.-Oct."

Fourth leg of RS's broadband strategy will be Sprint's Integrated On-Demand Network (ION), which is expected to be available in several markets later this year, Edmondson said. RS was early supporter of fixed wireless ION service, which is designed to allow consumers to operate multiple PCs and phones simultaneously in same way that appliances can be run all at once (TVD June 15/98 p12).

New Buying Group has commitments from 6 potential members and is awaiting replies from 7 others as it moves toward goal of "reaching closure" by month's end, said Video Only Pres. Peter Edwards, who has headed push to form Assn. of Select TV & Appliance Retailers (ASTAR). If group consists of 13 members, it will have combined revenues of \$500 million split equally between A/V and major appliances with aim of reaching \$1 billion and 30 members within 12 months, Edwards said. ASTAR is likely to consist of formerly independent dealers as well as those drawn from Assoc. Volume Buyers, Marta and Nationwide buying groups. Edwards declined to disclose names of potential members aside from his own chain and Queen City, but sources indicated several Marta members might switch alliances after group's meeting this week. "I said I needed at least 10 members to make this work," Edwards said. If group is formed it will start contacting vendors in July. While its structure hasn't been finalized, it will include buying committees, Edwards said.

SONY TO SHIP PORTABLE PLAYSTATION: Sony Computer Entertainment (SCE) announced it will be introducing portable version of its original PlayStation (PS) videogame console, called "PS one."

New system, which company said is about 1/3 size of current console, will debut in Japan July 7 at \$142, with N. American launch scheduled for Sept. at price to be determined. Company said Sept. rollout date was designed to commemorate anniversary of original system's N. American launch. European start also is set for fall.

Sony said PS one will incorporate same functionalities as original console and "will replace the original PlayStation design."

But analysts last week quickly started questioning Sony's reasoning behind PS one. One issue was fact that PS one is not — in literal sense, anyway — truly portable because it has to be plugged into electrical power source such as wall socket or cigaret lighter in car. Also, although it's 1/3 size of original PS, it still is considerably larger than Nintendo's Game Boy and thus certainly can't be considered handheld system. Therefore, analysts said, PS one isn't exactly Game Boy competitor that some were hoping for.

Forrester Research Senior Analyst Jeremy Schwartz told us: "I don't see the point, myself." He said PS one "would be kind of interesting if it (a) ran on batteries and (b) had a built-in screen." But he said that with PS one, "it's like you're schlepping this thing around and you've still got to plug [it in] and you've still got to hook [it] up to a TV set." He added: "The existing one is not that unportable. So except for the small size form factor, there doesn't seem like there's any great advantage to this." In fact, he said, Sony "could slightly run the risk of confusing consumers" by shipping PS one only month before it launches PS2 in U.S. because it's really not that different from Sony's full-size console systems. Handheld PS system wouldn't run same risk, he said.

SCE said 4" color TFT LCD screen will be added as accessory to PS one in spring that will make system more portable, but exact ship date and price weren't available.

As we reported, rumors were circulating before E3 that Sony would unveil portable machine to compete with Game Boy (TVD May 1 p18), although it didn't happen at show as expected. However, there was talk at show that company planned to reengineer original PS to bring down production costs. Among questions remaining last week was why Sony didn't opt to demonstrate PS one at E3: Fact that PS one is shipping July 7 in Japan suggests it may have been available last month.

PS one changes company's previously announced plan to ship 8 million original PS consoles worldwide in FY 2001 (TVD May 15 p12). Company now says it expects to produce 8 million units combined of original PS and PS one worldwide in FY 2001.

It wasn't clear what impact PS one would have on Sony Computer Entertainment America (SCEA) Sales Vp Jack Tretton's pledge at E3 that most U.S. stores would have ample PS supply in June (TVD May 15 p12). As we reported, U.S. market has been plagued by PS shortages throughout this year

so far. SCEA spokeswoman didn't return call for comment by our deadline.

PS one will support existing PS titles as well as ones being developed slated to ship by year end, SCE said. *Wall St. Journal* report last week indicated that SCE was hoping that PS one would allow company to reach greater percentage of female consumers.

Compact system will include DualShock analog controller, AC adapter, connector cables.

May Retail Sales Reports: **Circuit City** sales rose 6% in month to \$1.04 billion from \$977.2 million, including 3% increase in core Circuit City Group sales to \$812 million from \$791.4 million. For first quarter, Group's sales were up 11% as same-store sales climbed 7%. Pres.-COO Alan McCollough said same-store sales growth for quarter was slightly ahead of expectations, but was marked by softening late in that period, with "significant slowing" in major appliances. Company said first-quarter per-share earnings would fall about 4¢ shy of analysts' expectations — declaration that caused Circuit City shares to plummet 21% immediately after announcement... **Harvey Electronics** said May sales soared 91% to \$2.34 million from \$1.11 million year earlier and same-store sales 75%. Pres. Franklin Karp said growth continued to be driven by consumer demand for new digital technologies and custom installation services... **RadioShack** sales jumped 11% in May to \$325.6 million on 7% same-store sales increase driven by growth in PCs and A/V equipment.

Sound Advice, crediting strong sales of video products led by projection TVs, reported first-quarter income edged up 1% on 11% gain in sales (see financial table). Same-store sales rose 11% but gross margins were flat at 35.3%. Sales of audio products also increased, largely because of home theater receivers and speakers, CFO Kenneth Danielson said. Cellular phones, which chain continues to carry, remain "minuscule part of business and are not a focus of the chain," he said. SA will open store later this year in unidentified Fla. market smaller than current Miami base and relocate another to 15,000-sq.-ft. location, Danielson said. SA also will add first Electronic Environments store by late summer to serve custom installation market. Outlet will be linked to Bang & Olufsen store, although format allows for separate operation that will "target upper-end customers either inside or outside of Fla.," Danielson said. Custom installation currently is "small percentage" of SA's business, he said.

BestBuy.com relaunch "is impending — if things go well it could be as early as next week," spokeswoman said at our Fri. deadline. As we reported, site will offer expanded product mix including CE products. Meanwhile, Best Buy said it bought supply chain, logistics, planning and e-commerce tools from Dallas eBusiness solutions provider i2 Technologies. Amount paid wasn't disclosed. Best Buy Procurement Reengineering Vp Lynn Morris said: "i2 has the solutions we need for both our online and brick-and-mortar operations. Companies said i2's demand planning solutions can help Best Buy analyze point-of-sale data to predict consumer buying patterns and help retailer plan product promotions, while i2's supply chain solutions can be used to assist in timely delivery of merchandise from 3rd-party suppliers and transportation companies.

INVESTORS SEEK NEW RENTRAK BOARD: Group of investors, upset with stalled Rentrak stock price, is seeking to oust Chmn.-CEO Ronald Berger and install new board, according to SEC filings.

Committee for the Achievement of Rentrak Excellence (CARE), which consists of 7 investors with combined stake of 11.4% in Rentrak, is pushing to replace incumbent board with new 5-member slate that includes former Idaho Gov. Cecil Andrus, who owns 1,000 shares. CARE is asking Rentrak to call special shareholder meeting to vote on its proposal by June 30, but nothing had been scheduled by our deadline. Group has put together \$35,000 to fund proxy fight.

In addition to pushing for new management, CARE is requesting that Rentrak conduct audit and hire outside consultant to weigh selling assets and/or spinning off 3PF.com, which fulfills and ships orders for Internet retailers.

Main goal of CARE platform is to increase stock price, which has lagged in \$10 and under range for 5 years, said CARE member Paul Rosenbaum, CEO of industrial chemicals company SWR Corp., who owns 250,530 shares. Rentrak could be valued at \$10-\$20 per share, he said.

Investors also have grown concerned as Rentrak earnings dropped to \$3.4 million in fiscal year 2000 from \$6.3 million in 1997 as major customers Hollywood Entertainment and Blockbuster dropped 2-step distribution to buy directly from film studios. Investor Relations Vp Richard Nida said company has read investors' proposal and is evaluating it, but declined further comment.

CARE is likely to face battle for control of company since Berger, who has served as pres.-CEO since founding company in 1977, is largest shareholder with 1.6 million shares (14.1% of those outstanding). Overall, Rentrak board and executives control 4 million shares (32%). Other major shareholders include Walt Disney Co., 1.5 million shares (12.88%); board member Muneaki Masuda, 1.03 million shares (9.88%); Blockbuster, 1 million shares (8.74%).

In addition to 3PF.com, which increased revenue in fiscal year 2000 to \$11.6 from \$10.5 million, Rentrak operates blowoutvideo.com, which sells video cassettes and DVD movies online and formovies.com, promotional vehicle for local video stores. Former is offshoot of 5-store subsidiary that operates under Blowout Video name in N.Y.C. market. 3PF.com, known as ComAlliance when it began year ago with Wilmington, O., warehouse, counts BigStar Entertainment and Cyberian Outpost among its customers.

Other CARE members include Michael Annechino, Vancouver, Wash.-based financial consultant (97,400 shares); Mark Brown, finance vp at VWR Scientific Products (119,550); George Reck, broker at James Saros Agency (67,000); Donald Remlinger, Bristol Management Corp. pres. (75,000); Guy Wolcott, Wolcott Plumbing pres., (272,700); Frederick Zehnder, optometrist (80,600). In addition to Andrus, proposed CARE board includes George Kuper, Ann Arbor public policy consultant; Joon Moon, chmn., Roto Corp.; James Petcoff, pres.-CEO, North Pointe Financial Services; Rosenbaum.

Rentrak has traveled bumpy road last several years. It sued Hollywood Entertainment 2 years ago seeking \$180 million in

dispute over exclusive terms of revenue-sharing agreement and alleged that chain had misreported income from videos purchased under pact. Settlement was reached earlier this year when Hollywood agreed to pay Rentrak \$14 million — \$8 million to cover outstanding invoices and disruption of business and \$6 million for legal fees and costs. Still pending is suit filed by Video Update that charged antitrust violations in revenue-sharing arrangement it inherited with purchase of Moovies chain. Video Update has refused to honor agreement and discovery phase in lawsuit is set to wind up June 30, according to SEC filing.

Distributor also struggled establishing pay-per-transaction (PPT) revenue-sharing program for DVD and videocassettes with its 10,000 retailers. DVDs from 11 suppliers have been offered as part of program. Rentrak blamed decline in revenue for fiscal year ended March 31 to \$113.4 million from \$123.8 million on fewer average rental turns for PPT videocassette.

Rentrak also suffered when one-time subsidiary BlowOut Entertainment filed for bankruptcy protection in 1999. Rentrak owned 9.9% of BlowOut Entertainment, which was separate from video store chain and operated prerecorded videocassette departments inside Wal-Mart, Kmart, Ralph's, Food 4 Less, Fred Meyer. Shortly after bankruptcy filing, Movie Gallery acquired 80 of 100 Blowout locations.

Relationship between Microsoft and Nvidia apparently hasn't changed despite fact that latter now is supplying graphics chip for recently announced Indrema Entertainment System (TVD May 29 p13), which expects to be competitor for Microsoft's Xbox. Microsoft already had tapped Nvidia to design custom GPU and Multimedia and Communications Processor chipset for Xbox (TVD March 13 p12). Microsoft spokeswoman told us her company didn't "know enough facts about the system or the company [Indrema] to comment on it at this time." As for Nvidia's being involved in Indrema system, she said: "Microsoft and Nvidia do have a strong relationship and we are going forward with the plan for Nvidia to develop the custom chip for Xbox." Nvidia hadn't returned call for comment by our deadline.

Sale of Smith Corona (SC) assets is set for June 29 hearing on bids in U.S. Bankruptcy Court, Wilmington, Del. Judge Mary Walrath this week is expected to set bid procedures. Carolina Wholesale Office Machine has proposed buying assets including brand for \$6 million, but SC spokeswoman said company has received additional expressions of interest. SC creditors decided last week against forming committee, choosing instead to have Walrath appoint U.S. trustee.

FTC has cleared Zany Brainy's proposed \$40 million merger with Noodle Kidoodle (TVD May 8 p15), company officials said. Commission granted early termination of waiting period under Hart-Scott-Rodino Antitrust Act last week and proposed combination now awaits shareholder approval which is expected later this month. Merger of educational toy purveyors will create chain with 163 stores and \$370 million in revenues.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at ¥107 = \$1, except where noted.

Consumer Electronics Personals

Bill Mannion advanced to vp from gen. mgr., Panasonic TV & Network Systems Div... **Hideki Tafuku**, managing dir., Aiwa Europe, appointed Aiwa America pres.-CEO, replacing **Yukio Yamamoto**, who returns to Aiwa Japan in unspecified capacity... **Thomas Hopson**, Taylor-White Manufacturing vp-gen. mgr., promoted to pres.-CEO, replacing **George Taylor**, who remains owner and board member; **Murry Holditch**, finance and new business development vp, appointed vp of Taylor-White's Five Rivers Electronic Innovations, Creative Moldings and Distribution Services... **Eric Chang**, ex-American Society of Travel Agents, joins Satellite Bcstg. & Communications Assn. (SBCA) as dir. of mktg... **Ann-Marie Stephens**, Circuit City strategic planning vp, and **Edward Brett**, regional vp, advance to senior administration vp and Northeast Operating Div. pres., respectively... **Sean Skelley**, services vp, Best Buy, promoted to mktg. services vp... **Joseph Shepela**, ex-Apple, and **J.P. McDermott**, ex-Pacific Bell, join iBeam Bcstg. as human resources and administration vp and customer care vp, respectively... **Rene Atayan**, ex-Time Warner, named iNextTV sales vp... **Zach Dimenstein** departs as Samsung senior product planning mgr., plans unannounced... **Bryan Jones** and **Brian Keith**, both ex-MP3.com, named Solutions Media business development vp and sales vp, respectively... **Gwendolyn Marker**, ex-Cubus, joins Sega of America as communications manager; **Richard Briggs**, ex-Battermarch Financial Management, named product manager... **Eddie Lambert**, ex-EMI-Capitol Music, joins online production studio SmashCast as chief music officer.

Lightware has taken wraps off new ultraportable LCD projector that will carry industry-low \$2,495 price. It also dropped price across its line. Entry-level VP800, which has 800x600 resolution and 300 lumens, was cut to \$1,495 from \$1,999 and step-up 9.3-lb Scout 2000 (single 1.6" panel 800x600 resolution and 500 lumens) to \$1,999 from \$3,995... **InFocus Systems** shareholders have approved merger with Proxima, moving companies closer to goal of completing deal by June 30. Proxima shareholders still must approve deal, valued at \$425 million, that would create company with broad line of LCD and Digital Light Processing projectors and \$689 million in combined sales.

Sony will start production of lithium ion polymer batteries in Mexico in Oct. as it seeks to meet rising demand for cellular phones. Sony will invest \$18.8 million in subsidiary Sony Nuevo Laredo S.A. de C.V., which starts mass production at 500,000-700,000 cells per month, company officials said. Sony plants in Japan produce 1.5 million cells per month, output that is projected to double by March 2001, company officials said.

Rainbow Rentals has acquired 9 Zoom Rent to Own stores in Richmond and Tidewater, Va., areas for \$2.56 million cash. Agreement with stores' owner, Rev. Inc. of Wichita, Kan., calls for Rainbow to assume leases of 4 stores in Richmond market and 5 in Tidewater. Rainbow also completed purchase of 450 rental agreements from ColorTyme franchisee Best Value Rentals in Erie, Pa., and 130 from Showplace in Hermitage, Pa. Acquisitions will push 97-store Rainbow past 100-outlet mark.

Sage completed \$161 million acquisition of Faroudja last week. Sage is expected to introduce first products combining its controller technology with Faroudja's video processing later this summer. Faroudja will maintain retail distribution for its standalone video processors and continue to target broadcasters for its digital format translators. It will keep hq in Sunnyvale, Cal.

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
California Amplifier			
2000-13 wk. to May 27	32,284,000	2,122,000	.16
1999-13 wk. to May 27	13,093,000	358,000	.03
National Semiconductor			
2000-year to May 28	2,139,900,000	620,800,000	3.58
1999-year to May 28	1,956,800,000	(1,009,900,000)	---
2000-qtr. to May 28	595,300,000	153,900,000	.87
1999-qtr. to May 28	477,000,000	(783,500,000)	---
Sound Advice			
2000-qtr. to Apr. 30	42,676,000	676,000	.18
1999-qtr. to Apr. 30	38,467,000	620,000	.17
Tech Data			
2000-qtr. to Apr. 30	4,924,516,000	37,219,000	.71
1999-qtr. to Apr. 30	3,877,158,000	28,024,000	.55

Sega will start offering broadband access through Dreamcast in Japan next month, Reuters said last week. Sega also said it had formed strategic alliance with Motorola to create wide assortment of entertainment software for Java technology-enabled wireless phones, pagers, personal digital assistants (PDAs). Motorola and Sega said they "plan to collaborate extensively in the wireless entertainment space for Motorola devices." Sega also demonstrated suite of games last week for J2ME-enabled Motorola Web devices at Sun Microsystems' JavaOne Developer Conference in San Francisco. J2ME is Java 2 Platform, Micro Edition, that Motorola helped develop with Sun. Dreamcast now features Planetweb's implementation of Java Virtual Machine (JVM) solution for Internet appliances. Sega said "JVM translates code very efficiently and optimizes full PersonalJava libraries for the Planetweb browser, ensuring compatibility across platforms." On retail front, limited-time promotion announced at CES that offers \$50 rebate and free month of SegaNet ISP service (TVD May 15 p12) kicked in last week. It runs through Aug. 31.

Sensory Science (SS) is among first licensees of new technology designed to combine recording, control and navigational functions onto single chip for use of home deck and portable media players. PortalPlayer, based in Santa Clara, Cal., last week unveiled Tango platform and said it expects to start production in fall. First chips are expected to be priced at \$40 in lots of 1,000 with initial products based on technology expected to hit market in 2001, sources said. Sensory Science said it will use chip in both portable and home deck applications. "It's a unique way to have a custom designed product," SS Mktg. Vp Paul Frederickson said.

Lernout & Hauspie, continuing consolidation of speech technology market, has completed \$460 million acquisition of one-time rival Dragon Systems. Under terms of deal, first unveiled in March, L&H will issue 11.7 million shares of common. L&H said that in emerging markets it would leverage Dragon technology such as speech portals, mobile devices, smart phones, e-commerce and wireless communications for Internet. Dragon lost \$22 million on \$60 million in revenue in 1999.

Hasbro Interactive (HI) is merging its international operations with toy-based business of its parent company, U.K. report said last week. It said Hasbro expected move to help it better leverage parent company's strengths in international marketplace, especially in global content acquisition and development, marketing, distribution. International Managing Dir. Dominic Myers has left company as result of merger and HI's U.K. staff now will report to Simon Gardner, head of Hasbro Toys and Games International.



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

FCC MAY PROBE LABELING: Growing cable-CE rift may prompt intervention. Squabbling surfaces in comments, letters. Question of 'final' and 'binding' debated. (P. 1)

NAB SETS TASK FORCE on DTV issues. Success rate questioned. Data sought on costs, viewers. NAB to boost web site. (P. 2)

DEAL NEAR ON LPTV datacasting bill. Hill to work quickly on FCC, ALTV concerns. Interference issues raised, broadband connections sought. (P. 3)

AT&T GETS MEDIAONE for \$44 billion following TW consent. AT&T faces divestiture decisions, but way is cleared for other deals. (P. 4)

MFUME WANTS MORE from broadcasters at NAB summit. Panelists seek responsible reporting. FEMA praises broadcasters. (P. 4)

CABLE INCREASES HIGH but slowing, FCC says. Rates up faster than inflation, particularly in noncompetitive systems. (P. 5)

FCC MAY PROBE DTV SET-LABEL FLAP: Concerned about growing cable-CE rift over digital set-labeling deal signed just month ago, FCC is exploring ways to clarify situation. Sources said Commission staffers were mulling how to intervene in new labeling dispute, which pits cable industry against group of CE retailers led by Circuit City. In one option, agency could grill CEA about nature and scope of set-name deal that it unveiled with NCTA May 24 (TVD May 29 p10). While cable and CE leaders had hailed accord as big breakthrough then, they now are squabbling over its reach and intent, raising fresh doubts about its import and credibility of 2 industries.

FCC officials largely declined comment on issue as they sifted through reply comments filed in proposed DTV-cable compatibility rulemaking. But they admitted that they were trying to figure out how to gauge set-labeling deal now that Circuit City and other major retailers had urged agency to reject 2 proposed set names — "Digital TV-Cable Interactive" and "Digital TV-Cable Connect" — and CEA has called proposed labels evolving names "not set in stone." "We're looking very carefully at the comments and trying to interpret the May 24 letter in light of the comments," said Jonathan Levy, economist in FCC's Office of Plans & Policy.

NCTA Pres. Robert Sachs sent 4-page letter to FCC Chmn. Kennard June 13 reiterating "cable industry's commitment" to labeling deal with CEA. Emphasizing "the binding nature of this agreement," Sachs termed it "a final agreement" that will differentiate between digital sets with and without 1394/5C connector favored by cable industry. He said cable and CE representatives spent 3 months negotiating accord and several more weeks winning ratification by their members. "The simple fact is that the agreement is a binding agreement, entered into between CEA and NCTA on behalf of our member companies after extensive negotiations by a designated group of representatives from each industry," Sachs wrote.

Consumer Electronics

HIGH-CAPACITY VIDEO DISC MAKES DEBUT in London this week. DVD-size disc has 40-GB capacity and potential for more. (P. 8)

FRONT PROJECTORS TARGET CE MARKET with lighter and brighter devices, but pricing remains issue, as is evident at Infocomm show. (P. 9)

CE SPECIALISTS SEEKING PLAYSTATION2, but get little response from Sony Computer Entertainment. (P. 11)

RCA AND PARTNERS READY DVR: Hard disc digital recorder to make fall debut with 30 hours capacity, DirecTV dual tuners, Internet access from Microsoft's Web TV. (P. 11)

BESTBUY.COM WEB SITE RELAUNCHES with CE products added to product mix. (P. 12)

BEST BUY EARNINGS RISE 54% in first quarter, while rival Circuit City posts 38% gain. (P. 13)

CEA retorted that set-labeling pact was "voluntary agreement" and "incremental solution" never designed to make any DTV set names mandatory. "There may well be an evolution in the labels," CEA Vp-Technology Policy Michael Petricone said. "It's a preliminary set of definitions, a template for further discussions. It was never intended to be a comprehensive labeling agreement."

Dispute between CE and cable broke out after retailers and broadcasters urged FCC to reject or greatly alter 2 proposed set names. Led by Circuit City, critics generally wanted Commission to throw out compromise names and replace them with labels that would be less confusing to consumers and less cable-centric, or jettison labeling idea entirely. For instance, they said proposed labels and descriptions didn't spell out how 2 types of sets would work with digital VCRs, DVDs and other digital devices and interfaces. "Every attempt at 'cable-ready' labeling to date has done more harm than good," said Consumer Electronics Retailers Coalition (CERT), composed of Best Buy, Circuit City, National Retail Federation, RadioShack, Sears.

In separate reply comments, broadcasters and CE retailers also charged that cable industry was blocking development of other digital cable set-top boxes and "integrated" DTV receivers that don't need cable set-tops. They criticized CableLabs for taking years to develop OpenCable specifications for integrated DTV receivers that could compete against cable industry's own set-tops in stores. "There is now in the record compelling evidence that the cable industry in particular is frustrating the development of a truly competitive market in navigation devices," NAB said in comments filed jointly with MSTV: "As a result, the Commission's faith in the market is misplaced."

Broadcasters and CE retailers diverged in their other criticisms of label deal. In separate filings, Circuit City and CERT said agreement favored 1394 connector over other interfaces between DTV receivers and set-top boxes. They contended labels should make it clear that other digital interfaces also could work.

Broadcasters asked FCC to require 1394 connectors in all DTV sets to speed sluggish DTV deployment, just as cable industry once favored. While other digital interfaces may be available or in works, NAB and MSTV said, 1394 connectors are "the acknowledged and immediately available solution for digital television interoperability. Clearly, the FCC should mandate IEEE 1394 for all DTV receivers if there is to be any near-term consumer confidence that the DTV receivers they purchase will work with their cable systems."

Cable commenters sought to defuse controversies, promoting set-labeling deal with CEA and lauding CableLabs' efforts to develop OpenCable specifications for competitive digital equipment. In separate reply comments, NCTA and Time Warner strongly defended CEA agreement as worthy compromise and asked Commission to endorse it.

Both sides emphasized that they would hold further negotiations to develop names for digital cable set-top boxes and coming breed of "integrated" DTV receivers that won't need cable set-tops. Despite set-label deal's apparent unraveling, they urged FCC to be patient and not impose DTV set names and standards on 2 industries.

NAB SETS DTV TASK FORCE: Unhappy with FCC's failure to act on broadcaster issues in preparation for DTV era, NAB TV board formed special task force to study digital rollout. "So far we're batting zero," source said of industry's efforts to get agency to act on digital must-carry, TV set standards, cable interoperability, other rollout issues. TV stations are well ahead of FCC schedule in transmitting digital signals but DTV set sales are "stagnant," although prices are going down and more manufacturers are building sets, said Lynn Claudy, NAB senior vp-science & technology.

Task force, to be chaired by Michael McCarthy of Belo, was authorized at NAB board meetings in Washington last week. Among other things, it will compile figures on net cost to industry of DTV buildout and impact on stations in small markets of current TV network cutbacks in compensation. Board also reaffirmed NAB neutrality at FCC on dual TV network ownership. NAB Pres. Edward Fritts said TV membership is at all-time high despite loss of NBC and Fox TV Networks and their owned stations.

