

# Off the Record

WHAT MEDIA CORPORATIONS  
DON'T TELL YOU ABOUT  
THEIR LEGISLATIVE AGENDAS



THE CENTER FOR PUBLIC INTEGRITY

*About the Center for Public Integrity*

The CENTER FOR PUBLIC INTEGRITY, founded in 1989 by a group of concerned Americans, is a nonprofit, **nonpartisan**, tax-exempt educational organization created so that important national issues can be investigated and analyzed over a period of months without the normal time or space limitations. Since its inception, the Center has investigated and disseminated a wide array of information in more than sixty Center reports. The Center's books and studies are resources for journalists, academics, and the general public, with databases, backup files, government documents, and other information available as well.

The Center is funded by foundations, individuals, revenue from the sale of publications and editorial consulting with news organizations.

The Joyce Foundation and the Town Creek Foundation provided financial support for this project. The Center gratefully acknowledges the support provided by:

Carnegie Corporation of New York  
The Florence & John Schumann Foundation  
The John D. & Catherine T. MacArthur Foundation  
The New York Community Trust

This report, and the views expressed herein, do not necessarily reflect the views of the individual members of the Center for Public Integrity's Board of Directors or Advisory Board.

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ISBN: 1-882583-13-2  
Printed in the United States of America

*Is there any newspaper which does not show  
consideration for the business interests of its owners?*

*—Upton Sinclair*

*Our big corporate owners, infected with the greed that  
marks the end of the 20th Century, stretch constantly  
for ever increasing profit, condemning quality to the  
hindmost... compromising journalistic integrity in the  
mad scramble for ratings and circulation.*

*—Walter Cronkite*

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# Summary

**I**n the United States, the free press has always played an important role in our democracy. Thomas Jefferson once wrote, "Were it left to me to decide whether we should have a government without newspapers or newspapers without government, I should not hesitate a moment to prefer the latter." The British political philosopher Edmund Burke, commenting on Parliament, called the press a fourth estate, wielding power along with the hereditary and elected members of Britain's government. In this country, the media is sometimes referred to as a "fourth branch of government" because of the power it wields in shaping popular opinion.

In a five-month study, the Center found that the giant media corporations have another role as a fourth branch: influencing legislation. The giant media corporations of today have become special interests in their own right, with unique legislative agendas that they push on Capitol Hill and in the offices of federal regulators. Like any other large business interest, media firms rely on the tried and true methods of getting their way in Washington:

- From 1993 through June 30th of this year, media corporations and their employees have given \$75 million in campaign contributions to candidates for federal office and to the two major political parties.
- The next President of the United States will have gotten to 1600 Pennsylvania Avenue with more than a million dollars in political donations from media interests; Vice President Al Gore has taken in \$1.16 million, Texas Governor George W. Bush has received \$1.07 million.

- Since 1996, the 50 largest media companies and four of their trade associations have spent \$111.3 million to lobby Congress and the executive branch of the government.
- The number of **registered**, media-related lobbyists has increased from 234 in 1996, the year the historic Telecommunications Act became law, to 284 lobbyists in 1999. And last year, the amount of money spent on lobbyists was \$31.4 million, up 26.4 percent from the \$24.8 million spent in 1996.
- Media companies lobby on issues ranging from protecting intellectual property to eliminating the death tax. They've fought against restrictions on tobacco advertising in print and alcohol advertising on the air, for eliminating the FCC's rules designed to prevent the concentration of the public airwaves and the press in too few hands, and to block any attempt to give candidates free air time, a move that could reduce the cost of political campaigns.
- Since 1997, media companies have taken 118 members of Congress and their senior staff on 315 trips to meet with lobbyists and company executives to discuss legislation and the policy preferences of the industry. Lawmakers and their staffs have traveled near and far, to events as close as Alexandria, Virginia, and as far away as Taiwan. The cumulative cost of the trips was more than \$455,000. The top three sponsors of these all-expense-paid jaunts were News Corporation, Ltd., the National Association of Broadcasters, and the National Cable Television Association.
- The largesse extended by the media industry is not limited merely to Congress. We also found that Federal Communications Commission employees were taken on 1,460 all-expenses-paid trips sponsored by media corporations and associations since 1995, costing a total of \$1.5 million. A group called the Institute for International Research paid for 62 trips at a cost of \$95,000. The innocuous sounding IIR is actually a privately held, global conference organization group, designed to allow corporate clients "an excellent opportunity to showcase your products in front of key decision makers ... and to ensure maximum networking opportunities."

In 1920, Upton Sinclair, the famed **muckraker** whose serialized 1906 novel *The Jungle* led to the nation's first pure food law, turned his attention to the

media. In the first half of *The Brass Check*, Sinclair told much of his personal story—his youth, his failed attempt at making a living as a poet, his writing of the book that exposed the evils of the Chicago packers, and his subsequent celebrity. With a sometimes acid wit, he related the encounters he had with the press after *The Jungle* made him famous. He told how he was misquoted, misrepresented, and sometimes openly ridiculed by the journalists of his day.

After settling his own scores, he launched a sustained critique of the media of his day, including the great newspaper chains of the legendary publishers like William Randolph Hearst, Joseph Pulitzer, and E.W. Scripps. He noted that magazines which had published the work of pioneering investigative journalists like Ida M. Tarbell and Lincoln Steffens had been bought out by corporate interests, who had no desire to continue carrying their work. He criticized the great metropolitan newspapers like the *New York Times*, and leveled bitter criticism at the Associated Press.

"It would be instructive to take the leading newspapers of America and classify them according to the nature of their financial control, showing precisely how and where this control shapes the policy of the paper," he wrote. "There will be certain immediate financial interests—the great family which owns the paper, the great bank which holds its bonds, the important local trade which furnishes its advertising. Concerning these people you observe no impolite word is ever spoken."

George Seldes, a foreign journalist who had the distinction of being kicked out of Soviet Russia and Fascist Italy for insisting on reporting the truth, said of the book, "In 1920, Upton Sinclair, an outsider to journalism, wrote *The Brass Check*, the first book exposing the press. It was this book, plus a friendship with the author lasting many years, that influenced me and the books I wrote on the press, beginning in the 1930's."

Seldes also published an independent, fortnightly newsletter, *In Fact*, which, among other accomplishments, was the first publication in America to publish the results of scientific studies that concluded that cigarette smokers faced higher rates of lung cancer than non-smokers. Like Sinclair before him, Seldes found that the publishers of newspapers and magazines had little interest in biting the hands that fed them millions of dollars in advertising.

Much has changed since Sinclair penned his 1920 book. That was the year of the first radio broadcasts; within the next 35 years, television would supplant radio as the medium of choice. Cable came of age in the 1980s, and now satellites and the Internet loom large.



But as in the days of Hearst and Pulitzer, the great media companies of today have their own legislative interests, which they are not always eager to share with the American people. In 1997, broadcasters lobbied and received portions of the digital broadcast **spectrum—worth**, according to some estimates, upwards of \$70 **billion—for** free. Hardly a word of this leaked onto the national news programs. A search of television and radio transcripts on the **Lexis-Nexis** database turned up only a handful of stories, including one that aired September 15, 1997, on CNN/FN, the sister network to CNN that carries financial news. "Congress agreed to loan the broadcasters the valuable digital spectrum estimated to be worth close to \$10 billion" to broadcasters, the piece said in part. The "loan" was interest-free; in fact, the principal never had to be paid back.

Perhaps the choice of the term "loan" could best be characterized as another instance of uttering no impolite word.



# Profiteering from Democracy

**I**n his January 1998 State of the Union address, after decrying the campaign-fundraising "arms race," President Bill Clinton proposed a major new policy that would address a big part of the problem—the high cost of campaign commercials. "I will formally request the Federal Communications Commission act to provide free or reduced-cost television time for candidates," the President said. "The airwaves are a public trust, and broadcasters also have to help us in this effort to strengthen our democracy."<sup>1</sup>

Within 24 hours, Federal Communications Commission chairman William Kennard announced that the FCC would develop new rules governing political ads.<sup>2</sup>

But days later, the powerful broadcast corporations and their Capitol Hill allies managed to halt this historic initiative. In the Senate, Commerce Committee chairman John McCain, the Arizona Republican, and Conrad Burns, a Republican from Montana and the chairman of that panel's communications subcommittee, announced that they would legislatively block the FCC's free air time initiative. "The FCC is clearly overstepping its authority here," McCain said.<sup>3</sup> In the House of Representatives, 17 Republicans including Majority Whip Tom DeLay, Appropriations chairman Bob Livingston, future House Speaker Dennis Hastert, and Billy Tauzin, chairman of the House Commerce Committee's telecommunications subcommittee, sent a blunt letter to Kennard. "Only Congress has the authority to write the laws of our nation, and only Congress has the authority to delegate to the Commission programming obligations by broadcasters," they wrote. Ranking House Commerce Committee member John Dingell, the Michigan Democrat, also sent an opposing let-

ter to Kennard.<sup>4</sup> Faced with the very real threat that his agency's budget would be cut, Kennard had no choice but to retreat from the proposed rulemaking.

It was a humiliating and metaphorical moment for the FCC. In a very public way, the agency and the White House had been flattened "like a pancake," recalls former FCC chairman Reed Hundt, Kennard's immediate predecessor. But the threat of a shrunken budget and a congressional backlash ("[T]he likes of which would not be pleasant to the Federal Communications Commission under any circumstances," was the way Livingston described it) caused the FCC to back down.<sup>5</sup> Free air time went from the fast track to the back burner.

Many politicians in power tend to fear free air time for the leg up it would give to challengers. And more than that, free air time for political candidates would affect the bottom line of a very important industry and Washington player—the media industry. It would cost broadcasters millions of dollars in lost advertising revenue. They were not about to allow a direct affront to their financial self-interest become law.

Indeed, the media's success in handling the threat of free air time for candidates is but one of a stack of proposals that media companies have flattened like pancakes in Congress and the White House in recent years. Which is why the media is widely regarded as perhaps the most powerful special interest today in Washington—not that you are likely to read, see or hear much about it in national news media stories.

In the *Federalist Papers*, Alexander Hamilton wrote that the media—"the public papers" of his day—were to be instrumental in preventing the corruption of the government. "It ought also to be remembered," he wrote in *Federalist* No. 84, "that the citizens who inhabit the country at and near the seat of government will, in all questions that affect the general liberty and prosperity, have the same interest with those who are at a distance, and that they will stand ready to sound the alarm when necessary, and to point out the actors in any pernicious project. The public papers will be expeditious messengers of intelligence to the most remote inhabitants of the Union."<sup>6</sup>

In the America of Hamilton's time, with its proliferation of broad sheets both serious and scandalous, the press could indeed serve as expeditious messengers, pointing out actors in pernicious projects. Today, the giant media conglomerates are as often as not taking sides in their own self interests in some of the most pressing issues of the day. From proposed limits on the advertising of tobacco companies to federal giveaways like rights to the digital spectrum—a \$70 billion gift to broadcasters—the "public papers" of today have a wide range of pernicious projects of their own. Even with the advent of

mass communication, which in theory gives the most remote inhabitant of the nation a front-row seat to the doings of Congress and the executive branch, the alarm has rarely been sounded.

How do media corporations win friends and influence people in our nation's capital? The old-fashioned way, by using the time-honored techniques with which business interests routinely reap billions of dollars worth of subsidies, tax breaks, contracts, and other favors. The media lobby vigorously. They give large donations to political campaigns. They take politicians and their staffs on junkets.

**Lobbying.** Since 1996, the 50 largest media companies and four of their trade associations have spent \$111.3 million to lobby Congress and the executive branch of the government. The number of registered, media-related lobbyists has increased from 234 in 1996, the year the historic Telecommunication Act became law, to 284 lobbyists in 1999. And last year, the amount of money spent on lobbyists was \$31.4 million, up 26.4 percent from the \$24.8 million spent in 1996. By way of comparison, in 1998, when media firms spent \$28.5 million lobbying, securities and investment firms spent \$28 million, labor unions spent \$23.7 million, and lawyers spent \$19.1 million. The media wasn't the biggest lobbying interest (airlines spent \$38.6 million, defense contractors \$48.7 million, and electric utilities spent \$63.7 million).<sup>7</sup> But unlike the media, none of those interests has the power to determine what subjects are covered in the local paper or on the evening news.

**Campaign contributions.** From 1993 to June 30th of this year, media corporations and their employees have given \$75 million in campaign contributions to candidates for federal office and to the two major political parties, according to data provided by the Center for Responsive Politics. The next President of the United States will have gotten to 1600 Pennsylvania Avenue with more than a million dollars in political donations from media interests; Vice President Al Gore has taken in \$1.16 million, Texas Governor George W. Bush has received \$1.07 million. Gore's media money comes mostly from the larger media conglomerates, notably Time Warner, Inc., Viacom Inc., and The Walt Disney Company, Inc. Bush draws more heavily from smaller, regional broadcast and cable companies.

Gore's relationship with big media is a long one. In October 1987, Michael "Mickey" Kantor—a lobbyist, fundraiser, and later chairman of the Clinton-Gore 1992 campaign—arranged a meeting in the executive dining room at the Hollywood headquarters of MCA, Inc. Bigwig from the entertainment indus-

try sat down with Gore, at the time a candidate for the 1988 Democratic nomination, and his wife, Tipper. Gore averred that the couple's 1985 campaign against raw lyrics in pop **records**—**complete** with Senate hearings in which Frank Zappa and Dee Snider of Twisted Sister **testified**—**was** a mistake. His wife said that it had "sent the wrong **message**."<sup>8</sup> Ever since, Gore has counted entertainment and media executives among top supporters.

Gore is close enough to Steven Spielberg that the filmmaker is one of just a handful of friends to stay overnight in the Vice President's residence over the past seven years. Gore was close enough to Disney that in 1995 he and his wife Tipper requested and received two "Beauty and the Beast" costumes worth \$8,600, custom-made in Los Angeles to the Gores' precise measurements, for their annual Halloween **party**. The day before the event, the costumes arrived in Washington, along with a makeup artist to apply the mask that the Vice President would wear. At the time, Disney was awaiting Justice Department and FCC approval of its \$19 billion acquisition of American Broadcasting Company, Inc. (The deal was approved months **later**.)<sup>9</sup> Disney is among Gore's most generous media supporters, having contributed \$68,000 over the course of the politician's career.

Gore's fourth most generous "career patron" is Viacom. The company's executives and employees have steered \$115,550 to Gore over the course of his career, the bulk of it, some \$90,675, since the Vice President began his quest to reach the White House. Time Warner's employees have contributed \$57,200 to Gore, and its merger partner, America Online, has given him \$27,000.

Topping the list of George W. Bush's media patrons is AMFM Inc., owned by Hicks, Muse, Tate & Furst, Inc., of Dallas, a firm that specializes in leveraged buyouts. AMFM, the nation's largest chain of radio stations, and its various subsidiaries have contributed \$80,250 to Bush's presidential campaign. Thomas Hicks, the firm's **chairman**, bought the Texas Rangers baseball team for \$250 million in 1998 from the ownership group that included Bush. (The high sale price for the relatively small-market team was due in no small part to the taxpayer-financed stadium, the Ballpark at Arlington, which was built for the team while Bush, whose portion of the profit on the sale was \$14.3 million, was an owner.) The Rangers aren't Hicks' only sports **property**—**he** also owns a hockey team, the Dallas Stars. In 1997, Governor Bush shepherded a bill through the state legislature that allowed a sales tax increase to fund a new arena for the team, as well as for the city's NBA franchise, the Dallas **Mavericks**.<sup>10</sup>

The sitting member of Congress with the biggest haul in media **money**—including his presidential **campaign**—is Senate Commerce Committee **chair**—

man McCain, who has collected more than \$685,000. Overall, the amount of campaign cash from the media industry is skyrocketing every election cycle, which is typical of political giving in general. For example, media corporations gave \$18.9 million in 1997-1998, a 61 percent increase over the previous, 1993-1994 mid-term election cycle.

No media corporation lavishes more money on lobbyists or political campaigns than Time Warner. The media giant spent nearly \$4.1 million for lobbying last year, and since 1993 has contributed \$4.6 million to congressional and presidential candidates and the two political parties. The second heaviest media spender in Washington is Disney, which paid \$3.3 million for lobbying and just under \$4.1 million in political donations during the same periods of time. This is not a subject either company was anxious to discuss. The Center's calls to Gerald Levin, chairman of Time Warner, and to Michael Eisner, chairman of Disney, were not returned. Nor would the CEOs of the other big media political spenders answer our questions: AT&T/Liberty Media (formerly Telecommunications, Inc.) chairman John Malone, Viacom's Sumner Redstone, Seagram Company, Ltd.'s Edgar Bronfman, Ralph Roberts, chairman of the board of Comcast Corporation, DreamWorks SKG's part-owner David Geffen, and News Corporation, Ltd.'s chairman Rupert Murdoch.

