

I probably shouldn't even be here today...I just resigned from my night job as head of Universal so I'm not even technically in the Entertainment business, though me and my company still do own about a \$3BB piece of one ...and it's awhile since I was a broadcaster...so what am I doing here, other than any excuse to spend a day in LasVegas soaking up culture. Well, I do have this experience in media and I have been thinking about some issues and they've been in my mind for some time...and here you are - and here I am - for a little while

Truth is I was very happy to be asked to come to speak to you - I'm glad to be among broadcasters and be pulled back to my earliest days in this ever long career - broadcasting was my first real job, at 23, it wasn't an auspicious beginning though...the second week I was at ABC there was a strike and I had to learn in a minute how to operate a camera because the Chairman, Leonard Goldenson needed to do a closed circuit to all of the affiliates.

Leonard was standing behind a little lectern and I was on camera B - I thought I was on camera A.

When they said that camera A should dolly in, I dollied in with great enthusiasm . . . and knocked down the lectern and ran Leonard over - Live...and almost dead.

I made endless mistakes in my early years at ABC, everybody was mad at me for something or other, and told me that in most languages every which way. Of course I've been called many things over the long years...I've been called arrogant . . . but I know better. I've been called insensitive . . . but that didn't bother me at all.

But what I've been the most called, and I'm happy to claim the title, is a contrarian...I'm such a contrarian that when I was first accused of being one I violently disagreed. And that underscores why I wanted to talk with you today - it kind of underscores every pain in the ass thing I do - because if you're a contrarian, you question . . . everything.

Over the years I've come to the conclusion that every known should be questioned with as much vigor as every unknown.

When I came to Paramount from ABC, I started at the top, as Chairman of the Board. But I was pretty young for the job, at 32, and the first person to come into the movies from the ghetto of television, so I was treated like the scum of the earth. For my part, I was convinced that the movie side was populated by thieves and infidels and run stupidly. It was a very tough go figuring out how to change it and I wasn't making much progress while everyone around me was losing patience.

Ever slowly, I did begin to think we were putting some basics down, and that gave me enough energy to fight off the world. Charles Bluhdorn, whose Company owned Paramount, had taken such a risk in hiring me and was being pressured daily to fire me -- I was failing. We were constantly hearing that Paramount was the last stop for scripts and new material, seventh on a list of seven companies. So how could we expect to get anything but the worst rejected projects in town?

We were a disaster, a joke to everyone . . . except . . . me. I thought we were actually doing good work, making good individual decisions. . . . And since no one wanted to talk to us anyway, we were blessed with an ignorance of what everyone else was doing.

But after two years of wear and tear, I was finally ready to quit - I'm sure they were an inch away from firing me. Then we released what was widely expected to be our 35th loser in a row, following the triumph of the 34th which was actually called "Won Ton Ton, The Dog That Saved Hollywood." At the premiere of our great hope, we could only fill a third of the seats, because the star was just in a TV series. Obviously, another mistake made by the TV-guy chairman. . . . Within six months, "Saturday

"Night Fever" had broken every record in the history of the movie business, propelling Paramount from last to first place. We stayed there for seven years.

I learned many lessons in the movie business, but none better than to distrust conventional wisdom. It occurred to me that maybe it was a good thing not to be the first stop - getting what everyone thought was the best material - Maybe nobody really knows what's best - Maybe best is making your own choice, on its own sole merits, not its buzz or bloodlines.

Digging to the very bottom - the root of the problem to solve - is usually very bloody and always painful. . . .and early touches with what feels like failure to everyone including yourself makes for a desperately exhilarating search for the way out - hopefully before they pull the final rug on you.

I took that lesson with me to Fox. This time when the outsiders predicted failure, I welcomed it. All they knew was that fourth networks had always failed before and that even the Big Three were suffering from a downturn in advertising at the time. What they didn't know, what they couldn't know, was that we weren't interested in creating a fourth network. We wanted an alternative to the Big Three.

They based their conclusion on one set of expectations; meanwhile, we were free to operate on another.

What all my experiences have in common is a battle against the prevailing expertise. The problem with expertise is that it relies too heavily on conventional wisdom. It has to. Because the awkward alternative is to accept that a new thing can't be fully known or comfortably understood. Conventional wisdom, by definition, favors that which has come before, that which is known. That's great if you're building a house or flying a plane. But it's useless, and much worse, deeply misleading, in a creative industry or changing business climate. If history teaches us anything, it is that conventional wisdom is more conventional than wise.

