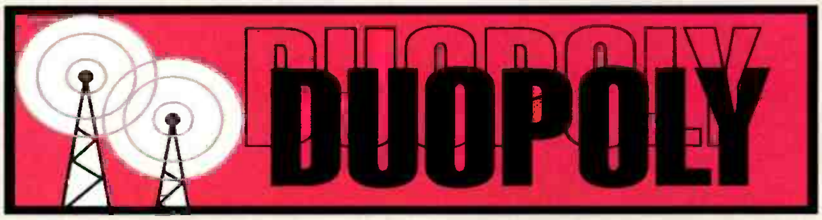

New rules spark CBS-Viacom talk

While **NBC** and **Paxson** continue their mating dance at the duop ball (B&C, Aug. 16), the new rules have rekindled talk of a **CBS-Viacom** merger of some sort. Sources confirm CBS CEO Mel Karmazin has repeatedly told associates he wants very much to acquire Viacom, which the government forced CBS to sell off in the 1970s.

But there's just one problem—Sumner Redstone. The Viacom chieftain also sees himself as a buyer, and has openly talked about the possibility of acquiring CBS. So, while each has its eye on the other, the issue of control is a major obstacle to any deal. "It's an absolutely perfect combination," says a Wall Street source. "The duopoly play is perfect and Viacom has strengths [production and cable] where CBS has weaknesses and vice versa." CBS' strengths are broadcast distribution, outdoor advertising and a budding Internet business.

Young Broadcasting has confirmed it will consider offers for KCAL(TV) Los Angeles. It's expected to draw interest from the major networks and Tribune, all with owned stations in the city. But the word last week is that Young has expressed serious interest in **KRON-TV San Francisco**. Young has serious competition for the NBC affiliate, not the least of which is from NBC itself. Others said to be in the hunt: **Fox, Gannett** and **Raycom**.

Spanish-language TV group **Telemundo** has been targeted by other broadcasters looking for second outlets, said Robert Bennett, president of Telemundo partner Liberty Media. "We've been approached by a few people and Telemundo is assessing the alternatives." Bennett dodged a question about Univision, the vastly more successful Spanish broadcaster. Liberty, which has $4 billion of cash on hand, is unlikely to sell outright, with its track record indicating a preference for taking smaller pieces of larger ventures.

Sinclair Broadcast Group Inc. intends to turn all the TV duopolies it can into pairs of owned stations, according to Chief Financial Officer David Amy. Sinclair will buy 12 of 18 LMA's. That includes WUTV(TV) Buffalo.

According to documents filed with the FCC, WUTV is being sold to Joseph Austin Koff by Sullivan Broadcasting Co. But Sinclair is keeping an LMA for the station as well as an option to buy, and as soon as FCC rules allow, will purchase WUTV, Amy says. Under the new FCC rules Sinclair cannot buy its LMA stations in five markets: Columbus, Ohio; Baltimore; Syracuse, N.Y.; Charleston, W. Va., and Charleston, S.C. The company can't own two TVs in those markets because a duopoly would result in fewer than eight unique owners per market. The LMA in Dayton, Ohio, isn't doable due to station-rating issues.

Tribune Broadcasting President Dennis FitzSimons confirmed last week the group will convert its Seattle LMA into a duopoly. It owns the Fox affiliate there, KCPQ(TV), and has an LMA agreement with WB affiliate KTWB(TV). **Cox Broadcasting** President Nick Trigony says the group will convert its two LMAs (Reno, Nev. and Orlando, Fla.) and a joint sales agreement (Charlotte, N.C.) into duopolies as soon as it can make the deals. "We'll have some announcements very soon."

Granite Broadcasting does well under the new rules—it gets to keep stations in San Francisco and adjacent San Jose. Still, the buzz on Wall Street is that Granite will sell. But company head Don Cornwell says that's premature. "I'm not sure we're a seller or a buyer," he says. "But we're sitting with pretty valuable real estate in two top 10 markets [San Francisco and Detroit]." "We're not looking to sell, but we are open to discussing joint ventures" or other partnerships. *—Steve McClellan, John Higgins and Liz Rathbun*

Duopoly: Round two

Broadcasters expected to seek further relaxation of local ownership rules

By Bill McConnell

After wrapping up negotiations for the FCC's sweeping Aug. 5 revision of broadcast ownership rules, Chairman William Kennard was eager to begin a tour of Africa. But more thorny ownership issues await Kennard and fellow commissioners when they return from working trips and vacations.

For starters, the commission is expected to face petitions to reconsider parts of the new rules, which permit one company to own two TV stations in the same market under certain conditions.

Although there seems to be little sentiment for any major rewriting, broadcasters are expected to ask the FCC to reconsider some details. For instance, industry officials seem irked that the test for "remaining voices" required for permitting TV duopolies includes only television stations, while the voice test for permitting same-market radio/TV combos includes radio, TV, cable and newspapers. "There's an inconsistency there," said one slightly disgruntled lobbyist.

The industry also may ask the FCC to ease up somewhat on a new rule that counts all debt and equity totaling 33% or more of a station's assets toward ownership if the investor holds another station in the same market or supplies programming to that station. That rule could penalize investors who choose to invest in stations with low debt levels and could thwart owners from self-financing sales to minorities and other new industry entrants.

The Minority Media & Telecommunications Council may ask the FCC to delay implementation of the new rules until the agency conducts "adequate" studies proving that minority ownership will not be harmed by further consolidation. "The commission is acting prematurely because they don't have detailed analysis on how this will impact minorities," said MMTC executive director David Honig. ■