**Junkets.** Since 1997, media companies have taken 118 members of Congress and their senior staff on 315 trips to meet with lobbyists and company executives to discuss legislation and the policy preferences of the industry. Lawmakers and their staffs have traveled near and far, to events as close as Alexandria, Virginia, and as far away as Taiwan. They've spoken at anniversaries of news organizations, gone fact-finding in Cape Town, South Africa, and toured movie studios. Blaine Merritt, chief counsel to the House courts and intellectual property subcommittee, wrote that the purpose of his trip to Burbank paid for by Walt Disney was to "learn about Disney production facilities and review relevant legislative issues which affect the company's operations."

The cumulative cost of the trips was more than \$455,000. The top three sponsors of these all-expense-paid jaunts were News Corporation, the National Association of Broadcasters, and the National Cable Television Association. No member of Congress traveled more frequently on the media industry's nickel than Billy Tauzin, the Louisiana Republican. He and his senior staff have been taken on 42 trips—one out of eight junkets the industry has lavished on Congress. In December 1999, Tauzin left with his wife Cecile on a six-day, \$18,910 trip to Paris, sponsored by Time Warner and Instinet Corpo-

ration, a subsidiary of the Reuters Group PLC, ostensibly for a conference there on e-commerce. Another member attending the same meeting, Rep. John E. Sweeney (R-NY), reported half the costs incurred by **Tauzin**, \$7,445. **Tauzin's** wife and his son Michael have accompanied him on several industry-sponsored trips to Palm Springs, California, New York, and New Orleans.

Despite calls to his office and home, **Tauzin** declined to be interviewed. **Andrew Schwartzman**, a public-interest lawyer and director of the Media Access Project, who has been watching **Tauzin** for years, says he is not the least bit surprised about **Tauzin's** trips. "Billy **Tauzin** is an active, knowledgeable, and involved member of Congress who spends a great deal of time on telecommunications issues," he says, "But unlike some other members, he is not the least bit embarrassed about accepting large quantities of their generosity. This is the Eddy Edwards, Huey Long kind of streak in these guys of wink, wink, 'I'm a rogue' . . . Billy just kind of revels in it."

The second most frequent flier in Congress courtesy of the media has been **Thomas J. Bliley**, the Republican who chairs the House Commerce Committee. **Bliley** and his staff have logged 19 junkets over the last three years. At the GOP convention in Philadelphia, **Tauzin**, who hopes to succeed chairman **Bliley**, hosted a **Mardi Gras-style** celebration, complete with floats from Louisiana. The \$400,000 affair, heavily attended by lobbyists and **pols**, was underwritten by, among others, **SBC Communications Inc.**, which owns cable properties; **BellSouth Corporation**; and **Cosat Corporation**. Not to be outdone, **Tauzin's** rival for top job on Commerce, **Michael Oxley**, threw an **American Bandstand-themed** bash, complete with the show's host, **Dick Clark**, the day before. **Oxley's** dance party was paid for by contributions of up to \$75,000 a pop from the likes of **Cosat**, **Satellite SuperSkyway Alliance**, and **SBC Communications**; the total cost was estimated in the \$300,000 to \$400,000range.<sup>11</sup>

The intermeshing of public and private sectors has, of course, been an endemic problem in Washington for years, and the social and professional interaction between the media business and the government that regulates it is, not surprisingly, quite extensive. For example, **Podesta & Associates**, also known as **Podesta.com**, is the outside lobbying firm representing the widest array of media behemoths. Since 1996, the company has received \$1.5 million as the Washington representative for **Viacom**, **Time Warner**, and **NBC**. It is headed by **Tony Podesta**, whose brother **John** happens to be the White House chief of staff. Twenty-three members of its staff of 33 formerly worked on Capi-

tol Hill, for either party.<sup>12</sup> One of them, Kimberley Fritts, is the daughter of the president of the National Association of Broadcasters (NAB).<sup>13</sup>

No media organization spends more money lobbying or has more people covering Washington than the NAB, which has spent \$19.42 million to persuade government officials since 1996. NAB President Eddie Fritts was a college classmate and is a close friend of Senate Majority Leader Trent Lott, and on occasion this relationship has been immensely helpful to the broadcasters.<sup>14</sup> There are 20 registered lobbyists at the NAB, seven of whom came through the revolving door from congressional staffs, the FCC and the Federal Trade Commission. Until recently, their ranks included Kimberly Tauzin, daughter of Billy Tauzin.<sup>15</sup>

Media corporations have spared no expense in Washington, hiring all of the "usual suspects" kind of big-name lobbyists: former Republican Party chairman Haley Barbour (CBS); Patton Boggs' Tommy Boggs, son of long-deceased House Majority Leader Hale Boggs and U.S. Ambassador to the Vatican Lindy Boggs and brother of ABC News correspondent Cokie Roberts, (National Cable Television Association, Magazine Publishers of America); former Reagan White House chief of staff Ken Duberstein (Comcast, National Cable TV Association, Time Warner); former Nixon White House aide Tom Korologos (Cox Communications Corporation); former Carter White House aide Anne Wexler (Comcast, Univision Communications Inc.); and former FCC chairman Richard Wiley (CBS). After all, from copyright issues to broadband access to media ownership rules, billions of dollars were at stake for the transforming media industry.

Well aware of Congress' power over the Commission and its high-level personnel, several media companies have lured former key Congressional staff to the private sector to protect their interests before both Congress and the FCC. These former Hill staffers include Matt Gelman, floor assistant to House Minority Whip David Bonior, and former House Commerce Committee senior telecommunications counsel Catherine Reid, who left their legislative positions to lobby for Time Warner at the law firm of Williams & Jensen. Time Warner also retained Daniel Meyer, chief of staff to former House Speaker Newt Gingrich in 1997, two years before the boisterous leader of the 1994 "Republican Revolution" left the Congress. Since his time at the Duberstein Group, Meyer has tried to influence legislation for Time Warner ranging from copyright and satellite issues to bills that would prohibit the FCC from regulating Internet service providers.

Not to be outdone, CBS hired Barbour, Griffith & Rogers to represent its



interests before the FCC and Congress. **Barbour**, Griffith, in turn, lured Trent Lott's legislative director, Carl Biersack, away from his powerful position as Lott's point man on the issues to make sure the implementation of the Telecommunications Act of 1996 worked out well for the network. The National Cable Television Association, meanwhile, hired three former congressional insiders—including two Congressmen and the general counsel for the House Commerce Committee—at the firm of Bracewell & Patterson to lobby Congress in 1997 on tax and budget issues, some of which would have an effect on the Commission.

Former Arizona Senator Dennis **DeConcini**, now a partner at his own lobbying firm, said that during his time in Congress, media lobbyists were omnipresent. "I was lobbied a lot by media companies when I was in Congress," DeConcini, who left the Senate in 1995, said. "The 18 years I was there, there were very complex, sophisticated issues that demanded the time of professionals interested in this area."

Frequently, of course, corporate executives are directly involved in the lobbying process, and media moguls are no different. In his recent memoir *You Say You Want A Revolution*, former FCC chairman Hundt recounts important conversations he had with Turner Broadcasting System, Inc., chairman and president (at the time) Ted Turner; QVC Network, Inc., chairman Barry **Diller**; TCI chairman John **Malone**; DreamWorks' executive Steven Spielberg; Disney vice president (at the time) Michael **Ovitz**.<sup>16</sup>

Hundt candidly describes the atmosphere of influence peddling at his agency. "I learned quickly that the volume of lobbying defined the major issues before the agency," he wrote. "A single company might send soldiers from its regiments to the Commission as many as 100 times, visit or phone the chairman on a dozen occasions, call some member of the chairman's staff perhaps daily. Congressional staffers made tens of thousands of telephone calls to the Commission staff. Congressmen wrote letters on behalf of different parties, up to 5,000 or more a year. Sometimes, when the members wanted a particular result they phoned the commissioners to solicit votes as they might call each other on the Hill. Smart and well-financed lobbyists also ran media strategies to persuade the Commission to write rules in their favor. Industries might spend millions of dollars on television advertising to influence a handful of commissioners."<sup>17</sup>

The nature of the media's political power remains fascinating to Hundt. "The media industry does not mobilize great numbers of voters and it actually is not comprised of America's largest, economically most important companies . . ." The media's significance and political clout, he argued, comes "from

its near ubiquitous, pervasive power to completely alter the beliefs of every American." Members of Congress and presidential candidates, he believes, are afraid to take on the news media directly for fear that they will simply "disappear" from the TV or radio airwaves and print news columns.

These have been spectacular times for media corporations, and the task of their Washington lobbyists is to keep the party going for as long as possible. The past decade has seen stunning annual revenues and unprecedented corporate concentration. No reasonable person would accuse the FCC of *overzealous* enforcement of the antitrust laws. In 1992, for the first time in 22 years, the FCC allowed network-cable TV cross ownership.<sup>18</sup> The FCC, the Justice Department and the Congress generally have allowed media companies' mergers to proliferate. To name just a few, we have watched Time Warner merge with Turner Broadcasting, and Disney merge with Capital Cities/ABC. News Corporation acquired Heritage Media Corporation, and AT&T merged with TCI. CBS, Inc. bought King World Productions Inc., and Viacom bought CBS. Tribune Company bought Times Mirror Company, Inc., and Time Warner and America Online, Inc. announced the mother of all mergers—a \$350 billion deal to create the "world's first fully integrated media and communications company."<sup>19</sup>

Today, 98 percent of Americans live in communities with only one local newspaper.<sup>20</sup> The same percentage of citizens are served by a single cable provider. Some 50 cable channels are available in at least 40 million American homes, and three companies—Disney, Time Warner, and Viacom—own all or part of 28 of them. Not far behind is General Electric, which owns NBC, CNBC, and shares joint ownership of MSNBC, A&E, the History Channel, and PAX-TV, a family-oriented cable channel.

In this marketplace milieu, media corporations press for further advantage in Washington. In the current Congress, more than 60 bills aimed at the broadcasters, networks, cable operators, and satellite operators—as well as at the FCC that regulates them—were proposed in the House and Senate. And that number doesn't include the tax, trade, labor, and non-binding resolutions that draw the industry's attention.

Below are some of the industry's legislative concerns:

Violence. Lobbyists for the media industry have consistently raised First Amendment freedoms as a carte blanche protection against any regulation of violent content broadcast over the airwaves. The current system that rates violence in programs was agreed to voluntarily by broadcasters only after Senator McCain threatened to have the FCC block station license renewals for those broadcasters who refused to participate.<sup>21</sup>

**Intellectual Property and Copyright Issues.** Media companies spend tens of billions of dollars each year securing the right to content—whether it's paying a reporter's salary and expenses while he gets the story or buying the rights to air a sitcom like "Seinfeld" or the film "Jurassic Park." They spend millions more on lobbyists who seek legislation designed to protect their investment, a major concern to media firms, especially as the Internet grows in sophistication. (Lawsuits are another avenue media firms use to protect their interests. The suit brought by the Recording Industry Association of America to close down Napster.com, the Website that allows users to download songs for free from the Internet, is one of several launched against Internet companies. A dozen companies, including Disney and subsidiaries of Time Warner and Viacom, sued RecordTV.com. The small startup offers customers what is essentially a Web-based VCR that can record any program for later viewing over the Internet. Similarly, iCraveTV.com, a Canadian Internet site that allowed viewers to watch shows online at their broadcast time, was shut down after American companies argued that viewers in the United States had no trouble accessing the site.)

**Media Ownership.** Under current FCC rules, a single company is permitted to reach only 35 percent of the national audience through the stations it directly owns, preventing a handful of companies from owning all of the television stations in the country. With the CBS deal, Viacom went over the cap.<sup>22</sup> To meet regulatory muster, Viacom will have to sell off some of its profitable stations by May 2001. Within a week of the merger's announcement, Senate Commerce chairman McCain introduced a bill to help Viacom skirt that requirement, raising the audience cap to 50 percent.<sup>23</sup> As noted in the Center for Public Integrity's book, *The Buying of the President 2000*, Viacom was McCain's fourth most generous "career patron."

Meanwhile, NBC acquired a 32 percent stake in Paxson Communications Corp., the Florida-based broadcaster whose interests McCain had promoted in a letter he wrote to the FCC demanding action on one of the company's pending license requests just a day after he flew on the company's corporate jet.<sup>24</sup> NBC has an option to purchase a controlling interest in Paxson by February 1, 2002, "if FCC rules then permit," the company's parent, GE, announced in documents filed with the SEC.<sup>25</sup> The rule that would prevent NBC's purchase is the ownership cap; should McCain's bill pass, NBC won't face any hurdles exercising its option.

**Repeal of Estate Taxes.** Last June, the Senate joined the House in passing legislation to repeal estate taxes. The measure was strongly supported by some

well-known family-owned publishers. Copley Newspapers Inc., Cox Enterprises, Inc., and Morris Communications Corporation have paid a lobbyist \$950,000 since 1996 to fight for the end of the "death tax." In June 2000, the *San Diego Union-Tribune*, a Copley newspaper, published an editorial entitled, "The Death Tax: Repeal the Most Unfair of All Federal Levies": "House Republicans and Democrats were right to pass legislation that phases out the death tax not only on family farms, but on all family-owned businesses and other assets."<sup>26</sup> Not mentioned was the direct financial interest of the Copley family in the legislation, and attendant lobbying efforts in that regard. "We are contributors to a fund that is trying to eliminate the estate tax," Hal Fuson, Copley chief legal counsel, told us. "There was nothing particularly surreptitious about it."

Still, no single recent media issue more poignantly portrays the clash between public and private interest than the debate over free air time for political candidates. In early 1998, before the President and FCC chairman made their rule-making move, the broadcast networks, ABC, CBS and NBC, were already targets of criticism. They were excoriated for reaping, potentially, billions of dollars in 1997 when Congress gave them for free their government-owned digital spectrum, to use for the next generation of technology.<sup>27</sup>

Against this backdrop, television stations and networks separately have been making a financial killing from political advertising. According to data collected by a firm called Competitive Media Reporting, local and national TV political advertising will earn broadcasters \$600 million this year. In fact, income from political ads has been steadily rising for 20 years—from \$90.6 million in 1980 to \$498.9 million in 1998.<sup>28</sup> In the first four months of this year, TV stations in the top 75 media markets took in \$114 million for 151,000 commercials from the candidates alone.<sup>29</sup>

At the same time, around the nation, news coverage of political candidates is becoming minuscule. For example, the Annenberg School of Communication at the University of Southern California discovered that, in the final three months of the 1998 California governor's race, local TV news on the subject comprised less than one-third of 1 percent of possible news time. In 1974, the amount of gubernatorial coverage in California was ten times greater. Another USC Annenberg finding: The 19 top-rated TV stations in the top eleven markets broadcast, on average, only 39 seconds a night (from 5 p.m. to 11:30 p.m.) about political campaigns. Top stations in Philadelphia and Tampa averaged six seconds a night.<sup>30</sup>

As Robert McChesney, a University of Illinois professor, wrote in *Rich Media, Poor Democracy*, "Broadcasters have little incentive to cover candidates, because it is in their interest to force them to purchase time to publicize their campaigns."<sup>31</sup>

Recent research seems to bear this out. For example, in the New Jersey Senate primary, in which Jon Corzine spent more of his own money than any Senate candidate in U.S. history, local television stations in New York and Philadelphia made \$21 million from political ads. The last two weeks of the campaign, citizens watching top Philadelphia and New York TV stations were ten times more likely to see a campaign ad than a campaign news story.<sup>32</sup>

Broadcasters, says Paul Taylor, founder and executive director of Alliance for Better Campaigns, "are profiteering from democracy." Since 1996, his group, co-chaired by former Presidents Jimmy Carter and Gerald Ford and former CBS News anchorman Walter Cronkite, has been calling for the networks and 1,300 TV stations to give at least five minutes of political news coverage a day during the last month before the 2000 election. So far, only 2 percent of the broadcasters have agreed.