NAB convention Web site (NAB.org) received more than 6 million "hits" week before April 9-13 convention, Exec. Vp Jack Knebel told board. As result, he said, Assn. is exploring creation of new site — NAB-X.com — "to make the NAB convention a year-round event." New site is necessary for NAB to retain its favorable relationship with exhibitors between conventions, he said.

At recommendation of TV board, NAB Exec. Committee was expanded by 2 nonvoting members for one-year trial. Added to Committee were McCarthy and Ginny Morris of Hubbard Bcstg. Preston Padden, Disney Co. Washington exec. vp, replaced Martin Franks of Viacom-CBS as TV network rep. Reelected to NAB leadership posts without opposition were Joint Board Chmn. James Yager of Benedek Bcstg., TV Chmn. Ben Tucker of Retlaw Bcstg., TV Vice Chmn. Paul Karpowicz of LIN TV.

DEAL NEAR ON LPTV DATACAST BILL: After listening to objections of FCC and ALTV to many provisions of S-2454, which would permit LPTV stations to offer datacast services, bill's authors said they would move quickly to work with Commission to address those complaints. "We want to work with you," Senate Communications Subcommittee Chmn. Burns (R-Mont.) told FCC witnesses Roy Stewart, chief of Mass Media Bureau, and Dale Hatfield, chief of Office of Engineering & Technology, at June 14 hearing. Burns, co-author of bill with Sen. Breaux (D-La.), told reporters his staff would start discussing amendments with FCC "right away": "We're in a close time frame [on congressional adjournment] but it's something we can work out" in this session of Congress.

In prepared testimony, Stewart said FCC had made "broadband deployment in rural areas... a top priority" in listing Commission's "serious concerns" about several provisions of S-2454. Specifically, he said, agency objects to requirement that it protect from interference (including from full-power stations) LPTVs offering datacasting and, Stewart said, "we are concerned that... the bill does not adequately protect the rollout" of DTV. That could "potentially decrease the availability of free, over-the-air television service in rural America," he said. FCC objected to provision that would permit LPTVs to use spectrum reclaimed from analog stations and reallocated for other services.

There are more than 4,500 licensed TV translators that are permitted to convert their operations to LPTV simply by informing Commission, Stewart said, making it possible for them to qualify as LPTVs under interference protections afforded by S-2454: "Significantly, the bill does not limit such protection to existing LPTV stations... We believe it is well established that there is insufficient broadcast spectrum to accommodate thousands of LPTV stations with full interference protection without substantially impacting the transition" to DTV, particularly in rural areas.

ALTV Vp-Gen. Counsel James Popham recited many of same objections, saying S-2454 had "the potential for widespread preclusive use of channels by digital data LPTV facilities." He said "such preemptive use" of spectrum would place many restraints on development of DTV stations — making this "the tragic flaw" of bill as drafted. "This is hardly the time to burden local TV stations' digital conversion efforts with more uncertainty and limitations," Popham said. Of long-term concern, he said, bill "would open a door to widespread use of LPTV to provide subscription video services [that] would have no concomitant obligation to provide even one channel of free broadcast service." As an "unintended consequence," he said bill could achieve short-term progress in expanding digital services "but at the ultimate expense of attenuating the ability of many full-power... stations to provide truly full digital service to their communities."

Testifying in favor of bill were Larry Morton, member of Community Bestrs. Assn. (CBA) board, and Dean Mosely, pres. of KPLM-LP (Ch. 43) Houston, which offers wireless one-way Internet service under FCC experimental license. Morton said "CBA enthusiastically supports this legislation" but asked for clarification on 2 issues: (1) Participants in July 30-Aug. 4 FCC auction filing window should be limited to existing LPTVs and translators to prohibit filing of "speculative applications." (2) Non-Class A LPTVs should be barred from using bill as "the only pathway to protect their licenses... This clearly isn't the purpose of this legislation." S-2454 "would allow this prime

spectrum to be put to use to conquer this digital divide among Internet users in the U.S.," Mosely said.

In opening hearing, Burns expressed concern that pace of broadband employment was greater in urban than in rural areas. "Large areas in my home state of Montana are being left behind," he said. Sen. Stevens (R-Alaska) bristled somewhat during hearing when witness referred to top 30 markets. "We're [Alaska] not in the top 30 markets," senator shot back.

Evidently concerned over several key issues in proposed America Online-Time Warner merger, FCC Cable Bureau is asking companies to supply more information on their investments and service plans. In six-page letter, Cable Bureau Assoc. Chief To-Quyen Truong asked AOL to answer detailed questions on its \$1.5 billion stake in Hughes Electronics and its much-criticized effort to create interoperability standard with instant messaging (IM) industry. Letter asked Time Warner to spell out its plans to provide such new services as telephony, high-speed data and digital cable over its cable plant. It also requested that both companies describe stakes and voting and management rights they hold in any company providing local or long distance phone service as well as all documents related to at least 4 of above subjects. FCC is seeking requested information and documents by June 30. In her letter, Truong said Commission staffers "anticipate that additional requests will be forthcoming." AOL and Time Warner characterized request as "routine" and said they looked forward to working with Commission.

NPR appealed recent FCC ruling that forces noncommercial broadcasters to bid in open market for new, nonreserved radio frequencies and TV channels. Appeal was filed jointly with CPB and Assn. of America's Public TV Stations (APTS) June 12 in U.S. Appeals Court, D.C. It appeals Commission's June 8 decision to auction nonreserved spectrum to highest bidder, even where one or more of competing applicants propose non-commercial, educational stations. "Because the Communications Act categorically exempts noncommercial, educational applicants from auctions, NPR, APTS and CPB believe that the FCC decision is in clear violation of the law," organizations said. In past, instead of auctioning spectrum to highest bidder, FCC conducted comparative process designed to weigh merits of competing applicants to determine which would be granted spectrum. Latest decision affects pending and future spectrum applicants. NPR Pres. Kevin Klose said: "Requiring nonprofits to bid for spectrum is bad public policy." He said pricing spectrum beyond limited means of community groups, educational institutions and other potential noncommercial broadcast applicants can do nothing but limit access to spectrum and reduce diversity of radio and TV voices.

Reportedly unhappy with role at AOL-Time Warner, Vice Chmn. Ted Turner told PBS annual meeting last week "there's a good possibility that I will help you more than I helped you in the past." Turner was invited to speak at conference by PBS Pres. Pat Mitchell, who used to work for Turner before taking helm at PBS. Possibility of Turner move is result of Mitchell's presence at PBS, with him saying, without elaboration, that "now that Pat's here" there's chance he'll help more. "I'm a big booster of public broadcasting," he said. Citing PBS accomplishments, he said biggest mistake U.S. made with telecommunications was not allocating resources to public broadcasters. However, when it comes to programming, he said, "politicians should stay out of your programming hair."

AT&T CLOSES ON MEDIAONE DEAL: AT&T closed on its \$44 billion purchase of MediaOne Group June 15, just 10 days after receiving FCC approval. Closing came almost immediately after Time Warner, which had right to veto acquisitions through its Time Warner Entertainment (TWE) joint venture with MediaOne, gave its consent. With merger, AT&T replaces Time Warner as largest MSO in nation, with more than 16 million subscribers on cable systems that it fully owns and operates and up to another 18 million on systems that it partly controls, at least for now. AT&T inherits 5 million basic cable subscribers from MediaOne, as well as 278,000 high-speed data, 108,000 digital cable and 94,000 cable telephony customers. It also gains presence in 6 of top 10 U.S. cable markets and 3 "superclusters" of more than 1.5 million customers each in Boston, Chicago and San Francisco metro areas.

"The combination of AT&T and MediaOne means that far more American consumers will have a real choice and lower prices in local phone service, faster Internet access and better cable TV," AT&T Chmn. Michael Armstrong said. "By the year-end, most of our networks will be upgraded, making analog and digital video, high-speed Internet access, cable telephony and interactive television available to more of our customers."

But with MediaOne closing, AT&T now must dump MediaOne's large stake in Road Runner and decide within 6 months how to get below FCC's cable ownership cap, which prohibits any MSO from controlling more than 30% of all cable and satellite households. In approving merger, FCC gave company choice of 3 options: (1) Selling MediaOne's 25.5% stake in TWE. (2) Shedding its own Liberty Media and Rainbow Media programming holdings. (3) Disposing of cable systems with total of 9.7 million subscribers (TVD June 12 p1). "Today begins the clock ticking on that 6 months," AT&T Broadband spokeswoman said. Whichever way it decides by mid-Dec., MSO must complete divestiture by May 19, 2001.

Cable analysts nearly unanimously believe AT&T won't choose 3rd option because it would lose greater household reach it had been seeking in pursuing MediaOne. But they still were split on whether MSO would opt to dump TWE stake or Liberty and Rainbow programming interests. AT&T hadn't indicated any preferences yet.

Thanks to AT&T's large inherited stake in TWE and pending merger of Time Warner and America Online, all eyes are on AT&T's on-again, off-again negotiations with Time Warner, which both MSOs confirmed would start up again in high gear. Observers believe companies are likely to discuss sweeping pact putting AT&T-branded local phone service on Time Warner's cable lines in return for placing AOL's new high-speed online service on AT&T's cable pipes. MSOs also are expected to resolve future of AT&T's new TWE stake, put at more than \$12 billion. "There appears to be a grand deal in the works," said Scott Cleland, Legg Mason Precursor Group managing dir.

Closing of MediaOne deal also clears way for AT&T's previously announced cable system sales and swaps with Comcast, which will make that MSO 3rd biggest in U.S. Under those deals, AT&T will consolidate its market clusters in Atlanta, Pittsburgh, San Francisco and southern Fla. areas, while Comcast will boost its market domination in Baltimore, Detroit, Washington and western Fla. areas. Overall, Comcast will end up gaining 750,000 subscribers at AT&T's expense for \$3.5 billion in cash. Comcast also has option to buy systems with another 1.25 million subscribers for \$5.7 billion, as well as right to offer AT&T phone service.

MFUME WANTS MORE: Broadcasting still has "long, long way to go" before minorities are equally represented, NAACP Pres. Kweisi Mfume said, keynoting NAB Education Foundation Service to America Summit June 12. He said advertisers, advocacy groups and Nielsen's "misappropriation of demographics" are to blame for increasingly disconnected viewing habits by race. Even though new fall lineups represent networks' desire to do something about lack of minority representation on shows, "it hasn't been enough," he said. Minorities need to be included in ranks of executive production and talent, Mfume said, and "steel barriers" on minority involvement within industry need to be lifted in order to keep their share of viewing market.

Summit panelists advocated responsible reporting of sensational coverage of "crisis" situations. Panel included RTNDA Pres. Barbara Cochran, WBAL(AM) News Dir. Mark Miller, KMGH-TV Denver News Dir. Diane Mulligan, WJZ-TV Baltimore Vp-Gen. Mgr. Jay Newmann, WTAE-TV Pittsburgh News Dir. Bob Longo. Cochran said irresponsible coverage of hostage situations would result in "bad legislation" and could threaten community safety if broadcasters aren't careful. She said her organization has published guidelines for appropriate coverage of "hostage situations," including assuming that hostage taker has access to news. Both Newmann and Miller said their stations withheld certain information, that in Newmann's case would have meant TV exclusive, from their audiences during Joseph Palzinski hostage situation in order to ensure safety of hostages and better serve community. Miller also criticized some of media for using sensational language and images to "overdramatize what is already a dramatic situation."

Broadcasters were applauded for their help with Project Impact by James Witt, dir. of Federal Emergency Management Agency (FEMA). Project, which teams FEMA with local broadcasters, aims to aid communities in disasters through public service announcements, news stories and community meetings. Through those preventative measures, Witt said, "broadcasters are arming Americans with powerful weapons" against disaster. Former President Jimmy Carter said broadcasters and citizens are responsible for learning about and educating others about global poverty concerns.

FCC Chmn. Kennard defended agency's negotiations on DTV channel allotment with Canada in response to letter from Rep. Fossella (R-N.Y.) June 7. Members from states along Canadian border have expressed concerns at decreased availability of 700 MHz spectrum as result of concessions to Canada, which they said could hurt availability of spectrum for public safety operations. Kennard wrote that FCC and State Dept. "have engaged in bilateral discussions with Canada for several years" to ensure smooth DTV transition. He said spectrum efficiency of DTV should result in additional spectrum for public safety in near future, with more coming after stations surrender analog spectrum. He said, however, that despite designation of Ch. 60-69 as being in part for public safety, "access to this spectrum is not without limitations," particularly within 120 miles of Canadian and Mexican borders.

Viacom's Nickelodeon and CBS announced that former will provide 6 half-hour children's programs for CBS's Sat. morning schedule, starting Sept. 16. Over-air network's kids lineup will be titled *Nick Jr. on CBS* and will include existing and news series. As part of 3-year deal, Nickelodeon said it will add 6th day to its Nick Jr. children's lineup and shows will be cross-promoted on cable and over air.

CABLE INCREASES HIGH BUT SLOWING: Average monthly cable rates climbed more than twice as fast as inflation rate in most recent period studied, FCC concluded in latest annual report on industry pricing released June 15. But rates rose more slowly than they did in previous year, Commission said, reflecting price moderation trend that started year earlier. Not surprisingly, study also revealed that cable rates increased less in markets where incumbent operators faced competition from overbuilds and that DBS providers continued to lure customers away from cable. Also not too surprisingly, study "found that the demand for cable service is somewhat sensitive to changes in monthly cable rates."

FCC's 37-page report said average monthly rates for basic cable, expanded basic level and such related equipment as remote controls and converter boxes climbed 4.6% for systems in competitive markets July 1, 1998-July 1, 1999. That figure, compiled in survey of MSOs, is greater than 2% increase in govt.'s Consumer Price Index, as well as 3.8% rise in cable rates estimated by Bureau of Labor Statistics (BLS) for same period. But it's lower than 6.7% increase in FCC's report last year for period ending July 1, 1998.

Similarly, MSO survey showed that cable systems without rivals boosted monthly rates 5.8% for basic service, expanded basic and equipment July 1, 1998-July 1, 1999. That's higher than both overall inflation rate and BLS estimate of cable price increases for same period, but is lower than 6.9% for noncompetitive markets year ago.

FCC concluded that gap between cable rate increases in competitive and monopoly markets was widening. Last year's report said there was 4.6% difference between average monthly charge of \$28.66 in competitive markets and \$29.97 in noncompetitive areas. New survey said there was 5.7% difference between average charge of \$29.99 in competitive markets and \$31.70 in noncompetitive areas.

Latest report also found: (1) Expanded basic rates are climbing much faster than basic rates for both types of systems. (2) Both groups of operators are adding more channels, with average system now carrying 51-52 channels. (3) More systems are offering digital and nonvideo services, with 45% of those surveyed offering at least such elementary interactive services as pay-per-view, 29% offering digital cable, 27% Internet access and 4% cable telephony. (4) Cable operators say DBS providers have captured 10.5% of TV homes in their service areas.

Streaming media and content industries must "get out of our Hatfield & McCoy mode" and start working together to find ways to mutually benefit from streaming media revolution, RealNetworks Chmn.-CEO Rob Glaser told Streaming Media East conference in N.Y. He said industries must combine intellectual property security with consumer-friendly software, warning that if copy protection procedures are too cumbersome and expensive, consumers won't use them. "I'm confident we can find a middle ground, but we're... doing it in a slower way than we should," Glaser said. He said fact that his company's RealJukeBox has 34 million users, compared with 10 million for controversial Napster, is "proof you can build a legitimate business that doesn't have to resort to things that end up in court." Glaser said many of his concerns about infrastructure capability were answered in last year, with particularly "heartening development" being emergence of satellite companies that distribute content directly to servers.

RURAL TV PROPOSED: After nearly 3 months of inaction by Senate and House, Sen. Johnson (D-S.D.) decided to jump-start rural TV legislation by introducing it as amendment to bill (S-2079) extending Internet tax moratorium currently on Senate calendar. Move came as surprise to sponsors of S-2079, which would enable local TV signals to reach DBS subscribers across U.S. and was seen by some as possibly jeopardizing both bills.

Johnson took to Senate floor June 12 to discuss amendment to HR-3709, moratorium extension by Rep. Cox (R-Cal.). His amendment was entirety of S-2079, rural TV loan bill sponsored by Senate Communications Subcommittee Chmn. Burns (R-Mont.) and Finance Committee Chmn. Gramm (R-Tex.). That legislation, and House version similar to it, cleared both houses by overwhelming margins, but in nearly 3 months no conferees have been named as key House and Senate staffers try to iron out what Rep. Boucher (D-Va.) has called "discrete and minor concerns."

Johnson said his action had less to do with HR-3709 than with his strong desire for passage of S-2079. "This critical legislation passed the Senate by a unanimous 97-0 vote... [and the House] by an overwhelming 375-37 margin," he said, "yet here we are, 2 and a half months later, with no effort to move this legislation toward enactment." He said, "I intend to offer this legislation to any and every vehicle possible this year until we have the opportunity to finish what we started and provide this essential service to all Americans."

Another twist is apparent split between Senate Majority Leader Lott (R-Tex.) and Senate Commerce Committee Chmn. McCain (R-Ariz.) on best approach for Senate passage of Internet tax moratorium extension. Lott already has placed Cox's HR-3709 on Senate calendar — only one of 3 Internet-related bills passed by the House last month that he did.

Just 5 days after requesting more information from America Online and Time Warner on their proposed \$183 billion merger, FCC Cable Bureau Assoc. Chief To-Quyen Truong has recused herself from review to avoid potential conflict of interest. Cable Bureau spokeswoman said Truong, in charge of directing cable merger reviews for bureau, left merger review team June 14 because she was interested in seeking job in cable industry. Spokeswoman stressed that Truong, who supervised FCC's just-completed review of AT&T-MediaOne merger, hadn't decided whether or when she would leave agency. "She just wants to start talking to people outside," spokeswoman said. Cable Bureau Chief Deborah Lathen, who will take command of AOL-Time Warner review, plans to appoint new staffer to assume Truong's duties. Staffer Royce Dickens, team leader for AT&T-MediaOne merger review, will continue to be team leader for AOL-Time Warner deal. Spokeswoman also said Commission, which had been considering June 29 as date for public hearing on merger, may not hold hearing until sometime in July. AOL and Time Warner shareholders are to vote on proposed merger June 23.

NAB will be required to adjust its expected revenues for current budget downward by \$2.4 million as result of "dues holiday" awarded to TV and radio station members by joint board. For first quarter 2001, stations wouldn't be required to pay dues, at cost of \$1.3 million for TV budget, \$1.1 million for radio.

FREE MARKET FOR WEB BACKED: Free market will get top video content streamed on Web without intervention from Congress, content companies told House hearing. No legislation to create compulsory copyright license for Internet is contemplated this year, Courts Subcommittee Chmn. Coble (R-N.C.) said, so industry will have time to prove one isn't necessary. Register of Copyrights Marybeth Peters said: "I can't believe we're going to get there [needing to pass a law], that the marketplace isn't going to work."

"Webcasters must be able to Webcast the latest and greatest," ranking Democrat Berman (Cal.) said, but he criticized compulsory licenses in other industries and said he had no desire to bring them into another, particularly since they would apply only to broadcast networks and superstations and not to other critical content. Copyright Office has "consistently opposed" Internet license since it first was asked to study issue in 1997, Peters said, and "nothing has changed in the last 3 years." She said that while she's not fan of cable and satellite licenses, those systems provide "means of delivering broadcast signals that copyright owners cannot practicably do themselves," but content owners are capable of Webcasting their own material without extensive investment in infrastructure. Digital Media Assn. Exec. Dir. Jonathan Potter said cable and Internet were converging and should follow same rules, but Peters said that would be "premature."

Major League Baseball has licensed Webcaster for audio streaming of almost all games, and could work similar one for video "either this season or before the start of next season," Commissioner's Office Gen. Counsel Thomas Ostertag said. He said baseball owners have voted to centralize all Internet video rights on central site, so it's important not to let them be split up regionally through carriage of local broadcast stations. NAB Pres. Edward Fritts said many stations are streaming their local TV programs, but under questioning from Rep. Boucher (D-Va.) was unable to provide figures. Boucher also criticized music labels for not putting "hits" on the Web, instead making available only older or obscure tracks. "If they don't do it, they will drive more and more customers to Napster," Boucher said, referring to embattled music-sharing company. Recording Industry of America Assn. (RIAA) Pres. Hilary Rosen said "almost all our large companies are actively developing an online business."

"We are asking whether content is going to meet us at the doorstep to the future," Potter said. International Webcasting Assn. Chmn. Peggy Miles said no new license should be created, but Webcasters "should gain equal access" to cable license. She and Potter said they were willing to work with broadcasters to preserve local exclusivity and prevent illegal copies, although content witnesses questioned whether either of those goals is reachable.

FCC is violating Community Bcstrs. Protection Act by not giving Class A licenses to LPTV stations that serve public interest, Community Bcstrs. Assn. (CBA) said in petition for partial reconsideration. CBA said current Class A rules unfairly limit number of applicants since Congress said that only stations providing minimum of local content automatically were eligible for Class A, not that only those stations would get designation. Petition also said FCC erred in requiring some stations to operate only digitally, since dual-channel operation is vital to survival in some cases, and LPTV operation shouldn't be limited by DTV station maximization.

RecordTV.com shut down its Web site following copyright suit filed by studios in U.S. Dist. Court, L.A., saying it must "deal with some legal issues." RecordTV.com officials weren't available for comment. Company was "doing nothing more innovative than using modern computer technology to make bootlegged copies and offer unauthorized public performances... on an advertiser-supported web site," motion picture industry said in suit seeking injunction to prohibit RecordTV.com from continuing to show copyrighted works on its Web site, as well as actual damages, statutory damages, costs. Complaint said RecordTV.com, 2-employee firm in L.A. area, operates Web site that replays unauthorized TV shows and movies and allows users to record them free. Suit charged site and its operator, David Hill, with copyright infringement, trademark infringements, unfair competition. RecordTV.com claims it receives more than one million hits per day and has more than 50,000 users, and studios said it projects revenue of \$900,000 this year from advertisements on site. They said each copyright infringement could bring them up to \$150,000 in damages. Suit said RecordTV.com has admitted it knew material on site was protected under copyright laws, but refused to respect copyright until court ordered them to do so. Complaint charged RecordTV.com "offers no other services or products besides the unauthorized copying, public performance and public display of... copyrighted programs." Suit was filed by Columbia Pictures, CPT Holdings, Disney, ELP Communications, Fox, MGM, Paramount, Time Warner, TriStar TV, Universal City Studios.

FCC should extend and improve children's TV reporting requirement, Center for Media Education (CME) and child advocacy groups said in FCC comments (00-44). CME Pres. Kathryn Montgomery said reports on station efforts to help children are "key" to allowing public to fulfill "industry watchdog" function. CME, in joint filing with Action for Children's TV founder Peggy Charren, National Education Assn., National PTA, Consumer Federation of America and dozen other groups, said: (1) Broadcasters should have to file reports quarterly instead of annually, and should file electronically. (2) Reports should provide more information about how children's TV is publicized, and how availability of reports is publicized. (3) Quarterly reports should be posted on station Web sites, along with link to FCC Web site.

Internet should remain free of telecom regulation, FCC Chmn. Kennard said again at rally on Capitol steps June 11, but he said Internet telephony companies in return are obligated to make their networks accessible to those who have physical, economic or other special needs. He told sparse crowd at rally that Internet must remain free so it can continue fueling economy, but "with freedom comes responsibility." Event organizer Jeff Pulver said Internet economy has been booming because it operates in "tax-free zone... There are times to innovate and times to regulate." Rally, sponsored by more than dozen Internet companies such as VocalTech and net2phone, protested recent passage of House bill (HR-1291) that would permit FCC to impose access charges on Internet telephony.

U.S. Appeals Court, D.C., upheld FCC's character policy in affirming Commission decision to revoke broadcast license of Contemporary Media owner, who was convicted of 12 felony counts of child abuse. Contemporary had claimed policy was arbitrary and capricious because it didn't spell out what conduct violates character standards. Court said it was reasonable to assume that person who violates law in criminal cases is more likely to violate Commission rules.

Personals

Greg Schaefer appointed pres., CBS spot sales and vp-sales, CBS TV Stations... **Mitch Rose** former chief of staff for Sen. Stevens (R-Alaska), named vp-govt. relations, Walt Disney... CBS Internet Group additions: **Robert Gehorsam**, ex-Sony Online Entertainment, as senior vp-programming & production; **Mark Kortekaas**, ex-Sony Online, as chief technical officer; **Lisa Brown**, ex-Sony Online, as vp-technical operations... Changes at NBC Studios: **Shelley McCrory** appointed senior vp-comedy development, **Lisa Leinengard** promoted to vp, prime-time series... **Tim Carry**, ex-Competitive Edge Communications, named Univision senior vp-affiliate relations.

Gary Kraus appointed senior vp-financial planning-corporate, Cablevision Systems... **Michael Weisbarth** named vp-drama, A&E Network... **Elise Kennett** becomes regional vp-CableRep advertising, Cox Communications... **Patty Mazon** promoted to senior vp-chief financial officer, RSL COM U.S.A... **Jake Tauber** advanced to Game Show Network exec. vp... **Gregory Hodges**, ex-Hardy Petroleum, appointed COO, High Speed Access Corp... **Gene Falk** named senior vp, Showtime Digital Media Group... **Beth Deitrich-Segarra** promoted to dir.-historical programming, History Channel.

Rick Felty appointed dir.-creative services, Tribune Bcstg... **Deborah Carpenter**, ex-WFLD (Fox) Chicago, named vp-gen. mgr., co-owned WTTG-TV Washington, same position held by her father in 1970s... **Daniel Parisi**, ex-WTVX Ft. Pierce-Vero Beach, Fla., named gen. sales mgr., WBZL Miami.