So, my strategy, if you could call it a strategy, is to be a contrarian - this entails avoiding like a plague conventional wisdom and all the tricks and games that have been organized to make all of us falsely secure that our goods and services will work in the marketplace. In fact, all we've got is our instincts and hopefully the fiercest process to keep them uncontaminated by the noise that surrounds us.

And so - hammered as I usually do with a wide mallet - to the point...The conventionalism throughout the whole media industry today is. . .that consolidation is the ONLY economic model...and that deregulation must lead or quickly follow so these giant agglomerated businesses can freely function...this is the inexorable world order and no business has followed it with as much glee and gumption and righteous conviction than the media business...and that the enabling system, the greaseworks, is continued deregulation - FULL STOP.

That might be the natural law of modernism, and while I would hope I wouldn't stand stupidly on the railroad track against progress, and I've certainly not conducted my life in the service of smallness, I believe, and have believed since that very beginning that - broadcasting . . . your business . . . was something set apart.

It was unique, unique because its influence on our society probably had no equal. The houses of broadcasting had to be made of glass because broadcasters were given a free license to operate 'quote' in the public interest, convenience and necessity."

That was a source of pride. It was also a source of fear because somebody could come in and take those licenses away. Everyone took those obligations pretty seriously....and out of it came a truly remarkable balance between a great business model and servicing the public trust.

Over the last thirty years, as competition advanced and the three networks started looking like “Three blind mice” - regulation and deregulation were applied like tourniquets to counter the ills of the marketplace.

In an age when the free market has been the prevailing model this, like every other industry, wanted as much relaxation of the rules as possible so as to free the “invisible hand” that Adam Smith envisioned, bringing us the wondrous benefits of unfettered capitalism. “Laissez nous faire.” Leave us alone. Get off our backs.

Now, in point of fact, you and I know that broadcasting should never be completely deregulated. While it is now not our only engine of mass communication, it's the only one free to all the public all the time.

Modify, adapt - perfectly appropriate...the fin-syn rules were no longer relevant given less dominant networks and more viewing options...and they were tossed.

When I was seeking to exempt Fox in 1990 from the fin-syn rules until it reached economic parity with the “big three” networks, someone commented that I was like the guy who goes from pro-choice to pro-life. That wasn't true then, and it isn't true now.

What I said is that the rules for every industry . . . but especially for this one . . . should be reexamined periodically in the light of a changing world to see what's working and what isn't. At that time the rules had been locked in place for 25 years.

Shortly thereafter we got the Communications Act of 1996. When it was passed FCC Chairman Hundt said: “The new law is intended to end the era of big government in communications and begin the era of genuine competition.”

And, it was embraced with enthusiasm and hope for real competition.....

What actually happened?

More voices were heard. Everybody was buying from everybody else. New enterprises were in fact launched. Kids in sneakers and backwards baseball caps were inventing all kinds of new stuff. There were mergers that seemed to spawn synergies that in turn spawned other mergers that . . . well, you know.

It all seemed to work. Or it looked like it was working. Wall Street and the investors seemed to think so.

For a while...and then - not.

Today as the FCC is pondering, and pondering what to do - the great big beautiful tomorrow has dawned. The 500 plus channels that were going to turn the old, heavily regulated world upside down - is a full blown reality.

And before we go with the urge and throw everything out, what has the wisdom of the current rules gotten us. Well, what it got us was a rather clearly **unintended consequence** - The unintended

consequence of deregulation is that the government has inadvertently allowed to happen the exact opposite of what it intended to do.

The big bad truth that I don't think anyone really understands or gives enough importance to is that the big four networks have in fact reconstituted themselves into the oligopoly that the FCC originally set out to curb back in the 1960s.

Five corporations, with their broadcast and cable networks, are now on the verge of controlling the same number of households as the big three did 40 years ago. We didn't think that was such a healthy situation back then, but back then there was this real, scary regulation - they may have controlled 90% of what people saw, but they operated with a sense of public responsibility that simply doesn't exist for these vertically integrated giant media conglomerates, driven only to fit the next piece in their puzzle for world media dominance.

All right. So there's concentration? Why should we care?

We should care for the same three reasons that the FCC cares. If I may quote the current chairman: "The public interest is about promoting diversity, localism, and competition."

Are we going to get real diversity? The program departments of these businesses are now so far down the chain of life in these giant enterprises that it's a miracle that all shows on the air aren't about rejection.