The FCC still seems to hold some interest, as do a few members of Congress, who have included proposals requiring broadcasters to provide free air time to political candidates in campaign finance reform measures in the current Congress. But industry lobbyists do not give an inch on any of them. In formal comments before the agency in March, the NAB stated "there is no lack of political news and information available for persons who have any interest in obtaining such information. Thus, a voluntary or mandatory requirement for broadcasters to offer additional free time for political candidates is unnecessary."<sup>33</sup> The Radio and Television News Directors Association stated, "Proponents of mandatory air time for political candidates would prefer that the FCC ignore altogether the First Amendment rights of broadcasters. They would have the Commission turn its back on political coverage decisions made by experienced, professional journalists."<sup>34</sup>

Some newspaper editorials about the free air time proposal have been curiously consistent with the extent of their ownership of broadcasting properties. The *Los Angeles Times*, with no TV stations, wrote **supportively** of the free air time **initiative**.<sup>35</sup> The *Chicago Tribune*, owned by the Tribune Company, which recently purchased the *Los Angeles Times* and Times Mirror, and also owns 19 TV stations, saw the issue differently. It wrote in 1998, "It might be good if candidates didn't have to raise and spend so much money to finance broadcast ads. In that case, let Congress provide public funds to subsidize campaigns. If

the public stands to gain from improved candidate access to the airwaves, the public ought to bear the cost."<sup>36</sup> In other words, let the citizens pay for the ads they increasingly must watch.

The dirty little secret is that from 1996 through 1998, the NAB and five media outlets—ABC, CBS, A.H. Belo Corporation, Meredith Corporation, and Cox Enterprises—cumulatively spent nearly \$11 million to defeat a dozen campaign finance bills mandating free air time for political candidates. One company lobbyist willing to talk to us was Jerry Hadenfeldt, who represents Meredith, owner of a dozen TV stations, 20 magazines, and publisher of more than 300 books. "Free political ads are basically picking the pockets of a select group, namely television broadcasters," he says. "They [candidates] already get the lowest available rates, and that's the way we believe it should stay."

Congresswoman Louise Slaughter, a New York Democrat, introduced one of the free air time bills he opposed. She apparently did not realize the extent of the industry maneuverings against her. When told that \$11 million had been spent lobbying against her bill and others like it, she said, "Oh, good Lord . . . It seems excessive to me. I am absolutely astonished. They paid \$11 million to kill it? Well, it sure worked, didn't it?"



# A Thing of the Past

**A**n article in *National Journal*, the respected magazine that covers the doings of Washington, is one of many that describes the coming revolution in communications that will change the world. "In essence, it is a synergism of existing communications media, such as broadcasting and the telephone, and a host of new technologies. The catalyst in this change is the computer, which is rapidly enabling these diverse information highways to mesh into one comprehensive interstate system."<sup>1</sup>

The piece describes any number of new trends on the way, from affordable satellite broadcasting to phone companies competing with cable companies, and vice versa, to televisions having access to hundreds of thousands of pages of information via telephone lines.<sup>2</sup>

The article was published on October 24, 1981.

In many respects, the revolution predicted in the article has come to pass. The cable systems offering 30, 40, up to 100 channels to subscribers are here. The technology to access the Internet over a television—those hundreds of thousands of pages of information—is also a reality. Fiber optic networks, satellite broadcasting, even telephones that can give an up-to-the-minute stock quotation and fit neatly into a shirt pocket, are all a reality, less than two decades after they were so many buzzwords thrown about by futurists. Narrowcasting, the practice of developing stations that cater to the tastes of a small audience, was already a reality when the article was written: MTV and ESPN were, if not on the air, available through a cable line. They'd be joined by dozens of other stations, offering movies, programming for women or children, home shopping, and the veritable cornucopia of shows that a cable box or a satellite dish can bring to a set that once could receive no more than a half-dozen or so local stations.

There was one discordant note in the article. Andrew Jay Schwartzman, executive director of the Media Access Project, a public-interest law firm, certainly recognized the unprecedented potentials of the future. "We are at an epochal moment," he told the *National Journal*. Still, he was cautious about the promise of the revolution. "Decisions are being made now that in the next few years will have an unbelievably profound impact on the next generation. The technology has reached a critical mass. And if we give away the store at present, we're not going to have any diversity in the future."

Bit by bit, piece by piece, the store was given away. Giant media firms emerged, gobbling up stations and cable systems and networks and soon one another. A handful of companies own a huge percentage of the national cable channels. A common lament of cable subscribers is that one has 50 channels to watch, and there's still nothing on. In large measure, that's because a half-dozen companies are still deciding what gets on the air.

A study by the National Association of Broadcasters, also written in 1981, was far more sanguine than Schwartzman. It predicted that the industry would experience a period of "accelerating change and exponential growth" thanks to the new technologies. "While no single one of these technologies may seem as momentous as the invention of radio or television," NAB believed, "together they could change the fabric of **society**."<sup>3</sup> Just as they did shortly after the advent of radio, the broadcasters and their new competitors in cable were going to make sure that the changes suited their own interests.

The first radio broadcast stations were opened in 1920,<sup>4</sup> and the radio industry seemingly exploded from there. The number of homes with radios grew from 20 percent in 1926 to 30 percent in 1928. By 1940, almost 83 percent of American families had access to radio.<sup>5</sup> And radio's influence over and impact on the American people grew rapidly. By the late 1930s, a *Fortune* magazine survey showed that Americans attributed more credibility to radio than they did the press, and that they regarded radio commentators more highly than they did newspaper editors and **columnists**.<sup>6</sup>

Although educators were arguably the "true pioneers" of U.S. broadcasting, establishing over 100 stations in the early 1920s, it was the commercial stations that ultimately **prevailed**.<sup>7</sup> The present state of affairs, in which major corporations and media conglomerates own the majority of networks, television stations, newspapers, magazines, and even Internet news sites, was in its infancy then. Newspaper publishers have long understood that they could create synergies by owning papers in multiple cities; in the 1920s magazine companies recognized that offering multiple titles could redound to their



benefit. Commercial broadcasters, by contrast, were engaged in a struggle against the nonprofit groups for what was, because of the technology of the time, a severely limited broadcast spectrum.<sup>8</sup>

The first commercial broadcast took place in 1922 on the radio station WEAF in New York. WEAF was established by AT&T on the premise that it would "provide the channels thru which anyone with whom it makes a contract can send out their own programs... There have been many requests for such a service, not only from newspapers and entertainment agencies but also from department stores and a great variety of business houses who wish to utilize this means of distribution."<sup>9</sup> Soon after, the station got a bite from the Queensboro Corporation, who at 5:15 in the afternoon on August 28, 1922, gave a ten-minute presentation ostensibly on nineteenth-century novelist Nathaniel Hawthorne. The presenter spoke of Hawthorne's views of a "good home," "removed from the congested part of the city, right at the boundaries of God's great outdoors." He went on to tell the audience that there was just such a place—Hawthorne Court, a new cooperative apartment complex in Jackson Heights, Queens.<sup>10</sup> And commercial radio was born.

For the most part, for-profit stations in the 1920s were established to generate positive publicity for the owner's primary enterprise, rather than to generate profits themselves. Because of the mounting hostility toward business in the early part of the twentieth century and the demand for increased government regulation on the part of progressives and muckrakers, corporations began developing public relations departments to improve their reputations. By the 1920s they had succeeded in generating a more favorable public attitude for their enterprises, but the stock market crash in 1929 and the ensuing Depression again rocked Americans' faith in the corporate sector.

Radio provided companies with a useful tool to restore their tarnished images. As radio developed and spread throughout the country, it became a favored medium for business to tout its virtues. The burgeoning relationship between business and broadcast proved to be mutually beneficial as the networks struggled to fill airtime.

As corporations used radio increasingly to enhance their public relations portfolios, opposition mounted among educators, civic organizations, and religious, farm, and labor groups. The educators, who were the primary force in the opposition movement, saw radio as a powerful resource for promoting a democratic political culture as well as a logical part of the nation's broader educational network. According to Robert W. McChesney, the author of *Rich Media, Poor Democracy*, "They regarded the profit motive as

being nearly as inimical to democratic communication as it would be to public education.”<sup>11</sup>

The passage of the Radio Act of 1927 did little to help their cause. With this, Congress established the Federal Radio Commission (FRC) to regulate and bring stability to broadcasting. The new regulatory agency decidedly favored commercial broadcasting. It reallocated frequency assignments to favor the **for-profit** stations and gave them larger power allowances, ensuring them larger audiences than their non-commercial rivals. So dramatic were the effects of this **reallocation** that, by 1931, NBC and CBS and their affiliates accounted for 70 percent of wattage. By 1929, radio-advertising expenditures exceeded \$100 million. And between 1927 and 1930, the number of college radio **stations—once the dominant players on the airwaves—was cut in half**. Those few stations that remained operated only during limited daylight hours on frequencies they shared with commercial stations. By the early 1930s, non-profit broadcasting effectively ceased to **exist**.<sup>12</sup>

The nonprofit stations mounted an ineffective campaign in Washington. They were no match for their commercial competitors, backed by America's wealthiest corporations, and willing to put their airwaves at the disposal of Presidents and **Congressmen**.<sup>13</sup> The broadcasting lobby was highly organized and highly effective. Not only did they have control over their airwaves, but they also had direct access to and influence over politicians. As a matter of policy at the time, the networks offered free airtime to members of Congress and other government officials. And it was no coincidence that the networks' lobbyists were in charge of scheduling airtime for the members of Congress.<sup>14</sup> By the early 1930s, when an estimated 70 to 90 percent of Representatives actually favored broadcast reform, the radio lobby was still able to prevent legislation from reaching the floor for a vote because it had the backing of the pertinent committee chairmen. When the defenders of non-profit radio appealed to President Roosevelt to back their cause, he failed to take up the issue, no doubt because he was loath to jeopardize his easy access to the **airwaves**.<sup>15</sup>

When the Communications Act of 1934 was passed by Congress on June 9, 1934,<sup>16</sup> its effect was to cement the system of regulating communications, including radio and ultimately television. One of the main results of the Act was to establish the Federal Communications Commission, the regulatory body today responsible for governing all aspects of communications, from radio to broadcast, cable, and satellite television, from telephones to the Internet. Unlike the FRC, which had to be renewed annually, the 1934 Act estab-

lished the FCC on a permanent basis. The Communications Act charged the FCC with responsibility for "regulating interstate and foreign commerce in communication by wire and radio so as to make available, so far as possible, to all the people of the United States a **rapid, efficient, nation-wide, and world-wide wire and radio communications service...**"<sup>17</sup>

That network was soon all but dominated by America's large corporations. Companies started using a combination of institutional and advocacy advertising. They sponsored radio programs, which sometimes contained remarks on policies that affected their businesses, such as labor or wage issues. The companies sought to "educate" Americans about the business issues of the time.<sup>18</sup>

Such corporate giants as General Motors, Ford, Chase National Bank, Du Pont, Texaco, and Firestone sponsored classical music programs and serious radio dramas, thus providing a more dignified platform for promoting their companies. Taking this practice to the national level during the early 1940s, some of these companies began to sponsor prestigious arts organizations. Among them were U.S. Rubber, who underwrote the New York Philharmonic; Allis Chalmers, who sponsored the Boston Symphony Orchestra; and U.S. Steel, with the Theater Guild on the Air.<sup>19</sup>

In 1935, Du Pont began sponsorship of *Cavalcade of America*, a historical drama series that ran for 22 years and even made the transition to television. The chemical company had seen its image tarnished by a Senate investigation after World War I and was also leery of some proposed actions to bring the country out of the Depression in the early 1930s. Du Pont used the radio series not only to try to improve its public image, but also to take subtle shots at the New Deal. The company's slogan, "Better Things for Better Living through Chemistry," was aired at the end of every show, and the commercials touted Du Pont products' contribution to American society. The show profiled prominent Americans like Thomas Jefferson and Daniel Boone, and the company's advertising agency promoted it to educators.<sup>20</sup>

The National Association of Manufacturers (NAM) sponsored a show of a different breed. Beginning in the fall of 1934, the powerful trade organization aired *The American Family Robinson*, a 15-minute program that took aim at Roosevelt's New Deal social policies. Unlike other programs where companies used a direct approach, such as through a commentator, *The American Family Robinson* was subtler: The NAM's message was presented in the plot of a radio drama. The show depicted the lives of members of the Robinson family who lived in the small manufacturing town of Centerville. Time after

time, the family and Centerville struggled with problems caused by government interference and political agitators. In the end, **however**, they learned that success for private enterprise means prosperity for the town, and the nation at **large**.<sup>21</sup>

Radio commentators became popular in the 1930s, and their popularity swelled during World War II. Corporations and trade organizations, such as the NAM, sponsored commentators to carry their messages to the American public. These included such then-famous names as **Boake** Carter, George E. **Sokolsky**, Fulton Lewis Jr., Upton Close, and H.V. **Kaltenborn**.<sup>22</sup> Because much of the **corporate-sponsored** commentary was critical of the New Deal and labor unions, the networks grew uneasy, fearing government intervention into broadcasting. In 1939, the National Association of Broadcasters adopted a voluntary code of ethics that, among other things, prohibited stations from selling airtime for discussion of controversial **issues**.<sup>23</sup> In practice, the application of the rule was inconsistent to nonexistent. While one network might force a commentator off the air for repeatedly stepping over its set boundaries, another may refuse to intervene in the show's content. And even if the networks flatly refused to allow specific commentators or program content, there were hundreds of independent stations with sizeable regional audiences that were more than happy to do **so**.<sup>24</sup> As a result, business was largely unrestricted in its programming practices.

Corporate influence carried over with the dawn of the television era. The same broadcasters responsible for the bulk of radio programming extended their reaches into television. As a result, NBC, CBS, and WGN continue to be powerful television networks today. Even popular radio shows of the time, like **Du Pont's** Cavalcade of America and U.S. Steel's Theater **Guild**,<sup>25</sup> were adapted for television.

According to Robert W. McChesney, this carryover was inevitable, given the system that had taken hold under the Communications Act of 1934. "It was a slam dunk that it was going to be handed over to private interests. There was no discussion of it. By then the system was entrenched," McChesney told the Center. "It was a given that television would be run by the exact same people who ran radio for the exact same reasons." That is, to the financial benefit of broadcasters and corporate America.

The Communications Act of 1934 that governed the broadcasting industry, unaltered for nearly 62 years, ensured that things stayed that way. As early as 1948, a competitor to the broadcasters appeared. To serve residents in mountainous terrain, where television signals were notoriously difficult to pick up,

entrepreneurs erected antennas and ran lines from them to customers' homes.<sup>26</sup> Cable television was born. In 1950, the industry had all of 14,000 subscribers. A dozen years later, that number soared to 850,000.<sup>27</sup>

Broadcasters pressured the FCC to regulate the new industry; in 1962, the agency, in effect, placed enough restrictions on cable operators to keep them from competing with broadcasters for another decade. Specifically, the FCC forbade cable operators to enter the largest markets—New York, Los Angeles, and so on.<sup>28</sup>

In 1972, the FCC changed course. It removed restrictions on where cable companies could operate, but required them to obtain franchises from local governments.<sup>29</sup> Because a cable service required the hanging or burying of actual cables, the local governments required companies to provide equipment, facilities and channels to the public in exchange for digging up roads or running wires along utility poles.

In the early 1980s, with the election of the Reagan administration and a new, market-oriented FCC commissioner, Mark Fowler, in place, cable companies began to lobby against the restrictions placed on them by the agency and local governments. The culmination of their effort was the Cable Communications Policy Act of 1984, which in effect deregulated the industry. Some 97 percent of cable operators were freed from rate regulations, set by local governments, in an industry in which local franchises had monopolies on service. The cost of cable began to soar.<sup>30</sup> In 1989, five years after passage of the bill, Senator Howard Metzenbaum, a Democrat from Ohio, noted in a hearing, "The government reports that the price consumers pay for cable service increased at a higher rate than any other commodity or service in the entire United States."<sup>31</sup>

The act also set off a bidding war for cable franchises, which, freed from any restrictions over what they could charge consumers, became far more valuable properties. FCC policy encouraged the mergers. "We have to build the concentration in cable because they're going to be in competition with AT&T in a couple of decades," Fowler told the *National Journal*. "You're going to need big companies to compete against a giant entity like that."

And big they became. Merger followed merger as the FCC waived one requirement after another. Since the 1984 act was passed, mergers have created "the largest media corporation" on three separate occasions—including twice during the Clinton administration. (See Appendix.) The top five cable system operators—Time Warner Cable, AT&T Broadband & Internet Services, Charter Communications, Cox Enterprises, Inc., and Comcast Corporation—serve 61 percent of the nation's cable customers.

Broadcasters benefited from the FCC's *laissez faire* attitude as well. Capital Cities Communications Inc. and the American Broadcasting Company, Inc., were granted, first temporary, then permanent waivers of FCC rules after they announced their merger in 1985. In November of that year, the FCC approved the sale of Metromedia Inc. to Rupert Murdoch, just two months after he became an American citizen.