Ellen Rafferty moves to FCC's International Bureau after 28 years as congressional liaison specialist with Office of Legislative Affairs... **David Kennedy**, Susquehanna Radio, elected NAB radio board chmn., succeeding **William McElveen**, Bloomington Bcstg.; former Radio Chmn. **John Dille**, Federated Media, named vice chmn., replacing **William Poole**, WYSK-AM-FM Fredericksburg, Va.

Former NBC executive **Warren Littlefield** named to FastForward Networks strategic advisory board... **Robert Rowlett**, ex-Howard, Rice, Nemrovski, Canady, Falk & Rabkin, joins Wink Communications as chief legal adviser... XM Radio additions: **Melanie Stensrud**, ex-Bell Atlantic, as vp-customer service; **Kimberly Dillard**, ex-Bell Atlantic, as dir.-customer service; **Judy Schmitz**, ex-Worldcom, as dir.-billing operations... **Ken Wollenberg**, ex-Mediamark Research, joins Nielsen Media Research as senior vp-strategic & business development... **Curtis Roberts**, ex-CBS, promoted to pres.-CEO, Digital Media on Demand.

Tribune Co. closed on its \$8 billion purchase of Times Mirror (TM) Co. for stock and cash. It said 76% of eligible Tribune holders and 85% of TM holders voted for merger. "Today, our cross-media assets create a tremendous competitive advantage as industry convergence accelerates," Tribune Chmn.-CEO James Madigan said. He said Tribune is only media company with TV-newspaper-interactive combinations in top 3 U.S. markets — Chicago, L.A., N.Y. As result of TM takeover, Tribune added 4 members to its board: **Jeffrey Chandler**, from TM; **Roger Goodan**, Schlumberg Oilfield Services; **William Stinehart**, law firm Gibson, Dunn & Crutcher; **Thomas Unterman**, Rustic Canyon Corp.



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Adelphia Communications said it will buy midsize MSO GS Communications and several other smaller cable systems in Va. for total of \$836 million in cash. Systems will add 155,000 subscribers to Adelphia's Va. cluster, giving MSO more than 700,000 customers in state. Adelphia said it expects new systems, with 36,000 digital cable and 5,000 data subscribers projected when deal closes, to generate \$110 million in revenue and \$55 million in operating cash flow in first year after closing. MSO anticipates closing deal by end of next year.

Consumer Electronics

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STATE OF THE INDUSTRY

Sales to dealers, from CEA, for week ending June 2 and year to date:

	MAY 27- JUNE 2	1999 WEEK	% CHANGE	MAY 20- MAY 26	22 WEEKS 2000	22 WEEKS 1999	% CHANGE
TOTAL COLOR TV. (a)	454,505	269,858	+ 68.4	793,612	11,004,503	9,965,518	+ 10.4
DIRECT-VIEW**	433,226	260,321	+ 66.4	761,185	10,498,009	9,570,311	+ 9.7
TV ONLY#....	355,019	237,104	+ 49.7	540,640	8,637,052	8,087,506	+ 6.8
TV/VCR COMBO.	78,207	23,217	+236.9	220,545	1,860,957*	1,482,805	+ 25.5
PROJECTION...	21,279	9,537	+123.1	32,427	506,494*	395,207	+ 28.2
TOTAL VCR**...	404,505	177,108	+128.4	1,073,484	10,432,260*	9,101,868	+ 14.6
HOME DECKS...	326,298*	153,891	+112.0	852,939*	8,571,303*	7,619,063	+ 12.5
CAMCORDERS.....	90,927*	34,287	+165.2	182,378	2,110,471*	1,814,376	+ 16.3
DVD PLAYERS....	135,423*	23,503	+476.2	260,454*	2,181,675*	983,315	+121.9

Direct-view TV 5-week moving average#: 2000-355,334; 1999-381,062 (down 6.8%).

Projection TV 5-week moving average: 2000-18,393; 1999-15,289 (up 20.3%).

VCR deck 5-week moving average: 2000-432,144; 1999-339,793 (up 27.2%).

TV/VCR 5-week moving average: 2000-97,213*; 1999-67,555 (up 43.9%).

Camcorder 5-week moving average: 2000-104,028*; 1999-90,196 (up 15.3%).

DVD player 5-week moving average: 2000-117,772*; 1999-60,652 (up 94.2%).

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

HIGH-CAPACITY VIDEO DISC MAKES DEBUT: Fluorescent Multilayer Video Disc (FMVD) with 40 GB capacity will see first public demonstration in London today (June 19). Developer, Concord, Mass.-based Constellation 3D (C3D), says product will "replace DVDs, CDs and VHS."

FMVD looks just like clear, transparent 4.72" CD but is made by pressing 10 plastic films each 15 micrometers thick and laminating them onto tough substrate to provide sandwich data store with capacity of more than 40 GB. C3D, which says it has research labs in Israel, Russia and U.S., says technology eventually can accommodate up to 100 layers with terabyte capacity.

Although disc will be incompatible with existing CD and DVD players, FMVD players could be made to play existing software. C3D says FMVDs will be ideal for HDTV and will let Hollywood studios deliver complete movie to digital video cinema on single disc. C3D also promises optical credit card that stores data in 20 layers and is read by scanner.

IBM tried to make CDs with many thin layers 10 years ago, each pressed with pits like CD and read by laser beam that was focused on each layer in turn but gave up because adjacent layers soaked up too much of laser's light as it passed through.

C3D fills pits with fluorescent dye that emits light when struck by laser beam tightly focused into powerful spot. Pits in layers above and below don't fluoresce because they are struck by unfocused and thus much weaker light. Fluorescent light is incoherent and of wavelength slightly different from laser, so sensor in player can easily distinguish light emitted by pits from laser light that has reflected and diffused. Laser in player switches focus to read different layers, one after other.

Recordable blanks with dyed pits that change color during recording are promised for year after launch of pressed discs. Despite complex lamination process, C3D says FMVDs could be sold "to the man on the street" for no more than DVDs.

Earlier prototype, made by modifying CD player, was shown privately in London last month. It played only audio and had difficulty switching among 6 layers — sound stuttered and distorted until focus control was adjusted manually.

Although C3D promises to show color video with sound from fluorescent disc this week, video won't be digital. John Ellis, vp-mktg., told us new prototype to be demonstrated will use analog recording system derived from old Laser Disc system in which pits in disc's surface represented sliced waveform. "The next demo, in August, will have DVD pit geometry," Ellis said. "The previous demo with audio content had the pit geometry of a CD."

C3D has filmed complimentary remarks by IBM and posted video on its Web site (www.c-3d.net). Dell Computer was guardedly encouraged after Technology Mgr. Thomas Pratt studied all practical methods of increasing storage densities. "FMD technology could provide an eightfold increase in current optical disc storage capacity," Pratt said in Dell white paper titled *Removable Media Storage Devices*. "A card could provide an attractive, high-capacity alternative to disc storage".

FRONT PROJECTORS HEAD TOWARD HOME: As front projectors based on ever-broadening array of technologies shrink in size and weight, manufacturers are increasingly looking to consumers as the next unconquered market.

While most front projector manufacturers have focused much of their attention on the professional market, advent of wireless models that could operate independently of laptop PC is bringing category into home theater business. While Sharp, Runco, Vidikron and, more recently, Dreamvision, have targeted CE customers in past, new cast includes likes of InFocus and Epson as well as CE stalwarts like Sony, Toshiba, etc.

Sony, InFocus and Epson all unveiled plans at International Communications Industries Assn. (Infocomm) show in Anaheim last week for wireless projectors that will use 2.4 GHz spectrum to deliver data/video at distances up to 100', while Toshiba and Sanyo backed Bluetooth technology. While bulk of models containing wireless technology aren't expected to be available until early 2001, manufacturers said products will likely contain 1,024x768 resolution (XGA), 1,000-4,000 lumens brightness, 700-800:1 contrast ratio and prices ranging \$5,000-\$15,000. Many of new models will be based on Windows CE operating system allowing users to drag and drop files into central projector for presentation. While many of specs are still being finalized, Sony model has 64 Mb of embedded memory and uses Hitachi H4 processor that operates at more than 100 MHz. Others, like Epson, which expects to package 8 Mb card with its projector, are designing models with PCMCIA slot.

"I think the promise of wireless is now that somebody can take a projector into the home and find new uses without tearing the whole house apart," said InFocus Product Mktg. Dir. Amar Samra, whose company is looking toward consumer market as part of its OEM supplier strategy. "The 3-lb. projectors are fast approaching the weight of the cables needed to connect them so wireless is starting to make sense."

Much debated will be whether 2.4 GHz or Bluetooth becomes wireless standard. Former is widely viewed as better means for transmitting video largely because it's less prone to interference, while Bluetooth is application of choice for data. Bluetooth also is expected to find its way into wide array of products from handheld PCs to TVs, giving it greater range of applications. "Bluetooth doesn't have the bandwidth yet to send video," said Epson Senior Product Mgr. Mark Pickard, whose company expects to field model this fall and may enter consumer market in 2001. "It can send files, but the IEEE standard (2.4 GHz) is already pretty strong there as well." But Toshiba National Sales & Mktg. Dir. Samuel Malik, whose company is designing Bluetooth-based projector for possible fall introduction, countered that "it's a corporate direction for us and we're trying to apply it to all of our products, not just projectors."

Also to be resolved are software packages that will be marketed with projectors. Sony has designed e-conference software that will either be packaged with or embedded in projector, R&D Software Mgr. KeeHoon Hahn said. Software contains versions of Powerpoint, Excel, JPEG and other programs, he said. InFocus is planning package that will include proprietary versions of Powerpoint and Excel, but also use Windows CE as standard operating system, Samra said.

As manufacturers made shift to wireless technology, competition to introduced ever-lighter projectors dominated InfoComm. Leading charge was Plus Corp., which expects to deliver 2.9-lb. projectors based on Texas Instruments (TI) Digital Light Processing 0.7" chip in XGA (\$6,995) and 800x600 (SVGA) versions (\$3,995) by July. Sharp, NEC and Philips, which designed projector's 130-w lamp, also introduced Plus-built models. Not to be outdone, InFocus showed prototype of 3-lb. that it claims will be smaller at 100 cubic inches and contain XGA resolution with 1,000 lumens brightness (vs. 800 in Plus model), 700:1 contrast ratio (against 800:1) and \$5,000 price. Major change in InFocus projector will be Osram-designed 160-w lamp containing ballast that is 50% smaller than existing models, Samra said. InFocus is expected to further expanded 0.7" line with XGA and SVGA models (\$6,999 and \$3,499 respec-

tively) that each contain 1,300 lumens. Epson and Sony countered by continuing push with 3-panel 0.7" LCD projectors, each boasting XGA resolution, 1,000 lumens, 400:1 contrast ratio. Pricing on 5.8-lb. Epson model hadn't been set, but Sony's will be \$4,200, while SVGA version is at \$3,299 with 600 lumens.

Even as manufacturers were moving to smaller panels, industry was weighing need for further shrinking size. New 0.5" LCD and DLP chips are possible in next several years, technological advance that could shrink projector to 50 cubic inches and drop it under 2-lbs., Samra said. Smaller size would require manufacturers like TI to also reduce current 13.8-micron process to 11-12 microns, feat that may not be needed for several years, TI Technology Development Mgr. Peter van Kessel said. "You have to be really cognizant of what the optics the relationship is and every time you talk about moving to a smaller size you could constrain the design," he said. "You can get to a smaller diagonal, but you would be sacrificing resolution."

But JVC, which despite earlier indications (TVD May 22 p19) that it would have several licensees in hand at Infocomm for its Direct-Drive Image Light Amplifier (D-ILA) technology failed to make any announcements, is already preparing 0.5" version for late 2001. Smaller version will feature XGA resolution and contain 1,000:1 contrast ratio, start with 550 lumens and quickly progress to 800-1,000, company officials said. New 0.5" will follow 0.7" unveiled at Infocomm that has 1,365x1,024 resolution, 800-1,000 lumens and 1,000:1 contrast and is expected to in projectors by early 2001. "The 0.5" really starts to get attention when you get to the consumer market," JVC Engineering Vp William Bleha said. "We intend to keep that whole process very competitive as we move down the price curve to increase the applications. Cost and reducing the number of components is the final link to the home unit." As it moved to 0.7", JVC cut price on model containing 0.9" panel with 1,280x1,024 (SXGA) resolution, 1,300 lumens and 200:1 to in half to \$8,995.

While it didn't gain agreements with licensees for its lower resolution D-ILA chips, Eastman Kodak signed on for 2,048x1,536 QXGA 1.3" chip that is expected to available for high-end electronic cinema applications in 2001. Chip has 1,000:1 contrast and xx lumens. Pact positions Kodak as licensee of DLP, D-ILA and LCD technologies, latter of which debuted in 2 models n(\$2,300-\$2,600) containing 0.9" SVGA resolution chip, 1,000 lumens, 200:1 contrast. Step-up piece adds zoom lens.

"You can't reach all of the market segments with just one technology or if you do you're going to be at a disadvantage at least some of the time," said Richard Scotto, worldwide sales mgr. for presentation technologies at Kodak, which is buying projectors from unnamed Taiwanese manufacturer.

As manufacturers pushed advanced technologies, Sony is continuing to promote flagging CRT-based business in which it is one of few remaining suppliers. Sony's CRT sales, while down from previous year, nevertheless exceeded internal projections and technology remains "for those that want the best in home theater," Visual Systems Vp Jay Dellestretto said. One-time CRT promoter NEC dropped category and has shifted focus to DLP and LCD, Visual Systems Planning Dir. Hiroaki Kosato said. CRT's lifespan may be dictated by shift to digital transmissions from analog, industry officials said. "As the entertainment market becomes more digital it becomes less important to have an analog display device," Pickard said. "As long as NTSC is king, there is a place, however small, for CRTs."

Also demonstrating some staying power. are SVGA-based projectors, which have become low-end mainstay of market. SVGA projectors have retained 45% share despite fact that XGA resolution now accounts for 60% of notebook PCs, Tec.Net analyst David McDonald said. "[The market transition to XGA] has been sneaking up on us, but SVGA is stronger than most people imagined," said Sony Mktg. Mgr. Clint Hoffman, whose company sold projector with 0.7" SVGA panel at \$2,699 street price earlier this year.

Display Notes: Toshiba, following trend started by Apple Computer's iMac PCs, introduced XGA projector that is available in blue, green, gold, red and silver. New 5.8-lb. Projector, which ships in Aug. at \$6,495, contains 0.9" XGA LCD panel with 1,000 lumens generated by 120-w lamp and 400:1 contrast ratio... Zenith, meanwhile, jumped into light-weight derby with sub-6-lb. DLP projector with SVGA resolution and \$6,995 price... Portervision is name of new Samsung product that combines 40" LCD rear projection monitor with 4-head hi-fi VCR in single fold-down case. Device is expected later this year although pricing hasn't been set... Clarity Visual Systems introduced its Lion 67" LCD rear projection set containing single 15.4" panel that ships in Sept. at \$22,500. Monitor, designed for professional markets, has 1,500:1 contrast ratio and 40 ft. lamberts. It has 35-degree viewing angle... Sony opted out of Infocomm's traditional "Shoot Out" for display technologies because "there is no longer a lot of difference between products," Hoffman said. Competition "no longer delivers the original value" of providing all information needed to make buying decision, he said. "It has a perceived value perhaps," Hoffman said. Pickard, who is member of committee that oversees Shoot Out, said changes have been made in lighting and displays have been grouped by brightness and weight rather than just resolution. "It's resolution independent and that was a move to make it better aligned with the way people purchase products," he said.

CE SPECIALISTS SEEK PLAYSTATION 2: After years of eschewing video games, CE specialty chains are clearing space for possibility of merchandising Sony's PlayStation2 (PS2).

Main lure for merchants we polled is DVD drive that's part of new PS2 game console due here Oct. 26 at \$399. Despite expressing strong interest in carrying PS2, CE specialists we surveyed said Sony Computer Entertainment thus far has turned deaf ear to those requests. SCE is expected to channel tight supplies of PS2 consoles to national and largest regional chains. SCE officials couldn't be reached for comment.

"On a lot of levels I'm interested in selling the product because it could drive people through my doors and be a convenience service to my clients," said Harvey Electronics Pres. Franklin Karp, typifying others. He said he envisions PS2 as good fit for Harvey custom installation business. But Karp said: "The downside is even if [Sony] deemed me worthy of carrying the product, I would have to make a commitment to software which is very unappealing."

Most specialists agreed they were ill-disposed to thought of carrying PS2 software, which stands as key requirement in SCE's dealer agreements. Such specialty dealers have long avoided software commitments for even relatively core products such as audio CD and DVD, except in all-important introductory phases of new technology rollouts.

Many merchants we canvassed said they instead would refer consumers to noncompetitive chains such as like Toys "R" Us that will carry broad selection of titles. "A majority of people that are carrying DVD players don't have any software and aren't having any trouble selling the hardware," said Peter Edwards, pres., Video Only, which once carried Nintendo's 8-bit videogame machine.

Other retailers viewed PS2 as seasonal holiday item and weren't prepared to make commitment to carrying breadth of video game consoles that include Nintendo N64, Sega's Dreamcast and, eventually, Microsoft's X-Box, which is due in Sept. 2001. "We would definitely be interested in carrying it because our customers will be asking for it," said Bernard Sapienza, mdsg. vp, Tweeter Home Entertainment. "Our idea would be to get into it for the holiday season and get out of it by March."

In anticipation that SCE won't sell PS2 through CE specialists, some dealers have lobbied manufacturers to license its technology and build chipsets into standalone DVD players. Sony and more recently Sega have announced plans to license their videogame technologies to other manufacturers. Sony hopes to plant core PS2 technologies into host of Internet-capable devices from cable set-top boxes to digital TVs. Top Sega officials met recently with 15 companies in U.S. and Europe, including Philips and Hitachi, *Wall St. Journal* reported. "Everything you need is in an existing DVD player and the chipset would have to be piggybacked in there at a relatively low cost [of less than \$10]," said Edwards of Video Only chain. "I think that would make it an interesting category for us to have."

But not all dealers are convinced of need to add PS2 and similarly advanced videogame products. Saying that PS2 will have \$294 dealer cost and \$399 retail, Sound Advice Exec. Vp Michael Blumberg said console "is going to be wonderful for Wal-Mart, but I'm not going to be plugging it into my big screen."

RCA AND PARTNERS READY DVR: New hard-disc-based digital video recorders (DVRs) from AOL-TiVo alliance and others will have to contend with marketing clout of troika composed of DirecTV, Microsoft, Thomson Multimedia. They introduced 30-hour DVR last week with Internet access, interactive TV functions and electronic programming guide (EPG) for satellite TV that ships in fall.

DVR and associated Ultimate TV subscription service made debut at N.Y. news conference last week, where partners said they had acquired rights to Ultimate TV brand and www.ultimatetv.com domain name from Tribune Media Services, which has renamed its 5-year-old entertainment-listings Web site Zap2it.com.

Set-top, to be sold under RCA brand, incorporates hard drive for digital recording from dual DirecTV tuners, enabling subscribers to watch or record 2 programs simultaneously or view one while time-shifting another. Device yields 30 hours of storage time with no compression of its own, partners said, but they declined to give drive's capacity in gigabytes.

DVR records full MPEG video and audio resolution at original compression ratio of DirecTV's telecast, which varies according to program content. That compares with Replay, TiVo and other DVR devices that require user to select recorder's compression ratio in tradeoff for resolution and capacity.

Besides subscription to DirecTV programming package, separate subscription to Ultimate TV service will be necessary to activate DVR recorder function, partners said. Price has yet to be determined but subscription will be inexpensive, they said. Service bundles 14-day advance EPG and basic WebTV features including e-mail, Web browsing, ability to participate in interactive TV game shows in real time such as *Jeopardy* and *Wheel of Fortune*. It also will permit subscribers to download supplemental information to DVR, such as sports statistics and infomercials.

In copyright area, set-top has only analog outputs for copying video and audio to VCR or other recorder for archiving. It also has 2 USB ports for connecting printer and other peripherals, upgrading internal 56-kbps modem to DSL, other enhancements. Microsoft wouldn't say whether those would include connection to forthcoming Xbox videogame console. Owing to copyright concerns, USBs can't be used to input or output digital video, partners said. Even though set-top has digital disc for caching content, only output is analog so movie studios haven't pressed DirecTV to activate Macrovision copy protection on pay-per-view features, DirecTV Pres. Larry Chapman told us.

Thomson said price for DS4290RE DirecTV receiver/DVR hadn't be set, but retail sources told us street price would be about \$400. Set-top DVR will be available without 18" antenna dish for customers who already own DirecTV system.

ReQuest Multimedia signed deal with MP3.com that will allow consumers to access content and services at www.mp3.com from home stereo "digital jukebox" without use of PC. ReQuest, Troy, N.Y., unveiled MP3/CD player home component last year that encodes CDs into compressed MP3 files directly from its CD player tray (TVD Aug 16/99 p15). Companies said Audio ReQuest will demonstrate its Digital Music System again at MP3 Summit in San Diego this week.

BESTBUY.COM RELAUNCHES: BestBuy.com returned last week only 3 days after spokeswoman for Best Buy (BB) and its e-commerce subsidiary told us move was “impending” and could happen as early as last week (TVD June 12 p14).

Although BB said at CES that action would happen in first quarter (TVD Jan 10 p14), it actually wound up missing that target, but by less than 2 weeks. BB's first quarter ended May 31. Spokeswoman recently told us there was no specific issue that was holding up relaunch, saying: “We just want to make sure that it's done right... that there's not going to be major problems” (TVD May 29 p20).

Site now allows customers to buy CE products including DVD players, stereo components, TVs. BestBuy.com previously had sold only limited selection of products, including CDs and movies. New version of site allows consumers to buy products via direct home delivery or through store pickup and products can be returned or exchanged by mail or at stores.

BestBuy.com also received authorization to sell Sony CE products online at Web site. Although BB has long been authorized to sell Sony products at its brick-and-mortar stores, Sony was only major company that still hadn't authorized retailer for Web as of last month, BB spokeswoman said (TVD May 8 p16).

Although majority of products available at site last week were in home audio and video, portable electronics, CD and movie categories, company said “product offerings will continually evolve to feature enhanced music and movie selections and content, as well as computers, software and the balance of Best Buy's product assortment.”

Computers and software will be added to site by holiday season, BB spokeswoman said. She also told us: “We anticipate that [mobile electronics] will be part of the site in the upcoming months — sooner rather than later.” She said that should translate to mobile electronics' being added by end of summer. Whether or not site will have configurator along lines of competitor 800.com's (TVD June 5 p16) to help consumers figure out what 12-volt products would fit best in their particular vehicle was unclear last week.

Plans also call for BestBuy.com to offer various applications and content to consumers with PDAs, WAP-enabled phones, other interactive wireless products. Company earlier announced it had selected Everypath as one infrastructure provider to achieve that. BB spokeswoman told us last week that her company has also signed similar deal with Santa Clara, Cal. company GWcom.

Sensory Science (SS), citing revenue shortfall from its dual-deck VCRs, said last week that it expected to post \$2 million first-quarter loss. Revenue was projected to drop 20% in quarter ending June 30 from year ago \$14.1 million. Earnings also included \$315,000 bad debt charge related to Canadian retailer, SS said. SS CEO Roger Hackett said “downward movement” of overall VCR pricing “affected sellthrough velocity” of dual-decks. Indeed, 2-head VCRs have hit lows of \$59-\$69, with dual-decks largely priced above \$200. SS is expected to release new dual-decks this summer including DVD player/4-head hi-fi VCR. It signed distribution agreement with Kmart to sell its dual decks through chain's 800 outlets, deliveries starting this month.

World's first audio component to feature DTS-ES Discrete 6.1 decoding was among claims made of new Denon AVR-5800 receiver, which ships in Aug. at \$3,800 list. DTS-ES standard also includes DTS-ES Matrix 6.1 surround decoding that offers backward compatibility with existing ES matrix-encoded content and DTS Neo:6, matrixing technology that derives 6.1-channel playback from stereo material. Ross Hering, vp-mktg. for DTS Professional Audio Div., said 314 theaters nationally are equipped with DTS-ES decoders from which consumer version was adapted. First DTS-ES-encoded film, *The Haunting*, is due on DVD in late Aug., while DTS-ES-encoded Don Henley CD, *The End of the Innocence*, is due June 30. In AVR-5800, DTS-ES Discrete 6.1 decoding is powered by pair of Analog Devices 32-bit floating DSPs that are teamed with AD-1853 14-bit/192-kHz DACs. Analog Devices and Denon said it's industry's first DSP implementation to support DTS-ES in consumer equipment. AVR-5800 comes packaged with “Aktis” touch-screen programmable remote and charger-base relay station that also will be sold as separate accessories for \$449 and \$179, respectively, when they become available in July. Aktis — so named, Denon said, for “beam” and “ray” in Greek — transmits infrared and RF signals for controlling AV components, accessories and lighting in sophisticated multiroom set-up. Other highlights of Denon line introductions: (1) Company's first CD-R dubbing deck, CDR-W1500, is due in Oct. at \$699, joining single-tray CD recorder, CDR-1000, available this month at \$599. HDCD-equipped CDR-W1500 dubbing deck has multitude of audiophile features, including “direct 44.1-kHz” recording function that bypasses deck's A/D, D/A and sampling rate converters to transfer signal to blank CD-R bit by bit for better accuracy and sound quality. (2) “High-performance” DVD players include DVM-1800 5-disc carousel changer and DVD-1000 single-play deck, both due in Sept. at \$599 and \$399, respectively.

