

5-2000

Joint Statement of Sumner M. Redstone Chairman and Chief Executive Officer Viacom Inc. and Mel Karmazin President and Chief Executive Officer of CBS Corp.

Sumner M. Redstone
Viacom

Mel Karmazin
CBS

Follow this and additional works at: <http://www.repository.law.indiana.edu/fclj>

 Part of the [Antitrust and Trade Regulation Commons](#), and the [Communications Law Commons](#)

Recommended Citation

Redstone, Sumner M. and Karmazin, Mel (2000) "Joint Statement of Sumner M. Redstone Chairman and Chief Executive Officer Viacom Inc. and Mel Karmazin President and Chief Executive Officer of CBS Corp.," *Federal Communications Law Journal*: Vol. 52: Iss. 3, Article 3.

Available at: <http://www.repository.law.indiana.edu/fclj/vol52/iss3/3>

This Article is brought to you for free and open access by the Law School Journals at Digital Repository @ Maurer Law. It has been accepted for inclusion in Federal Communications Law Journal by an authorized administrator of Digital Repository @ Maurer Law. For more information, please contact wattn@indiana.edu.

Joint Statement of Sumner M. Redstone Chairman and Chief Executive Officer Viacom Inc. and Mel Karmazin President and Chief Executive Officer of CBS Corp.*

Viacom
CBS

I. INTRODUCTION.....	499
II. DEPARTMENT OF JUSTICE REVIEW	503
III. FEDERAL COMMUNICATIONS COMMISSION REVIEW	507

I. INTRODUCTION

On September 6, 1999, Viacom Inc. and CBS Corporation agreed to combine the two companies in a merger of equals. Sumner Redstone will lead the new company, to be called Viacom, in his continued role as Chairman and Chief Executive Officer, as well as majority shareholder. Mel Karmazin, now President and Chief Executive Officer of CBS, will become President and Chief Operating Officer of the new Viacom, with all operations of the combined company reporting to him.

The assets and markets of the two companies are highly complementary, have very little overlap, and, once merged, will achieve significant economies of scale, resulting in new programming, new jobs,

* Editor's Note: When asked to comment, Viacom and CBS provided their testimony presented at *The Viacom/CBS Merger: Media Competition and Consolidation in the New Millennium: Hearings Before the Subcomm. on Antitrust, Monopolies, and Business Rights of the Senate Comm. on the Judiciary*, 106th Cong. (1999).

lower costs and an increase in exports of Viacom's brands, for the benefit of Americans and all consumers around the world. Subject to governmental approvals, Viacom will meld its brands and assets in basic and premium cable networks (for example, MTV, Nickelodeon, VH1 and Showtime), movie production (Paramount Pictures), television program production and syndication (Paramount Television), broadcast television stations, theme parks, publishing (Simon & Schuster), home video and rental and retailing (Blockbuster) and Web sites, with CBS's television network, broadcast television stations, basic cable networks (Country Music Television (CMT) and The Nashville Network (TNN)), regional sports operations, radio stations (Infinity Broadcasting), outdoor business, and online holdings, to create a U.S.-based global media company that is positioned to seize the myriad opportunities and confront the formidable challenges of the twenty-first century. Such opportunities include serving the explosive media and entertainment demands of the domestic and international arenas through the Internet and other distribution channels we know today, while the challenges include maintaining a voice in an increasingly fragmented and technologically evolving marketplace.

The proposed merger of Viacom and CBS is no accidental pairing. Rather, it represents another strategic and significant landmark in a far-sighted vision of constructing a competitive media and entertainment company flexible enough to adapt to changing times. The vision took seed some forty years ago with a handful of drive-in movie theatres. With the waning audience for such theatres, those holdings were expanded to include the much-in-demand indoor, multiplex variety of theatres. And, in turn, it was with this base set of assets in 1987 that Viacom and its cable networks, including MTV and Nickelodeon, were acquired. Seven years later, Viacom's cable network brands—by then having expanded beyond MTV, Showtime, and Nickelodeon to VH1, MTV Europe, and MTV Asia—combined with the Paramount movie studio. This marriage reaffirmed Viacom's commitment to content and resulted in a strengthened and enhanced programming portfolio that now extends Viacom franchises into theatres and homes around the country and the world. For example, Paramount Pictures worked with Nickelodeon to produce *The Rugrats Movie*, and Paramount Parks feature Nickelodeon play centers. Globally, MTV can be viewed in over three hundred million households, Nickelodeon in over 135 million households and VH1 in over ninety million households, in some fourteen different languages and in more than one hundred countries around the world, from the People's Republic of China to Norway to Mexico. And as the world goes digital, Viacom is ready to supply content through its suite of digital channels that are

accessed via television, and through its music and child-oriented sites that are accessed via that ubiquitous digital medium, the Internet.