The mergers continued at a frantic pace, both among broadcasters and cable companies. In 1987, Tele-Communications Inc. acquired a 25 percent stake in Turner Broadcasting Systems, parent of CNN and the TBS "superstation." In 1989, Time Inc. and Warner Communications Inc. merged to create the largest media company in the world. It was surpassed when the Walt Disney Company Inc. announced its acquisition of Capital Cities/ABC in 1995, only to regain the title after buying out Turner Broadcasting.

As media companies grew in size, as Schwartzman predicted in 1981, they have come to dominate the cable dial. Of the 50 channels available in at least 40 million American homes—including broadcast and cable networks—Disney, Time Warner, and Viacom own all or part of 28 of them. And Congress, at the prodding of media interests, is intent on further limiting the FCC's ability to restrict mergers. That was, in fact, one of the guiding principles behind the landmark 1996 Telecommunications Act.

The bill, among other things, reversed a 1992 act that regulated cable rates, which had saved consumers some \$3 billion. It swept away some regulations on broadcasters, phone companies, and cable operators, while leaving others in place that protected the incumbents from new competition. It raised the cap on the number of stations that one entity can own, allowing a single company to reach up to 35 percent of all national television viewers.<sup>32</sup> It eased restrictions on mergers, leading to \$100 billion worth of deals on Wall Street as one company after another gobbled up smaller competitors.<sup>33</sup> "In the name of competition, Congress and its corporate backers have done everything to suppress competition, to make competition a thing of the past," Mark Crispin Miller, a professor of film and media studies at Johns Hopkins University, told the Center.

As it had in its infancy, the industry did so through its political clout. The National Cable Television Association, a trade association, had 57 lobbyists on its payroll, both in-house and from eleven outside firms, and it sponsored 26 trips for members of Congress and their staffs in 1996 alone. Media interests poured \$23.2 million into federal campaigns in that cycle. Clearly, the money was well invested.

John McCain, who from his perch on the Senate Commerce Committee followed the legislation as it wended its way through Congress, refused to vote for the final bill. In November 1997, some 21 months after the bill had passed, McCain ridiculed those who hailed the Telecommunications Act as a success. "To believe that," he said at a press briefing, "you have to believe that the way to lower rates is to raise them, the way to achieve competition is through consolidation, and the way to achieve deregulation is through **overregulation**."<sup>34</sup>

And with media companies' grip on Congress and the FCC, there is little, if any, prospect of this changing.



# The Captive Regulator

**W**illiam E. Kennard, the chairman of the Federal Communications Commission, has often derided the role that lobbyists play in the FCC's dealings. "You could spend all of your time as chairman of the FCC meeting with the executives and industry lobbyists who press their cases at the agency," he said last fall.<sup>1</sup>

That's in no small part due to the agency's mission: The FCC is charged by Congress with regulating radio, television, satellite, and cable communications. It oversees the "orderly development and operation of broadcast services."<sup>2</sup> It oversees some of the wealthiest companies in the United States: AT&T Corporation, the Walt Disney Company, Inc., and Time Warner, Inc., to name a few. And it is supposed to do so in the "public interest." The agency evaluates mergers, ensures that telephone service is fast, efficient, and comes at a reasonable cost, licenses broadcast stations, issues building permits for radio and television transmitters, and even fields complaints from aggravated cable customers. The FCC makes decisions every day that, ultimately, can either cost a company millions of dollars or redound to its benefit. Little wonder then that it's such a focus of industry attention.

Like other businesses regulated by the FCC, media firms send their well-connected lobbyists and top executives to push their agendas with the agency. They've hired former agency insiders to plead their case to Congress, they've sponsored trips for FCC employees to attend events in places ranging from Orlando, Florida, to Seattle, Washington, from Singapore and Seoul to New York and New Orleans. But, unlike their telecommunications brethren—who use all



the same tools—media firms have benefited from the services of another powerful group with even better access to the chairman: members of Congress.

"There are no more powerful lobbies in the world than the media lobby," Reed Hundt, who served as chairman of the FCC until 1997, told the Center. That power springs not only from the millions they spend hiring insiders to lobby for them, and the millions more they lavish on politicians in the form of campaign contributions. Their unique product—information for the public—has made them the most formidable lobbying force in the country. "These are ubiquitous media. There is no member [of Congress] where the media's coverage aren't relevant to their district."

After taking the helm at the FCC in November 1997, Kennard has maintained that the bipartisan nature of the FCC's commissioners makes it "a strong, independent agency respected around the world."<sup>3</sup> As other commissioners have noted, however, the FCC is, like every other federal agency, beholden to the Congress for its funding, for its mandate to regulate, and for the approval of its commissioners. In recent years, when the agency has angered the high-powered media giants it regulates, members of Congress can be counted on to parrot the industry's line.

In the summer of 1997, when the FCC first entertained proposals to require broadcasters to offer free air time to candidates as part of a campaign finance reform package, Edward O. Fritts, the president of the National Association of Broadcasters, issued a statement. "The FCC does not have the authority to mandate" free air time, the release said in part. "That right is reserved for Congress." Less than a year later, Kennard had the agency study the free air time issue in response to President Clinton's call for the measure in his 1998 State of the Union address. Outraged members of Congress—including an unlikely coalition of reformer John McCain and Billy Tauzin, who revels in his wheeler-dealer reputation—used the same reasoning as Fritts to attack the proposal. Only Congress, and not the FCC, could mandate air time for politicians.

As recently as June 21, 2000, Sen. Robert Torricelli (D-N.J.), chairman of the Democratic Senatorial Campaign Committee, brought to light congressional pressure to keep the FCC from mandating an alternative proposal, offering political advertising to candidates at a reduced rate. "Only a year ago, Mr. Kennard raised the prospect of, by regulation, lowering the cost of television advertising," he said on the Senate floor. "Rather than \$50,000 in New York or \$20,000 in Chicago, the FCC could mandate, if the networks are unwilling to do it voluntarily, a lower cost. Since television accounts for 80 or 90 percent of the cost of a Senate or presidential campaign, lowering the cost of that advertising would

dramatically remove pressure on fundraising. The problem could begin to solve itself. The FCC chose not to do so under pressure from members of Congress."<sup>4</sup>

That pressure was apparent almost immediately after Kennard entered the free air time fray. In March 1998, at his first appearance before the House Appropriations subcommittee that determines his budget, then-committee chair Bob Livingston minced no words about the effect a political advertising mandate would have upon the Commission's popularity on Capitol Hill. "Should the FCC require it by regulation, I can almost guarantee that there would be a backlash in Congress, the likes of which would not be pleasant to the Federal Communications Commission under any circumstances," he said. "We want a good working relationship and we encourage it and I just do hope that you might not go down that trail."<sup>5</sup>

Committee member Harold Rogers, a Republican from Kentucky, suggested Kennard sign a pledge that he would not act on the issue of free airtime for candidates, "or else the Congress will have to take preemptive action," which Rogers later suggested would include not considering the FCC's budget request for markup.<sup>6</sup>

Free air time isn't the only issue on which the FCC has been soundly rebuked by Congress. On January 20, 2000, the agency initiated a program to grant licenses for small, low-powered FM radio stations.<sup>7</sup> The smaller stations would be nonprofit operations, providing news and specialized programming to neighborhoods and communities, and in a way would return radio to its earliest, non-commercial roots. Some 47 percent of the applicants for the low-power licenses were from religious groups including churches, community organizations, and schools and educational institutions, according to the Media Access Project.<sup>8</sup> Kennard described the low power FM initiative as "giving a voice to the voiceless."<sup>9</sup> Several civic groups agreed. The National League of Cities, the National Association of Counties, and the U.S. Conference of Mayors all endorsed the FCC's move.<sup>10</sup>

Radio broadcasters, and their principal trade group in Washington, didn't share that enthusiasm. Since 1996, the number of radio station owners has declined by 20 percent, as four giant operators have gobbled up roughly a thousand stations." The annual billing for a station in a mid-sized market can be \$20 million or more.<sup>12</sup> Competition from new entrants was not something that incumbent broadcasters welcomed. National Public Radio even joined them in the lobbying effort.

"The FCC has turned its back on spectrum integrity," Edward Fritts, the CEO of the National Association of Broadcasters, said in a statement released

the same day as the FCC **proposal**.<sup>13</sup> Fritts and the broadcasters he represents have consistently maintained that the new **broadcasters**—whose signals would reach listeners in a one or **two-mile** radius at their **limit**—**would** interfere with the signals sent by commercial radio stations. "NAB will review every option to undo the damage caused by low power radio," he **added**.<sup>14</sup>

Among the options it pushed for was the Radio Broadcasting Preservation Act, introduced by Rep. Michael D. **Oxley**, and co-sponsored by a whopping 165 of his House colleagues. The bill would severely limit the number of licenses the FCC would be allowed to issue. Instead of the 1,000 **Kennard's** proposal called for, **Oxley's** bill limited the number to 70. Those would be issued only after a lengthy period of testing had proven that no interference would result from their transmissions. The Ohio Republican stated that the purpose of his bill was to protect the "incumbent stations, those people who have made an investment, many times their life savings, in a small radio **station**."<sup>15</sup> Of course, it would also protect those corporations that had made an investment in **radio**—the same corporations that dominate the FM dial.

When the House Commerce Committee approved the bill on March 29, 2000, the NAB president sang its praises. "We appreciate the strong bipartisan support for the amended legislation, and we commend Reps. Mike Oxley and John **Dingell** for their strong leadership," Fritts said. "We look forward to quick passage by the full House of **Representatives**."<sup>16</sup> He **didn't** have to wait long. The House passed the measure by a veto-proof margin, 274-110, on April 14.

A Senate version of the legislation was introduced on February 10, 2000, by Judd Gregg, a Republican from New Hampshire (it attracted 35 co-sponsors). On the Senate floor, Gregg introduced his measure saying, "It is imperative that the integrity of the spectrum is **protected**."<sup>17</sup> He discounted any need for the new stations, suggesting that the Internet, newsletters, or public-access cable stations precluded the need for community radio stations. Gregg added that the low-power stations shouldn't challenge the incumbents. "The radio programming supplied to listeners by existing radio stations provides crucial news, weather, and emergency information, as well as cultural entertainment, which must be **preserved**."<sup>18</sup>

McCain, whose criticism of the FCC is long-lived, took the agency's side, and attacked Gregg's bill on the Senate floor. "While this would undoubtedly please existing FM radio broadcasters," he said of the measure, "it understandably angers the many parties who are anxious to apply for the new low-power licenses. Most importantly, it would delay the availability of whatever new programming these new low-power licensees might provide, even where

the station would have caused no actual interference at all had it been allowed to operate.”<sup>19</sup> On May 8, he introduced his own bill, the FM Radio Act, which would allow the FCC to begin issuing licenses. As of this writing, both acts are before the Senate Commerce Committee, which McCain chairs.

Of all the laws Congress has passed, none was aimed so directly at the FCC’s authority than the Telecommunications Act of 1996, a **deregulatory** measure designed, among other things, to limit the power of the FCC. The agency has been under fire as one lawmaker after another has accused it of dragging its feet in implementing the law’s aim of loosening oversight over broadcasters and cable companies. On March 17, 1999, at a House Commerce Committee hearing on the FCC Reauthorization Act, Tauzin blasted the FCC for not following through on deregulation. “As America prepares to enter the 21st century, we have, in effect, a **horse-and-buggy** agency trying to bridle supersonic technology,” the Louisiana Republican said. “And it’s simply not working. Simply put, can an agency created in the 1930’s, instilled with a regulatory purpose and ingrained with a regulatory mind-set, effectively oversee the ‘**deregulatory**’ policies engineered by Congress for a modern-day marketplace? The answer is no.”<sup>20</sup>

John Dingell, a Democrat from Michigan, echoed Tauzin’s complaints. “The FCC chairman knows full well that the commission’s implementation of the Telecommunications Act of 1996 has been inconsistent with our intent,” he said at the same hearing. “He has gotten away with it so far, and does not want us to step in and spoil his fun. The FCC thinks it is not accountable to the Congress.”<sup>21</sup> Dingell went so far as to say that the FCC under Kennard “has not only shown disregard for the law, but thumbed its nose at Congress.”<sup>22</sup>

Whether the agency has thumbed its nose or not, it has sparked heated Congressional opposition in recent years over some of its initiatives. Which is all the more surprising, given that Kennard, the FCC’s top regulator, began his Washington career representing some of the very same interests that have complained the loudest about him and his agency. Kennard worked for the National Association of Broadcasters on First Amendment issues, and later joined Verner, Liipfert, Bernhard, McPherson and Hand, where he specialized in “regulatory and transactional matters for communications companies, including broadcasters, cable television operators, programmers and cellular telephone providers,” according to his FCC biography.<sup>23</sup>

Erwin Krasnow, who hired Kennard at the National Association of Broadcasters and practiced with him at Verner, Liipfert, is regarded as the “dean of communications law” in Washington, and has lobbied for NBC and SBC Com-

munications. He served as a mentor to **Kennard** during his early years in Washington. "There were certain clients we didn't take on as a matter of principle, but that's pretty rare," **Krasnow** said of his days practicing with **Kennard**. "Clients sometimes push you **ethically**, but you draw a line in the sand." **Krasnow** said **Kennard** worked tirelessly on their behalf, representing some of the largest telecommunications companies in the country. "Because he has a gentle manner, some people don't think he's very tough," he said. "But he was very aggressive and vigilant in fighting for clients' rights. He was a prodigious worker."

That work ethic paid off when **Kennard**, at the age of 27, went from being an associate to becoming a member of the firm's board of directors. "Never was it clearer that an associate was entitled to be a shareholder than when Bill's name came up," **Krasnow**, now chair of Verner, **Liipfert's** communications practice, said. "He was head and shoulders above any other candidates we had."

Yet the time came when **Kennard** felt he had to move on, and in 1993 he left his \$200,000 a year legal career behind to accept the job of the FCC's general counsel, which paid him considerably less. Still, according to his old mentor, it was the ideal career move for **Kennard**. "His area of interest has always been communications law, and the chance to be the top lawyer at the FCC was a unique **opportunity**," **Krasnow** said. "We all encouraged him to go for it."

**Krasnow** has ushered several mergers through the FCC in recent years, including **Hearst-Argyle's** 1999 acquisition of Pulitzer Broadcasting. The merger greatly increased Hearst's stake in local television stations, from 15 to 26, and added network affiliates in Kansas City, Mo., and Sacramento, Calif. The Pulitzer deal also made Hearst ABC's top affiliate owner. Another **Kennard** mentor, **Ken Elkins**, served as Pulitzer Broadcasting's president until the merger had cleared all the regulatory hurdles, a process that didn't take long. The FCC approved the deal shortly after it was announced, even though the company said in its 1998 annual report that some of Hearst's new stations' signals gave them overlapping service in some markets, a violation of FCC regulations. Hearst was granted an ownership regulation waiver and was not forced to sell any of the overlapping stations.<sup>24</sup>

**Krasnow** told the Center he never used his long history with **Kennard** to try to influence an FCC decision. "Because we have such a close, personal relationship, I wouldn't go to him and ask him to do something which wouldn't be wise as a policy matter or was a wrong move politically for him," he said.

While **Kennard** began his career as a lawyer and later entered the public sector, the majority of media lobbying careers have followed the opposite path. Many former advisors and attorneys left the commission enriched by

their knowledge of policies and access to regulators—and were thus able to greatly enrich their pockets after years of toiling for a federal salary. One example is Maureen O’Connell, a former special counsel to former FCC commissioner James Quello. She left the agency in 1996 to become one of the top lobbyists for News Corporation, where she specializes, not surprisingly, in the company's relations with the FCC. She has pushed for favorable treatment on copyright and satellite issues during her time in the private sector.

"Media companies have had a presence in Washington for as long as I can remember," she said. "I think lobbying has always been important to them."

Former FCC chairman Richard Wiley, who headed the agency in the Ford administration, founded his own law and lobbying firm in 1983, six years after stepping down from his government post. More than a third of the partners in his firm's communications practice—which has represented Gannett Company, Inc., A.H. Belo Corporation and CBS, Inc., in recent years—held FCC positions before working at Wiley, Rein & Fielding. Among them:

- Robert L. Pettit, the FCC's general counsel from 1989 to 1992;
- David E. Hilliard, an attorney in the FCC's Cable Television Bureau (1975-1976);
- Peter D. Ross, who served as mass media legal advisor and later senior legal advisor to former Commissioner Sherrie P. Marshall (1989-1991);
- Karen A. Kincaid, former senior attorney-advisor in the FCC's Private Radio Bureau (1989-1993)
- Richard J. Bodroff, office of general counsel, legislation and litigation divisions (1974-1977); and law clerk to Commissioner Wiley (1973);
- John F. Kamp, who served for three years as the FCC's top lobbyist, chief of the Commission's Office of Congressional and Public Affairs, as well as having been a legal and policy adviser to three FCC commissioners.