Harvey Electronics reported 2nd-quarter income rose to \$222,270 from \$79,368 loss year ago on 70% gain in sales related to digital TV and DVD. Harvey's custom installation business increased in 6 months ended April 29 to 29% of revenue from 24%. Same-store sales soared 59%. Video products accounted for 29% of revenue in quarter, up from 24% in year, but dipped gross profit slightly to 40.2% from 40.4%. Harvey plans to spend \$350,000 in opening 2nd Bang & Olufsen store in Sept. in Greenwich, Conn., and \$650,000 on each of 2 stores planned for N.J. in next 18 months. Harvey also has budgeted \$300,000 for opening e-commerce Web site in fall.

While analysts have been quick to question Sony's chance for success with its upcoming PS one portable videogame console (TVD June 12 p14), retailers apparently don't feel same way. Electronics Boutique CEO Joseph Firestone called PS one “a great thing” last week, saying his company's stores will be carrying it. Although Sony Computer Entertainment of America (SCE) has yet to announce official price of PS one in U.S. when system starts shipping here in Sept., Firestone said he expects it will be \$99 — same as current PS. He said he didn't think fact that 4" LCD screen won't be available for PS one as accessory until spring would hurt sales.

Invisio raised \$16.6 million in 2nd round of funding, attracting investors Chevron Corp., Cypress Semiconductor, Mitsui, Qualcomm. Invisio, which expects to release .47" microdisplay in fall with 800x600 resolution, has targeted cellular phone and head-mount display applications. Among investors, Mitsui is distributor in Japan for Three-Five Systems, which also has stake in Invisio, one-time National Semiconductor division.

BEST BUY EARNINGS RISE, CIRCUIT UP: Best Buy, crediting strong sales of digital products, reported first-quarter income rose 54% on 24% increase in sales (see financial table) as same-store sales jumped 9.5%.

Rival Circuit City Group said first-quarter income climbed to \$57.1 million from \$41.4 million year ago on 11% rise in sales. Same-store sales were up 7%. CarMax income jumped to \$13.9 million from \$2.7 million as sales soared to \$625 million from \$486.1 million on 14% gain in same-store sales.

BB ended quarter with \$765 million cash, including \$200 million invested by Microsoft in April (TVD Dec 20 p12). Microsoft funding, designed to boost Microsoft Network (MSN) sales and support BestBuy.com launch, also helped raise BB gross margin to 20.4%, up 1% from year ago to its highest level in 10 years, analysts said.

BB projected increases of 4-6% in same-store sales for rest of year and 30% in earnings. Sanford Bernstein analyst Ursula Moran said BB earnings for fiscal year are projected to advance to \$454 million from \$348 million as sales jump to \$15.2 billion from \$12.4 billion. CFO Alan Lenzmeier said, "we're feel real confident in doubling revenues over the next 5 years."

Sales of digital products at BB accounted for 10% of quarter's revenues, same as 4th quarter, led largely by digital camcorders, DBS and DVD, CEO Richard Schulze said. Target remains for digital products to represent 14% of overall revenues by year-end, he said. Digital camcorders and TVs and PlayStation videogame consoles were in short supply and BB is likely to be "in and out of stock for some time" on some models, Lenzmeier said.

To sharpen focus on digital products, BB formed Digital Technology Solutions Group that will oversee sales of wireless and broadband systems as well as "bundled solutions," Schulze said.

Sales of PCs also improved in quarter and configure-to-order (CTO) business, which is based on in-store kiosks containing Compaq, Hewlett-Packard and Micron products, "gained momentum." Chain's mail-in rebate offer for Internet access, packaged with PCs for last year, has resulted in one million new subscribers, Schulze said.

BestBuy.com, which made debut last week (TVD June 12 p14), is expected to post small gain in sales for year, possibly in \$30-\$40 million range, analysts said. BB didn't release sales projections but estimated it would spend \$60 million on BestBuy.com in rest of year. Microsoft is supplying "technical assistance" and will provide "marketing elements" that will help offset site's advertising costs, BB said. In addition to standard CE products and entertainment software, BestBuy.com is likely to offer digital download and photo processing services in future.

On store-opening front, BB entered Portland, Ore., market with 4 outlets in quarter and plans to add 40 in 3rd quarter, including 14 in N.Y.C. area. BB earlier indicated it had signed leases for 15 stores in N.Y.C. area for openings this fall (TVD May 15 p14).

Circuit credited improved earnings to strong sales of digital products including DVD and digital TV (DTV) as well as en-

tertainment software. Sales of software and home office products contributed to slight decline in gross profit to 24.4% from 24.5%, Pres.-CEO Alan McCollough told analysts in conference call. Major appliance sales also slowed in May, but chain is continuing with plans for appliance-only stores, he said. Circuit also experienced "spot shortages" of digital cameras and digital TVs in May, McCollough said.

Circuit will spend \$2-2.5 million per store in major overhaul of chain that starts with opening of Jacksonville outlets in Aug., McCollough said. New format will include larger assortment of products and 30% increase in selling space at some locations as former warehouse space is converted to merchandise displays, he said. Among new displays will be those dedicated to digital audio and video, he said. "This will allow the consumer a much greater selection of products," he said.

At same time, Circuit completed installation of Sony Memory Stick Interactive Universe displays and America Internet Centers at 60% of its 573 stores, McCollough said. It had expected to have installation complete chainwide this month (TVD April 10 p16).

McCollough underscored commitment to new store formats despite slight downturn in major appliance sales. Circuit also is planning separate outlets combining CE and PC products (TVD March 13 p18). "We will continue to try the alternative store formats, but a month a career does not make," he said referring to slowdown in appliance sales.

Circuit, which operates 39 stores in N.Y.C. area, is better prepared for Best Buy invasion this fall than it has been in other markets, McCollough said. "We have a lot of the more contemporary stores in New York and we're in better shape there than we have been in other markets when they've come in," he said.

Thomson has shipped 27-36" direct-view sets for commercial market with built-in scan convertor. Sets, at \$549-\$1,199, have digital serial communications interface that allows 3rd party interactive systems to monitor and control TV for applications such as pay-per-view. Scan convertor, which is being supplied by Focus Enhancements, hooks to PC and can handle displays ranging from 640x400 to 2,000x1,500. Scan convertor carries \$100 premium, company said. Thomson also has delivered 52" and 61" rear-projection sets with red/green color filter, enhanced electron gun, 7" tubes, screen with 0.52mm dot pitch.

Dai Nippon Printing (DNP) purchased 1,200 holography-related patents from Raytheon, terms not disclosed. DNP, major supplier of projection TV screens, said it would use patents to build transparent or holographic screens for store windows, LCDs for cellular phones, mobile terminal devices and heads-up display systems. It projected holographic-related sales would hit \$141.5 million within 5 years.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at ¥107 = \$1, except where noted.

MP3.COM, LABELS STILL TALKING: MP3.com Chmn.-CEO Michael Robertson said last week that company still was trying to settle copyright dispute with 3 remaining major record labels and gain licensing deals with them along lines of ones it announced week earlier with BMG and Warner Music.

"We're talking to all of them," Robertson said, referring to EMI, Sony, Universal Music. "We're going to go through them systematically," but deals won't necessarily happen immediately.

As part of agreements with BMG and Warner, San Diego Web music company MP3.com has been granted licenses by BMG and Warner to use their songs in My.MP3.com online service that allows consumers to store and replay music they bought earlier.

BMG Entertainment Chief Mktg. Officer-New Technology Pres. Kevin Conroy called agreement with MP3.com "a good settlement for both parties." He said his company "vigorously enforces its copyrights," but at this point believes "the best enforcement is the creation of legitimate alternatives for consumers." Warner Music Group Strategic Planning-Business Development Exec. Vp Paul Vidich called settlement "an important moment for recording artists and copyright owners."

Forrester Research report by Eric Scheirer said agreements were wise moves for all companies involved. But he said: "The labels should go even further and put their quixotic SDMI security project — a drain on time and attention for everyone involved — out of its misery entirely." Scheirer said "legitimately making music available is the strongest weapon in the fight against music theft."

Settlements were reached month after U.S. Dist. Court, N.Y.C., Judge Jed Rakoff ruled against MP3.com in copyright infringement suit started by Recording Industry Assn. of America (RIAA) on behalf of record companies (TVD May 1 p8). After judge's ruling and before settlements, MP3.com said it would disable access to all major record label content at its site (TVD May 15 p18).

Although financial terms of settlements weren't available, reports indicated that they call for MP3.com to pay \$75-\$100 million to RIAA, which will distribute money among labels, all in return for right to use labels' songs as part of My.Mp3.com service.

Robertson told us last week he couldn't "really go into specifics" on what regions of world his company has been granted rights for. He said: "It's very complex because the music industry does what they call territorial licensing. So you may have the right to sell a CD in Portugal, but not in Spain." While Warner announcement indicated that MP3.com has been granted N. American license, BMG announcement didn't specify region. BMG spokesman was unable to clarify issue by our Fri. deadline.

Robertson also told us that all songs from BMG and Warner weren't yet available to MyMP3.com users. But he said as MP3.com gets songs from labels, they will be made available to users of service.

CeBIT Home German CE show has been cancelled because of lack of support from participating industries, including games market, British press report said last week. Event was to be held in Leipzig Aug. 30-Sept. 3.

EMERSON EARNINGS RISE: Emerson Radio, despite taking \$2.8 million charge to cover costs of settling lawsuits, reversed year-earlier \$1.4 million 4th-quarter loss to post \$1.2 million profit.

Sales jumped 110% to \$44.7 million (see financial table) on strength of DVD and microwave ovens, while gross profit margin rose to 13.1% from 12.7%.

Under terms of legal settlement involving CEO Geoffrey Jurick, which isn't included in \$2.8 million charge, Emerson will divide 29.2 million shares among 3 creditors, although Jurick will retain at least 25%. Among creditors is former Jurick business partner Donald Stelling, who helped provide funding as part of Fidenas Investments that pulled Emerson out of bankruptcy in 1993. Settlement was reached in 1996, but Stelling's wife, Petra, and Barclays Bank filed motion to terminate it year later citing inadequate funding. Settlement also calls for Emerson to repurchase 7 million shares, which will boost total outstanding to 39.4 million. Emerson said it will fund repurchase with \$6 million cash from operations.

Original settlement called for Jurick to pay \$49.5 million by issuing 29.2 million Emerson shares. Jurick was to be paid \$3.5 million from sale of stock. Lawsuits had been filed in Switzerland, Bermuda and Newark, N.J., but were consolidated at last.

Other settlements covered by \$2.8 million charge include bankruptcy claim filed in 1994 by Cinerval Electronica de Amazonia, which had sought \$93.6 million, including \$86 million for lost profits, and \$12 million patent infringement suit filed last year by Tanashin Denkin Co. Other settlement involved 2 former Emerson executives, presumably including former Pres. Eugene Davis, who sued for wrongful termination after being ousted in Sept. 1997.

Separately, Emerson purchased 39,500 and 30,000 shares of Sport Supply Group on May 25 and May 30 at \$4.48 and \$4.87, respectively. Emerson, which first bought stake in distributor in 1996, owns 31% of company (2.2 million shares) and has option to increase that to 39%.

RCA parent Thomson Multimedia announced 2-for-1 stock split Fri. Move doubles number of shares to 248,708,224 at 3.75 euros par value each compared with 7.5 euros before split, which also affects ADRs listed on N.Y. Stock Exchange. Split followed announcement Thurs. that French govt. would sell off more Thomson shares to public to help company finance aggressive expansion of its new-media services businesses such as EPGs with Gemstar and interactive TV with Microsoft, as well as new joint venture with shareholder Alcatel into MPEG-based network systems for DTV. French govt. is ready to drop its stake in Thomson below 50% from current 51.7%. Although that would privatize Thomson, French state would remain major shareholder. Thomson spokesman said value of transaction has yet to be determined, but is expected to exceed \$600 million raised in IPO last Nov. Stock sell-off is likely in Sept., spokesman said.

Digital Media On Demand (DMOD) and Earjam.com signed deal that will enable latter's Internet Music Player to use DMOD technology to provide secure method of digital content distribution.

PORTABLE SD AUDIO PLAYERS COMING: First portable digital audio devices from Panasonic will start shipping this month or in July in Japan, with first model for U.S. market planned for "this fall, in time for the Christmas selling season," Portable Audio Asst. General Mgr. Reid Sullivan said last week.

Although Panasonic was among manufacturers who showed prototypes at CES in Jan. (TVD Jan 17 p19), it didn't, like most of its competitors, announce many specific details at that point, such as ship dates and pricing. Panasonic did say, however, that its devices would use Secure Digital (SD) Memory Card for storage. Pricing and model number for U.S. market still were unavailable last week.

Sullivan said company hadn't decided on specific codecs either, but Panasonic did announce collaboration with RealNetworks. As part of that deal, Panasonic said RealNetworks's RealJukebox would be only music management application that would come bundled with its hardware.

RealNetworks CEO-Chmn. Rob Glaser at Streaming Media East conference in N.Y. last week demonstrated Panasonic digital audio device that's worn around user's wrist when he announced Panasonic-RealNetworks collaboration in keynote speech. But Sullivan said first device to be marketed in U.S. probably won't be wearable model. "We are going to go after that wearable concept," he said, but that probably will be at later date.

Important thing for Panasonic, Sullivan said, is that device is "real easy to use" and that's one reason why company selected RealJukebox. Model to be marketed in U.S. this year will be "close" to unit that Glaser showed last week, but without wearable design. More models will be introduced "shortly thereafter," he said.

Although SD device won't be part of Panasonic's ShockWave portable line at start, Sullivan said he expects SD products to eventually make their way into ShockWave line.

On ShockWave front, Panasonic last week unveiled new line of products, most of which already have started shipping. Included are SL-SW869V CD player with built-in AM/FM tuner at \$199.95 and 2 ShockWave Metal models — SL-SW860 at \$159.95 and step-up SL-SW880 at \$199.95, which adds company's "Brain Shaker Extreme Virtual Motion Sound System" (VMSS) horizontal headphones. VMSS technology causes headphones to vibrate in same manner as subwoofer when it passes low frequencies. Sullivan said company is putting greater emphasis on AM/FM tuner addition to CD players because of increasing demand.

Although company has yet to announce "skip-free" technology along lines of Sony's G-Protection, unveiled earlier this year (TVD March 6 p13), Sullivan said his company feels that its Anti-Shock Memory 4.0 System, which stores up to 40 sec. of memory, "is just as good." He said no company's portable CD player can be completely skip-free under all conditions.

Panasonic also introduced RF-SW200 ShockWave Metal radio Jogger with adjustable armband at \$59.95 and RQ-SW09V ShockWave Metal cassette player with Brain Shaker headphones at \$89.95.

Sullivan said company currently ranks number one in market share in terms of dollars for portable CD players, ahead of

Sony, although he said Sony is ahead of it in AM/FM and cassette portables.

Company also held Panasonic ShockWave Sports & Music Festival at South St. Seaport over weekend, one of extreme sports competitions manufacturer has started sponsoring as part of its overall efforts to reach greater share of Generation X and Y customers, which Sullivan said represent combined spending of \$225 billion. Biggest event planned for this year is Beach Games in Huntington Beach, Cal. July 24-30. Beach Games event in Va. Beach, Va., will be Aug. 23-27 and company also will sponsor sports events at L.A. County Fair Festival Sept. 14-Oct. 1. Panasonic also is teaming with bike maker GT for ShockWave Summer BMX Tour hitting 26 American cities in 9 states.

Sullivan said company is spending "well into 7 figures" for "multimillion-dollar event marketing campaign" overall. Whenever possible, he said, it's tying events in to dealers. For example, Panasonic sponsored event at J&R Music and Computer World in N.Y.C. last week in which competitors in ShockWave event at South St. Seaport signed autographs at store.

Controversial Gnutella program will be used by Sightsound.com to put 12 movies on Internet and backed by questionably secure Windows Media video format and digital rights management platform from Microsoft. Sightsound.com was quick to point out that once users have obtained movie file over Internet, they are required to rent or buy license to view it. Availability as purchase or rental depends on titles, Sightsound.com said. Dozen programs available immediately include Miramax Films and made-for-Internet feature film *Quantum Project* with Stephen Dorff, Fay Masterson, John Cleese. Other titles will be added to Gnutella over time, Sightsound.com said. Encrypted files can be shared by Gnutella users but each individual must obtain license for viewing. File sharing results in hyperdistribution as files are easily searched and accessed across network of shared folders on PCs of Gnutella users. Sightsound.com couldn't comment on plan because company is in "quiet period" following recently announced IPO. But prepared statement from Scott Sander, Sightsound.com pres.-CEO, said: "A new generation of computer users has embraced file-sharing software to obtain their entertainment and now they have legally available movies... File sharing doesn't have to mean file stealing." Sightsound.com said it has acquired Internet distribution rights to all programs placed on Gnutella and has compressed and encrypted every file. But industry observers said Microsoft's MPEG-4 based Windows Media for video was hacked earlier this year and now exists as rogue program called DivX — not related to defunct conditional-access DVD system formerly operated by retailer Circuit City. DivX enables pirates to compress large video files efficiently for relatively speedy transmission over Internet and at quality level that approaches DVD-Video. Gnutella originally was conceived and released by AOL-subsiary Nullsoft in March. Although it was briefly posted on AOL, service yanked Gnutella quickly when it realized system could be used to ship pirated entertainment files such as those from would-be merger partner Time Warner, which also is wooing U.K.-based music label EMI and its trove of Beatles and Frank Sinatra recordings. Gnutella was just as quickly leaked into wild on Web, where some hackers are believed to use it for unauthorized purposes. Meanwhile, other parties have been trying to refine program for legitimate file-acquisition transactions.

NINTENDO TO SHIP NEW N64: Only days after Sony announced plans for new, more portable version of its PlayStation (PS) videogame console (TVD June 12 p14), Nintendo said it would start shipping new version of its current N64 console in Japan next month, with N. American debut set for later this year.

Meanwhile, Nintendo's main competition in handheld arena — Korean company SNK — is exiting U.S. and European markets. Online British press report last week said SNK was immediately stopping distribution of all of its products, including its handheld Neo Geo Pocket Color and game titles for PS and Sega Dreamcast.

New Pikachu Nintendo 64 features image of popular Pokemon character on top of console and its cheeks light up when machine is turned on. Like new Sony PS one, Pikachu N64 doesn't offer any technical advancements over current system.

Nintendo is hoping new design will help boost its console sales while it gears up to introduce next-generation Dolphin system, whose launch was delayed recently until first half 2001 (TVD March 20 p12). In announcing new system, Nintendo said it has sold more than 65 million Pokemon-related videogames to date. However, most of those were for Nintendo's handheld Game Boy rather than its N64.

Pokemon N64 will ship in Japan July 21, Nintendo of America spokesman told us last week: "The Pikachu N64 will be coming to the U.S. this holiday season, although we don't have a launch date or a price yet."

Company recently saw sales of its N64 surge in U.S. and perform even better than Sony's PS after Nintendo started shipping new Fantastic series of colored N64s (TVD April 24 p15). But supplies of PS have been slim throughout year and some in industry doubt Nintendo would have been able to surpass PS if Sony console was more readily available.

Electronics Boutique CEO Joseph Firestone told us last week that PS supply problem has continued, "hardly any" were available and they continued to be "tough to come by."

Nintendo has sold nearly 30 million N64s since console was introduced in June 1996, while Sony has sold 70 million PS consoles in last 5 years.

Nintendo also announced that Game Boy sales had passed 100 million mark June 16. Game Boy started shipping in 1989.

Despite bad news that met dotcom companies on various fronts last week (see separate report, this issue), all was not gloom and doom across board. eToys, for example, reported it had raised \$100 million from group of private investors despite general reluctance in investment community to provide more financing for dotcoms that has existed for last few months. Meanwhile, N.Y.-based one-hour delivery e-tailer Urbanfetch has taken approach to its expansion different from that of competitor Kozmo.com. Kozmo.com's market reach keeps growing to take in more U.S. states, but Urbanfetch last week made London its 2nd market. U.K. prices were close to ones it offered in N.Y. for most part, but DVD players were 50% higher. Urbanfetch also officially opened mobile phone store in N.Y. last week. Separately, Toysrus.com signed agreement to create new Nickelodeon boutique channel on Toysrus.com Web site that companies said will start by fall.

eBay has yanked DVD players and components that flout DVD license requirements for regional coding and Macrovision copy protection. Self-policing action began when eBay cancelled one individual's auction of Apex brand AD600A player, which until recent past could defeat Macrovision and regional coding. Cancellation came at request of Macrovision, eBay said. Auction Web site said Macrovision is member of its Verified Rights Owner Program and had filed sworn statement that Apex player violates its copyright. Carol Flaherty, Macrovision senior vp-Video Copy Protection Group, confirmed that company asked eBay to cancel Apex auctions online. Same applies to DVD players from Raite and Sampo that don't comply with DVD license requirements, she told us. Macrovision also asked eBay to cancel auctions of cloned e-prom chips that circumvent copy protection and regional coding. "We'll be monitoring all auctions from now on. It's our intent to stop every one," Flaherty told us. Macrovision also has informed ESS Technologies that its software is being copied illegally on e-prom chips, Flaherty said. ESS microprocessor controls variety of functions, such as regional coding, in decks from several manufacturers. Chip in original Apex AD-600A had "loopholes menu" for defeating copy protection and regional coding, which deck owners were able to access through remote control. ESS since has changed chip, but hackers with e-prom burners have been able to clone it and offer it as retrofit for new DVD players without loopholes menu. "Collectively, we're asking ebay to refuse to auction any item that violates CSS licensing, the Digital Millennium Copyright Act, Macrovision's IP or ESS's IP," Flaherty said.

Macrovision will add copy protection to digital video recorders (DVR) and other digital set-tops, company announced last week. New Copy Protection Detect (CPD) feature allows DVRs and other digital devices that accept analog inputs to maintain end-to-end copy protection of source programming from analog input through digital recording process to analog output of content. Feature is included in Philips Semiconductors' video decoder product offerings as complement to Philips' entire family of digital video encoders, Macrovision said. CPD will be incorporated into integrated circuits that convert analog video program sources into digital signals. Detection circuit can determine whether incoming analog video program has been Macrovision-encoded by copyright owner. Detection result then is tracked within product and used to re-encode analog video output with Macrovision to match that of original input signal. With hard-disc-based products, feature can help prevent recording of permanent copies. Company said it has made CPD available to qualified semiconductor manufacturers for integration into components destined for set-top boxes, hard-disc-drive-based entertainment systems, PC manufacturers and others that want to ensure their hardware is compliant with Digital Millennium Copyright Act.

European Commission (EC) opened antitrust investigation into proposed EMI-Warner Music merger last week. Commission, which is European Union's antitrust arm, said it was concerned that merger would lead to only 4 companies' controlling about 80% of European recorded music market. As we reported, merger also has created concern among retailers and others in Europe and U.S. since it was announced in Jan. (TVD Jan 31 p11). EC said merged company would have largest number of copyrights in world by far and there were "strong indications" that company would become most powerful force in digital music delivery because of proposed AOL-Time Warner merger (TVD Jan 17 p16), which still is pending and subject to separate EC investigation. Ruling by EC on AOL-Warner front is expected this week. EC probe into EMI-Warner is to take 4 months. Reuters reported after EC announcement last week that EMI Exec. Vp Roger Faxon said he was confident merger would be approved by EC and decision wouldn't affect EMI's plan to complete deal in 2nd half of this year.

Circuit City CEO baton was passed without fanfare to Pres. Alan McCollough at retailer's annual shareholders meeting last week in Richmond. He said Circuit City is well-positioned vs. rivals such as Best Buy and plans to shore that up with 35 store openings this year, format updates, other strategies. McCollough said key to better positioning is quality of well-trained sales force that makes Circuit City best equipped to sell and market bevy of new digital technologies to consumers. That later prompted question from shareholder who asked, if Circuit City sales team was as good and senior management claimed, why Best Buy stock was better valued and why rival was outperforming Circuit City financially. Responding was outgoing CEO Richard Sharp, who will remain chmn., and said: "We have for many years been competing with Best Buy and we have had a seesaw battle over a number of years about who was growing fastest and who was most profitable." He told shareholder that "you are correct in that today we are on the wrong side of that seesaw, and the Circuit City team intends to correct that." Sharp blamed disparity on CE "environment over the last several years where we had relatively few introductions of new products and significant price declines in the technologies that were out there." He said Best Buy has benefitted from "commoditization" of CE trade, suggesting that quality of well-trained Circuit City sales "associates" has been wasted on tonnage items such as \$49 VCRs. However, Sharp said, "we believe the tide will turn back in our direction, and in fact the value of our well-trained and professional sales force will allow us to provide the best explanations to consumers."

MP3.com will open its 2nd subscription channel at its Web site in mid-July — The Children's Channel, offering fairy tales, nursery rhymes, songs in multiple languages. Company said decision to start service was prompted by positive response to its new Classical Music Channel. MP3.com last week also announced deal with click-and-mortar retailer Djangos.com that will enable latter's customers to immediately hear online music they have bought via co-branded music manager. As part of push into business-to-business, MP3.com signed exclusive deal with Xystos, company that provides interactive technology including touch-screen monitors to fitness clubs. Under that deal, MP3.com's content and services will be made available to customers at fitness clubs worldwide. It only recently started business-to-business Retail Music Div. MP3.com also began free "Notify Me" service that informs music fans via e-mail of upcoming local shows by digital artists who post music at www.mp3.com. Expanding into wireless phone arena, MP3.com launched application that lets consumers find and buy tickets to live entertainment events if they have mobile phone equipped with Wireless Application Protocol (WAP) microbrowser. MP3.com said it had 560,000 daily unique visitors in May, representing 135 million page views, and as of May had 469,100 songs posted at its site from 74,100 approved artists.