As Viacom has grown, it has never lost sight of the importance of funneling its profits back into the company to finance quality programming for diverse audiences and to meet the public service obligations owed to its viewers. Early this year, for example, Viacom, together with its nonprofit partner Children's Television Workshop, launched Noggin, the nation's first 'round-the-clock, commercial-free educational children's channel. Such a risky enterprise with such a kid-centric mission would have been impossible without Viacom's wherewithal to finance the creation and production of new quality educational programming for the channel, Nickelodeon's vast library of top-notch programming, and MTV Networks' expertise in obtaining distribution for program services across all platforms. Indeed, despite the financial losses that have accompanied the start-up for Noggin, Viacom has pledged the funds necessary to nurture this educational channel to success.

As with its undertakings to children, since 1995 with the launch of broadcast television network UPN, Viacom, with partner Chris-Craft, has responded to the needs of the underserved segments of American viewers, particularly those with access only to free, over-the-air broadcast television. With programs written and produced by minorities and featuring minorities in the casts of almost all of its dramas and sitcoms, UPN has outperformed all other broadcast networks in attracting a disproportionately large African American audience. Yet, despite the substantial draw of the upstart network to black households, total viewership nationwide has lagged, resulting in UPN's loss of hundreds of millions of dollars in its short life of less than five years. Viacom's programming strength and size so far have allowed it to continue to underwrite UPN with its partner so that this alternative voice may still be heard.

In addition to funding diverse and high-caliber programming, Viacom has dedicated funds to serving its largest segment of viewers—the youth of America. It has done so on-air and off through prosocial campaigns that address violence, tolerance, and helping others. One such campaign, MTV's *Fight for Your Rights: Take a Stand Against Violence*, which was unveiled even before the tragic incident at Littleton, includes several on-air specials, a free CD containing music and comments on violence from top recording artists, and an action guide produced in cooperation with the Departments of Justice and Education. Nickelodeon's *The Big Help* is a year-round campaign that encourages children ages six through fourteen to volunteer in their communities. Paramount Stations Group's *The Teen Files* campaign includes local outreach programs centered around Paramount-

produced quarterly specials on subjects important to teens, including the Emmy-award-winning *The Truth About Drinking*. And VH1's *Save the Music* has implemented 350 school music programs in thirty cities around the country through fundraising and instrument-donation drives.

This is Viacom today—an entertainment, content-rich, largely cable-network and motion picture and television studio company—that seeks to partner with CBS—a news, sports and distribution-focused, largely broadcast television, radio and outdoor advertising company. CBS, like Viacom, grew from a small collection of assets to become a pioneer in the field of broadcasting. In 1929, William Paley purchased a failing group of twenty-two radio stations—known then as the United Independent Broadcasters Network—and turned it into a profitable network, while introducing such figures as Bing Crosby, Kate Smith, and Frank Sinatra to the airwaves. CBS ushered in the era of television in 1939 and later introduced to the “small screen” personalities such as Lucille Ball and Ed Sullivan. In the 1970s, when television had become a truly mass medium, CBS dared to air revolutionary programs such as *All in the Family* and *M*A*S*H*, both of which became critical and popular successes. In addition to entertainment, CBS saw television as a promising technology for the transmission of news and built the CBS Television Network into a powerhouse of journalism, led by legends such as Edward R. Murrow and Walter Cronkite.

Through the six decades since its founding, CBS has stayed true to its broadcasting roots. Today, it is the number one broadcast television network in total viewers and household ratings. The CBS Evening News, now in its thirty-seventh season, continues the CBS tradition as the flagship broadcast of the CBS news division and is rounded out by many other news and public affairs broadcasts—including, of course, the pioneering and perennially popular *60 Minutes*—that serve to inform its viewers. And radio, where it all began for CBS, continues its important role through CBS's majority interest in Infinity Broadcasting, which operates 163 stations nationwide.

Also like Viacom, CBS has had the vision to adapt to the ever-changing media landscape. It has entered into the cable arena with two country-oriented channels—one music and one lifestyle—and it has ventured into the e-world, largely by investing in Web sites in exchange for promotion and advertising on the older media of radio and television.