Little wonder then that Wiley, Rein easily has the largest communications lobbying practice in the nation's capital.<sup>25</sup> When the Radio and Television News Directors Association commented on the public interest obligations of broadcast licensees on March 27, 2000 ("RTNDA firmly believes that *any* rule that

would require broadcast licensees to provide mandatory air time to political candidates represents an affront to journalistic freedom," they stated), it was a Wiley, Rein attorney who prepared their remarks.

Wiley, Rein's lobbyists are also busily at work for Gannett and A.H. Belo. The firm has lobbied for bills that would remove FCC restrictions on ownership of multiple newspaper and broadcast properties in the same market, designed to prevent a single media company from monopolizing the airwaves and the press in a community. Gannett (22 television stations and 95 newspapers) and A.H. Belo (18 TV stations and seven newspapers) would both benefit from loosened restrictions on **cross-ownership**; several bills have been introduced in Congress to accomplish just that. While these bills have stalled in Congress—among them the Broadcast Ownership for the 21st Century Act—the proposals and the lobbying effort behind them forced the issue of cross-ownership onto the FCC's crowded agenda. The agency agreed earlier this year to examine the issue. (Another Wiley client, the Newspaper Association of America, filed an emergency petition in August of last year with the FCC for relief from cross-ownership rules on behalf of its members, claiming the FCC had not fulfilled its legal obligation to do away with the ownership **restrictions**.)<sup>26</sup>

The symbiotic relationship between the commission and private interests has existed for years, and has not gone unnoticed by those in positions of power. Former chairman Reed Hundt, for example, told the Center that he had proposed a rule to prevent the commissioner's staff members from lobbying on issues they worked on at the FCC for one year, but his fellow commissioners denounced the idea. "None of the commissioners were interested, and I couldn't do it unilaterally," he said. The FCC currently imposes a one-year ban on lobbying of the agency by staffers who left positions at its individual bureaus, but has no such prohibition for the staff attorneys and aides assigned to each commissioner.

But the revolving door isn't limited to the staff members of the FCC's five commissioners, however. Of the 24 commissioners who served since 1970, seven currently lobby the agency or serve as attorneys for communications companies, **including**—in addition to Wiley—former Chairmen Mark Fowler and Charles Ferris. Commissioner Tyrone Brown, who once clerked for Chief Justice Earl Warren, joined fellow commissioner Mimi Weyforth Dawson at Wiley, Rein & Fielding after leaving office.

Media firms intent on lobbying the agency don't have to wait for FCC staffers to leave the agency. They can fly them around the world to exotic locales for face-to-face meetings. The Center obtained trip reports from the

Office of Government Ethics for trips made by FCC officials and paid for by third parties. The data reveals that since 1995, commission employees have gone on 1,460 industry-sponsored trips all over the globe, at a total cost of \$1.53 million. In some cases, the disclosures don't even reveal who's paying the tab.

When AT&T, Qwest Communications International Inc., or Microsoft Corporation executives need unfettered access to policymakers, including FCC staff members—but don't want to leave a paper trail behind—one company comes to their rescue: the Institute for International Research.<sup>27</sup> The innocuous sounding Institute is actually a privately held, global conference organization group, designed to allow corporate clients "an excellent opportunity to showcase your products in front of key decision makers ... and to ensure maximum networking opportunities."

They certainly deliver on that promise. Since 1995, the group has spent more than \$95,000 to provide senior FCC staff members with airfare, lodging and meals to attend "networking opportunities" in such exotic locales as Sydney, Rio De Janeiro, Hong Kong and Seoul. The networking included the opportunity to meet with private sector managers who have business before the commission. For a June 1997 conference in Hong Kong, for example, IIR clients could reserve hospitality suites for their staff, or for the speakers attending the conference. Among the featured speakers on the first day of that conference was Dr. Robert Pepper, Director of the FCC's Office of Policy & Planning. At the conference, Pepper spoke about several issues, including the Commission's role in developing a competitive Internet environment and access to bandwidth, and was followed by executives from Cisco Systems, Inc., and AT&T. The Institute's cost for Pepper's insightful 30-minute speech? \$2,247.

Pepper is no stranger to traveling on the IIR's nickel. From 1996 to 1999, he took seven other trips at their expense, for a total cost of more than \$22,500. His destinations included London and Cannes, France, in 1998, about a month before that city's famed film festival took place. Pepper did not respond to several requests to comment about his travels.

Although Pepper is the greatest recipient of the IIR's largesse, his is hardly an isolated case. Several other staff members, including legal advisors to Commissioner Susan Ness and to former Chairman Hundt, have also had large sums of money for travel and lodging expenses lavished on them in connection with an IIR event. In all, the IIR has paid for 62 trips for FCC personnel. A company spokeswoman would not comment about the trips, except to say that they were paid for so FCC officials could attend their seminars. The com-



pany's literature says that "IIR is not funded by any outside organizations; therefore, we have no political or commercial bias and are dedicated to providing comprehensive educational forums, as well as unprecedented opportunities to network with colleagues and specialists in the field." The spokeswoman would not disclose how IIR's activities are paid for.

For all its zeal in dispensing costly junkets to key regulators, the IIR is not alone in sponsoring travel. Pepper, by far the most prolific, was the beneficiary of \$78,000 worth of paid travel. The second-highest total for a staff member was the \$43,317 tallied by Mass Media Bureau Chief Roy Stewart. Among the more costly trips taken by FCC staff was a \$6,200 jaunt by Commissioner Michael Powell to Aspen, Colo., in March, at the invitation of the Aspen Institute. The lofty price of the weeklong seminar included lodging at the Institute's own hotel, "tuition and pre-assigned reading materials," meals and entertainment.<sup>28</sup>

The National Association of Broadcasters sponsored the most trips and spent the most cash on them, often as a means of allowing FCC Commissioners and staff to participate in the group's annual conferences and radio shows. The cost of the trade group's 139 trips was nearly \$113,000. Not to be outdone, the National Cable Television Association's 35 sponsored trips cost the group more than \$43,700—an average of nearly \$1,250 a trip. Yet the biggest spender on a per trip basis is a group known as AIC Conferences—which, like the Institute for International Research, organizes conferences in conjunction with corporate clients, including several trade groups. AIC lavished FCC brass with first-class accommodations to South Africa, Tokyo, and elsewhere. The 21 trips it paid for since 1995 cost more than \$39,000, or an average of more than \$1,850 for each staff member's participation in its conferences.

While media companies can get the ear of regulators by padding their frequent flier miles, their ability to get members of Congress to pressure the agency remains the most powerful tool in their arsenal. The FCC has statutory authority to review mergers of media companies to ensure that its rules aren't violated by the conglomerates that result from the blockbuster deals that have littered the media landscape in the last decade. Yet when the agency has tried to exert its authority, members of Congress have often cried foul.

On September 13, 1999, Viacom Inc. announced that it intended to acquire CBS in a \$37.3 billion deal. Under current FCC rules, a single company is permitted to reach only 35 percent of the country through the stations it directly owns, preventing a handful of companies from owning all of the television sta-

tions in the country. With the CBS deal, Viacom went over the cap, and had to sell off some stations to win FCC approval.

Within a week of the merger's announcement, John McCain introduced a bill in the Senate that would have removed that obstacle to Viacom's merger. The Arizona Senator, who voted against the Telecommunications Act of 1996 because he believed it would lead to consolidation of media and telecommunications companies, proposed raising the cap to 50 percent. That was a ceiling that Viacom could have met. "Uncle Miltie TV ownership rules don't work in a Chris Rock media market," McCain said on the Senate floor. "Let's face that fact, shed our outdated notions, and finish the job the FCC didn't."<sup>29</sup>



# 'The Brass Check

**I**n the summer of 1996, the tobacco companies were finally on the ropes. After years of fighting every lawsuit filed against them for smoking-related claims tooth-and-nail, they were ready to cry uncle. Facing billion dollar lawsuits brought by state attorneys general that threatened to put them out of business, the Philip Morris Companies, Inc. and other industry giants decided it was in their best interests to make a deal. In addition to monetary damages—the final settlement called for some \$200 billion of payments to states spread out over a period of 25 years—the industry also discussed numerous proposals to change their business practices. That summer, the tobacco companies floated various trial balloons to extricate themselves from the lawsuits.

They offered to disband their think tanks and "scientific" research institutes that promoted the idea that there was no link between cigarettes and cancer. R.J. Reynolds Tobacco Company offered to drop the infamous "Joe Camel" cartoon character—which critics claimed appealed to children—from its advertising. They'd stop merchandising their brand names with t-shirts, towels, beer mugs and the like.

Some of those proposals made their way into the final Master Settlement Agreement, completed in November 1998. Joe Camel was retired, and the industry promised to cease efforts to market to children. Tobacco companies would no longer sponsor sporting events, concerts, or pay for product placements for their brands in feature films. The think tanks and research institutes were disbanded.<sup>1</sup>

There were some concessions, however, that were floated by the industry but never acted upon. At one point, the companies offered to drop the full-page advertisements they ran in glossy magazines, pulling the Marlboro Man from the pages of *Sports Illustrated* and "You've come a long way, baby" from

*Vogue*. Although the settlement was still two years away, magazine publishers began panicking immediately. The lost revenue would have amounted to an estimated \$1.1 billion.<sup>2</sup> *MediaWeek*, a trade journal that tracks trends in the media, wrote that while the agreement might get tobacco companies out of their legal difficulties, "the deal would also sell magazines that carry tobacco ads right down the river."<sup>3</sup>

*MedidWeek* also reported that, shortly after news of a self-imposed magazine advertising ban had leaked out, representatives from Philip Morris met with officials from Time Inc., the Time Warner subsidiary that publishes *Time*, *Fortune*, *People* and *Sports Illustrated*, and the Hearst Corporation, which bills itself as the largest publisher of magazines in the world. The Philip Morris executives soothed the fears of the magazine publishers. They assured them "that the alleged proposal was nothing to worry about."<sup>4</sup>

Although publishers were remarkably silent in their publications about their own financial interests in the tobacco settlement—a Nexis-Lexis search of Time Inc.'s publications found just a single reference in *Fortune* to the money the company earned from carrying tobacco ads—lobbyists for the Magazine Publishers Association made their interest known in Washington. They continue to do so today. Magazine and newspaper publishers wage quiet lobbying campaigns on any number of fronts. From tax and labor law to postal regulations and broadcast ownership rules, the print side of the media behemoths lobby for their own interests like any other large corporation.

George Seldes, the maverick and independent muckraker long critical of the big business press, wrote a list of practices newspapers engaged in that he deplored. Number nine on his list—"Stop defending child labor because of the few dollars you save on newsboys," seems almost anachronistic.<sup>5</sup> Today some 58 percent of "newsboys" are adults, over the age of 18. Papers are picked up from distribution centers and delivered in trucks, enabling carriers to work routes much larger than those of shouting newsies or bicycle riding twelve-year olds.<sup>6</sup>

The switch from children to adult carriers was due to a number of factors, including the merging of many local evening papers with the more popular morning editions and a concern for the safety of young deliverers. Now most newspapers hire agents who commit to delivering a certain number of papers each week by contract. If the agents choose, they can then hire independent contractors of their own, most likely adults in need of a part-time job, to deliver the papers. Except for fielding complaints, newspapers have relatively little to do with adult carriers—and that's the way they like it. They may no

longer exploit "child labor," as Seldes put it, but they still get a bargain when it comes to getting their product from the presses to the subscriber's doorstep.

By declaring carriers independent contractors and not employees, newspapers can avoid paying taxes, including Federal withholding and FICA taxes that pay for Social Security and Medicare, on their wages. The tax burden falls entirely on the employee, and in the case of FICA, increases the amount taken from each check from 7.65 percent for wage-earning employees to 15.3 percent. It also releases the papers from threats of liability suits, which is a pretty good deal for the papers which still get seven-day-a-week service.

Newspaper companies successfully lobbied Congress to pass the Small Business Jobs Protection Act of 1996 to clarify independent contractor status for carriers. The Newspaper Association of America (NAA), the trade group that represents daily papers, led the way, spending \$2.1 million; they were joined by Cox Enterprises, Inc., publisher of the *Atlanta Constitution-Journal*, Gannett Company, Inc., and the Tribune Company.

Some distribution agents chose to hire carriers as employees after the IRS began putting pressure on the contractors. But the decision is left entirely to the agent. For its part, the NAA prepared a "Contractor Dos and Don'ts" instruction sheet for managers—a 20-step checklist that teaches companies how to protect themselves from having to declare carriers as employees for tax purposes.<sup>7</sup> "It's like their own business," one home delivery manager for the *Baltimore Sun* said.<sup>8</sup> For most carriers, it's a business that, thanks to lobbying dollars, Congress has left alone.

The money spent by newspapers and magazines on lobbying is, for the most part, designed to protect the bottom line. In 1998, a coalition of media firms successfully lobbied against the Postal Modernization Act, which would have given the nation's letter carrying service the ability to set rates, offer new services without lengthy reviews, and modernize its operations. Critics charged that the bill, sponsored by John M. McHugh, a Republican from New York, would have given the Postal Service too much authority to raise postal rates, especially for periodicals. The publishing industry predicted those increases could cost them upwards of \$300 million.<sup>9</sup> The Magazine Publishers Association declared a "counterattack" against the Postal Service. The association and its members launched "a \$10 million, three-year campaign designed not only to help bring the rate hike for periodicals more in line with the rate of inflation...but to see fundamental reform in the way the Postal Service does business, from top to bottom."<sup>10</sup> (The three-year counterattack was needed; although McHugh's bill died in 1998, he reintroduced it in 1999.)

One reform that their colleagues in the business offices of newspapers weren't anxious to see was a pilot program that would have allowed the Post Office to become a competitor for advertising revenue. By offering a direct-mail equivalent—at a far lower price—of the inserts that proliferate in Sunday papers, the post office threatened the \$13 to \$15 billion a year in revenue that those inserts brought in at the time for newspapers.

On June 29, 1999, McHugh's office crowed that the National Newspaper Association, the lobbying group for some 3,600 weekly newspapers, had dropped their opposition to the bill, after their concerns had been addressed. "By adopting much of their feedback," McHugh said in a statement, "I believe we have achieved a well-refined, balanced bill. I am thrilled that we've been able to reach an agreement with the newspapers to incorporate their feedback in the measure as it goes forward in committee."<sup>11</sup>

As of this writing, the measure has yet to pass. The NAA, the Magazine Publishers of America, Time Warner, Cox Enterprises, and Gannett have yet to have their feedback adopted.

Gannett, which has its headquarters in a gleaming silver tower in Rosslyn, Va.—just a few miles removed from the White House and Capitol Hill—is a case in point of the ways in which media interests and government business collide. From its origins as a New York newspaper chain founded by Frank Gannett in 1906, the company has grown to operate 99 daily newspapers, including *USA Today*, with a combined total circulation of 7.8 million. The company owns 22 television stations that reach 17.4 percent of the country, and subsidiaries ranging from advertising groups to telemarketing to Internet ventures. Revenues in 1999 reached \$5.3 billion. With so many employees and interests worldwide, and so much money at stake, Gannett lobbies like any other *Fortune* 500 corporation.

Since 1996, the company has spent \$1.6 million lobbying Congress, on everything from intellectual property laws to attempts to restrict Internet gambling. It's lobbied on foreign tax rules and budget agreements and Federal Communications Commission rules that prevent cross-ownership of newspaper and broadcasting properties in the same community. In this, Gannett, like many other newspaper companies that also own local television or radio stations, has found itself allied with the broadcast industry, which is seeking to gut FCC rules that prevent concentration of too much media power in too few hands.

Rep. Michael G. Oxley (R-OH), Vice-Chairman of the House Subcommittee on Telecommunications, has publicly supported eliminating such restrictions. He claimed that the rule "hinders the ability of newspapers to compete

in a multimedia environment, and prevents struggling newspapers from merging with local broadcast stations to stay in business and serve the public."<sup>12</sup> Oxley's enthusiasm for a deregulated, pro-market approach to broadcast ownership has not gone unnoticed. Since 1993, Oxley has received more than \$112,000 in contributions from media interests.

