

accountability system.)

Accountability in Texas will get a new look this spring. Responding to what is perceived as widespread racketeering in exemptions, the legislature and Governor Bush have supported legislation largely ending the exemption for special education. This new deal will be reflected for the first time

in the results released this spring, and the state is braced for a broad sell-off in TAAS scores. (The scores will probably drop in the years ahead, as students taking the Spanish-language test are added to the accountability system.)

The new system will surely give Texans a better idea of how well their

students are doing. But it eliminates the safety valve that up to now has been available to the teachers and administrators being held accountable for the academic achievements of deprived children.

In Texas, and perhaps a lot of other places, accountability's problems are just beginning. ■

At 70 Citizens Utilities Chairman Leonard Tow is reinventing himself as a fiber czar.

## Second wind

By Caroline Waxler

MENTION THE NAME Leonard Tow and you often get guffaws from Wall Street executives and moans from shareholders. Tow was the guy who paid himself over \$15 million in compensation in 1992, a year in which the two publicly held companies he ran, Citizens Utilities and Century Communications, had combined revenues of \$893 million and profits of only \$49 million. Shareholder lawsuits about this largesse have long been settled, but the companies have never fully recovered from the image problem. Together, Citizens and Century have been an odd mix of gas, telephone, electric, cable and water operations.

But look who's laughing now. At age 70 Leonard Tow is making a comeback. He's reinventing himself as a telecom magnate, sounding more like a man running a company with a ".com" at the end of its name than a crusty septuagenarian who grew up above the family discount store in Brooklyn.

"The phone companies are defending their territory the same way Custer did," he says. Most phone companies intend to deliver

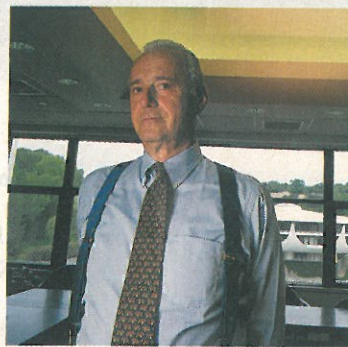
medium bandwidth to your home with "digital subscriber loop" technology over pairs of ancient copper wires. "That's a fix with limited potential—it can't match the accuracy of new competitive networks," he says. Tow aims to have the phone companies in his empire eventually deliver high bandwidth over fiber-optic lines.

How is Tow going to pay for this costly upgrade? By horse-trading. Last year he sold his cellular properties to buyout firm CCW Acquisition group for \$2 billion. Now he's trying to sell cable TV provider Century for perhaps \$5 billion. Likely buyer: Microsoft billionaire Paul Allen. Says Tow, "I've crossed the bridge. If I can get the right price, I'll do it."

A scholarship student at Brooklyn College, Tow went on to Columbia and then to work for Irving Kahn at cable outfit Teleprompter, where he eventually was put in charge of acquisitions.

"Irving introduced me to the idea of broadband. He was a dreamer who envisioned a nation covered via cable," says Tow.

Tow had his own dreams. Out of a job when Jack Kent Cooke bought Teleprompter in 1973, Tow wrote a business plan on his dining room table for what would become Century Communications. He partnered with Sentry Insurance of Wisconsin to start the company. Each side put up \$11,000. Tow borrowed heavily to build up his New Canaan, Conn.-based operation.



Leonard Tow

Look who's smiling now.

CLAUDIO EDINSEN/SABA

Then, in 1989, Tow paid \$48 million for a 2% stake in Stamford, Conn.-based Citizens Utilities. Where others saw only gas and electric operations, Tow focused on the company's local telephone business, which served 476,000 customers.

To the local telephone business, Tow added long distance service, and bought into a Vancouver-based outfit called Electric Lightwave, which operates a fiber-optic data network expected to generate \$150 million of revenues this year. It's also one of the country's top Internet backbone providers.

In expanding his phone business Tow has employed the same rural expansion strategy as he once did in gas, water and electric. He buys up regional telcos—mostly family-run, cuts overhead by up to 20% and then layers on new services like long distance, caller ID and call waiting. Now he's got 983,000 local phone customers. Tow also wants to start a private broadband company to give these customers video and data transmission—services Tow says traditional phone companies don't grasp the need for.

Next step: Tow this year plans to spin off Citizens' telco business to shareholders as a separate public entity with nearly \$1 billion in revenues and, presumably, a high price/earnings multiple. Says media analyst Salvatore Muoio: "At 70 years old, Leonard is having a resurgence." No kidding. ■