Pioneer said it has succeeded in 25 GB DVD experiment using blue laser to write and read data at 5x density of conventional DVDs. Company said that besides blue-light laser, experiment involved high-precision motor with rotation deviation of less than 1/30,000%. Pioneer also said with even finer electron beam, it succeeded in recording 201 GB of data on single disc, equivalent of 40 DVDs or 300 CDs.

Dolby Laboratories said Dolby Store at www.dolby.com has been upgraded. Improved features include online ordering capabilities and reduced shipping prices for European customers.

Extension to DVD format that adds high-definition video to disc is called hDVD, according to developer Sonic Solutions. Technology will make debut in fall as disc of live performance of *HDPlanet* earlier this month in Chicago that combined high-definition video of nature and travel footage with live performance by musicians such as Joe Walsh, Christopher Cross, Jimmy Webb. Sonic Solutions said hDVD technology will be used to distribute same high-definition 1080i video and uncompressed multi-channel soundtrack from live show. Resulting hDVD disc will be playable on PC with 650 MHz or faster Pentium III chip through DVD-ROM drive using software-based hDVD decoder. Sonic said hDVD supplements standard-definition video on DVD with one or more of high-definition MPEG-2 video formats specified by Advanced Television Systems Committee (ATSC), which offer 4x greater resolution than DVD-Video. Company said that to take advantage of higher resolution and higher bit-rate video material, it has extended DVD multiplexing and formatting engine used in its Sonic DVD Creator, DVD Fusion and DVDIt! products to accept and author high-definition MPEG-2 video content. Sonic plans to ship hDVD-ready authoring systems in conjunction with hDVD software players in fall. Price of hDVD discs, PC decoder software or authoring systems wasn't disclosed.

RadioShack is taking giant leap for retail advertising, signing signed agreement with start-up LunaCorp to sponsor mission to explore moon with advanced robotic vehicle in 2003. Sponsorship is expected to cost 7,100-store chain \$1 million in first year alone, *Wall St. Journal* reported. In exchange for funding, RS gets to put logo on moon rover and on several venues on earth. Among those are planned Web site and simulators LunaCorp hopes to place in U.S. science centers to give public chance to "ride" rovers. RadioShack was attracted to LunaCorp through former astronaut Buzz Aldren, who serves as spokesman for chain. LunaCorp's 4-wheel solar-powered rover, called Ice-breaker, is expected to search for water and ice and collect other data through high-definition TV cameras, project that will cost \$130 million, *Journal* reported. Separately, RS made \$30 million investment in DigitalConvergence.com's (DC), hardware/software automation technology that attaches to PC to allow consumers to swipe through bar codes of 67 million existing products. DC's Software is expected to be packaged in magazines and newspapers starting with *Forbes* in Sept. and *Wired* following month, DC said. RS catalog also will have interactive bar codes when it's delivered in fall, companies said. DC expects to distribute 50 million of its hardware device by 2001, 10 million of which will be purchased from RS, it said.

Reel.com's retreat from e-commerce arena (see separate report, this issue) can make Pittsburgh DVD online retailer DVD Empire.com among biggest winners in online space. Before Reel.com move, DVD Empire hd said it was 4th largest online seller of DVDs. It announced that it lowered its preorder pricing on titles as much as 40% last week. DVD Empire CEO Jeff Rix said price drop "is only one facet of the changes our loyal customers are going to experience over the next few months." As example, he said company will be "offering on-the-spot promotions that will go beyond the new 40 percent discount," including 45% drop in preorder price for *Braveheart* this month.

Cinram said it would be exclusive manufacturer and distributor of videocassettes for Twentieth Century Fox Home Entertainment (TCFHE) in N. America. Multiyear \$510 million agreement requires Cinram to add 80,000 sq. ft. to its Huntsville facility. Agreement also calls for Cinram to provide TCFHE with other distribution services in same territory. Toronto-based Cinram also has alliance with MP3.com to produce custom CDs for consumer market.

Consumer Electronics Personals

Greg Farmer, ex-Bell Atlantic, named Best Buy vp, in-home installation services... **DeWayne Martin**, ex-Online Retail Partners & Forbes, appointed ZanyBrainy.com CEO, replacing **Judith Harrison**, resigned... **Jeff McGannon**, ex-Panasonic Automotive Electronics, joins USA Digital Radio as dir., OEM business development, based in Detroit... **William Seymour**, ex-H&Q Asia Pacific, named Inviso CFO... **Donald Lyle**, Technology Management Co. pres., elected to Datron Systems board, which expands to 6 members... **Danny Hillis**, ex-Disney Co., joins board of Rightscenter.com... **Ken Wollenberg**, ex-Mediamark Research, appointed Nielsen Media Research senior vp-strategic & business development.

Aftermarket autosound was lone blemish in otherwise healthy CEA report on April factory audio equipment shipments to dealers in which sales climbed 12.6% to \$611.12 million from \$542.92 million year earlier. Portable audio and systems were month's top categories, rising 23.7% and 22.9%, respectively, while separate components increased 11.6% to \$112.25 million. However, aftermarket car audio shipments fell 1.6% to \$183.49 million. For year's first 4 months, shipments climbed 10.3% to \$2.36 billion from \$2.14 billion, with increases in all 4 broadbased categories reported publicly by CEA. Portables had highest percentage increase through April — 18.8% to \$624.77 million, followed by separates (up 13.7% to \$468.67 million), systems (up 11% to \$527.69 million), and autosound (up 1.8% to \$737.25 million). CEA said home CD equipment was among audio industry's largest growth areas for April, led by CD recorders, which generated \$13.7 million in volume and 12% of overall components shipments for month.

Only 3 days after his company's licensing and settlement deals with BMG and Warner were announced (see separate report, this issue), MP3.com Chmn.-CEO Michael Robertson aligned himself with record industry in latter's continuing copyright battle with Napster. Recording Industry Assn. of America (RIAA) said last week that it filed motion for preliminary injunction against Napster, San Mateo, Cal. company that allows PC users to find and download desired music files on computers of other Napster users. RIAA said motion was filed along with statements of support from Robertson, EMusic.com Chmn. Robert Kohn, MPAA Chmn. Jack Valenti, songwriter Mike Stoller, others. Robertson said in statement: "In my view, Napster is not designed to promote or share the music of unknown or lesser known artists. The only way to find a song on Napster is to enter the name of the song and/or artist that the user wants to find." He also said MP3.com hasn't authorized Napster to distribute music of MP3.com artists.

International conference to examine future trends in display manufacturing is set for Sept. 5-7, Sheraton Walker Hill Hotel, Seoul, sponsored by Korean chapter of Society of Information Display (SID) and other groups. Conference keynote is LG Electronics Pres. John Koo, who will discuss prospects for flat-panel displays in Korea — SID, 203-853-7069.

Lexicon opened online store for consumers who want to buy parts and accessories. Sale of Lexicon digital audio processors will continue to be handled by authorized retailers. Company said lexiconstore.com will reduce burden on dealers for whom ordering and maintaining parts inventories offer "minimal return on investment."

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
Best Buy			
2000-13 wk. to May 27	2,963,718,000	72,158,000	.35
1999-13 wk. to May 29	2,385,431,000	46,809,000	.23
Circuit City Group			
2000-qtr. to May 31	3,074,851,000	60,658,000	.28
1999-qtr. to May 31	2,690,982,000	(88,196,000)	--
Eidos PLC*			
2000-year to Mar. 31	194,801,000	25,203,000	--
1999-year to Mar. 31	226,284,000	24,250,000	--
2000-qtr. to Mar. 31	52,209,000	36,776,000	--
1999-qtr. to Mar. 31	57,173,000	5,025,000	--
Emerson Radio			
2000-year to Mar. 31	204,956,000	3,620,000	.07 ^b
1999-year to Mar. 31	158,730,000	289,000	-- ^b
2000-13 wk. to Mar. 31	44,659,000	1,223,000	.03 ^b
1999-13 wk. to Mar. 31	21,254,000	(1,368,000)	-- ^b
Harvey Electronics			
2000-26 wk. to Apr. 29	18,421,679	662,652	.19
1999-26 wk. to May 1	11,423,491	251,302	.07
2000-13 wk. to Apr. 29	8,567,195	222,270	--
1999-13 wk. to May 1	5,015,007	(79,368)	--
Hastings Entertainment			
2000-year to Jan. 31	447,155,000	(2,165,000)	-- ^b
1999-year to Jan. 31	399,163,000	(4,305,000)	-- ^b
Image Entertainment			
2000-year to Mar. 31	83,669,000	1,415,000	.09
1999-year to Mar. 31	76,726,000	1,706,000	.12
2000-qtr. to Mar. 31	22,765,000	1,710,000	.10
1999-qtr. to Mar. 31	23,037,000	1,059,000	.07
J2 Communications			
2000-9 mo. to Apr. 30	966,000	749,000	.59
1999-9 mo. to Apr. 30	991,000	141,000	.12
2000-qtr. to Apr. 30	420,000	562,000	.43
1999-qtr. to Apr. 30	208,000	6,000	.01
Mitsubishi^c			
2000-year to Mar. 31	2,830,000,000	(344,420,000)	--
1999-year to Mar. 31	2,310,000,000	35,480,000	6.59
Rex Stores			
2000-qtr. to Apr. 30	107,183,000	3,246,000	.46
1999-qtr. to Apr. 30	99,056,000	2,087,000	.23
Solelectron			
2000-39 wk. to May 26	9,227,600,000	332,800,000	.56 ^b
1999-39 wk. to May 28	6,729,500,000	244,400,000	.46
2000-13 wk. to May 26	3,592,300,000	122,900,000	.21 ^b
1999-13 wk. to May 28	2,366,000,000	90,000,000	.16

Notes: *In British pounds. ^bAfter special charge. ^cIn thousands of Japanese yen, except per share.

Image Entertainment said DVD revenue rose 23% in 4th quarter and 57% for fiscal year, with gross profit margins for quarter up 33% from 25% in 1999, reflecting continued growth of exclusive DVD programming. For 4th quarter ended March 31, DVD revenue of \$20.8 million represented 91% of total, compared with \$16.8 million (73%) in 1999 quarter, Image said. Overall, net revenue for quarter fell 1% to \$22.7 million from \$23 million year ago on \$4.5 million drop in laserdisc sales. Net earnings for 4th quarter rose 61% to \$1.7 million (10¢ per diluted share) from \$1 million (6¢). For fiscal year, overall net revenue increased 9% to \$83.6 million from \$76.7 million. DVD revenue was \$72.2 million — 86% of total, compared with \$45.9 million (60%) in 1999. Image said gross profit margin for fiscal 2000 rose to 28% from 24% and was attributable to increased DVD sales. Net earning for 2000 was \$1.4 million (9¢), down from \$1.7 million (12¢). Earnings before interest, taxes, depreciation and amortization were \$4 million, up from \$3.6 million in 1999.



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

COURT STRIKES DOWN OPEN ACCESS: Appeals Court says AT&T can't be forced to carry ISPs and holds that action would be telecom service, kicking issue back to FCC. (P. 1)

AOL-TIME WARNER SCRUTINIZED: European Commission will conduct full review based on fear of online music concentration. (P. 3)

SINCLAIR, EMMIS SETTLE: Emmis acquires 6 radios in St. Louis, swaps 4 stations for one in L.A., drops claim to KDNL-TV, buys Phoenix and Denver FMs from Clear Channel. (P. 4)

FCC PUSHING UHF CLEARANCE: Wants broad use of spectrum as incumbent broadcasters clear 700 MHz as part of DTV transition, issues order and further notice. (P. 4)

NO INVESTIGATION OF FCC by Justice into lobbying against bill restricting low-power FM. Oxley introduces bill to limit FCC lobbying. (P. 5)

NEWS CORP. SATELLITE COMBO: Creates Sky Global Networks to handle all satellite TV services in long-anticipated move. (P. 5)

NINTH CIRCUIT RULES AGAINST OPEN ACCESS: In double-edged decision that gave cable industry big victory in its battle against open access mandates, 9th U.S. Appeals Court, San Francisco, unanimously ruled June 22 that Portland, Ore., has no authority to force AT&T to carry competing ISPs on its cable system. But 3-judge panel held that Internet access over cable broadband lines is telecom service under Communications Act, making cable-delivered data potentially subject to far stricter common carrier regulation than present. However, court said FCC, which so far has declined to regulate cable ISP service, has authority to forbear from enforcing telecom common carrier provisions.

Both sides of open access debate immediately claimed victory after ruling, which overturned lower court's decision year ago. Open access advocates said ruling, by equating cable modem services with telecom services, ultimately would subject cable operators to same interconnection and line-sharing requirements as apply to phone companies under Telecom Act. They also contended that decision, by clarifying law, finally would force FCC to require open access. "We view this as a complete victory for consumers," said Greg Simon, co-dir., OpenNet Coalition. "The law now is open access in the 9th Circuit."

AT&T, Excite@Home, NCTA and other open access opponents dismissed that reasoning as nonsense. They said ruling means that Portland and other cities can't use their franchising power to force cable operators to provide access to competing ISPs. They also said FCC always has claimed broad authority to regulate cable ISP service but hasn't chosen to exercise that power because it wants to see how broadband marketplace develops. "We're pleased that we finally have a very decisive appellate court ruling," AT&T Gen. Counsel James Cicconi said. "This will allow us to go forward and deploy broadband service to the people of Portland."

Consumer Electronics

DVD RECORDER WILL REPLACE VCR in 5 years, Pioneer predicts. It declares that DVD-RW has become 'de facto' standard in DVD recording. (P. 10)

SAMSUNG READIES PLASMA DISPLAYS for consumer market under Tantus brand. Fujitsu ships first consumer model. (P. 11)

PHILIPS RESTRUCTURES CE as it shifts P&L responsibility to regional businesses. Philips cuts 50 jobs at Knoxville projection TV subsidiary. (P. 13)

INTERACTIVE AOLTV, DVD COMBO are among new Philips products, as is Philips-built TiVo/DirecTV combo to be priced at \$399. (P. 13)

MP3 HERE TO STAY, declare MP3 partisans at San Diego summit. Event is less confrontational than in past. (P. 14)

CAMBRIDGE SOUNDWORKS EXPANSION could include 5-10 new brick-and-mortar stores possibly this fall in existing markets. (P. 15)

Refusing to show his hand, FCC Chmn. Kennard said decision “recognizes that Congress established a national framework to govern high-speed Internet access. We share the goal of municipalities that consumers should be able to point, click and choose their Internet service provider. Our policies will continue to promote choice among providers for content and conduit, while fostering an environment of investment and innovation.”

Portland officials said they hadn't decided whether to appeal ruling to U.S. Supreme Court. “We won on one level but lost on another,” said Portland City Commissioner Erik Sten, who seemed to be leaning against appeal. “This isn't quite like the loss to the Lakers last month.”

Declining to rule on parties' “urging” to consider what national open access policy should be, Judge Sidney Thomas held that AT&T's @Home data service is not cable service as defined in Communications Act. Noting that Portland had premised its open access condition on position that @Home is cable service governed by local franchise, he said essence of cable service generally is one-way transmission of programming to subscribers and that “definition does not fit @Home.” Internet access is not one-way but is interactive and individual beyond “subscriber interaction” contemplated by statute, he said, and accessing and navigating Web pages and hyperlinks, corresponding via e-mail, etc., involve 2-way communication and information exchange. “Surfing cable channels is one thing, surfing the Internet over cable broadband connection is quite another,” he said.

Thomas warned that applying “carefully tailored” scheme of cable TV regulation to cable broadband Internet access “would lead to absurd results, inconsistent with the statutory structure.” Referring to franchise requirements for cable operators, including channel set-asides for public, educational and govt. access and must-carry obligations, he said: “We cannot rationally apply these cable TV regulations to a nonbroadcast interactive medium such as the Internet.”

Thomas also wrote that even though FCC had not subjected cable broadband to any regulation, including common carrier regulation, “we note that the FCC has broad authority to forbear from enforcing the telecommunications provisions if it determines that such action is unnecessary to prevent discrimination and protect consumers... Congress has reposed the details of the telecommunications policy in the FCC, and we will not impinge on its authority over these matters.”

Hands Off The Internet Pres. Christopher Wolf said court had “hit the nail on the head.” “In the court of public opinion, there is now a clear consensus that, regardless of the legalities, the Internet is far too complex and fast-paced for government to dictate access regulations and pricing levels,” he said. Key turning point was AOL's switching sides, said Hands Off The Internet Dir. Peter Arnold: “When AOL flipped, the air came out of the access regulation movement.”

But access advocates contended that onus now falls on FCC to justify its forbearance from regulating cable as it does other telecom services. “Up to this point, FCC inaction meant no requirement by cable companies to share their system,” said EarthLink Vp Dave Baker. “Now, FCC inaction would only ensure that cable companies have to share their lines. The FCC would have to take some affirmative action to let cable lines stay closed, at least in the 9th Circuit.”

Baker said such proceeding would “take longer than the [cable companies'] self-imposed deadlines of 2001” to open their systems for competing ISPs. “This flips the burden of proof,” agreed Legg Mason Precursor analyst Scott Cleland. FCC forbearance proceeding “would attract everyone else wanting an exemption and forbearance as well,” he said. “It would be politically difficult.” In addition, decision “puts the state regulators back in play,” Cleland said, giving them authority to mandate interconnection and interoperability standards.

Open access advocates aim to force issue by pushing local ISPs to seek interconnection deals with cable operators in 9 western states covered by 9th Circuit ruling. They contend that court decision, by declaring cable high-speed data telecom service, gives ISPs that right. Consumer Federation of America Research Dir. Marc Cooper said ISPs now can send letters to cable carriers asking to negotiate interconnection, as CLEC would to ILEC, and “if you have unresolved issues, you go to the PUC.” He said availability of that well-charted process would move open access “very quickly,” compared with if new rulemaking had to be established to set interconnection prices for cable. But it wasn't clear whether any ISPs would pursue that course.

FCC officials said they expected to see number of petitions from ISPs and other players seeking interconnection agreements with cable operators. They said petitions might force them to revisit open access issue, after declining to impose mandates on MSOs at least 3 times in last 2 years. But they stressed that they had no plans to change their current laissez-faire policy. “I expect for us to continue to proceed and watch the developments in this market,” official said.

Meanwhile, fresh battle began brewing in Portland June 23 as AT&T apparently started signing up first customers for its high-speed cable ISP service, @Home. Portland official, who requested anonymity, said company was “thumbing its

nose at the law” because it didn’t have telecom franchise from city to offer fast Internet access. AT&T officials couldn’t be reached for comment by our deadline. Excite@Home officials declined comment, deferring to AT&T.

Besides Portland, court ruling probably will affect open access ordinances of Culver City and Madera County, Cal., both of which fall under appellate court’s jurisdiction. “At this point, it is difficult to say how the Portland ruling will affect the pending lawsuit,” Culver City Deputy Attorney Laura D’Auri said. City had made its AT&T-MediaOne franchise transfer conditional on open access and AT&T mounted legal challenge to provision. She said city was analyzing court ruling and would come up with strategy soon. Madera County officials couldn’t be reached for comment.

Situation is dicey in 2 other Cal. cities — L.A. and San Francisco — that are mulling open access ordinances. In wake of court decision, L.A. Councilman Alex Padilla, whose open access proposal was to have come up before full City Council June 23 after it was approved by city’s Information Technology Committee, put off action until after 30-day review of decision by city attorney. Vowing to continue to hold cable companies accountable for providing “universal, nondiscriminatory access to new technologies,” Padilla said close reading of court opinion showed that “cable Internet services falls under the same open access requirements that currently apply to telecommunications companies.”

Also likely to be rendered moot will be dueling open access ordinances introduced in San Francisco. One by city Board of Supervisors Pres. Tom Ammiano would require cable franchise holder AT&T, and, if approved, RCN Corp., to provide “nondiscriminatory access” within 18 months. Second proposed ordinance, by Supervisor Michael Yaki, would put off action until 2003, when Dept. of Telecom and Information Services would determine whether any cable operator with 30% of residential high-speed subscribers was hindering competition.

EC OPENS FULL PROBE INTO AOL-TW MERGER: Rejecting settlement offer by AOL-Time Warner, European Commission (EC) opened full investigation into companies’ proposed merger June 19. Commission’s move, which allows EC additional 4 months to gather information, had been widely expected, but EC offered some hints as to where it would focus, including emphasis on online music delivery. Commission already has opened similar investigation into Time Warner’s proposed merger with British music company EMI Group.

“The merger approval process is on track,” AOL spokesman insisted, and, despite EC probe and similar scrutiny by FCC and FTC, “we expect to close in the fall.” AOL Chmn. Steve Case reiterated that point later in week, saying he was “quite confident” there would be support for merger in both U.S. and Europe. “Even though it is big in size, it is different in character,” Case told AOL shareholders June 23.

However, Disney Exec. Vp Preston Padden said EC’s decision to scrutinize deal even without issue of Time Warner’s ownership of cable pipe, which has dominated discussion of merger in U.S., showed magnitude of competition questions involved: “[Microsoft Chmn.] Bill Gates on his best day never dreamed of having this much power.” Center for Media Education Exec. Dir. Jeffrey Chester told us he believed that EC review would be “comparable to the FTC review,” which he expected to be far more comprehensive than that of FCC, which he criticized as agency that had “continuously blinded itself to the evidence about threats to competition and diversity in the broadband medium.”

“The main competition issue raised by the merger is the vertical integration of Time Warner content with AOL online services,” EC said. Complicating matters is AOL’s joint venture with German media conglomerate Bertelsmann, which will lead to “a considerable integration of the 2 companies’ commercial activities,” it said. Combining 2 deals, AOL will “have preferential access to the leading source of music publishing rights and music repertoire in most member states,” EC said. As result, it said, AOL “will be able to dictate the technical standards for delivering music over the Internet and monopolize the music player software.” EC said AOL’s offer of unspecified commitments to loosen slightly its ties with Bertelsmann were “insufficient to ease the competition concerns.”

Also mentioned but given less attention was AOL’s potential ability to leverage its online presence to help its proprietary content, including what it gains from Time Warner. AOL has “a market share of almost 40%” in U.S. and is “the only Internet company with a presence in most European member states,” EC said. It said it will question whether AOL can “achieve dominance in Europe, in particular, in number of neighboring Internet paid-for content markets, such as films, TV programs and financial news.”

In meantime, Consumers Union plans to launch fresh legal challenge to proposed AOL-Time Warner June 26. Group, which already opposes pending union unless ownership ties between AOL-Time Warner and AT&T-MediaOne are severed and open access mandates are imposed, said it would announce challenge on combined ownership links be-

tween AT&T and AOL-TW. Move comes after AOL and Time Warner shareholders, as expected, overwhelmingly approved combination in separate meetings June 23. Some 99% of Time Warner shareholders and 97% of AOL holders cast votes in favor of deal.

SINCLAIR, EMMIS SETTLE IN ST. LOUIS: Emmis Communications continued its rapid expansion in radio station ownership last week, announcing 3 separate deals involving several large markets. With settlement of lawsuit involving Sinclair Bcst. Group's St. Louis properties June 22, Emmis acquired 5 FMs and one AM there for \$220 million, while giving up its claim to Sinclair's KDNL-TV St. Louis. Earlier last week, Emmis bought KKFR(FM) Phoenix and KXPK(FM) Denver for \$108 million from Clear Channel Communications.

Last June, Emmis purchased option to buy St. Louis stations (including TV) from former Sinclair executive Barry Baker (who resigned last week as pres. of USA Networks), which Baker acquired upon leaving Sinclair. As result, Sinclair filed lawsuit questioning validity of option and its sale, which was settled with last week's deal. Emmis promptly traded 3 of stations it acquired from Sinclair, plus WKKX(FM) St. Louis (which it already owned), to Bonneville International for KZLA(FM) L.A.

Emmis has been very aggressive in acquisition market, which "demonstrates our strong commitment to growing our radio group," Chmn.-CEO Jeffrey Smulyan said. Earlier this month, Emmis acquired 3 radio stations in Phoenix from Hearst-Argyle and is managing those stations under local marketing agreement (TVD June 12 p8) pending FCC approval. Group owner has been active in TV as well, outbidding several others by paying \$526.5 million for 8 TV stations and 7 satellites owned by Lee Enterprises (TVD May 15 p4). Also last week, Emmis reported record net revenues of \$100.5 million and after-tax cash flow of \$5.9 million for quarter ended May 31.

FCC MOVING ON UHF BAND: FCC issued long-awaited order and further notice June 22 that seeks comments on ways to promote voluntary clearing of 700 MHz band by incumbent UHF broadcasters in advance of transition to DTV. Item tentatively concludes that cost-sharing arrangements should be left up to negotiations by successful bidders in upcoming auctions, but seeks feedback on whether cost-sharing rules would help clear band.

FCC last month moved back date of 700 MHz auctions, which had been set for June 7 and 14, until Sept. 6. It indicated that Comrs. Furchtgott-Roth and Tristani approved in part and dissented in part.

In rulemaking, FCC provides guidance on treatment of regulatory requests needed to implement voluntary arrangements for incumbents to leave spectrum ahead of mandatory 2006 deadline for DTV transition.

It solicits feedback on alternative methods for voluntary band-clearing, including potential 3-way voluntary relocation agreements that involve new 700 MHz licensees, incumbent broadcasters in Ch. 59-69 and broadcasters with operations on lower channels. Item seeks comment on whether secondary auctions would aid incumbent broadcasters and 700 MHz licensees in reaching arrangements to help clear spectrum and ease transition to DTV.

"In these auctions, broadcasters operating on channels 59-69 would agree to clear the band in return for an amount of compensation that would be determined by the auction," FCC says. It seeks comments on whether to allow incumbent broadcasters on Ch. 59-69 and new 700 MHz service providers to share spectrum in time and/or bits. "Similarly, should broadcasters be allowed to share DTV facilities and spectrum during DTV transition?" it asks.