At the other extreme from Gannett, some newspaper lobbying is a family affair. David Copley is heir to one of the largest family-owned publishers in the country, which numbers the *San Diego Union-Tribune*, Copley News Service and 40 other newspapers in its empire. His family's publishing group—which in 1996 held a gala event for 6,000 guests during the Republican National Convention in San Diego, including music from the Brian Setzer Orchestra—wants to make certain that current legislation aimed at eliminating the estate tax, assessed against only the wealthiest of Americans, sails through the legislature and becomes law.<sup>13</sup>

David Copley is the third generation of his family to stand at the helm of the business. After company founder Ira Copley's death in 1947, his sons, James and Bill, both inherited ownership stakes in the business. Dissatisfied with his nominal role in the company's operations, Bill Copley sued to liquidate it in 1955. Only a settlement in which James bought out his brother's stock in the company saved it from extinction and, when James died in 1973, his wife Helen gained control and ownership, which she retains today.<sup>14</sup>

The current estate tax system would give more than half of Copley Press' assets to the U.S. Treasury when Helen Copley, now 78, passes away. David, who serves as the company's president, would stand to inherit the rest of the company. Although the exact net assets of the company aren't known, the publishing house had revenues of \$528 million in 1999. The elimination of the estate tax—which taxes anywhere from 37 to 55 percent of the deceased's assets, depending on the estate's total value—would save the Copley family millions. Copley chief legal officer Harold Fuson told the Center that Copley is part of loose coalition of family-owned media outlets attempting to do away with the estate tax. "We are contributors to a fund that is trying to eliminate the estate tax," Fuson said. "There was nothing particularly surreptitious about it."

Atlanta-based Cox Enterprises, which owns the *Atlanta Journal-Constitution* and cable operations that together earned nearly \$6.1 billion in 1999, and Morris Communications, owner of 31 newspapers and 24 radio stations (\$538 million in revenues), are also part of that effort. The two companies have retained lobbyist Mary Scott Guest to put forth their point of view.

While Congressmen go on the stump regaling the public with tales of how the estate tax leaves small businessmen and farmers unable to pass on their lives' **work**, Guest has earned at least \$950,000 since 1996 by trying to garner support for various bills to kill the estate tax, most recently pushing for legislation sponsored by Rep. Jennifer Dunn (R-Wash.) to do just that by the end of 2009. Dunn's bill, after spending 15 months before the House Ways and Means Committee, passed the full House in June by a convincing 279-136 margin, and passed the Senate.

The connection between Guest—whose brother is former South Carolina Congressman and current lobbyist Butler Derrick, and whose husband served for 28 years in the Virginia state legislature—and Dunn is more than just a common interest in tax bills. Both are members of the board at WISH List, a non-profit group that campaigns to elect pro-choice Republican women to both houses of Congress.

Dunn spokeswoman McCall Cameron didn't know if Guest and Dunn had ever discussed how the repeal of the estate tax would affect newspaper publishers, but she said several of Dunn's constituents, including family friend Frank Blethen, who owns the *Seattle Times*, had lobbied in support of phasing out the tax. That paper sponsors an Internet site, <http://www.deathtax.com>, that calls the death tax "the single most devastating obstacle to American family business. The newspaper industry is no **exception**."<sup>15</sup>

At the bottom of the page is the following disclosure: "This Web site was created and maintained by the *Seattle Times*. The *Seattle Times* is one of the last family owned and operated metropolitan newspapers left in America." On another page, the interested surfer can find a list of other organizations with similar views that the paper has worked with. Among them: The Newspaper Association of America, conservative think tanks Consumers for a Sound Economy and the Heritage Foundation, and the Cato Institute, a libertarian think tank.

According to Cameron, Dunn and Blethen, whose community newspapers earned \$344 million in 1998, "have been working together for a very long time." Cameron added, "We've got lots of family-owned newspapers in Washington State that have been very supportive of the bill. When you look up and down main street in regular towns—not just New York or Los Angeles—the community newspaper is family-owned."

Thus far, however, support for Dunn's bill from family-owned media groups has been largely limited to phone calls and letter writing; neither Blethen nor the Copley or Morris families have contributed to Dunn's campaign, although Cox Enterprises chairman James Kennedy gave \$1,000 in October 1999.



Guest hasn't been the only lobbyist hired by family-owned media firms to support Dunn's bill or similar measures. Between 1996 and 1997, Morris Communications also paid the firm of Mayer, Brown & Platt \$250,000 to create further pressure on Capitol Hill. Since 1997, Cox Enterprises has paid \$340,000 to Timmons & Co., a firm heavily staffed by former aides to major Democratic power brokers—including the former chief of staff to Rep. John Dingell of Michigan.

Family-owned newspapers are taking advantage of another resource to persuade Congress—their own press. The Cox owned *Atlanta Journal Constitution* published a July 31 editorial urging President Clinton to "Quit Toying with Taxpayers' Money." "It stands to reason, of course, that those who pay most of the taxes ought to benefit from most of the tax cuts. But somehow, this logic escapes Clinton and many Democrats who cry that tax cuts are only benefiting the wealthy. They seem to believe that the harder we work, the more government is entitled to milk us of our earnings."

It may have been that sort of editorial George Seldes had in mind when he wrote, in his 1938 book *Lords of the Press*, "No newspaper which is supporting one class of society is independent."<sup>16</sup> Seldes was actually thinking of the relationship between the press and those who pay its bills, the advertisers. He was the first journalist to expose the dangers of cigarettes in a series of articles in his self-published newsletter, *In Fact*." Indeed, for the entire decade of the 1940s, he was the only journalist writing about the mounting medical evidence that showed a correlation between tobacco and shorter life spans.<sup>18</sup>

Seldes uncovered advertising contracts between tobacco companies and newspapers that contained clauses specifying "no news and or no adverse comments on the tobacco habit must ever be published."<sup>19</sup> He documented any number of instances in which publications—including the *New York Times*, *Time*, and *Newsweek*—ran articles suggesting that smoking was not a health hazard. (One *Newsweek* article, published in December 1946, contained this advice: "Sipping a highball while smoking was recommended for smokers suffering from heart disease by a prominent health specialist last week. Dr. Wm. D. Stroud, professor of cardiology at the Graduate School of Medicine, University of Pennsylvania, made the recommendation.")<sup>20</sup> He found over and over again that reputable medical studies—conducted at hospitals, universities, even by life insurance firms—which all concluded that smoking posed a serious health risk were ignored by the press.

In *Lords of the Press* he wrote, "There are less than a dozen independent newspapers in the whole country, and even that small number is dependent on advertisers and other things, and all these other things which revolve

around money and profit make real independence impossible.”<sup>21</sup> Some 62 years after he penned those words, the media's relationship with tobacco companies has changed in some important respects. No longer do magazines run stories advising smokers with heart conditions to down a drink with their coffin nails. However, publishers are still eager to reap the bonanza of advertising dollars from selling cigarettes. And they've fought on Capitol Hill to keep the cash coming in.

In 1996, the Freedom to Advertise Coalition, which counted the Magazine Publishers of America among its members, held a news conference in Washington to defend the right of tobacco companies to spend hundreds of millions of dollars advertising their products. American Association of Advertising Agencies executive vice president Hal Shoup said the majority of studies showed no link between advertising restrictions and a reduction in the number of smokers—parroting a line of the tobacco giants. Shoup was interrupted by a member of the audience, who asked, “Then why do they advertise?”

“Pardon me?” a surprised Shoup responded.

“Then the obvious question is why do they spend all this money advertising?”<sup>22</sup>

The amount they spend is staggering. The magazine industry earned \$238 million in revenue from cigarettes, tobacco and accessory advertising in the first half of 2000 alone, making tobacco companies the 13th largest source of ad dollars for magazines, according to the Publishers Information Bureau.<sup>23</sup> In 1999, after the industry's historic settlement, magazines still saw a 24.7 percent increase in cigarette advertising. The PIB ranked Philip Morris third among the top 50 magazine advertisers, with its advertising budget of more than \$383 million that year.<sup>24</sup>

Joe Camel may be gone, but his replacements mean serious revenues for publishers who depend on ad dollars to survive, and the media is eager to protect that revenue source. Since 1996, the Magazine Publishers of America have spent \$1.7 million to lobby for the interests of its members, specifically to halt tobacco legislation like the Healthy and Smoke Free Children Act of 1998, which would have given the FDA the authority to regulate cigarette advertising. They spent thousands of dollars to help the tobacco companies escape FDA regulation, all in the name of advertising revenue.

Media firms have gone even further in their relationship with tobacco companies. This year, in response to criticism that they had ignored the settlement agreement and increased marketing to teens, Philip Morris voluntarily pulled ads out of magazines with over 15 percent of readership under 18—a threshold that includes publications like *Sports Illustrated* and *Time*. *Newsweek's*

Bruce Brandfon told *Advertising Age*, "Philip Morris is a painful one for us at the moment."<sup>25</sup>

That pain didn't extend to Time Warner or Hearst, the two companies Philip Morris reportedly approached in 1996 with assurances that the tobacco settlement wouldn't affect them at all. Both companies have gotten into the lucrative business of publishing magazines that serve as fronts for tobacco advertising.

Brown & Williamson Tobacco Corporation, Philip Morris, and R.J. Reynolds all have launched magazines of their own. They've contracted with Time, Hearst, Hachette Filipacchi Magazines, Inc., publisher of *Woman's Day*, *Elle* and *Car and Driver*, and EMAP Petersen, Inc., which counts *Teen*, *Hot Rod* and *Motor Trend* among its titles, to produce their publications. The tobacco firms paid upwards of \$650 million in 1999, according to the *New York Times*, to the four publishers to produce the glossy magazines, complete with ads for Marlboros, Camels and Kools.<sup>26</sup>

Brown & Williamson has teamed with Hearst to produce three tides, including *Flair*, aimed at women (and which suitably carries ads for the company's "female-oriented brands Capri and Misty and the ultra-low tar product Carlton"), and *Real Edge*, a men's magazine patterned after *Maxim*, and directed at young men.<sup>27</sup> Time Inc.'s Wink Media division produces *CML: The Camel Quarterly*, for R.J. Reynolds. Asked if Time Inc. had any ethical qualms about producing what was essentially an advertising vehicle for a tobacco company, Peter Costiglio, a Time spokesman, told the *New York Times*, "The simple institutional answer is no. We see the magazine as directed at an audience that because of age and demographic can make their own decisions about tobacco."<sup>28</sup>

Just, apparently, as the print media has done.



# Future Shock

**O**n the screen, you're watching the ninth inning of a World Series game while "chatting" electronically with a friend about your fruitless search for an apartment. "Try this address," he responds, and on a split screen you call up the Internet site, which shows the building's exterior and asks whether you'd like to take a tour of a studio, one-bedroom or two-bedroom apartment. A pinch hitter comes to the plate; you click on his name on the screen and instantly see that his average was an anemic .202 this year, but lifetime off your team's closer he's Ted Williams: Nine for 20 with three home runs. Between pitches, you decide that the one-bedroom apartment is in your price range, and start filling out the online application. Midway through it, just as you hear the crack of the bat and the roar of the crowd as the ball goes rocketing toward the outfield bleachers, the pocket-sized, hand-held device that's been providing you with all this entertainment emits a chirping sound.

Incoming call. Your mother, asking how the apartment hunt is going.

Technologically, the above scenario is feasible. In the jargon of telecommunications professionals, it's called third generation wireless: A portion of the digital spectrum soon to be auctioned off that can transfer up to two megabytes of information per second to users.<sup>1</sup> The Federal Communications Commission will auction off the right to broadcast on that spectrum some time in the next year or so (the date, originally set for October 2000, has been delayed), potentially raising anywhere from \$100 billion to \$576 billion for the right to provide subscribers with digital images, Internet access, and cellular phone service, all via the airwaves. The technology may make Dick Tracy's two-way wrist television, a futuristic staple in Chester Gould's detective strip, look as primitive as an old-fashioned rotary phone.

otherwise be able to **offer**."<sup>9</sup> They maximized their revenues by forcing satellites companies to pay for retransmission rights to broadcasters programming. As McCain put it:

Broadcasters, who also have substantial cable television programming **interests**, would have not only the clear upper hand in these **negotiations**, but also the incentive to dictate unfair prices and conditions in order to competitively benefit their cable television cousins, which also bargain for permission to retransmit the same local stations from the same networks. The validity of these concerns was reported as recently as yesterday's *New York Times*, which reported that an analyst for Banc of America has estimated that the broadcast industry will charge satellite television companies triple the amount it charges cable television companies for retransmission consent rights. And satellite television subscribers are the ones, of course, who will ultimately pay to put that extra money in the television broadcast industry's **pocket**.<sup>10</sup>

Echostar eventually reached agreements with the broadcasters whose signals it dropped in May. Subscribers pay the price. If the company's customers want to get their local stations via their satellite receiver, the company charges a 10 percent premium to their monthly **bills**.<sup>11</sup>

Much as in the case of cable **television**—a technology that was available for years before regulators and the powerful incumbent broadcasters dropped their opposition to its **spread**—**entrenched** interests are blocking infant media like satellites. Their concern is protecting their profits.

The music industry has declared war on an Internet website they believe encourages piracy and tramples copyright laws. Napster.com enables fans to download and swap digital copies of songs, called MP3 files, free of charge. The service has proved popular with over 20 million **users**.<sup>12</sup> The Recording Industry Association of America is suing Napster for copyright infringement. On July 26, 2000, under the orders of a federal judge, the site was ordered to shut down. Two days later an appeals court gave Napster a last-minute reprieve for 60 **days**, when it's expected to revisit the case. If Napster loses the appeal, it will be forced to shut down and pay damages to **RIAA**.<sup>13</sup>

The suit against Napster is hardly an isolated case. The Internet faces a battle of pirate versus pioneer. A Canadian site called iCraveTV.com was slammed with a lawsuit in January 2000 for copyright and trademark infringement, **dilu-**

tion, unfair competition, and civil conspiracy by ten major motion picture studios and three broadcasting companies.<sup>14</sup>

The Internet company, which is currently off line, billed itself as offering "the world's first 24-hour-a-day, live streaming of complete over-the-air television broadcasts on the Internet." iCraveTV allowed users to watch shows when they chose. The site, which was supposed to serve Canadian viewers, was easily accessible to American Internet users.

American companies cried foul. According to the plaintiffs, whose ranks include ABC, Fox, CBS, Viacom, and Time Warner, iCraveTV was guilty of "one of the largest and most brazen thefts of intellectual property ever committed in the United States." They claim that since November 30, 1999, the defendants have "pulled the broadcasts of 17 television stations in Buffalo, N.Y., and Toronto, Canada, off the air, digitized them, and sent them out over the Internet."<sup>15</sup>

Because the company offers its own advertising during the playback of shows, broadcasters argued that the company made a profit from copyrighted material it had no right to retransmit. "It is blatantly illegal for satellite and Internet providers to steal broadcasters' copyrighted works and signals," Edward O. Fritts, the president of the National Association of Broadcasters, said of the company.<sup>16</sup>

iCraveTV isn't the only Internet company attempting to offer over-the-web broadcasting. A dozen companies, including Disney and subsidiaries of Time Warner and Viacom, sued RecordTV.com. The small startup offers customers what is essentially a web-based VCR that can record any program for later viewing over the Internet.<sup>17</sup>

While the media conglomerates have protected their interests in the courts and lobbied Congress for tougher intellectual property protections, they've been eager to get into the Internet business themselves. Cablevision Systems Corporation offers Web access to its subscribers through its Optimum Online provider, Cox Communications Inc. and Comcast Corporation offer @Home, and Time Warner offers Road Runner. But the clearest example of the attraction the Internet holds for the media giants is the merger of America Online Inc. and Time Warner. Critics have argued that such a combination would create a multimedia behemoth that could stifle competition in the high-speed, or broadband, Internet market. Jeffrey Chester, the executive director of the Center for Media Education, a nonprofit that tracks the business practices of media corporations, believes regulators must limit the power of the new entity. "If, as AOL's Steve Case suggests, this merger signals the start of the 'Internet Century,'" he said, "then Chairman Kennard and the FCC must set

the appropriate tone for that new era by ensuring the basic ground rules of fair play and competition."

Time Warner chief executive Gerald Levin has reassured regulators that the combined company will offer rival Internet service providers access to its sprawling cable networks. "Any Internet service provider that would like to come and negotiate with Time Warner, we are ready and open," Levin said.<sup>18</sup>

As regulators reviewed the terms of the merger for potential antitrust violations, Walt Disney made its own views known on the deal. The company has asked regulators to "impose meaningful and enforceable conditions prior to any possible merger," and it urged that AOL split into two divisions in an effort to separate content from cable systems.

