



A Short Course on Broadcast Ownership Regulations and Anti-Trust Issues

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**BOND &
PECARO**



Pre-History

- 1842 Samuel Morse patents the telegraph
- 1897 Marconi forms the Marconi Wireless Telegraph Co. which was later assumed by RCA
- 1913 US closes private radio facilities and assumes control of the airwaves for war purposes
- 1920 First radio broadcast for general reception by 8XK in Wilkensburg, PA and the first radio news broadcast of election returns by KDKA in Pittsburgh

History 101

- 1926 National Broadcasting Company (NBC) is formed and the first live television broadcast is shown in England
- 1927 NBC sets up two radio networks, the **RED** Network and the **BLUE** Network

History 101

➤ 1934 **Communications Act of 1934**

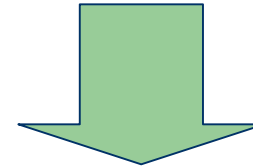
★ Establishes Federal Communications Commission.

➤ 1939 First regular television broadcast in United States. President Franklin Roosevelt at the New York World's Fair.

➤ 1941 FCC designates frequencies and authorizes FM broadcasts. First Commercial TV stations.

RED and **BLUE**, What it means to you

RCA (Radio Corporation of America)
launches NBC (National Broadcasting
Company)

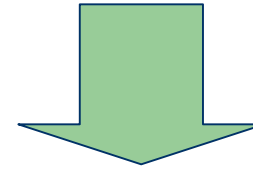


NBC controlled the **RED** Network
derived from the Telephone Group
and **BLUE** Network derived from the
Radio Group.



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In 1940s FCC orders
NBC to sell one of the
Networks.



RED and BLUE, What it means to you

In 1943 Edward J. Noble buys BLUE Network for \$8 million

Edward J. Noble invented LifeSavers



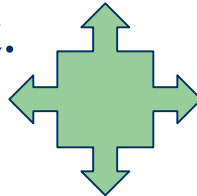
BLUE Network becomes ABC
(American Broadcasting Company)

RED and BLUE, What it means to you

In 1953 ABC attempts to merge with Paramount Studios.



The merger is objected to by two FCC Commissioners because of a perceived monopoly threat.



More monopoly threats ensue in 1966 when ITT tries to take over ABC. The merger is approved, because RCA already owns NBC, but ITT withdraws over possible litigation

History 101

- 1979 FCC issues licenses for low-power UHF and VHF television stations
- 1984 **Cable Communications Policy Act**
Ended local regulation of cable and deregulated cable rates
- 1992 The Internet is completed by the National Science Foundation
- 1996 **The Telecommunications Act**



Mergers in Telecom industry begin

Broadcast Deregulation

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Broadcast Deregulation

- In the 1970's Licensees were limited to a total of 7 television licenses, 7 AM radio licenses, and 7 FM radio licenses nationwide; known as the 7-7-7 rule.
- In 1985 the 7-7-7 rule was upgraded to the 12-12-12 rule.
- 1992 saw the rules relaxed even further to the 12-18-18 rule.

Rules From The FCC

RULE

Telecommunications
Act of 1996.

Rules From The FCC

RULE

Telecommunications
Act of 1996.



What the Rule Means

A single company cannot own more than eight radio stations in a given market. There is no limit on the number of radio stations one company can own nationwide.

Rules From The FCC

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What the Rule Means

Locally-A company may own two TV stations in the same market (a duopoly) as long as eight individual voices still exist.

Nationally- No company may own more than 35% of the nation’s TV audience

FCC Ownership Challenges

- This “eight voices” rule has been successfully challenged recently by Sinclair Broadcasting Co. vs. FCC.
- Viacom, Fox and NBC have successfully challenged the 35% rule.
- Time-Warner successfully challenged the cable/broadcast cross-ownership rule.

Rules From The FCC

RULE

Newspaper/Broadcast
cross-ownership
restriction

Rules From The FCC

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What the Rule Means

Prohibits the same
company from owning
a newspaper and
broadcast station in the
same market

Rules From The FCC

➤ The FCC has permitted exceptions to this rule by allowing News Corporation and Tribune to acquire television stations in markets where they own newspapers, subject to future review.

Allow me to present our speaker for today ...

Charles A. James

**Assistant Attorney General for
the Antitrust Division**

Department of Justice