

Thomas W. Hazlett: Broadcast TV on life support

Published: June 2 2005 16:17 | Last updated: June 2 2005 16:17

Broadcast television is fading into oblivion. Just two web sites, Google and Yahoo!, now account for more advertising revenues than do the prime time schedules of the three traditional television networks - ABC, CBS, and NBC - combined. In contrast to the explosion in e-commerce, broadcast TV viewers are fleeing to cable programming, which now easily beats broadcast TV in the ratings. And those left to watch broadcast programs don't stick around for the commercials. Remote controls, VCRs, and the growing popularity of personal digital recorders are rendering the 60-second TV spot a quaint black and white video clip.

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In some ways, however, the dinosaurs of the early TV era are remarkable for their longevity. The network Big Three dominated an earlier time under rules crafted by the US federal government in 1952. By perversely applying a doctrine of "localism," Federal Communications Commission regulators ended up killing a fledgling fourth network then operating - DuMont - and precluded new competition for decades. This was achieved via spectrum policy, denying entrants the licenses they needed to compete.

This audaciously anti-competitive gambit was couched in the language of high principle. Excluding all but a few was said to serve the "public interest," providing not only for "localism" but for "fairness" and "educational" programs, to boot. Even as FCC regulators railed famously against the "vast wasteland" that their cosy network triopoly had wrought, as did FCC chairman Newton Minow in a 1961 speech, the Commission moved to block alternative media providing higher quality programs and a broader range of consumer choice. Minow's FCC moved to suppress the emergence of cable TV, which regulators declared could never be more than a niche fill-in for broadcasting. "Educational" goals were threatened, it determined, if cable "siphoned" viewers.

But consumers wanted more video programmes, and entrepreneurs sought innovative ways to deliver them. Cable TV - "spectrum in a tube" - was a regulatory bypass, recreating the transmission capacity FCC policies denied. It too was blocked by FCC barriers; when it won deregulation in the late 1970s, new programmes were soon unleashed, and most US households subscribed by 1988. By then, CNN had achieved the impossible: in just seven years, it had become a profitable, mass market, 24/7 all-news network - just what regulators had declared impractical and virtually illegal. Liberalising US TV rules literally changed the world. When, in 1991, CNN cameras captured Boris Yeltsin jumping on a Soviet tank, an empire was toppled - and a "vast wasteland" buried.

But the first generation cable success of CNN was not an equilibrium. New rivalry came, once more, in the form of new spectrum. Digital satellite TV systems launched by DirecTV in 1994 and EchoStar in 1996 were greeted as the "death star" by cable incumbents, as they beamed 200-channel video bundles to subscribers. Cable, scrambling to respond, spent \$80bn to upgrade their systems. The unregulated capacity competition triggered a new content boom.

One upstart to gain carriage in 1996 was the Fox News Channel. It made an overt ideological appeal with its "Fair and Balanced" slogan, hitting CNN and the broadcast networks as slanted left. In contrast to news shows that interviewed Ralph Nader activists as default experts, FNC featured talking heads from the (Republican) Heritage Foundation. Critics cried foul, portraying the new channel as a right-wing front - further advancing Fox News as "fair and balanced" and attacked by elite purveyors of opinion.

Fox News now garners more than the combined audience size of CNN and its sister network, Headline

News. But FNC (owned by Rupert Murdoch's News Corp) receives only 25 cents per month for the average subscriber in homes it serves (about 80m), below the 40 cents paid for the CNN/HN tandem. In new carriage agreements, Fox is reportedly asking for at least 50 cents. This shows a stunning turnaround: Just nine years ago, Fox News paid cable systems over \$300m in aggregate (or \$12 per new subscriber) to gain initial carriage. "Fair and balanced" had to pay to play.

The gold discovered in these hills is prompting innovative counter measures from both established networks and entrants such as the network headed by former vice president Al Gore. The battlefield extends to radio, where the meteoric rise of conservative talk shows (following the abolition of the Fairness Doctrine in 1987) has triggered counter-counter liberal talk, in the form of Al Franken's Air America.

Today's markets deliver diverse choices far beyond what the "public interest" in broadcasting delivered. With the transition to the post-broadcasting television world ninety-percent complete, courtesy of households paying for cable and satellite delivery, it is time cancel the 1952 TV Allocation Table – the longest run ratings bomb in US TV history. If station licensees were given the right to use allotted frequencies for their highest and best use, over-the-air broadcasting would quickly migrate to more efficient platforms, and TV band frequencies would be redeployed for mobile telephony and broadband – wireless services customers yearn to enjoy and are willing to pay for. Once the radio spectrum is made available for productive use by market competitors, additional generations of innovative video content – and free speech - are yet before us.

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