After having 3.5 million potential viewers in seven markets around the country lose access to their ABC stations and Disney Channel programming in their earlier dispute with Time Warner, it's perhaps not surprising that the company wants to ensure access for its content on AOL's Internet sites and Time Warner's cable systems. Disney has its own bottom line to think of.



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Information on campaign contributions is based on the Center for Public Integrity's analysis of data from the Federal Election Commission and the Center for Responsive Politics.



## Top Media Contributors to Political Campaigns 1993 to June 30, 2000

Contributor	Location	Amount
Time Warner, Inc.*	New York	\$4,605,209
The Walt Disney Company*	Burbank, Calif.	4,086,195
The Seagram Company, Ltd.*	Montreal	2,880,607
National Cable Television Association	Washington	1,992,090
National Association of Broadcasters	Washington	1,932,057
AT&T Corporation/Liberty Media*	Basking Ridge, N.J.	1,861,935
Viacom Inc.*	New York	1,851,310
DreamWorks SKG	Universal City, Calif.	1,754,150
News Corporation, Ltd.*	Sydney, Australia	1,477,905
Saban Entertainment Inc.	Los Angeles	1,287,676

## Top Presidential Candidate Recipients of Media Contributions 1993 to June 30, 2000

Presidential candidate	Election year	Amount
Al Gore, Dem.	2000 Democrat nominee	\$1,163,490
George W. Bush, Rep.	2000 Republican nominee	1,070,728
Bill Bradley, Dem.	2000 Primary challenger	1,034,004
Bill Clinton, Dem.	Won 1996 election	634,456
Bob Dole, Rep.	Lost 1996 election	294,095

## Top Media Contributors to 2000 Presidential Nominees\*

### *Albert Gore Jr., Democrat Nominee*

Company	Location	Amount
Viacom Inc.**	New York	\$90,675
Time Warner Inc.**	New York	57,200
Cablevision Systems Corporation.	Bethpage, N.Y.	53,200
America Online, Inc.	Dulles, Va.	25,750
News Corporation, Ltd.**	Sydney, Australia	24,000

### *George W. Bush, Republican Nominee*

Company	Location	Amount
AMFM, Inc.**	Dallas	\$80,250
Comcast Corporation	Philadelphia	32,000
Time Warner, Inc.**	New York	30,400
America Online, Inc.	Dulles, Va.	23,000
MediaOne Group	Englewood, Colo.	17,000

\*2000 election cycle only; figures include contributions made through June 30, 2000.

\*\*Includes subsidiaries and merged entities.

## Top Senate Recipients of Campaign Contributions, 1993 to June 30, 2000

Senator	Party-State	Committee	Amount
John McCain	R-Ariz.	Chairman, Commerce	\$685,929*
Edward M. Kennedy	D-Mass.	Judiciary	529,970
John Kerry	D-Mass.	Commerce	<b>470,944</b>
Hillary Rodham Clinton	D-N.Y.	Candidate	456,080
Charles E. Schumer	D-N.Y.	Judiciary	<b>435,550**</b>
Barbara Boxer	D-Calif.		417,249
<b>Dianne</b> Feinstein	D-Calif.	Judiciary	413,462
Ernest E Hollings	D-S.C.	Ranking Democrat, Commerce	324,384
<b>Alfonse M. D'Amato</b>	R-N.Y.		318,933
Larry Pressler	R-S.D.	Chairman, Commerce	300,792
Bob Kerrey	D-Neb.		285,313
Conrad Burns	R-Mont.	Commerce	270,609
Charles S. Robb	D-Va.		240,577
Tom Daschle	D-S.D.	Senate Minority Leader	236,722
<b>Arlen</b> Specter	R-Pa.	Judiciary	193,296

Names in boldface are current members of the Senate.

\*Includes contributions to Presidential campaign

\*\*Includes contributions to House campaigns.

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T A B L E S

## Top House Recipients of Campaign Contributions, 1993 to June 30, 2000

Representative	Party-State	Committee	Amount
Howard L. <b>Berman</b>	D-Calif.	Judiciary	\$315,598
Richard A. Gephardt	D-Mo.	Minority Leader	252,997
Edward J. <b>Markey</b>	D-Mass.	Commerce	250,350
Jack Fields	R-Texas	Commerce	247,289
John D. Dingell	D-Mich.	Ranking Democrat, Commerce	193,136
Mark Green	R-Wis.	Science	157,350
Thomas J. <b>Bliley Jr.</b>	R-Va.	Chairman, Commerce	142,016
Vic Fazio	D-Calif.		137,617
Joe L. Barton	R-Texas	Commerce, Science	132,098
Martin Frost	D-Texas		129,698
Michael G. <b>Oxley</b>	R-Ohio	Commerce	112,298
James E. Rogan	R-Calif.	Commerce, Judiciary	111,581
Dennis Hastert	R-Ill.	House Speaker	110,049
<b>W. J. "Billy" Tauzin</b>	R-La.	Commerce	109,575
Mark <b>Foley</b>	R-Fla.		108,000

Names in boldface are current members of the House.

## Top Lobbying Issues for Media Firms 1996 to 2000

BY NUMBER OF **LOBBYING REGISTRATIONS** MENTIONING EACH ISSUE.

Rank	Issue	Registrations
1.	Intellectual Property and Copyright Protections	556
2.	Violent Programming Restrictions	469
3.	Regulation and Expansion of Satellite Systems	287
5.	Tax Issues	272
5.	General Telecommunications Issues	272
6.	Campaign Finance Reform	220
7.	Cable Television Regulation	192
8.	Advertising Restrictions on Alcohol, Tobacco	178
9.	Ownership Regulations	170
10.	Broadband/Spectrum Issues	105

## Top Media Spenders on Lobbyists 1996 to 2000

INCLUDING IN-HOUSE AND OUTSIDE LOBBYING EXPENDITURES

Organization	Location	Amount
National Association of Broadcasters	Washington	\$19,420,000
Time Warner, Inc.	New York	15,770,000
National Cable Television Association	Washington	13,680,000
The Walt Disney Company	Burbank, Calif.	11,000,000
Viacom Inc.	New York	9,290,000
News Corporation, Ltd.	Sydney, Australia	7,480,000
Newspaper Association of America	Vienna, Va.	6,510,000
Cox Enterprises, Inc.	Atlanta	4,610,000
Comcast Corporation	Philadelphia	4,120,000
Association of American Publishers	New York	3,120,000

## Top Media Lobbying Firms 1996 to 2000

RANKED BY AMOUNT EARNED **LOBBYING** FOR MEDIA COMPANIES.

Firm	Major Clients	Amount
Akin, Gump, Strauss, Hauer & Feld, LLP	Time Warner, Inc.	\$1,520,000
Podesta & Associates	Viacom Inc., Time Warner, Inc., NBC	1,520,000
Ryan, Phillips, Utrecht & MacKinnon	National Cable Television Association	1,500,000
Williams & Jensen, PC	Time Warner, Inc., National Cable Television Association	1,180,000
Arter & Hadden, LLP	News Corporation, Ltd.	960,000
Guest and Associates	Cox Enterprises, Inc., Morris Communications Corporation	950,000
Duberstein Group Inc.	Time Warner, Inc.	860,000
Wexler Group	Comcast Corporation	820,000
Barbour, Griffith & Rogers	CBS, Inc.	360,000
Hogan & Hartson, LLP	News Corporation, Ltd.	340,000

## Top Congressional Travelers on Media-Sponsored Trips 1997 to 2000.

BY AMOUNT SPENT ON MEMBERS AND THEIR STAFFS.

Member	Party-State	Number of Trips	Cost of Trips
<b>W.J. "Billy" Tauzin</b>	R-La.	42	\$77,390
<b>Thomas J. Bliley Jr.</b>	R-Va.	19	18,110
<b>Elizabeth Furse</b>	D-Ore.	3	14,710
<b>Orrin G. Hatch</b>	R-Utah	12	12,846
<b>John Conyers Jr.</b>	D-Mich.	12	12,616
<b>Michael G. Oxley</b>	R-Ohio	7	12,488
<b>John F. Kerry</b>	D-Mass.	3	11,340
<b>Dennis Hastert</b>	R-Ill.	6	10,540
<b>Henry J. Hyde</b>	R-Ill.	9	10,134
<b>John M. Shimkus</b>	R-Ill.	6	9,333

Names of current members of Congress are in boldface.



## Top Sponsors of Congressional Trips 1997 to 2000

<u>Trip Sponsor</u>	<u>Location</u>	<u>Amount</u>
News Corporation, Ltd.	Sydney, Australia	\$68,175
National Association of Broadcasters	Washington	<b>56,212</b>
National Cable Television Association	Washington	48,168
MediaOne Group	Englewood, Colo.	41,159
The Walt Disney Company	Burbank, Calif.	33,868
NBC, Inc.	New York	26,929
World College of Journalism & Communication	Taiwan	18,700
Association of Local Television Stations	Washington	18,490
Instinet Corporation	New York	15,260
Discovery Channel Foundation	Bethesda, Md.	13,900

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T A B L E S

## Advertising Revenues from Political Spending on Broadcast Television 1980 to 2000

Year	Network	Spot (Local)	Total
1980	20,699,700	69,870,300	90,570,000
1981	713,100	20,114,300	20,827,400
1982	861,900	122,760,300	123,622,200
1983	2,739,700	24,609,700	27,349,400
1984	43,652,500	110,171,500	153,824,000
1985	—	22,680,500	22,680,500
1986	459,300	161,184,000	161,643,300
1987	—	24,923,200	24,923,200
1988	38,520,700	189,379,500	227,900,200
1989	—	51,538,600	51,538,600
1990	—	203,313,300	203,313,300
1991	—	37,304,000	37,304,000
1992	73,816,000	225,807,400	299,623,400
1993	—	70,157,500	70,157,500
1994	—	354,961,400	354,961,400
1995	—	44,549,100	44,549,100
1996	33,824,000	366,661,900	400,485,900
1997	—	78,881,100	78,881,100
1998	—	498,890,600	498,890,600
1999 (estimate)	—	65,000,000	65,000,000
2000 (estimate)	50,000	550,000,000	600,000,000

Source: Competitive Media Reporting and Television Advertising Bureau.



# Major Media Mergers and Acquisitions

**O**n May 22, 1996, Paramount Pictures released the blockbuster film *Mission: Impossible*, directed by Brian De Palma and starring Tom Cruise, Jon Voight, and Emmanuelle Beart. The actors promoted the film on MTV through a "global viewer sweepstakes" and were featured guests on VH1 specials. Both stations aired music videos of the movie's theme song. Simon & Schuster Books converted the screenplay to a novel. Marvel Presents: Paramount Comics published *Mission: Impossible* as its first title. The result—the movie brought in a record \$75 million in its first six days. And all the profits, from the movie tickets to the book sales to the advertising revenue from VH1, MTV, and even the comic book, went to one company: Viacom Inc. Thanks to the unprecedented wave of media mergers over the last 15 years, Viacom's promotion effort was conducted entirely in-house.

"Sharing ideas is essential to our business strategy," the company's Web site proclaims. "It's part of our cultures; it's why we merged." Viacom celebrates the synergies that its vast empire of cable and broadcast, film and television production, radio and print properties create for it. "The list below may seem long," the site advises, "but it's really just a taste of ongoing collaborations throughout Viacom." To quote just a few:

- Paramount Television's *Entertainment Tonight* produces the Blockbuster Entertainment Network, which runs on TV monitors in Blockbuster stores featuring current and upcoming home video releases and other entertainment news.
- The comedy *Dead Man on Campus* marks the first live-action collaboration between Paramount Pictures and MTV Films. Previously the two companies collaborated on the hugely successful animated *Beavis and Butt-head Do America*, which grossed over \$62 million at the domestic box office.
- Simon & Schuster's Pocket Books imprint has sold more than 65 million Star Trek-related books based on the Paramount Television franchise, and more than 100 have been *New York Times* best sellers. Simon & Schuster sells one Star Trek book every five seconds worldwide.

Viacom isn't the only company achieving such synergy. *The Matrix* was released March 31, 1999, under the Warner Brothers aegis, and was the cover story for *Entertainment Weekly's* April 9th issue. Both *Time* and *People* reviewed the movie in their April 5th issues and *People* profiled the film's star, Keanu Reeves, in their April 12th issue. Maverick Records produced the soundtrack and Warner Home Video distributed the video. *Entertainment Weekly* announced the arrival of six "adult toys"—action figures of the movie's characters. All the companies are subsidiaries of Time Warner, Inc., with the exception of Maverick Records. That's a joint venture.

The synergies enjoyed by Time Warner, Viacom, and their rivals the Walt Disney Companies, Inc., and News Corporation, Ltd., were achieved through mergers and acquisitions of other companies. Through the years, all three branches of government have had a role in the creation of the largest media empires.

March 18, 1985: Capital Cities Communications Inc. announced its agreement to acquire American Broadcasting Companies Inc. for more than \$3.5 billion. The deal required approval by stockholders, as well as some divestiture of local television and radio stations to meet FCC regulations. The proposed combined company was called Capital Cities-ABC Inc. The deal included provisions that allowed Warren Buffet of Omaha, Nebraska, one of the nation's richest men, to put up \$500 million in exchange for an 18 percent stake in Capital Cities and a seat on its board.

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## A P P E N D I X

**March 19, 1985:** Top executives from Capital Cities and ABC paid "courtesy calls" to officials of the FCC, who were to decide what properties must be divested for the merger between the two companies to gain regulatory approval. The executives also met with members of Congress, including Rep. Timothy E. Wirth (D-Colo.), chairman of the House Subcommittee on Telecommunications, Consumer Protection, and Finance; Rep. John Dingell (D-Mich.), chairman of the House Energy and Commerce Committee; and Sen. John C. Danforth (R-Mo.), chairman of the Senate Commerce Committee.

**May 6, 1985:** Rupert Murdoch and Marvin Davis arranged an agreement with Metromedia Inc. to buy seven big-city television stations from Metromedia for more than \$2 billion to start a new company. Murdoch and Davis simultaneously agreed to sell one of the stations, WCVB-TV in Boston, to Hearst Corp. for about \$450 million in cash. The two men would keep the other six stations: WNEW-TV in New York, KTTV-TV in Los Angeles, WFLD-TV in Chicago, WTTG in Washington, KRIV-TV in Houston, and KRLD-TV in Dallas-Ft. Worth. To finance the deal, Murdoch intended to sell his New York-based alternative weekly newspaper, *The Village Voice*. In a meeting a week earlier with FCC Commissioner James H. Quello, Murdoch said that he would become an American citizen, clearing the legal hurdle to ownership of American TV stations.

**May 13, 1985:** Capital Cities and ABC disclosed plans to sell broadcasting, cable television, and newspaper properties, whose total value could easily top \$1 billion. The companies said that they would not seek waivers of FCC restrictions on media ownership and group holdings except in the case of Capital Cities' WPVI, a TV station in Philadelphia. They announced that they were prepared to divest four TV stations, 15 radio stations, Capital Cities' cable TV business, and a newspaper in Red Bank, New Jersey.

**June 25, 1985:** Shareholders of Capital Cities and ABC approved the merger between the two companies.

**September 4, 1985:** Rupert Murdoch became a United States citizen to meet U.S. broadcast property ownership rules.

**November 14, 1985:** The FCC approved the merger between Capital Cities and ABC, as well as the transfer of a group of Metromedia television stations to Rupert Murdoch. The FCC also granted waivers to Capital Cities and Murdoch

so that they could proceed with the acquisitions while they divested certain properties as part of the purchase agreements. In a controversial action, the FCC cleared the way for Murdoch's News America Television to acquire licenses of five **unaffiliated** television stations owned by Metromedia, a transaction that ultimately would lead to the formation of a new television network. The FCC also granted Capital Cities permission to keep both its Philadelphia station, WPVI-TV, and its New York station, WABC-TV, even though their broadcast signals overlapped in parts of New Jersey.

**January 3, 1986:** Capital Cities purchased ABC for \$3.5 billion. Capital Cities/ABC Inc. created.

**June 9, 1986:** General Electric Company bought RCA Corporation, the parent company of National Broadcasting Co. and NBC television network for \$6.4 billion. At the **time**, the merger was the largest non-oil acquisition in U.S. history.