Comr. Ness issued separate statement stressing importance of Commission's intervening only on transition issues when regulatory barriers need to be removed. "For this reason, I support the

'voluntary' approach we have taken to agreements between licensees, including our decision not to impose mandatory relocation of broadcast operations, as well as our conclusion not to propose the adoption of cost-sharing rules for new licensees seeking to use this spectrum," she said. Ness said she hoped Commission soon would address DTV transition "holistically."

Comr. Tristani dissented in part from order on issue of Commission's adopting "a strong presumption in favor of granting requests to clear existing broadcasters from the 700 MHz band." She wrote that she would prefer such requests to be handled on case-by-case basis. "Today's order, however, stands Commission policy and judicial precedent on its head," she wrote. "The majority concludes that, where private parties agree, deployment of new wireless services should supplant free, over-the-air broadcast service in most — if not all — instances."

Comr. Furchtgott-Roth lauded extent to which item adds regulatory certainty to new wireless operators and existing broadcasters. However, he emphasized that item should deal only with removing regulatory barriers to private transactions. In several areas, he said, "the Commission seems intent on creating a potential host of new rules to intervene in the marketplace."

European Commission (EC) granted regulatory approval for sale of Deutsche Telecom's (DT) regional cable TV network, Kabel Nordrhein-Westfalen (KNW), to Callahan Invest Ltd., controlled by Blackstone Group of U.S. and Canada's Capital Communications. Move is expected to lead to increased competition in communications services sought in EC's Cable Directive. After transaction, DT will retain minority interest of 45% in KNW, which will provide range of telecom and pay-TV services in Nordrhein-Westfalen, one of most populated German regions. Callahan Invest proposes to build out existing cable network and to acquire other cable companies to increase penetration of German market. Company said it also will upgrade network to provide various telecom services, including fixed telephony and Internet access services.

JUSTICE DEPT. WON'T INVESTIGATE FCC: Dept. of Justice has declined to investigate FCC for alleged illegal lobbying in its opposition to low-power FM legislation. House Telecom Subcommittee Chmn. Tauzin (R-La.) and Vice Chmn. Oxley (R-O.) made request after FCC distributed talking points to certain members of Congress opposing HR-3439 (TVD May 1 p4). Both members said DoJ decision wasn't surprise, and vowed to press on. FCC Chmn. Kennard has said from start that Commission, as recipient of federal funds, "strictly adheres" to laws regulating its lobbying.

Oxley wasted no time in responding, introducing FCC De-Politicization Act of 2000 June 21. Bill would require majority vote of FCC commissioners before any agency employee could support or oppose matters before Congress, including efforts to spur grass-roots advocacy. (Included with talking points were letters from grass-roots organizations opposing HR-3439, which Oxley and Tauzin believe were generated through FCC effort.) In addition, lobbying could be conducted only by commissioners or their personal staffs, which could mean elimination of FCC's lobbying office. Oxley said: "While I continue to believe that the FCC in this instance violated both the letter and the spirit of the law, I think the law in this area should be clearer."

Oxley and Tauzin had similar take on DoJ's action, or lack thereof. "The Department of Justice's conclusion is not surprising, given the Clinton Administration's record," Oxley said. Tauzin spokesman said "obviously Billy's disappointed but not surprised. It's not the first time Justice has rebuffed a Republican request for an investigation of an agency." Still, he said, "there are other ways to skin a cat. We're exploring our options."

House Appropriations Committee recently approved cutting budget of FCC's Office of Legislative & Intergovernmental Affairs, including cap on number of employees there. At time of committee's vote, Tauzin and Oxley suggested they hadn't been involved in urging appropriators to take such action. Tauzin spokesman said his boss at time "applauded that effort but he may join it now."

Race for chairmanship of House Commerce Committee after retirement of Chmn. Bliley (R-Va.) seems to be influencing how lobbying drama is playing out. From start, both Tauzin and Oxley have seized on issue and pressed it forward while seeming not always coordinated in their efforts. Latest example is Oxley's bill; Tauzin isn't co-sponsor. When asked why, Tauzin spokesman said "we haven't seen the bill yet."

Excite@Home said there was no legal merit to Cablevision's claim in lawsuit that some provisions of March 28 Master Distribution Agreement Extension (MDA Extension) constitute amendment to deal with stockholders and as party to agreement Cablevision's consent is required for any such amendment. Cablevision is seeking temporary restraining order to immediately bar filing of certificate of correction to @Home's certificate of incorporation following Excite@Home's annual stockholder meeting, scheduled for June 20. Vowing to defend its action vigorously, Excite@Home said it would move ahead as expeditiously as possible to complete MDA extension. "The completion of extensions reflects a corporate commitment that growing subscribers on high-speed cable Internet services is a key objective over the coming years," company said.

NEWS CORP. MELDS SATELLITE ASSETS: As expected, News Corp. announced June 20 that it would merge worldwide satellite TV services and several related assets into umbrella company, Sky Global Networks. Move had been rumored for months, but official filing made spin-off company largest distributor of pay TV in world, with reach to 85 million homes, cable operators and 3rd party distributors. Sky Global filed registration statement with SEC in anticipation of IPO, to be completed by end of year. New company will be run by Rupert Murdoch, who will become Sky Global chmn. and maintain controlling interest. News Corp. and Fox TV CEO Chase Carey is expected to be named pres.-CEO.

News Corp. said it hoped to raise \$100 million through IPO. Sky Global plans to offer shares of Class A common stock in U.S. and abroad, but neither company nor SEC filing disclosed how many shares would be sold or anticipated price per share. Details will be revealed in future SEC filings, it said. Company wants to use money from IPO to repay debt to News Corp. and cover operating expenses. Goldman, Sachs and Merrill Lynch will be joint managers. Company hopes to list under "SGN" symbol when it goes public. Industry analyst said Sky Global could have "largest IPO" in media history. Some estimates said company could be valued up to \$40 billion.

New company will consist of News Corp. equity interests in British Sky Bcstg. (BSkyB), STAR, Stream, Sky Brazil, Sky Mexico, Sky Multi-Country Partners, Sky PerfecTV, NDS Group, TV Guide. Sky Global holds 38% stake in BSkyB, 50% of Stream, 10% of Sky PerfecTV, while Australian investment company Crudent and Murdoch each own 30% of News Corp. Sky Global Networks will own all of leading pan-Asian TV service provider STAR. In filing, Sky Global said future plans included bundling and marketing variety of services, including Internet access, personal computers, personal video recorders, DBS, mobile telephones, enhanced TV, personal digital assistants. It said it also was developing advanced set-top boxes as well as related hardware and software.

Vivendi, French utilities and communications conglomerate, Canal Plus, and Canadian-based Seagram (liquor, Universal, music) agreed last week to merge in \$34 billion all-stock deal that would create Vivendi Universal. Under deal, each Seagram share will be valued at \$77.35. Number of Vivendi shares to be exchanged for Seagram shares will be subject to collar under which exchange rate will be fixed at 0.800 if Vivendi stock trades below \$96.69 and at 0.622 if above \$124.30. Canal Plus shareholders will receive 2 Vivendi shares for each Canal Plus share held, as well as retaining interest in regulated business of Canal Plus, which will remain 51% publicly owned. Vivendi Chmn. Jean-Marie Messier will lead combined company as chmn.-CEO and Seagram CEO Edgar Bronfman will be vp with responsibility for music and all Internet activities. Vivendi will hold 14 of 20 board seats, with 5 going to Seagram and remaining one to Canal Plus CEO Pierre Lescure. Messier said: "The formation of Vivendi Universal creates a uniquely powerful growth platform. This is the first company to combine premier global and local content with next generation digital distribution [and] together we will have an enormous subscriber base across all of the most popular and fastest-growing communications networks and technologies." Senate Antitrust Subcommittee Chmn. DeWine (R-O.) and ranking Democrat Kohl (Wis.) said they would examine Vivendi purchase of Seagram closely, as they have other recent entertainment and mass media mergers.

DIGITAL TRANSITION 'FALTERING': Acting on mandate from TV board (TVD June 19 p2), NAB TV Chmn. Ben Tucker and Vice Chmn. Paul Karpowicz wrote FCC Chmn. Kennard complaining about agency's "delay or periodic calls for voluntary agreements" in transition to digital from analog. They said TV broadcasters were "anxious to move into the digital era... but we cannot do it alone.. The Commission's delay in addressing [DTV issues] are a matter of utmost urgency..."

Among issues required for "a successful transition," Tucker and Karpowicz wrote Kennard, are: (1) Digital must-carry retransmission rights for stations. (2) "Comprehensive interoperability" standards with cable systems and such devices as VCRs. (3) Performance standards for DTV receivers. Despite fact stations are "well ahead" of Commission's DTV schedule (by latest count available, 134 stations in 49 markets were transmitting in digital), "the transition as a whole is faltering" because of agency's inaction, NAB officials charged. And, "after almost 2 years of digital broadcasting, the number of consumers who can view a digital signal is insignificant," they said.

In letter also sent to other commissioners, Tucker and Karpowicz said: "The time for watchful waiting must end... Given the investment that broadcasters are making to convert to digital, these issues — and the Commission's delay in addressing them — are a matter of the utmost urgency... We ask the Commission to take immediate steps to make the digital transition a reality."

Meanwhile, in reply comments on FCC inquiry (MM Doc. No. 00-39), NAB said agency must mandate interoperability standards because manufacturers and cable industry haven't reached agreement on issue. Also, NAB said, "manufacturers' protests aside, the FCC should require minimum performance standards" for DTV receivers. CEA opposed NAB's request for mandatory standards, arguing that FCC lacks such authority. "The Commission has wisely recognized that manufacturers will be driven by market forces," CEA said. "We urge the Commission to retain this position."

House passed religious broadcasting protection bill 264-159 last week, with 56 Democrats joining with majority. HR-4201, introduced by House Telecom Subcommittee Vice Chmn. Oxley (R-O.) and amended at markup by Rep. Pickering (R-Miss.), would prohibit FCC from imposing additional restrictions on license requirements for religious broadcasters. Bill stems from guidelines FCC issued in Dec. and then revoked month later (TVD Jan. 31 p1). Telecom Subcommittee ranking Democrat Markey (Mass.) renewed his call that educational requirements be clarified and offered amendment to do so, but it failed 174-250. Markey and House Commerce Committee ranking Democrat Dingell (Mich.) then joined 150 other Democrats in opposing bill. Family Research Council (FRC) spokeswoman said Markey amendment would have made HR-4201 meaningless. FRC was part of coalition that wrote House Majority Leader Arney (R-Tex.) urging quick passage of unamended measure. Pickering called passage "victory for religious freedom. Government agencies should never attempt to determine what is acceptable or unacceptable religious speech because religious freedom and freedom of speech are both protected by the Constitution." Its future in Senate is unclear. Senate Commerce Committee has had similar bill, S-2010 by Sen. Brownback (R-Kan.), since Jan. without action.

Chris-Craft TV Group, owner of 10 large-market TV stations, said it had reached retransmission consent agreement with DirecTV, terms not announced.

New AOLTV service is likely not to draw many consumers at outset, analysts said following service's long-awaited debut June 19. So far, interactive TV service has few features beyond what already is available on AOL's existing online service, and company itself is downplaying expectations and starting in only several 2nd-tier markets. AOLTV is "somewhat inconsequential" so far, Yankee Group analyst James Penhune told us. "It's more significant as a placeholder" for services AOL hopes to introduce later this year, he said. AOLTV will begin in Baltimore, Phoenix, Sacramento and other "selected markets" and will be available only through \$249 Philips set-top box and only at Circuit City stores this summer, AOL said. Service will cost \$14.95 per month for AOL members, \$24.95 for nonmembers. It will include e-mail, instant messaging and chat over TV screen, as well as program guide. AOL said it was working with number of programmers, including E!, Oxygen Media, Sesame Workshop, Starz Encore Group, Weather Channel. Later this year, AOL plans to offer its DirecTV set-top box and satellite Internet service, considered to be truer test of interactive TV's viability. AOL Pres.-Interactive Service Barry Schuler told *Washington Post* he expected to sell only a few hundred thousand units in first year.

Reasons given by FCC majority for refusing to retain cable-TV cross-ownership ban and to "even consider" repeal of newspaper cross-ownership prohibition are "fatally flawed" and constitute "an explained departure from past policy assessments," Comr. Furchtgott-Roth said. His dissent and Comr. Powell's partial dissent in Commission's biennial review of its ownership rules became available last week when agency released text of May 28 order. "These rules simply should be repealed," Furchtgott-Roth said, and majority's arguments "are weak as a factual and logical matter." Powell pointed out rules in question "are old," dating back as far as 1941, and "the highly concentrated video entertainment, news and information markets of the past, with their attendant limited programming offerings, have changed dramatically." Copies of Commission's biennial review report, proposed rulemakings and individual statements are available on FCC Web site www.fcc.gov.

As promised, Jefferson Public Radio (JPR) appealed FCC's recent order that established new criteria for resolving mutually exclusive applications for noncommercial educational (NCE) broadcast stations. Oregon filed appeal on behalf of Southern Ore. U., which owns JPR. NPR, CPB and APTS have filed similar joint appeal. JPR also contested several aspects of point system adopted by Commission as new means for resolving mutually exclusive applications. JPR urged court to reexamine: (1) Commission's failure to attribute significance to locally produced programming. (2) Several serious defects in definition of what constitutes statewide network. (3) Manner in which issues of local versus national diversity have been dealt with. (4) Agency's failure to develop procedures to identify and weed out fraudulent and speculative applications for NCE licenses.

Cosmos Bcstg. (12 network-affiliated TV stations) said it's acquiring Civic Communications and its 2 network affiliates, plus one satellite station, for \$204 million cash. Companies said action was being taken to position "combined company to effectively compete in a rapidly consolidating market." Civic Pres. Frank Melton will join Liberty board and "all current management" of Civic stations — WLBT-TV Jackson, Miss., KLVY Tyler, Tex., and satellite KTRE Lufkin, Tex. — will remain in place.

TRISTANI FOR FREE TIME: Marketplace in political broadcasting may not be working properly — just as it wasn't in children's TV, which prompted legislation — so "it may be time for the government to step in," FCC Comr. Tristani said. Speaking June 19 at American Enterprise Institute (AEI) seminar on "Campaigns, Broadcasters and the Public Interest," she said: "Broadcasters are not like other businesses. They have agreed to serve the public interest as well as their private interests and those interests don't always coincide... It is time for all broadcasters to give something back."

In answer to question as to whether she favors govt. action now mandating free time for candidates, Tristani said she would wait to see what industry did in "the 2000 election cycle and I would hope the broadcasters would step up" and provide free time as recommended by Gore Commission. She said Alliance for Better Campaigns (Alliance) exists only because most stations don't fulfill their "legal obligations" to serve public and because govt. regulators haven't forced them to do so: "The importance of television to the general public cannot be overstated."

Norman Ornstein, AEI senior fellow and co-chmn. of Gore Commission, said group's recommendation that stations provide 5 min. daily of free time to candidates, starting 30 days before elections, often is misunderstood by broadcasters. Proposal provides "maximum flexibility" for stations with "multiplicity of formats," he said, and "there are lots of ways to air candidates' voices." Ornstein said pleas for free candidates' time also applied to cable. He suggested that NAB and RTNDA (which had observers in audience) jointly prepare instructional video for stations and as result "we may be able to overcome some of the inertia" of broadcasters.

Called on from audience, RTNDA Pres. Barbara Cochran said: "We're very much in favor of what we hear today as long as it's voluntary." She said govt. mandate of free time would violate First Amendment guarantees. She discussed efforts in political broadcasting arena already under way by RTNDA and its Educational Foundation, such as political workshops for stations, adding: "It's interesting, but not surprising, that this burden has fallen on the news departments."

Also from audience, Martin Kaplar of Norman Lear Center for Communication said Center already is collaborating with RTNDA in preparing video as suggested by Ornstein. Lear Center, in conjunction with Annenberg Public Policy Center, released report 2 weeks ago saying that TV stations had "largely ignored" Gore Commission recommendation for free time, released in Dec. 1998. Alliance Exec. Dir. Paul Taylor said "we haven't been terribly successful," pointing to fact that only about 2% of TV stations are offering free time to candidates.

Meanwhile, in June 21 speech on Senate floor, Sen. Torricelli (D-N.J.) blasted broadcasters for providing what he said was inadequate air time for candidates, saying: "Rather than 20 seconds a night for candidates to discuss the future of our nation, rather than using the national airwaves to discuss every latest crime trend or weather pattern or cultural abnormality, the national airwaves could be used to actually discuss the nation's future — not 10 seconds a night or 20 seconds a night but 10 minutes a night or 15 minutes a night so candidates believe there is an alternative to communicating with the American people other than buying the public airwaves to do so." He noted FCC Chmn. Kennard last year proposed regulations that would reduce ad costs "if the networks are unwilling to do it

voluntarily." He said that move "would dramatically remove pressure on fund-raising" as TV ads constitute 80-90% of cost of running for Senate: "The problem could begin to solve itself."

But, Torricelli said, "the FCC chose not to do so under pressure from members of Congress... There is no mistaking that the power to change the campaign finance system belongs in the Congress [and] I understand the networks' looking to the Congress for an answer [rather than volunteering more time]. They should. They are entitled to look to us, and they are entitled to expect an answer. But I also look back to them... I hope at some point the networks would hear this message and join this movement," Torricelli said.

Cable is expected to be leading digital TV service provider by 2005, with 55% of global market, study by Strategy Analytics concluded. There will be 56 million homes worldwide watching digital TV by end of year, up from 34.4 million at end of 1999, said study, "Interactive Digital TV: Worldwide Market Forecasts." U.K. is world's most advanced digital TV market with 29% of homes having switched to digital, followed by U.S. with 24%, France 15%, Spain 15%. Of 34.4 million homes in world watching digital TV by end of 1999, 77% used direct-to-home satellite service, 21% cable and 2% terrestrial, study said, but terrestrial services continue to face difficult future.

Enlarging its global footprint, Excite@Home announced start of its broadband Internet service in Japan, world's 2nd largest Internet market, in partnership with Jupiter Telecom (J-COM), Japan's largest cable company, and with trading company Sumitomo. Through J-COM, @Home Japan will be available to 5.1 million homes at start. Company said service complements @Home availability in Australia, Benelux and Germany, contributing to its more than 13.5 million home passed internationally. It expects its overseas ventures to generate \$80 million in total revenue this year, up 300%.

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Pegasus Communications announced June 22 acquisition of 12 rural DirecTV affiliates in Upper Midwest, Tex. and Central Plains for \$100.6 million in cash and stock. Deal continues effort by DirecTV reseller to become dominant multichannel TV distributor for rural markets. Acquired companies serve 52,000 DBS subscribers and reach 307,000 households. Pegasus has 1.2 million DBS customers and 2 million households served by 10 UPN, WB and Fox affiliates. Pegasus CEO Marshall Pagon said acquisition will bring company "closer" to goal of completing consolidation of DirecTV affiliates in 12-18 months. He said satellite-delivered broadband Internet access and other digital services will be added in future. Company has been involved in flurry of activity in last 2 months, including: (1) Filing FCC application for same "controversial" terrestrial service proposed by rival Northpoint. (2) Selling remaining cable systems to Centennial Communications for \$170 million. (3) Buying 2 independent DirecTV affiliates in Upper Midwest.

ICTV said 8 leading cable and technology companies, including ACTV, Adelphia and Motorola, have invested \$87 million in company. It said 7 of 8 companies are new strategic investors in ICTV, with Canadian cable operator Shaw Communications and interactive TV company Liberty Digital leading investment group. "The investment marks a strong commitment to broadband interactive TV as a major growth sector in the U.S. economy and drives ICTV to the forefront among competitors seeking to provide broadband infrastructure to the cable industry," company said.

TV Guide and **ICTV** announced integration agreement to implement latter's broadband interactive TV browser with TV Guide Interactive. Agreement will enable cable systems using TV Guide's interactive program guide to offer enhanced capabilities for delivery of interactive TV. Companies said they would promote ways to enable cable operators using digital set-tops to deliver full Internet browsing and CD-ROM-based applications.

In-Flight Network (IFN) signed long-term strategic development agreement with Globalstar and Qualcomm that it said will help it provide broadband Internet and e-mail services to existing commercial airline fleets by early next year. Company said prototype was tested successfully over parts of N. America 2 weeks ago. Plans call for IFN, Globalstar and Qualcomm jointly to develop system that will deliver service to airline passengers. Services will be transmitted directly by satellite.

As expected, all 50 state broadcast associations jointly have asked U.S. Appeals Court, D.C., to "reverse and vacate" new FCC EEO requirements adopted 5 months ago (TVD Jan 24 p1). Court earlier had turned down broadcasters' request that rules be stayed, but set expedited hearing schedule. In appeal, associations said rules don't "enhance program diversity," major reason given by FCC for their adoption, and "in any case, program diversity is not a compelling governmental interest." Rules "are not based on reasoned decision-making and are therefore arbitrary and capricious," broadcasters told court.

"Broadbandwagon" will be theme of Western Cable Show at L.A. Convention Center Nov. 28-Dec. 1, host Cal. Cable TV Assn. said. It said show would feature more than 300 cutting-edge companies exhibiting latest products and services in content, hardware, software, networking and business solutions. Show will have sessions, workshops and roundtables that will "explore current issues in various industries including cable, Internet, telephone, computer, satellite, broadcast, motion pictures and new media," Assn. said.

Battling negative fallout from reports that company would run out of money by end of year and that its requests for additional funding had been turned down, Globalstar CEO Bernard Schwartz issued statement to "clarify funding requirements," calling reports "inaccurate." He said Globalstar has raised \$4 billion for system development and deployment, he "remained confident" in ability to raise money and he would "consider" additional support from partners if needed. "They are aware of our funding requirements and have indicated intentions to support the project to its successful conclusion... We see no need to accelerate our timetable and, to date, no plan has been submitted to our partners or anyone else." In May, Schwartz said company would need maximum of \$160 million if \$250 million bank credit were allowed to expire. That amount, he said, would be offset by revenue. While admitting rollout of services had been "slower than expected," he said there had been "positive evidence of steady buildup" of revenue based on quarterly reports of min. used and expanding list of service markets.

TV advertisers can have more control over deciding how their commercials are viewed under new patent-pending technology developed by Jovio. Jovio said technology, response to growing criticism by major advertisers that personal video recorders and other new technologies will allow viewers to bypass commercials, is first that enables advertisers to decide whether viewers can skip, fast-forward or see alternate commercial when watching broadcast that has been time-shifted. Alternative options include being able to reduce fast-forward sequence to smaller image within larger frame carrying ad playing at normal speed.

Northwest Bcstg., which owns 9 small-market TV stations (7 Fox affiliates, one NBC, one UPN), said it had engaged Daniels & Assoc. "to evaluate strategic alternatives, including possible sale" of company. Northwest CEO Brian Brady said TV industry is experiencing "exciting, confusing and interesting times" that, because of "the relatively small size of our holdings, eventually would limit our ability to control our future."

House at our deadline was debating Commerce-State-Justice appropriations bill, which includes cuts in FCC, Commerce Dept. and FTC budgets. No amendments proposing specific increases for those agencies were presented to House Rules Committee before vote. So, if amendments are introduced seeking such increases, they could face procedural challenges if they didn't include commensurate reduction in another portion of bill.

FCC Cable Bureau staffers working on AOL-Time Warner merger review received personal briefing from AOL Pres.-Interactive Services Barry Schuler on its new AOLTV service, ex parte records show. Along with Bureau staffers To-Quyen Truong, Darryl Cooper, Royce Dickens, Ann Levine and Nancy Stevenson, attendees included Rich Chessen, Deborah Klein and Linda Yen from Comr. Tristani's office.

NBC Internet said it's joining with NBC TV affiliates to provide localized Internet content service to stations' Web sites. Move is part of initiative to expand NBC's Interactive Neighborhood program nationwide. Additions to sites include restaurant reviews, movie show times, civic information and local shopping.

Cox Radio announced price of \$29 per share June 22 for its public offering of 8.8 million shares of Class A common stock. Parent Cox Enterprises will buy additional 3.59 million shares at same price, with net proceeds of \$344.5 million going to Cox Radio. Money will be used to help finance acquisitions, repay indebtedness and cover general corporate expenses, Cox said.

Personals

Kevin Brockman named senior vp-entertainment communications, ABC TV Network... **Gil Schwartz** promoted to exec. vp-communications, CBS TV... ABC Radio Networks promotions: **Traug Keller** to pres., **Darryl Brown** to exec. vp-gen. mgr., **Jennifer Purtan** to senior vp-sales... **Wesley Jackson** ex-E.W. Scripps, named vp-sales, Belo Interactive... **Merry Ewing** promoted to gen. mgr., WSTR-TV Cincinnati.

Barry Baker resigns as pres.-CEO, USA Networks... **Glenn Oakley** promoted to senior vp-corporate strategy and international, Showtime Networks... **Kristin Peace** advanced to vp-programming, Game Show Network... **John Pascarelli** promoted to senior vp-mktg. & consumer services, Mediacom Communications.

Society of Cable Telecommunications Engineers (SCTE) elections: **James Kuhns**, Terayon Communications Systems, as chmn.; **Wes Burton**, MediaOne, eastern vice chmn.; **William Davis**, Communications Supply Group, western vice chmn.; **Keith Hayes**, MediaOne, secy; **Don Shackelford**, Time Warner Cable, treas.; **Ron Haranac**, Cisco Systems, named to exec. committee.

MPAA changes: **William Baker** resigns as pres.-CEO, with Chmn. **Jack Valenti** assuming his duties; **Simon Barsky** promoted to exec. vp & co-COO; **Bill Murray** advanced to exec. vp & co-COO... **Doug Moreland** promoted to senior vp-pre-development, Walt Disney Imagineering.