Conglomerates buy eyeballs. That's it...and they leverage - oh do they do that - they leverage their producing power to drive content - their distribution power - such as retransmission consent - to drive new services - and their promotional power to literally obliterate competitors.

The old systems of course had flaws - but there was a tight yoke between what went on the air and the ultimate boss - and it was good that that chain was yanked both ways, often to the public's great good fortune.

No one knows what's the best system for creativity, but for sure it doesn't work great without the pride and passion of the boss on the line and engaged.

Ten years ago, independents produced sixteen new series. Last year they produced just one.

It's difficult to sustain an industry on one show, and, in fact the independents are dying in droves. Many of the small and medium sized ones are either out of business or work for the larger organizations, so they are, by definition, no longer independent.

The second criterion is localism. How does that look? The canary in the coal mine here is radio.

Oligopolies now control a majority of radio markets. Under the old rules the top two station owners had 115 stations between them, now they've got 1,400. In many major markets they control 80 percent of the listenership with programming that originates hundreds of miles away - a disk jockey in Cincinnati broadcasting to Atlanta aint very local. .

What about our third criterion . . . competition. And how would that be doing?

You know the answer. The oligopoly has been restored - the barrier to entry is now so incredibly high that the ability of a new entrant to actually go out and get voice is practically nil. What new entrants have there been? There haven't been any.

The possibilities today of somebody launching a new Fox network . . . a truly independent new network . . . the possibilities are non-existent.

Where do new, fresh-thinking young people go today? Once upon a time there were hundreds of places they could go to try their imaginations . . . to get their wings. Now, they are up against a few vertically integrated monoliths, acting with each other in their own horizontal keiretsu, everything interrelated - they only have to do favors for each other -they only have to accommodate each other - no one else matters.

The conglomerates are like the Rothchilds' funding both sides in the Napoleonic wars . . . they are on both sides of virtually every transaction.

No one seems particularly concerned or motivated to do much about it either...oh here and there are some lawsuits over self-dealing...some noise is made over the dwindling number of bidders in the top markets for off-network syndication sales. But no one is complaining loudly about anything...the circle of control is now too small. And, I want to be very clear: I'm not saying that these consolidations are wrong, that these conglomerates are evil, that there's some sin in size - I believe no such thing - but I do sincerely and emphatically believe that with such growing and unstoppable power, and with our nations communications infrastructure in the breach there must be fierce focus and vigor for the appropriate safeguards, and these new rules must extend to the remarkably concentrated cable distributors...and in order for that to happen, for the necessary forces to gather, there is probably one, and only one, group that can still help do what's necessary..... if they want to. You.

You are the last place where the independent voice can still be heard. You are the only constituency that still has a multiplicity of players and the leverage to make a difference. Local broadcasters should not be simply the distribution arms of monolithic enterprises. You have too much importance in your communities. You are the foundation of the whole edifice that is television.

The old paradigm is gone. Now, we are in a new universe and the question is - what to do?

There are real dangers in complete concentration. The conventional wisdom is wrong - we need more regulation - not less.

And I'm not talking about things like the silly V chip . . . a disgraceful and shockingly wasteful government action that ought to make anyone associated with it's patronizing and pandering cynicism ashamed of themselves.

I'm talking about well-reasoned guidelines with practical and meaningful consequences.

Specifically:

- I believe that raising the 35% limit is not good for the industry or the public.
- I believe that having some form of financial interest rules for these vertically integrated businesses is good for the industry and the public.
- And I believe that having tight program ownership and financial interest rules for the already completely concentrated cable and satellite business is mandatory.

I've always thought that it was unfortunate when Mark Fowler, President Reagan's FCC chairman, came into office and virtually eliminated the oversight process on behalf of the public interest. He said: "The perception of broadcasters as community trustees should be replaced by a view of broadcasting as marketplace participants . . .

the public's interest, then, defines the public interest." And that became marketing.

If you recall, he said television is just "a toaster with pictures."

And here I am, someone who uses pictures to sell toasters, telling you all that with all the complications and complexities in our world, with whatever great convergence is in store for our communications industries...we should not allow Mark Fowler's prophecy to stand...

The reason I'm here, the reason I care about this, ever still, is the memory of my early days 25 years ago at ABC when I watched men like Leonard Goldenson and Elton Rule and first realized there was something that set them apart from other businessmen – something unique and honorable. It was that the word broadcaster carried with it special obligations and historic public interest responsibilities that these men -- these broadcasters -- and many of you still understand in your bones **know** should not become a relic of this modern age.