**March 4, 1989:** Time Inc. and Warner Communications Inc. announced their plans to merge in an \$18 billion deal.

**May 9, 1989:** Viacom sued Time Inc. and three of its subsidiaries, Home Box Office, American Television & Communications Corp., and Manhattan Cable TV, for \$2.4 billion, alleging that Time had monopolized the **pay-television** market. Viacom, owner of the premium channels Showtime and The Movie Channel, charged that Time had violated federal antitrust laws by shutting Showtime out of markets where Time owned cable systems and by signing exclusive deals with movie studios "for more product than it requires." In doing so, Time drove up the price for Showtime or denied Showtime the rights to movies. Viacom said that the lawsuit was not an attempt to block the merger between Time and Warner Communications and that the suit had been in the works for more than a year.

**July 5, 1989:** The FCC granted Capital Cities/ABC a permanent waiver, allowing it to keep both its television and radio stations in four of the five largest U.S. markets, New York, Chicago, Los Angeles, and San Francisco.

**July 24, 1989:** The Delaware Supreme Court upheld a ruling by the Delaware Chancery Court that rejected attempts by Paramount Communications and some Time shareholders to block the Time-Warner deal. The

lower court's ruling broadly affirmed the right of corporate directors to control the fate of their companies in the face of hostile takeover offers. Some of Time's stockholders had joined the suit arguing that Time-Warner's strategy had not allowed stockholders the opportunity to vote on the deal. Hours later, at 5:01 p.m., Time completed its tender offer (for 100 million shares of Warner stock at \$70 per share) for 51 percent of Warner Communications Inc.'s shares.

**January 10, 1990:** Warner Communications Inc. and Time Inc. completed a \$14.1 billion merger. This created the world's largest media conglomerate at the time.

**October 29, 1991:** Time Warner Inc. announced that it would sell a 12.5 percent share in its movie and cable television businesses to Toshiba Corporation and C. Itoh & Co., a giant Japanese trading company for \$1 billion. Time Warner did not give up any control of its U.S. operations; it shared control of its Japanese operations. The new limited partnership created by the deal was called Time Warner Entertainment.

**June 18, 1992:** The FCC allowed network-cable cross-ownership. The three big networks all submitted petitions to the FCC, arguing that the 22-year prohibition on cross-ownership no longer made sense now that their oligopoly had been broken. However, the FCC imposed conditions that barred the networks from purchasing cable systems in markets where they owned a TV station. In other markets, their cable systems were prohibited from reaching more than half the homes.

**September 12, 1993:** Viacom announced an \$8.2 billion agreed cash-and-shares offer for Paramount Communications Inc.

**September 20, 1993:** QVC launched a hostile \$9.5 billion counter-offer for acquisition of Paramount Communications Inc.

**September 29, 1993:** Blockbuster agreed to invest \$600 million in Viacom to back its bid for Paramount.

**October 4, 1993:** Viacom got \$1.2 billion more for its acquisition of Paramount from Nynex.

**October 7, 1993:** QVC announced financing for its bid for Paramount: \$500 million each from Comcast and Liberty Media, and \$3 billion from banks.

**October 17, 1993:** Cox Enterprises and Advance Publications agreed to invest \$500 million each in QVC, if its bid for Paramount succeeded.

**October 21, 1993:** QVC launched a cash tender offer for 51 percent of Paramount, and launched a legal challenge to the friendly merger agreement with Viacom.

**October 24, 1993:** Viacom matched QVC's partial cash tender offer for Paramount.

**November 11, 1993:** BellSouth agreed to invest \$1.5 billion in QVC, if it acquired Paramount.

**November 24, 1993:** A Delaware chancery court blocked the Paramount/Viacom agreement, saying Paramount had not given adequate consideration to the QVC bid.

**December 9, 1993:** The Delaware Supreme Court backed a lower court ruling in Paramount/Viacom/QVC case.

**December 14, 1993:** Prompted by the courts, Paramount announced a formal auction of the company to highest bidder.

**December 20, 1993:** Viacom and QVC submitted new bids for acquisition of Paramount.

**December 22, 1993:** Paramount's board backed the revised QVC bid, worth \$10 billion.

**January 7, 1994:** Viacom announced an \$8.4 billion merger with Blockbuster, which was to put \$1.25 billion behind a higher cash component in its offer for Paramount.

**January 12, 1994:** Paramount again recommended the QVC bid.

**January 18, 1994:** Viacom raised its bid for Paramount again, offering contingent-value rights to protect Paramount shareholders against a fall in its share price.



**February 1, 1994:** Both bidders (Viacom and QVC) for Paramount raised their offers a final time. Viacom's bid, with its contingent value rights and higher cash element, was quickly judged preferable on Wall Street.

**June 16, 1994:** Vice President Gore accompanied Michael Eisner, Disney's chairman and CEO, to the Washington premiere of *The Lion King*. Disney at the time was seeking approval from the Interior Department for its plans to build an amusement park called "Disney's America" next to the site of the Battles of Bull Run.

**July 7, 1994:** Viacom Inc. acquired Paramount Communications Inc. for \$10 billion at the conclusion of a bidding war against QVC to buy the movie, publishing and sports company.

**August 29, 1994:** Viacom bought Blockbuster Entertainment for \$8 billion.

**September 1994:** Public outrage forced Disney to abandon its plans for "Disney's America", but not before top officials at the Interior Department stated on record that the theme park could spark "a livable, vibrant community located between Disney's America on the west and Manassas National Battlefield on the east."

**July 31, 1995:** Walt Disney announced its agreement to buy Capital Cities/ABC for \$19 billion in cash and stock. This agreement, when approved, created the world's largest entertainment company, dwarfing the then-entertainment leader, Time Warner. It also marked the second-largest merger in U.S. history, after the \$25-billion acquisition of RJR Nabisco Inc. by Kohlberg Kravis Roberts & Company in 1989. Analysts predicted that Disney would sell its television station, KCAL, in Los Angeles to comply with FCC ownership restrictions.

**August 15, 1995:** Time Warner Chairman Gerald Levin visited Ted Turner's Montana ranch and proposed that they merge Turner Broadcasting System Inc. with Time Warner.

**August 15 to September 21, 1995:** Time Warner negotiated the deal with Turner Broadcasting and John Malone of Tele-Communications Inc., whose interests controlled 20 percent of Turner Broadcasting stock. Turner Broadcasting directors approved a tentative merger agreement.

**September 22, 1995:** Time Warner Inc. and Turner Broadcasting announced their plans to merge in a \$7.5 billion stock deal, creating, yet again, the world's largest entertainment company. Telecommunications company U.S. West sued to block the merger between Time Warner and Turner Broadcasting, claiming that it would violate its partnership agreement with Time Warner.

**October 11, 1995:** Time Warner countersued U.S. West.

**Late October 1995:** Sally Aman, Tipper Gore's chief press aide, called John Cooke, then the executive vice president of the Disney Channel, to ask Disney to help out with the Vice President and his wife's Halloween costumes. Costume makers in Los Angeles made the Beauty and the Beast outfits to the Gores' precise measurements, and a makeup artist came to D.C. to apply the Vice President's makeup. Total tab: \$8,600. The Gores didn't reimburse Disney for the costumes. At the time, Disney's merger was before the Vice President's longtime friend, FCC Commissioner Reed Hundt.

**November 24, 1995:** Westinghouse Electric Corp. acquired CBS Inc. for \$5.4 billion.

**January 4, 1996:** Time Warner Inc. acquired Cablevision Industries Corporation and related companies. The merger between Walt Disney and Capital Cities/ABC was approved by the companies' shareholders.

**January 16, 1996:** U.S. Department of Justice antitrust division approved the \$19 billion merger between Walt Disney and Capital Cities/ABC. Disney agreed to dispose of one of the combined company's two Los Angeles television stations (as expected, it chose to divest Disney's KCAL-TV and keep Capital Cities' ABC affiliate KABC-TV). Officials concluded that the combination of Disney and Capital Cities' video programming and distribution business would not violate antitrust law.

**February 8, 1996:** The FCC approved the transfer of broadcast licenses from Capital Cities/ABC Inc. to Disney, on the condition that the merged company sell some of its properties in Detroit and Fort Worth. FCC approval was the final regulatory obstacle to Disney's \$19 billion acquisition of Capital Cities/ABC. The commission denied Disney's waiver application to allow it to own radio stations and newspapers in Detroit and Fort Worth. Disney was

given 12 months to divest itself of either the two radio stations or the one newspaper that Capital Cities owned in each market.

**February 9, 1996:** Walt Disney Co. acquired Capital Cities/ABC for \$19 billion.

**June 6, 1996:** Delaware Chancery Court rejected U.S. West's bid to block the merger between Time Warner and Turner Broadcasting.

**July 17, 1996:** The Federal Trade Commission gave preliminary approval of the merger between Time Warner and Turner Broadcasting, after the two companies amended their tentative agreement. The companies did not have to divest any assets, but had to put limits on the ownership stake of John Malone, chief executive of TCI.

**September 12, 1996:** Time Warner and Turner Broadcasting gained final regulatory approval from the FCC after a yearlong struggle. The FCC initially opposed the merger, but reversed its position when Time Warner changed its original merger agreement to curb the potential influence of the company's second-largest shareholder, John C. Malone. Malone controlled both Tele-Communications Inc. (TCI) and its subsidiary Liberty Media Corporation. In its consent order, the FTC made Time Warner agree to cap Malone's holdings at 9.2 percent. He put this stake in a new company to be owned by Liberty Media. But Malone and his top executives were prohibited from managing the new company. For the next six months, TCI was prohibited from negotiating any new carriage deals for programming with Turner Broadcasting. After that, any new deals had to be limited to five years. These provisions marked a significant change from the original merger agreement, which allowed TCI a 20-year discount on all Turner Broadcasting programming. When other cable operators complained about the "sweetheart deal," the FTC forced Time Warner to eliminate it from the final agreement. Time Warner also had to promise not to discriminate against competing cable operators. Specifically, it had to provide its HBO premium cable channel to any operator and could not make an operator's receiving HBO contingent upon carrying other Time Warner channels. Time Warner's cable systems also are required to add a news channel to compete with Turner Broadcasting's CNN (they chose to air MSNBC).

**October 10, 1996:** Time Warner acquired the remaining 80 percent interest in Turner Broadcasting System, Inc. that it did not already own. A new parent

company was formed with the same name, Time Warner Inc. As part of the transaction, the new parent company issued approximately 173.4 million shares of common stock (including 50.6 million shares of LMCN-V Class Common Stock to affiliates of Liberty Media, a subsidiary of TCI) in exchange for shares of TBS capital stock. Total cost to acquire TBS was approximately \$6.2 billion.

**December 31, 1996:** CBS (then owned by Westinghouse Electric Corp.) bought Infinity Broadcasting Co. for \$4.7 billion. This marked the merging of the U.S.'s two biggest radio station operators.

**January 22, 1997:** The News Corporation Limited announced that Fox Television Stations, Inc. had completed its acquisition, through a merger and stock purchase transaction, of New World Communications Group Incorporated.

March 17, 1997: News Corporation Limited announced that its U.S. subsidiary, News America FSI, would acquire Heritage Media Group in a \$754 million **non-taxable merger** transaction.

July **16, 1997:** Sinclair Broadcast Group, Inc. announced that it had entered into an asset purchase agreement to acquire the radio and television stations of Heritage Media Group for \$630 million in cash upon the closing of Heritage's merger agreement with News Corporation Limited, which remained subject to regulatory approval.

August 7, 1997: Department of Justice's antitrust division said that it did not oppose News Corporation's proposed acquisition of Heritage Media Corporation.

August **20, 1997:** News Corporation announced the completion of its acquisition of Heritage Media through its U.S. subsidiary, News America FSI. The deal took place through a non-taxable merger transaction valued at \$754 million.

December **1, 1997:** Westinghouse Electric Corp. changed its name to CBS Inc.

June **24, 1998:** AT&T announced that it has signed a definitive merger agreement with TCI for an all-stock transaction valued at approximately \$48 billion. Immediately following the merger, the two companies combined to form a new subsidiary, AT&T Consumer Services.

**Late 1998:** Members of Congress coalesced behind the Child Online Protection Act, which would have imposed criminal penalties against commercial Web sites that display pornography without trying to weed out Web surfers under the age of 17. Disney opposed the legislation, largely because it feared some of the bill's provisions might interfere with its own lucrative Web site. David Beier, Gore's domestic policy advisor, led a White House team in fighting the legislation. During the last minute, behind-the-scenes negotiations between the White House and Republican leaders in Congress, the Beier-led forces lobbied to kill the bill. When Disney's and the White House's efforts became public, both claimed they were trying to "modify" the bill, rather than kill it.

**December 4, 1998:** The European Union granted regulatory clearance for the \$48 billion merger between Tele-Communications Inc. and AT&T.

**December 9, 1998:** CBS sold a 17 percent stake in Infinity Broadcasting Corp., raising \$2.9 billion. The initial public offering of the stock was the largest to date in the media industry.

**December 31, 1998:** The Justice Department gave a conditional seal of approval to the TCI-AT&T merger.

**January 8, 1999:** TCI and AT&T filed a joint proxy statement with the SEC

**February 17, 1999:** TCI's stockholders approved the merger with AT&T, under which TCI would become a wholly owned subsidiary of AT&T.

**March 9, 1999:** TCI and AT&T merger completed. TCI's name changed to AT&T Cable Services.

**April 1, 1999:** CBS announced an agreement to buy King World Productions Inc., the leading syndicator of television programs, for \$2.5 billion.

**April 5, 1999:** News Corporation, its subsidiary Fox Entertainment Group, and Liberty Media Corporation announce that News Corporation will acquire all of Liberty Media Corporation's 50 percent interest in Fox/Liberty Networks, including Fox Sports Net, FX, and other related businesses. In exchange for its interest, Liberty received approximately 51.8 million non-voting shares valued at \$1.425 billion, which it will agree not to dispose of for two years.

**June 17, 1999:** The News Corporation and the Hearst Corporation announced that News Corporation has signed an agreement to purchase the Hearst Book Group consisting of William Morrow & Company and Avon Books.

**July 15, 1999:** News Corporation and its subsidiary Fox Entertainment Group, Inc., completed its acquisition of Liberty Media's 50 percent interest in Fox/Liberty Networks. News Corporation transferred the acquired interests to Fox in exchange for \$1.425 billion of Class A Common Stock shares in Fox.

**September 7, 1999:** Viacom announced plans to buy CBS for \$37.3 billion—the largest media merger to date. Viacom would become the second largest media company, behind Time Warner. In order to meet FCC regulations, the new company will have to divest itself of some broadcast **properties**, or seek waivers. The company heads planned to appeal to the FCC for changes in certain rules, in particular the cap on television station ownership. Under the current regulations, a company is restricted to owning stations that reach no more than 35 percent of the population. The new combined company would bring together Viacom's 19 stations and CBS's 15 to own stations in 18 of the nation's top 20 **markets**, reaching 41 percent of the population. Viacom's ownership of the UPN broadcast network (of which it owns half in cooperation with **Chris-Craft**) would have to be reduced to less than a third to comply with FCC rules. Within a week, John McCain introduces a bill in the Senate that would allow Viacom to avoid divestiture.

**January 10, 2000:** America Online Inc. and Time Warner announced their strategic merger to create the "world's first fully integrated media and communications company" in an all-stock combination valued at \$350 billion. AOL Time Warner's brands would include AOL, *Time*, CNN, CompuServe, Warner Bros., Netscape, *Sports Illustrated*, *People*, HBO, ICQ, AOL Instant Messenger, AOL **MovieFone**, TBS, TNT, Cartoon Network, Digital City, Warner Music Group, Spinner, Winamp, *Fortune*, AOL.COM, *Entertainment Weekly*, and Looney Tunes.

**January 24, 2000:** Time Warner announced its agreement with EMI Group to form a joint venture, Warner EMI Music. The new company would be the second-largest music company with over \$8 billion in annual sales. EMI brought to the deal **the** Virgin, Priority, and Capitol record labels, including names like the Spice Girls, Van Morrison, and Frank Sinatra. Time Warner contributed its

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## A P P E N D I X

Atlantic, Elektra, and Warner Brothers labels that include Cher, Eric Clapton, Phil Collins, Madonna, Metallica, and REM. Time Warner agreed to pay EMI shareholders \$1 billion in exchange for a 50 percent stake in the new company.

February **11, 2000**: America Online and Time Warner filed joint applications under the Communications Act requesting that the FCC approve the transfer of licenses and authorizations held by the two companies to the newly created AOL Time Warner.

May **3, 2000**: The FCC approved transfer of control of CBS to Viacom Inc. This included the transfer of 38 television stations, 162 radio stations, and several translator and satellite stations.

May **4, 2000**: Viacom completed its merger with CBS Corporation.

June 10, 2000: The FCC requested additional information from America Online and Time Warner Inc. on their proposed merger. This stopped the 180-day clock for merger approval on Day 75.



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