Larry Irving, ex-NTIA dir., elected to board, WorldGate Communications... **Michael O'Hara** appointed senior vp-business development, Central and S. America, eSAT... **Ron Blessing** named dir.-business development, Convergent Media Systems.

Marsha MacBride is resigning as FCC Comr. Powell's legal adviser-mass media & cable, to become Walt Disney Co. vp-govt. relations in Washington... **Rick Chessen**, former legal adviser to FCC Comr. Tristani, named vp-policy, RespondTV... **Gerald Faulhaber**, prof. at U. of Pa.'s Wharton School, becomes FCC chief economist July 1, succeeding Howard Shelanski who returns to U. of Cal.-Berkeley.

Cable operators' ramping-up of local telephone services will result in annual revenues of \$2.67 billion by 2005, as against expected telephone revenues of only \$133 million for cable this year, Strategis Group said in study released June 20. Four top cable operators now have 300,000 telephone customers and "we see that figure growing to 12.5 million over the next 5 years as operators aggressively roll out local voice services," said **Keith Kennebeck**, co-author of study. Cox Communications has most telephone customers, with 134,000, followed by MediaOne with 94,000. Kennebeck said cable operators are facing slowing subscriber growth, adding only about 1.1 million video customers between now and 2004, and increased competition in video marketplace: "Cable's strategy now is to become a telecom one-stop for the residential customer." With robust, facilities-based local networks that access millions of homes and through leveraging existing customer relationships, cable companies are well positioned to serve residential telephone market, he said, but they must differentiate cable telephony offerings from existing ones to "take market share from incumbents."



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Churches and schools were most active in filing of 769 LPFM applications during May 30-June 8 window at FCC for newly authorized service in 10 states and D.C. (TVD Jan 24 p1). Cal. was most popular state, with 309 applications, followed by 109 filed in Ga., Ind. 73, La. 66, Okla. 61, Alaska 27, R.I. 25, Utah 19, Md. 17, D.C. 4. Complete list of applicants will be available on FCC Web site www.fcc.gov. Next filing window will be in late Aug. for Conn., Ill., Kan., Mich., Minn., Miss., Nev., N.H., P.R., Va. and Wyo., FCC said.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from CEA, for week ending June 9 and year to date:

	JUNE 3- JUNE 9	1999 WEEK	% CHANGE	MAY 27- JUNE 2	23 WEEKS 2000	23 WEEKS 1999	% CHANGE
TOTAL COLOR TV. (a)	534,924	351,032	+ 52.4	454,505	11,539,427	10,316,550	+ 11.9
DIRECT-VIEW**	518,485	342,103	+ 51.6	433,226	11,016,494	9,912,414	+ 11.1
TV ONLY#....	457,690	306,088	+ 49.5	355,019	9,094,742	8,393,594	+ 8.4
TV/VCR COMBO.	60,795*	36,015	+ 68.8	78,207	1,921,752*	1,518,820	+ 26.5
PROJECTION...	16,439*	8,929	+ 84.1	21,279	522,933	404,136	+ 29.4
TOTAL VCR**...	320,855*	256,666	+ 25.0	404,505	10,753,115*	9,358,534	+ 14.9
HOME DECKS...	260,060*	220,651	+ 17.9	326,298*	8,831,363*	7,893,714	+ 12.6
CAMCORDERS.....	109,519	56,254	+ 94.7	90,927*	2,219,990*	1,870,630	+ 18.7
DVD PLAYERS....	83,497*	28,207	+196.0	135,423*	2,265,172*	1,011,522	+123.9

Direct-view TV 5-week moving average#: 2000-401,592; 1999-399,212 (up 0.6%).

Projection TV 5-week moving average: 2000-19,882; 1999-15,606 (up 27.4%).

VCR deck 5-week moving average: 2000-440,581*; 1999-337,951 (up 30.4%).

TV/VCR 5-week moving average: 2000-99,594; 1999-69,881 (up 42.5%).

Camcorder 5-week moving average: 2000-112,768; 1999-87,632 (up 28.7%).

DVD player 5-week moving average: 2000-126,684*; 1999-58,998 (up 114.7%).

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

DVD RECORDER WILL REPLACE VCR IN 5 YEARS — PIONEER: Pioneer used N.Y.C. news conference last week to make sweeping prediction that DVD recorder within 5 years would replace VCR as primary home video device and to declare that Pioneer-developed DVD-RW platform already had become "de facto" standard in home DVD-Video recording.

Pioneer executives based latter claim partly on boasts that it had sold some 25,000 units of its first-generation DVR-1000 recorder introduced last Dec. in Japan (TVD Dec 20 p10). However, introduction of DVR-1000 was made largely as technology credibility statement and for bragging rights, and it's questionable at best whether recordings made on that machine are playable on existing DVD-Video players. With adoption of "DVD-Video" recording standard by DVD Forum in Feb., Pioneer executives virtually guaranteed that recordings made on DVR-2000 equipped with that function would be playable on all new and "legacy" DVD-Video decks bearing Pioneer label. But officials stopped short of making similar claims about playability on other branded decks, saying company hadn't yet evaluated 2-way compatibility of DVR-2000.

To assure that recordings made on DVR-2000 will play on legacy DVD decks, Pioneer will market 4.7 GB blank media sanctioned by DVD Forum with Content Scrambling System (CSS) encryption data pre-embossed in discs. Existing discs sold alongside DVR-1000 in Japan predate Forum's DVD-Video recording standard and thereby lack CSS embossment and other features of that standard that would permit them to be viewed on legacy DVD machines. Pioneer officials last week said company would continue to market prestandard DVD media in Japan with proviso that standardized discs would be required for 2-way compatibility with legacy machines. Pioneer estimates it has sold about 11 blank discs in Japan for every DVR-1000 sold. It said it would work to drive down costs of DVD-RW blank media through factory economies of scale from current estimated cost of \$20-\$25 per disc. By comparison, write-once DVD-R discs also usable on DVR-2000 sell for about \$10 each, Pioneer said.

DVR-2000 will record for 2 hours at DVD quality in DVD-Video mode. Nonstandard recordings can be varied from one to 6 hours depending on desired transfer rate and picture quality. DVR-2000 will feature front-panel DV input for dubbing digital camcorder footage, and 181-channel NTSC tuner will facilitate off-air time-shift recording. DVR-2000 will have MPEG-2

video encoder chips co-developed by NEC and Pioneer. Officials said that to their knowledge, DVR-2000 would be first product implementation of Dolby Digital consumer encoder device. But Pioneer said encoder is stereo-only because Dolby Labs hadn't yet released licensing parameters for multichannel consumer encoders. Dolby Labs Licensing Dir. Roger Dressler said technology for 5.1-channel Dolby Digital consumer encoders was expected to be ready by year-end. He said development work had been timed roughly to coincide with development of specifications for DVD-Audio recording, which is now under discussion within DVD Forum. Meanwhile, most crucial details on DVR-2000 — pricing and availability — remain unknown, although Pioneer executives haven't wavered from broad claims made last Dec. that deck would be introduced here and in other markets in 4th quarter.

Another basis for Pioneer's claim that DVD-RW has become de facto standard was company's announcement at same news conference that membership in RW Products Promotion Initiative (RWPPi) it organized month ago has doubled to 27 companies as of June 19, when group held its first meeting. Most noteworthy new addition is JVC, which has been vocal supporter of DVD-RW blank media but was missing from original RWPPi list, presumably because Matsushita parent is ardent backer of rival DVD-RAM format. Another coup in terms of new RWPPi members is Yamaha, which like Mitsubishi Chemical and Sony, has been strong supporter of DVD+RW platform for data storage, but apparently now believes that DVD-RW is better compatibility bridge to DVD-Video playback. Other new RWPPi members include Advanced Media Corp., Asahi Chemical Microsystems, Conexant, Cyberlink, Kodak, Fujifilm Microdevices, Funai, Mitsubishi Electric, Oak Technology, Ritec, Nikon, Zoran.

When pressed by reporters to elaborate on prediction that DVD recorder would replace VCR in 5 years, Michael Wakeman, Pioneer exec. vp-mktg., and Matt Dever, vp-mktg. & product planning, said that's time frame in which Pioneer believed DVD recorders would reach worldwide sales parity with VCRs. However, Wakeman and Dever emphasized that Pioneer didn't believe VCR would be made obsolete in that short time frame. Although Wakeman was executive who told reporters of Pioneer's belief that DVD-RW already had become de facto recording standard, he was reluctant when pressed to state what share company believed DVD-RW would account for in 3 years when 5 million DVD recorders would be sold globally — another Pioneer projection.

DVD was central theme of news conference last week, as it was of company's "Vision 2005" business plan described last year by senior Pioneer management. Other DVD highlights: (1) Pioneer has met its target of achieving 20% worldwide DVD market share, Wakeman said. (2) Two DVD-Audio "universal" players are planned for "later this year," Pioneer said, but pricing and availability haven't been finalized. DV-38A is expected to be priced in \$1,500-\$2,000 range, said DVD Mktg. Mgr. Stokely Marco, while "flagship" deck with stereo Super Audio CD decoding will sell for \$4,000-\$5,000. (3) DVD life-style system includes 50 w subwoofer and five 30 w satellite speakers, with set-top DVD player with Dolby Digital and DTS decoding, acrylic display, learning remote, all for package due next month that's expected to sell for under \$800. All amplification is housed in subwoofer. Speakers, each of which is driven by 30 w amplifier, were designed by American Speaker Design Group, which also was responsible for designing expensive Pioneer Elite "reference" speakers. (4) Assortment of new DVD-Video players introduced include several models with various gradations of progressive scan processing, including DV-434 with price point as low as \$449, available in July. Marco said shipments of DV-C603 carousel player with progressive scan had been pushed back to Jan. to assure that Pioneer had adequate chip supply to service rest of DVD hardware line for 4th quarter. Lower priced decks with progressive scan use frame memory circuitry to achieve same picture quality as "3-2 pulldown" technology found on progressive scan decks at much higher price points, including those to be marketed by Pioneer under "Pure Cinema" designation.

Pioneer publicity materials said its less expensive players with progressive scan use frame memory circuitry to generate continuous succession of complete image frames at rate of 60 frames per sec., or double that of conventional DVD. Marco rejected criticism by rivals such as Toshiba that not all progressive scan machines were created equal, particularly those sold at such affordable prices as DV-C603 and DV-434. He said Pioneer approach was to appeal to consumers with varied budgets, adding that "proof of the pudding" was picture quality.

On e-commerce front, Wakeman said only retailers that had been authorized to sell Pioneer products online as of news conference last week were BestBuy.com, which relaunched earlier this month with CE products now included in online product mix for first time, CircuitCity.com, Crutchfield, 800.com.

SAMSUNG READIES PLASMA PUSH: Samsung will unveil Tantus brand 42-50W plasma display panels in fall as it seeks to broaden high-end line.

New PDPs, Samsung's first for consumer market, will include 42W with 852x400 resolution, 350 lumens brightness and 110:1 contrast ratio and 50W with 1,366x768, 110:1 contrast, 220 lumens. Prices haven't been set, although Samsung products will be "competitive" with other PDPs, Senior Mktg. Mgr. John Havens said. Samsung also has 37W PDP with 852x480, 390

lumens and 110:1, but hasn't decided whether to add that to consumer line, he said. New 42W and 37W have 7w x 2 audio systems, while 50W has 10w x 2.

Samsung's entry was matched by Fujitsu's recent shipment of its first 42W designed solely for consumer market. PDP, at \$10,000, will boost brightness to 400 lumens and contrast to 580:1, while maintaining 3.3" depth and 1w x 2 built-in speakers. It also has component video input. Key to consumer market is PDP's Class B certification, which requires that display have shielding to prevent RF interference with other products. Philips, which sources panels from Fujitsu, will introduce similarly priced PDP that will be available with bezels in variety of colors to match interior of home. On module side, Fujitsu said it was replacing \$7,000 PDP with one at \$1,000 more. New module continues 852x480 resolution with 300 lumens and 450:1 contrast.

As it introduces improvements in 42W, Fujitsu also is weighing 32-37W as well as 50W and up PDPs for next year, Senior Vp Tedd Rozylowicz said. Fujitsu has promoted 55W as next size. "We're focusing on resolution right now and if we can get the rest of those sizes up and running that would be great," Rozylowicz said.

As Fujitsu readies consumer strategy, Thomson expects to ship Proscan 42W in late Aug. after halting earlier model after delivery of 30 units, said Foy Wilkey, product planning mgr. for digital TV. Major concern was noise generated by 2 fans at back of panel and engineers since have succeeded in lowering sound level to 26-27 dB from 34-35 dB, he said. New model will be priced at \$10,000 packaged with high-definition decoder box (\$649), Wilkey said. Unit, sourced from NEC, boosts brightness 40% from earlier version to 400 lumens and contrast 50% to 500:1. Display also contains shielding for Class B certification that lowers brightness slightly.

Thomson will add 50W in early 2001 as NEC works to improve yields. Thomson had planned to introduce 50W first, but shelved it because of better availability of 42W.

With improvements in displays, prices have remained stable, fact that isn't likely to change in near term, NEC said. "Everybody likes the large size until you tell them the price," NEC Mktg. Support Mgr. Wayne Kubinski said. "The prices aren't dropping yet mainly because there is not a huge demand yet."

Stable prices may bring old competitors into PDP market. Mitsubishi has developed prototype 50" and 46" PDPs with 1,024x768 and 640x480 resolution at Kyoto, Japan, factory, but has no immediate plans to bring product to market, Product Mgr. Patty Wenke said. "We're still very much interested in it and plan to be in that market, but it's still a question of when we will have the next product," she said.

As Mitsubishi studies returning to market, Orion Electric and Viewsonic are entering it. Orion, which is building PDPs in S. Korea, in July will ship 42W 853x480 resolution, 350 lumens, 400:1 contrast ratio and \$12,000 price. It said it will seek to sell product under own brand and on OEM basis. Viewsonic, major force in LCD monitors, will enter plasma market with 42W PDP (\$12,995) purchased from Matsushita. It also will have 853x480 resolution, but boost brightness to 550 lumens and contrast to 550:1, with 8w x2 speakers. "We just felt the time was right because there is a demand for the product right now," Viewsonic Senior International Mktg. Mgr. Sharon Pi said.

As plasma made inroads in large display market, new LCD products are poised to provide competition. Newly named Optoma, formerly CTX Opta, unveiled 52" LCD projection set with single 6.4" amorphous silicon panel that delivers 2,400x800 resolution, 500 lumens, 150:1 contrast. Display, which has built-in 15w x 2 speakers and built-in 30w amplifier, is priced at \$4,000. Chunghwa Picture Tubes will ship 50" and 70" LCD rear-projection sets by year end, pricing not set. More mainstream 50" has 1.6" polysilicon LCD with 800x600 resolution, 100 lumens, 250:1 contrast. Larger 70" will be available only for special orders.

* * * * *

While CE e-commerce business has largely been dominated by commodity items, Fujitsu will start cracking down on on-line sales of its PDPs, Rozylowicz said. It plans to strictly enforce portion of contract with 3 commercial distributors that requires that PDPs be sold through brick-and-mortar retailers, he said. Panels have been sold through dozen Web sites, he said.

Latest retailers to gain Sony authorization to sell its products online are OneCall and J&R Music and Computer World's e-commerce division, JandR.com. OneCall is e-commerce division of Spokane, Wash.-based Huppert's HiFi, Photo & Video. As we reported, BestBuy.com also recently received Sony's official stamp of approval (TVD June 19 p12). Additions brought total number of Sony online authorized dealers up to 16 as of our Fri. deadline.

Clarification: Panasonic Portable Audio Asst. General Mgr. Reid Sullivan said his company currently ranks number one in market share in terms of dollars for portable outdoor-type CD players, ahead of 2nd-place Sony (TVD June 19 p15). But he said Sony still leads Panasonic overall in portable CD players, as well as AM/FM and cassette portables. He said company calculated rankings by comparing dollars taken in industrywide in those categories with dollars taken in by Panasonic.

PHILIPS AOLTV, DVD COMBO: Philips last week took wraps off new DirecTV/AOLTV set-top box (STB) and added DVD player/VCR that will make debut in fall.

New AOLTV/DirecTV product will ship in July to 55 Circuit City stores in Baltimore, Phoenix and Sacramento, with national rollout in Sept. STB will be priced at \$249 and AOLTV will be \$14.95 per month for current AOL members, \$24.95 for nonsubscribers. Product also will be sold through AOL's online store.

Philips-made STB contains National Semiconductor's Geode 166 MHz processor, 16 Mb of RAM, 56 kbps modem and 5 Gb hard drive for storing enhanced program guide (EPG) information. It also has parallel and USB ports, latter for future broadband connection. AOLTV is expected to add version for cable systems, although timing hasn't been set, company said.

Among other features is PIP that provides program content as user scrolls EPG, chat room and ability for AOL account to be logged on simultaneously on TV and PC. TV and PC chat rooms also are linked. User can't download or execute e-mail attachments or Zip files with AOLTV, company said.

Philips also is readying DirecTV IRD combined with TiVo's personal video recorder (PVR) technology. Combo device, at \$399, has capacity for 30 hours of video. In addition to DirecTV product, Philips will introduce standalone TiVo players later this year with 20 (\$299) and 60 hours (\$699) of recording time, Home Access Solutions Vp John Strobel said in news briefing in N.Y.C. last week. Quantum is supplying both drives. With new standalone models, Philips has discontinued 14-hour unit that introduced PVR technology, he said.

Unclear is whether Philips will have edge in race to supply AOLTV/TiVo product scheduled for 2001. AOL earlier this month made \$200 million investment in TiVo. AOL also has options to buy additional warrants based on TiVo's meeting subscriber-based goals, TiVo New Business Development Vp Morgan Guenther said. TiVo has 30,000-40,000 subscribers. Combo product is expected to have 30 Gb or more hard drive and DirecTV won't be part of first product, he said. AOLTV/TiVo product will be based on latter's next-generation platform that will feature improved graphics as well as doubling of existing device's 54 MHz processing speed, Guenther said.

Philips also showed product combining standard DVD player with 4-head hi-fi VCR that will ship in fall at \$319. Unit will compete for shelf space with Sensory Science, which expects to ship step-up model in Sept. at \$400 with both component video and ability to play back MP3 files. While it's readying combo player, Philips has no immediate plans for progressive scan model, DVD Video Mktg. Dir. Steven Jean said.

U.K. game maker Eidos told London Stock Exchange last week that it was "in the early stages of discussions which may or may not lead to an offer for the whole of the issued share capital of Eidos," online report said. Heading list of potential buyers talked about last week was Microsoft, but other companies said to be possibilities were Havas Interactive and Infogrames. Week earlier, Eidos said it saw operating loss of \$40.2 million for year ended March 31, vs. operating profit of \$58.8 million year ago.

PHILIPS RESTRUCTURES CE: Philips Consumer Electronics said it has shifted profit and loss responsibility to regional business groups and away from product operation, giving U.S. business oversight for N. America. It said move from individual product groups gives U.S. Pres. Robert Minkhorst oversight for U.S., Canada, Mexico.

"It gives more clarity to everything and we'll be closer to the customer," Minkhorst said in interview at news briefing in N.Y.C. last week. "Previously if there was a decision to be made it was done by the product group. This will speed up the decision making process."

Philips also restructured TV Div., cutting 50 jobs at its Business Creation Team Projection TV unit in Knoxville, Tenn., as part of move to sharpen focus on category, spokeswoman said. Revamping leaves Philips with 400 employees in E. Tennessee area that once served as its hq before move to Atlanta in 1997.

Changes in TV/Video Div include retirement of Senior TV/Video Vp-Gen. Mgr. James Newbrough, who had headed group since reorganization in 1992 gave him responsibility for video marketing. Newbrough, whose career included stint at RCA, also was given control of Philips' accessories business in 1995 before brand was licensed to Gemini Industries. Audio Systems Mktg. Vp Des Power, who has been named to fill Newbrough's post, said he plans several changes, including involving retailers "early on" in product development process. "We're going to have increased professionalism on the back end and come out with more of a launch plan that covers all the bases including consumers, trade and the media," Power said.

Investor Mark Rice has bought 757,600 shares of Sensory Science common (5.31% of those outstanding), he said in SEC filing. Rice, who operates Namax venture capital company, Northbrook, Ill., becomes major shareholder, surpassing CEO Roger Hackett, who owned 661,000 shares (4.7%) as of fiscal year ended June 30, 1999... **Ruth Cooper**, wife of Ora Electronics founder Gershon Cooper, has sold 3.9 million of 4.9 million shares in living trust to STAX Inc., giving latter 56% ownership of accessories maker. STAX paid Cooper \$150,000 cash, \$23,185 payable in 12 monthly installments and 400,000 shares of common. STAX also executed \$299,347 promissory note owed to Ora. Stax, which develops and markets prepaid cellular handsets, acquired stake as Ora searched for financing after missing deadline for long-term restructuring plan earlier this year (TVD March 27 p16). Ora suffered after it lost majority of business with Circuit City and was hit with \$1.6 million settlement of patent infringement suit.

Hastings Entertainment, blaming increased revenue-sharing costs, reported \$462,000 first-quarter loss vs. \$2.6 million profit year ago despite 9.9% rise in sales (see financial table). Same-store sales edged up 1.6%. Overall gross profit declined to 36.6% from 39.2%. Downturn was tied to decrease in rental video gross profit to 63% from 72.6%, company said in SEC filing. Hastings closed 5 stores in quarter, but plans to open 4 by year-end. At same time, 147-store chain resumed trading on Nasdaq last week. Hastings had faced delisting (TVD June 5 p15) after failing to file annual report in "timely manner." Earlier this month, it restated first 3 quarters of fiscal 1999. Hastings also has renegotiated revolving credit facility that will lower it to \$50 million from \$60 million.

'MP3 IS HERE TO STAY': Third annual MP3 Summit in San Diego last week lacked defiant tone of last year's event when calls for end of traditional record companies were rampant. Reflected instead was growing confidence that MP3 and other on-line music technologies were here to stay.

"The genie is out of the bottle," said Ric Dube of market research firm Webnoize in unveiling statistics that showed Napster now had 15 million registered users and over 70% were using service at least once each month. Even more encouraging for online music services — and potentially recording industry, too — was survey that found more than 50% of college students would pay \$15 each month for access to service such as Napster, and that most avid users were ones most willing to pay to play.

Sidestepping legal issues that have dogged controversial MP3 format in last year, MP3.com Chmn.-CEO Michael Robertson echoed comments he made week earlier at Streaming Media East in N.Y.C. (see separate report, this issue), when he predicted that music soon would mimic other entertainment models in evolving from product into more service-type business with avid music fans paying monthly fees for premium content.

In keynote at Summit, Robertson characterized MP3.com as leader in growing music service provider (MSP) business. He compared future of music with current movie industry, in which some fans will pay \$8 to see theatrical release while others are content to wait for pay-per-view, video, cable or free TV. In music's case, portal to content will be MSPs. Citing planned inclusion of MP3 playback in variety of upcoming devices, Robertson said that soon "music from one centralized source [will go] to your car, your phone, your house or your waistband."

In keeping with that theme, MP3.com used Summit to unveil its new MSP Platform 1.0, set of tools that would allow music services and other content companies to develop new generations of products and services for both PC and other Internet-enabled products. "This platform lays the groundwork for the delivery of music as a service," Robertson said. "By giving our partners access to MP3.com's massive, cutting-edge music technology infrastructure, we are providing the tools and services which will allow them to deliver music to a global audience and to grab a piece of the music services business."

Robertson gave little attention to legal rift with record industry on copyright issues, except to declare that "the darkest days for this industry are behind us." He also took pains to characterize MP3.com as technology and infrastructure company rather than as proponent of independent musicians. And he demonstrated variety of new devices, including MP3-enabled wireless phone that will allow users to access, and in some cases store, MP3 music without need for PC.

Among many new Internet music devices unveiled at Summit was full line by Thomson (see separate reports, this issue).

Meanwhile, Web's ability to enable musicians to reach new audiences was tempered by realization that most artists couldn't make it by Web alone and that traditional record industry still would play integral role in music business for foreseeable future.

In afternoon panel of artists it was noted that while music act that breaks into mainstream solely through Internet will hap-

pen eventually, right now Internet remains primarily marketing tool. Rapper Ice-T told crowd that likelihood of artist's being able to subsist solely from online revenues still was slim, cautioning new acts to "get ready to work for the man once again."

First fruits of alliance announced 4-5 months ago by Harman International and LG Electronics is youth-targeted JBL SoundGear line of minicomponent shelf systems that marks JBL's first entry into that category. Two LG-built SoundGear systems include \$379-list SG-3030 and \$279 SG-2020, both featuring 3-disc CD changer, dubbing cassette deck, AM/FM tuner, "VMax" surround sound processing. Speakers for SoundGear were designed at JBL hq in Northridge. Bente said SoundGear designs were gleaned from focus group research that showed high recognition of JBL brand among 18-25 year-olds familiar with company's pro sound equipment. Target demographic audience is about 60% male. Brand Mgr. Paul Bente said no proposal is off table insofar as future JBL concepts are concerned. For example, he said, future SoundGear systems could incorporate CD recorder and MP3 download capability, and company also is studying model with Internet radio feature. Bente said JBL also is studying 4th-quarter introduction of home-theater-in-box ensemble, and is talking with LG-affiliated Zenith on co-branding system systems for retail distribution shared by both companies. SoundGear will be marketed through existing JBL brick-and-mortar and e-tailer distribution, Bente said. JBL also introduced 2-SKU line of PowerBass digitally powered subwoofers for home theater and music system applications. PB12, \$479, and PB10, \$349, use JBL Class D digital amplifier technology, which is said to deliver high power output with high efficiency and reduced distortion.

