

Michael Ruggiero: Retrans's Middleman

Broadcast, cable veteran has found niche helping broker retrans deals

By Price Colman

Michael Ruggiero has a simple dream: He wants to bring peace to the retransmission consent battlefield, a peace apparently worth his price to dozens of broadcast clients. It is a simple dream but a complex - some might say impossible - undertaking.

But after more than 20 years in the cable and broadcasting industries, much of it as a consultant trying to bridge the gap between the two, Ruggiero knows enough to be a realist.

"If some people have their say, we're going to see a number of broadcast TV stations not on cable systems," says Ruggiero. "I honestly believe that could happen this year, especially because broadcasters are not being creative....If broadcasters and cable operators both hold their ground, we're going to have a lot of angry subscribers, come Jan. 1."

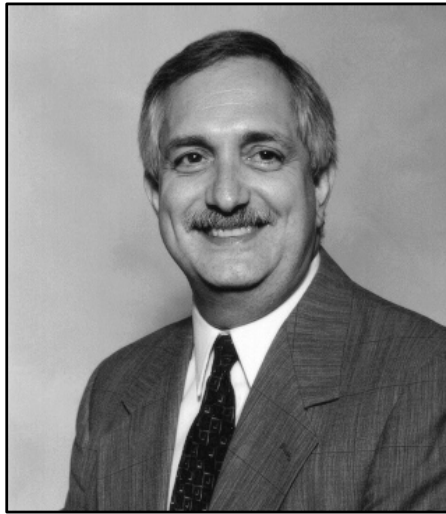
What's happening now with retransmission consent is, in a sense, a hangover from the Cable Act of 1992. Fueled by complaints from cable subscribers and intense lobbying from cable competitors, Congress decided it was time to prune the increasingly potent cable industry.

In one broad-brush stroke, lawmakers implemented rate regulation - in some cases rate rollbacks - and handed broadcasters a plum: retransmission consent. Following passage of the act, "Cable operators were getting beat up big time," recalls Ruggiero. "Then, suddenly, broadcasters who had been giving their signal away for years had their hands out asking for money. The reaction from cable operators was understandable - a clarion cry: 'No cash.'"

Although some stations managed to work out differences with cable operators, others hit an impasse that remains today. For example, WAVY-TV, the NBC affiliate in Norfolk, Va, failed to reach agreement with Cablevision Systems and as a consequence remains off-cable for a few thousand subscribers in North Carolina.

"We're still having discussions with them; we're closer than we were," says Ed Munson Jr., WAVY-TV general manager. "It serves nobody's purpose to not have us on down there."

For Ruggiero, the act was a windfall. After a decade of dealing primarily with independent stations in negotiations with cable opera-



Ruggiero is a cable-broadcast middleman

tors for carriage, channel placement and copyright issues, he was suddenly getting calls from big affiliates seeking his services.

Although he's now an advocate for the broadcasting industry, Ruggiero got his start in telecommunications selling cable subscriptions door to door. He liked what he was doing so much that he started his own consulting firm to help cable operators build subscriber base.

"Then one day my phone rang and it was Cox Communications," he remembers. "Only they didn't want my company, they wanted me." After getting Cox's MDS system in Indianapolis into the black, Ruggiero was named division manager and, in short order, turned around the division. But when Cox sold it and offered him a job in Arizona, he decided he liked Indianapolis better and returned to the consulting business, this time on the broadcast side.

One of his early experiences was addressing an emergency meeting of the Independent Television Association in 1985, shortly after must carry went away. The morning sessions were largely war strategy talk about how independents could maintain some level of domination over cable operators. In sharp contrast, Ruggiero's session was emphatically pro-cable. "[The two panels] sent a mixed message," Ruggiero says. "Some broadcasters said: 'What am I supposed to do? Go to war or make friends

with these people?' I said, 'Let it be fought inside the Beltway.' Some broadcasters got the message, and I got 10 new clients on that day."

As you might imagine, Ruggiero has numerous anecdotes about hostile negotiations. One MSO executive went ballistic on Ruggiero's voice mail before they'd even had a chance to talk in person. In 1993, he conducted what he calls the "four-minute retransmission consent meeting," in which the broadcaster asks \$1.50 per sub per month, prompting the cable operator to smack the table, and walk out.

At the other end of the spectrum, there is the unnamed executive of an unnamed Denver MSO who recently told Ruggiero, "If we're going to do business in the future with broadcasters, I'd rather do it with a broadcaster I feel friendly with."

That's more likely the rule than the exception, contends Ruggiero, whose client list encompasses 30 broadcasters as well as some networks, whose signals reach 10 million cable customers. At the same time, he acknowledges there's a good deal of lingering bad blood between the two sectors.

"The problem is that there are at least three [broadcast] players in every market," he says. "I can't see cable operators giving up three channels, not when channels are so precious. That's where the pressure point is going to be.... And we're going to see some real heavy pressure points.... It's going to get hot and heavy this fall."

Another pressure point will be broadcast-backed cable news operations, such as MSNBC and Fox News Network. "When I talk to cable operators and ask them point blank, 'Do you see yourselves carrying four news networks this time next year?' the answer is no." Although the prospects of acrimonious retransmission talks doesn't exactly have Ruggiero excited, he's looking beyond.

"My biggest thrill is to get over retransmission, take cable and broadcasters into the digital environment and create good relationships," he says.