Thomson unveiled full line of Internet music devices under RCA brand at MP3 Summit in San Diego last week, including RD2211 — "Lyra2" — 2nd-generation Lyra personal digital player with digital FM tuner, shipping in fall at \$299. Also in line are: RD1000 mini MP3 player at \$149 that fits in palm and is about size of matchbox; 2 CD-based units that can play CDs encoded with MP3 music — RP2410 at \$169 and RS2538 5-disc bookshelf system at \$399; Digital Media Manager with hard-disc drive that can store more than 2,000 songs in MP3 format. Company indicated that majority of line would ship in 4th quarter, although spokesman said Digital Media Manager would ship "hopefully by Christmas" at under \$1,000. Manager also has modem connection and built-in GemStar TV program guide. Spokesman said Thomson hoped to introduce MP3 to more mass market audience by simplifying process for downloading and storing songs through use of on-screen display. Thomson also announced that it had made additional investment, amount undisclosed, in Web music software company MusicMatch that companies said "will enable MusicMatch to bolster product development and marketing efforts as well as add crucial headcount in the areas of marketing and software development." Thomson said it integrated MusicMatch Jukebox into its new Internet digital device line. As we reported, Thomson took 20% stake in MusicMatch in April 1999 (TVD May 3/99 p14).

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at ¥104 = \$1, except where noted.

CAMBRIDGE SOUNDWORKS EXPANDING: Cambridge SoundWorks (CS) will open 5-10 stores this fall in existing New England and San Francisco markets as it embarks on first expansion since being acquired by Creative Technologies 2 years ago.

New outlets are likely to be in 3,000-sq.-ft. range and feature CS and other brands including Harman Kardon, JVC, Marantz, Onkyon, Panasonic and Sony, Sales & Mktg. Dir. Sidney Newman said. CS' 26 stores (17 in Conn., Maine, Mass. and N.H., 9 in San Francisco) range from 2,000 to 8,000 sq. ft. Most recent move was relocating Worcester, Mass., store to Nashua, N.H. last fall.

"We've had multiple models of stores in the past and we've evaluated all of our locations, product mix and demographics before making any changes," New Business Development Vp Robert Mainiero said. "It's not a question of how many stores do we need in a given market, but how many do we want to do." Among merchandise changes was adding Onkyo brand (TVD Feb 21 p16). CS also might add kiosks to provide link with affiliated hifi.com and hershifi.com Internet e-commerce sites, East Coast Area Mgr. Jeffrey Tate said. CS also is one of few regional chains carrying EchoStar's Digital Sky Highway (DISH) satellite system.

Expansion plan completes strategy that was unveiled 2 years ago before departure of then CS CEO Thomas DeVesto (TVD June 1/98 p14). At that time, CS had plans for 8 new stores in existing markets to expand its then base of 28.

At same time as it's rolling out new store strategy, CS is loosening some ties to its roots. It's gradually phasing out speaker production at Newton, Mass., facility, which currently builds select center channel and subwoofer models, CS Mktg. Vp Thomas Hannaher said.

Home speaker manufacturing has been moved to offshore suppliers, 2 of which are expected to build new Newton speaker series that debuts in fall, company said. Price competition and improved quality of products manufactured in Far East prompted shift, Hannaher said.

In introducing Newton speakers, CS is adding line that ships in Oct. at pricing that starts with \$149 for MC200 bookshelf loudspeaker with 4" woofer, 1" soft-dome tweeter, rating for up to 150 w amplifier. At high end is \$2,199 T500 floor-standing model that has 3-way upper section with 6.5" woofer, 4" midrange, 1" tweeter. Lower section of T500 has 10" woofer and 12" passive radiator powered by 300 w digital amplifier. New 12-model line, available in maple and mahogany finish, ships in Oct.-Dec. and includes P500 (\$699) and P1000 (\$999) subwoofers with 500 w and 1,000 w powered amplifier that delivers response to 20 Hz. P500 also is part of home theater package (\$3,499) that includes MC300 satellites and center channel (\$199) and S300 surrounds (\$449).

Newton series is "a fairly radical departure for us, but they're more evolutionary than revolutionary," said Product Mgr. Robert Hazelwood, noting that series had genesis in CS' Ensemble home theater speakers. New tower speakers mark return to category that CS had entered under RDL name after acquiring brand and technology from designer Roy Allison in 1996 (TVD May 20/96 p18).

CS also showed model88 CD player/AM/FM radio (\$349), most recent product designed by Henry Kloss, who signed development agreement with company in 1996. Device has 12 station presets, backlit LCD and "wide" mode to increase apparent width of sound, CS said. Separately, CS will ship MusicWorks CD player/AM/FM radio in Sept. (\$149) that's compatible with optional PCWorks, SoundWorks Digital or MicroWorks speakers. Also available are new Ambiance in-wall speakers at \$149-\$249.

Company also is making push into DVD with player containing component video jack, priced at \$199.

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As CS readies brick-and-mortar expansion, hifi.com's planned IPO remains on hold, said Hannaher, who declined further comment. Hifi.com postponed IPO plans amid "uncertain market" for Internet-related companies (TVD May 22 p18). Meanwhile, HersHiFi.com, e-commerce site targeting women, revamped product mix that remains at 100 SKUs, company officials said. Site has retained microcomponent systems, CD, clock and shower radios, but eliminated some "stylish products that just didn't move well," Hannaher said.

Texas Instruments (TI) agreed last week to buy D/A converter maker Burr-Brown (BB) for \$7.6 billion in move that will strengthen its hand in audio market. TI will issue 1.3 shares of its own stock for each share of BB. BB had \$251.7 million in long-term debt and \$399.4 million in cash at end of first quarter March 31. TI supplies D/A chips for PC audio cards and portable audio products while Burr-Brown has focused on DVD and component markets, and deal will create what BB CEO Syrus Madavi called "compelling synergies" between companies. CE accounted for 24% of \$291 million in revenues in 1999 for Tucson-based BB, which has portfolio of 1,200 products that also target telecom and PC industries. BB's largest customer is Sony, which accounted for 5.8% of 1999 revenues, according to SEC filing. Sony bought D/A converters for DVD players and CCD imaging analog front ends for camcorders. Other customers include Denon, EchoStar, Matsushita, Samsung, Sega, Thomson, Toshiba and Yamaha (D/A converters) as well as Palm Computing, Handspring and Psion (touchscreen controllers). BB has hq/IC assembly plant in Tucson, technical facilities in Arsugi, Japan, and Livingston, England. Thomas Brown, who founded company in 1956, remains largest shareholder with 16.6 million shares (30% of outstanding), followed by J.W. Seligman & Co., 3 million (5.5%) and Massachusetts Financial Services, 2.8 million (5.1%). "It appears to be a nice fit," said Denon Mktg. Mgr. David Birch-Jones, whose company uses D/A chips from BB and Analog Devices in DVD, receiver, CD and changer products. "Our chip selection is done on a case-by-case basis based on price and performance, but with Burr-Brown you have a little bit more selection." BB delivers converter and digital filter as package or separately, he said.

Princeton Graphics said it's weighing possible introduction of HD-ready 60" and 60W rear-projection TVs. Many of specs haven't been set, including whether TV would use 7" or 9" CRTs, but it's pushing to have demonstration product in time for Cedia show in Indianapolis in Sept. Addition of projection TVs would expand line that tops out with 36" Arcadia HD-ready set (\$3,299) that's capable of displaying 720p and has 45 khz horizontal scanning frequency.

STREAMING MEDIA FIELD GROWS: Number of companies demonstrating products and services aimed at consumer market at this year's Streaming Media East conference in N.Y.C. represented sharp increase over same show last year.

Companies said they were confident that broadband would reach increasingly more consumers in next few years, which would improve quality of audio and video streamed from what is possible with today's widely prevalent 56 k modems. As result, they said they believe demand would only grow for products and services that allow average consumers to stream music and video over Web easily and at low cost.

"I think broadband is going to explode," said Stacey Voorn, mktg. vp at privately held San Diego company Inetcam, which offers personal Webcasting software. Most companies we talked to at conference echoed her. Although Voorn said her company's software works "very well on dial-up" connections, which most customers are using now, "it'll work even better as broadband comes."

Inetcam currently offers free online downloadable video streaming software while it sells additional functions including audio and motion detection at \$10-\$70 each, depending on function. Motion detection represents highest-priced add-on, she said. Company's current software is iVista version 2.3, but she said 3.0 is shipping in less than month. It also is selling bundle at \$429 that includes software, 2 color Web cameras, switcher that enables user to connect up to 4 cameras for surveillance applications.

Meanwhile, N.Y.C.-based AlwaysonTV.com (AOTV) unveiled Personal Video Channel that company said would allow average Web users to create equivalent of their own TV station online. It said its service could be used by anybody from media mogul to filmmaker to average Web user to distribute videos online and send them around world. In news conference, AOTV Pres.-CEO Michael Moynihan said company was charging users \$9.99 for 3 months to put video up at site, but "we may be adjusting that pricing slightly over time." Company said its business model also called for it to earn revenues through ads, video classifieds and personals, pay-per-view (PPV) programming, channel sponsorships, content and e-commerce partnerships with other Web sites and media companies. Moynihan, onetime U.S. Treasury senior Internet adviser, said some services wouldn't be available right away, including PPV.

iClips, also based in N.Y.C., began beta version of free streaming video messaging Web site, and Exec. Producer/Acting Technology Vp Edward Franklin told us company was "scheduled at the end of June to officially drop the beta tag" once more of what's at site was tested and finalized. As part of free service, registered users get 20 MB of storage space, which company said was equivalent to about hour of video. iClips Mktg.-Business Development Vp Nicholas Fiore said company's revenue streams would come from additional services sold to users, including more storage space, as well as through selling select products at site, such as PC cams and cables. He said company also was looking for other companies to advertise at site.

Looking to take advantage of increasing amount of bandwidth available to consumers is U.K.'s enteraction tv, whose CEO, Mark Cullen, told us company was working with variety of broadcasters, telecom and other companies to supply wide

range of services. Cullen said company would begin 2 new TV channels in Europe in Aug. and was in process of completing strategy for U.S. market that "[we] hope to announce in the next 8 to 12 weeks." Meanwhile, company also is working with DSL providers in Europe. Company said it was planning applications on various fronts, including development of interactive video for Web sites, extending Web brands into DTV, interactive TV ads and programming.

Sonic Foundry (SF) unveiled Vegas Video digital editing software that it said offered professional quality audio and video editing, encoding tools and video compositing in one package. Although software will sell for \$699 when it ships later this month, company said professional software that performs some of same functions usually was priced much higher. Company already is selling software as download online for \$629.10.

On professional side, SF Streaming Services-Business Development Vp Jan Brzeski said deal his company recently signed with Sony Pictures, which made equity investment in SF, was wide-ranging one that will include movies and TV online. But he was unable to provide any specific details such as timing. Brzeski declined comment when asked whether arrangement would involve SF in Sony's PlayStation2 videogame console, which Sony previously said it planned to use as its entrance into broadband distribution (TVD Sept 20 p14).

Elsewhere at conference, On2.com and Showtime announced latter would use On2.com True Motion VP3.1 technology in test to deliver full-screen video content over Web that companies said would be of "TV quality."

SRSWOWcast.com, Web subsidiary of SRS Labs, said it would open entertainment Web site featuring original music and video programming next month. It also showcased its multi-channel surround sound technology for Web applications.

iBeam Bcstg. announced start of its Activecast interactive Webcasting platform for business-to-business and entertainment applications. Company said its On-Target online ad service in collaboration with Engage also became available. iBeam said it had signed contracts with more than 150 Internet Content Providers (ICPs) to date.

Microsoft said its new Digital Broadcast Manager (DBM) offered integrated solution for securing, managing and selling digital audio and video content for e-commerce.

Voquette, San Mateo, Cal., showed newest version of its Media Manager software — version 1.4 — that lets digital jukebox users time-shift and record streaming audio programs that can be listened to offline. Senior Mktg. Vp Lydia Gable told us that 1.4 supported more portable devices and digital media formats than 1.3, including CD-R/CD-RW players and Microsoft's Windows Media.

StreamingMedia.com, online media company that hosted conference, said attendance hit 11,500, up from more than 7,500 at Streaming Media West in Dec.

About.com and MP3.com signed deal that latter company said will provide its online music services to additional 17.9 million Web users.

Hitachi and Rambus said they settled patent infringement legal dispute last week. In addition to filing suit against Hitachi, Mountain View, Cal., technology company Rambus in March (TVD April 3 p20) also had asked U.S. International Trade Commission to investigate what it charged were unlawful imports into U.S. by Hitachi and Sega because it said same patents were being violated. From beginning, Hitachi had denied Rambus allegations and filed counterclaims against it. As part of agreement announced last week, Hitachi and Rambus said all pending litigation would be terminated, subject to court and agency approval. Rambus also granted Hitachi worldwide license for select patents and patent applications for single and double data rate synchronous dynamic random access memory devices, as well as controllers that interface with those memory devices. Financial and other specifics of license agreement weren't disclosed. However, online report Fri. said licensing deal might generate Rambus \$1 billion in revenue through collection of 1-2% on sales of all memory chips and memory controllers that enable processors and memory chips to share data, said Morgan Stanley Dean Witter analyst Mark Edelstone.

As Acclaim appeals Nasdaq decision to delist game maker's securities from National Market (TVD June 5 p20), competitors Infogrames and Interplay have found themselves in same situation. Infogrames said in SEC filing that its previously announced 1-for-5 reverse split of its common stock should bring it in compliance with Nasdaq's Minimum Share Price requirement of \$5 minimum per bid. Although split was set for June 2, Infogrames said it delayed it until end of business June 26. Interplay was to have hearing with Nasdaq Listing Qualifications Panel last week, but outcome was unclear at our Fri. deadline. Interplay said it planned to provide information supporting its belief that its common stock should continue to be listed on National Market Separately. Acclaim said it adopted shareholder rights plan to deter unfair takeover tactics as it struggles to overcome delisting.

Sears expects to have secured 35 locations for its Great Outdoors stores by year-end, with 100 in place by 2001, CEO Arthur Martinez told investors at Sanford Bernstein conference. Sears, which has rolled out format slowly since opening first 133,000-sq.-ft. Great Outdoors in Denver in 1997, since has added location in Scottsdale, Ariz., and plans to expand to Dallas and Novi, Mich., later this year, Martinez said. Sears executive conceded that Great Outdoors format "didn't execute as well as it should" at start, but said problems had been worked out. New outlets don't cannibalize existing Sears stores, he said. Surveys have shown that 7 of every 8 Great Outdoors customers don't shop Sears and that average annual income is \$70,000 vs. \$40,000 at department store, he said. In keeping with more upscale product mix Great Outdoors carries, Sears will add Sensory Science's 30-36" direct-view Loewe TVs. Three sets will be part of display high-lighting Loewe high-definition (HD) sets.

Thirteen computer and videogame companies filed civil lawsuits against 6 individual firms charging they were operating Web sites selling hundreds of illegal copies of their top games, Interactive Digital Software Assn. (IDSA) said. Actions were filed in U.S. Dist. Court, San Francisco. IDSA members taking part in suit are Activision, Capcom, Eidos, Electronic Arts (EA), Hasbro, Havas Interactive, Interplay, LucasArts Entertainment, Midway, Nintendo, Sierra On Line, Sony Computer Entertainment America, 3DO. Showing of unity by competing game makers follows recent suit filed by EA, Nintendo and Sega against Yahoo accusing Web company of selling illegal and counterfeit game products and copyright and trademark infringement (TVD April 10 p18).

New format for compressing music files that could provide competition for MP3 was unveiled last week. Format was created by developers at Web entertainment company iCast, headed by Technology Vp Jack Moffitt and Senior Applications Developer Chris Montgomery. Beta version of Vorbis was made available last week, but iCast said Version 1.0 of format would be out in about month. EMusic.com and Napster were among companies that quickly threw their support behind format last week and iCast said other companies also were supporting it, including Etrantum, Panic, Sonique, XMMS. iCast described Vorbis as royalty-free alternative to MP3 and other audio compression formats and is designed to enable anybody to freely encode audio content and make it available in downloadable format. It said individuals and companies "will be able to develop and market their own Vorbis-based audio players and encoders without having to pay costly fees." Moffitt said "early listening tests of Vorbis show that it provides excellent sound quality that is comparable, if not superior, to competing formats," and sound quality would improve by time Version 1.0 is released. iCast is majority-owned by Web company CMGI.

Panja unveiled Digital Media Processor, NXM-DMP, at MP3 Summit in San Diego last week. Sub-\$700 processor with bundled IR remote allows consumers to stream MP3s to home stereo system and TV. Panja said product would be on retail shelves for holiday season and, at that point, high-end company would begin to target more mainstream audience. Panja device will require monthly service fee, as will new ZapStation universal media player at \$300 from Atlanta-based ZapMedia. Company said ZapStation features 30 GB hard drive capable of storing up to 10,000 MP3 songs, DVD movie playback, access to thousands of Internet radio sites and browser and email access through TV. Privately held ZapMedia is negotiating with OEMs for manufacturing for tentative Oct. debut. Spokeswoman suggested future generations would be able to store video and other video content such as TiVo. Monthly service fee will be under \$20, she said. Also at Summit, MP3Karaoke.com announced rollout of Web site that, as name implies, combines MP3 technology with karaoke. Company said its site gives consumers access to thousands of cataloged songs and instant access to new releases that can be used for karaoke.

Ericsson and Matsushita were quick to dismiss as speculation report that Symbian mobile telecommunication venture would float IPO in early 2001. Ericsson, Matsushita, Motorola, Nokia and Psion all own stakes in Symbian. London's *Sunday Telegraph* reported that offering could raise up to several billion pounds... IBM said it was shipping 1 Gb hard drive for handheld PCs. New Microdrive has capacity for up to 1,000 high-resolution photos or 18 hours of digital audio. Drive, priced at \$500, will ship to OEMs in July and to retailers in Sept... Psion released 56 kbps modem for Windows CE, Palm and Handspring handheld PCs. Shipment expands distribution of product first introduced with Psion Series 7 handheld PC. It's priced at \$129... Handspring made Wall St. debut June 21, jumping 34.6% first day to close at \$26, but fell back to \$22 by close of market Fri.

Burn in on plasma display panels can occur after 1,000-1,500 hours of use, PHP Communications Pres. Peter Putman said. To prevent burn, manufacturers are using variety of methods, including development of lower trigger voltage, he said. "The data is still very small and inconclusive, but the industry is moving to solve the problem," he said. NEC Technologies is using AccuShield phosphor protection system with its 42W, with orbiter feature that shifts screen in 4-pixel vertical and horizontal increments and low-power mode that cuts brightness 50%. It also can invert RGB colors. Burn in at 1,000-1,500 hours can occur on screen with white or static image, but those handling motion will last up to 30,000 hours, NEC Mktg. Support Mgr. Wayne Lubinski said.

Consumer Electronics Personals

James Newbrough retires as Philips senior vp & gen. mgr. for TV, succeeded by **Des Power**, mktg. vp-audio systems; **John Strobel** becomes mktg. vp-home access solutions... **Susumu Kotani** appointed Pioneer USA pres.-CEO, replacing **Takufumi Asano**, who returns to Japan as chmn.-CEO of Pioneer's Tohoku factory... **Stephen Nickerson**, Warner Home Video, elected pres., DVD Entertainment Group, replacing **Paul Culberg**, who recently left Columbia TriStar Home Video to join VM Labs as COO; **Mitchell Koch**, Buena Vista Home Entertainment, and **Marshall Forster**, Columbia TriStar Home Video, elected DVD Entertainment Group dirs... **Joseph Carfora**, Nikon electronic imaging sales gen. mgr., promoted to national account sales vp-consumer digital products & compact cameras... **Manny Almeida**, Fuji Photo Film digital imaging vp-gen. mgr., named commercial markets vp-gen. mgr., as Fuji combines digital imaging and commercial markets divisions... **Terry Scheffer**, ex-InFocus Systems, joins Colorado MicroDisplay as chief scientist.

Charles Cebuhar, Sears Brand Central vp-gen. mgr., shifts to Sears.com vp, succeeded by **Raymond Brown**, Sears Brand Central mktg. dir.; **Steve Pardi**, ex-telecommunications buyer, named digital services buyer, as chain forms 4-5 member group to handle satellite, cellular and America Online services.

Tim Erwin promoted to Rentrak vp-customer relations from senior dir... **James Miller**, ex-Cascade Corp., joins Valley Media as CFO... **Ronald Smith**, ex-Merisel, named Beyond.com CEO, replacing **Richard Neely**, who remains senior finance vp-CFO... Appointments at ToysRus.com: **Michael Blanccone**, ex-Reebok, as vp-chief logistics officer; **Raymond Arthur**, ex-General Signal, finance & administration vp; **James Brownwell**, ex-Gap, information technology vp; **David Braxton**, ex-American Express, customer service vp.

Andy Hieke, ex-Nintendo, named Humongous Entertainment senior vp-gen. mgr... **Lynn MacConnell**, ex-marchFIRST, joins Sega.com as chief technology officer... **Tim Allison**, Interplay Australia and New Zealand managing dir., promoted to international sales vp... **Bill Mechanic**, video industry veteran and chmn.-Fox Filmed Entertainment, resigns to establish own movie studio, no replacement named.

After recent settlements by MP3.com and 2 record companies (TVD June 19 p14), Napster apparently is in talks with labels to resolve its lawsuits, *Wall St. Journal* reported Fri. But record industry source told us: "The presumptions and conclusions of the story are not accurate." Recording Industry Assn. of America (RIAA) spokeswoman said: "There may be discussions going on, but we plan on going to court July 26" regardless. Napster didn't return call by our Fri. deadline. Meanwhile, legal papers recently filed by RIAA said Napster "very recently, has entered into a written agreement with online retailer Amazon.com [through] which Napster will receive a portion of the revenues Amazon receives from users Napster refers." But Amazon spokeswoman said Amazon and Napster were merely "in discussions" about associate agreement and wouldn't confirm that actual deal had been signed. Separately, Oakland rock band The Tabloids has started its own Web site, stopnapster.com, that — as title suggests — is calling for public to rebel against, and even sabotage, Napster's service, which allows PC users to find and download desired MP3 music files on PCs of other Napster users.

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
Audiovox			
2000-6 mo. to May 31	721,790,000	12,212,000	.58
1999-6 mo. to May 31	452,335,000	9,436,000	.50*
2000-qtr. to May 31	381,634,000	6,911,000	.32
1999-qtr. to May 31	242,069,000	6,454,000	.34*
Corel			
2000-6 mo. to May 31	80,780,000	(36,019,000)	---
1999-6 mo. to May 31	110,807,000	(5,460,000)	---
2000-qtr. to May 31	36,639,000	(23,618,000)	---
1999-qtr. to May 31	70,501,000	9,179,000	.15
EMCEE Broadcast Products			
2000-year to Mar. 31	4,738,493	(826,873)	---
1999-year to Mar. 31	5,895,567	(582,873)	---
2000-qtr. to Mar. 31	1,803,490	(27,827)	---
1999-qtr. to Mar. 31	724,222	(262,386)	---
Emmis Communications			
2000-qtr. to May 31	100,519,000	5,911,000	.08
1999-qtr. to May 31	72,352,000	241,000	.01 ^b
Hastings Entertainment			
2000-qtr. to Apr. 30	110,495,000	(462,000)	---
1999-qtr. to Apr. 30	100,579,000	2,698,000	.23
Micron Technology			
2000-39 wk. to June 1	4,766,100,000	777,500,000	1.45 ^a
1999-39 wk. to June 3	2,683,200,000	(51,400,000)	---
2000-13 wk. to June 1	1,789,200,000	274,900,000	.50*
1999-13 wk. to June 3	863,800,000	(27,700,000)	---
Outpost.com			
2000-qtr. to May 31	64,791,000	(7,365,000)	---
1999-qtr. to May 31	32,680,000	(8,855,000)	---
Tektronix			
2000-year to May 27	1,120,555,000	349,038,000	7.38 ^a
1999-year to May 29	1,136,136,000	(51,161,000)	---
2000-13 wk. to May 27	301,493,000	31,541,000	.66 ^d
1999-13 wk. to May 29	326,616,000	24,871,000	.53 ^d

Notes: ^aIncludes special credit. ^bAdjusted. ^cAdjusted; after special charge. ^dAfter special charge.

Online grocer Webvan added electronics, DVD/VHS and videogames to its product offerings. Company based in Foster City, Cal., delivers products in 30 min., topping competitors such as Kozmo.com and Urbanfetch, which promise delivery in hour. Webvan offers free delivery on purchases of more than \$50 and currently is in only 3 U.S. markets — Atlanta, Sacramento, San Francisco — but said it will enter Chicago market soon. Report earlier this month indicated that Webvan also intends to test waters in Boston, Dallas, D.C., Denver, northern N.J., Philadelphia, Seattle and 5 other U.S. markets by end of 2001. Webvan earlier this year added books to its line as well. Expansion into additional markets and product categories puts it in position of providing more competition for e-tailers such as Amazon.com, which invested \$60 million in Kozmo.com and took 31% stake in it earlier this year (TVD April 10 p20).

Is it projector or monitor? Janus Vision combines 40" fold-up screen with LCD projector in single package that's expected to be available later this year at \$8,000. Case with screen will be sold separately at \$2,500. Screen sits above slot that houses LCD front projector that is expected to contain three 0.9" polysilicon panels delivering 800x600 resolution, 700 lumens, 250:1 contrast ratio. Device uses single 120w lamp. S. Korea-based La Vidia Co. is negotiating agreement with projector manufacturer to supply product, America Branch Mgr. Michael Lee said. At recent International Communication Industries Assn. show, Janus Vision had Proxima projector. Product is similar to Samsung's Portervision, which replaces projector with 4-head VCR.