In light of the two different, but successful, business strategies forged by the two companies, which share a common concern for serving a wide range of Americans, the merger of Viacom and CBS will be a union between two natural partners. The merger will also mark a family *re*-union

of sorts, given that Viacom was spun off from CBS in the early 1970s, to comply with the FCC's financial interest and syndication rules, which—before they were repealed in 1995—prohibited integration of broadcast networks and syndicated programming. As a reunited Viacom-CBS, the new Viacom will be best positioned to offer creative, innovative, and diverse voices in the ever-fragmented video and audio media world of hundreds of cable and direct broadcast satellite channels, VCRs, personal digital video recorders, digital broadcast television, digital audio radio services, and the tens of thousands of Web sites on the Internet. There will be, under the umbrella of the new Viacom, entertainment, news, and sports that will be sought out by the full spectrum of American viewers, from our nation's youth (through *Blue's Clues* and *The Rugrats*) right up to our nation's older generation (through *60 Minutes* and *Touched by an Angel*). And Viacom/CBS will enjoy stronger cross-promotion for its content, accelerated international growth for Viacom's current cable brands and first-time international expansion for the CBS cable networks. Equally important, the new Viacom will remain true to the common commitment of both companies in returning to their audiences quality programming and public service.

II. DEPARTMENT OF JUSTICE REVIEW

Of course, before the new Viacom can begin to reap the efficiencies and explore the untapped opportunities the combined entity will bring, the merger of Viacom and CBS must await governmental approvals, both from the Department of Justice (DOJ) and the Federal Communications Commission (FCC). One of the issues that always arises in a significant transaction—and the reason for today's hearing—is the effects the proposed merger will have on competition in the relevant markets. Accordingly, it is expected that the DOJ will carefully review this transaction, as it should. Viacom and CBS look forward to working with the DOJ in this review and believe that the more the DOJ learns about this proposed merger, the more quickly it will conclude that the new Viacom will promote, not reduce, competition.

The U.S. antitrust laws are the bulwark of our nation's economy. When antitrust laws are strong and properly applied, the economy is at its most robust. "Strong" antitrust laws are those that protect the American people from companies and individuals intent upon cornering the market and destroying competition. They *are not*, however, laws that interfere where they are not needed. Nor are they rules that limit the incredible dynamism of our great economy.

Under this rubric, the combination of Viacom and CBS does not raise such antitrust concerns, because the vast majority of the business operations of the two companies simply *do not compete with one another*. Most of what we do is different. For example, Viacom, through Paramount, is one of the leaders in theatrical motion picture production. CBS does not produce theatrical motion pictures. Viacom, through Blockbuster Entertainment, is in the video rental business. CBS is not. Viacom has five regional theme parks. CBS has none. Viacom's Simon & Schuster is a book publisher. CBS is not. And for its part, CBS operates a group of radio stations and owns an outdoor advertising business. Viacom has no such operations. CBS is known for its news and sports programming. Viacom is known for its music and entertainment programming. Thus, Viacom and CBS clearly are not competitors intent upon cornering markets, but, instead, are two fundamentally different companies seeking to complement their strengths.

Some overlaps, however, do exist between Viacom and CBS. First, Viacom and CBS each own one broadcast TV station in six of the same geographic areas. Second, both companies are involved in broadcast TV networks, albeit ones that do not really compete with one another—CBS through its CBS Television Network and Viacom through its fifty percent ownership in the fledgling UPN. Third, Viacom and CBS operate cable networks. And fourth, the two companies are each in the television syndication business.

In each of these four overlap areas, numerous large, healthy, and eager competitors already compete, ensuring not only the continuing competitiveness of the affected markets, but, also, such markets evolve, that the new Viacom itself will have to compete more aggressively in the future. This increased level of competition on the parts of all players will benefit consumers.

With respect to the overlap of TV stations, Viacom and CBS each have a station in the Philadelphia, Boston, Dallas, Detroit, Miami, and Pittsburgh television markets. These six cities are each major metropolitan areas, which rank in the top twenty television markets and have licensed to them anywhere from nine to twenty-one full-power, broadcast TV stations. In addition, these markets, on average, enjoy about a seventy-one percent cable penetration rate, higher than the national average of about sixty-eight percent, which means that nearly three-quarters of the households in each market have access to cable. And all households in each market have access to direct broadcast satellite and its hundreds of channels.

The Viacom-owned UPN-affiliated stations tend to have small audience shares such that a combination would not result in a significant

increase in concentration in any of these six television markets. Indeed, under the broadcast ownership rules adopted by the FCC just this passed August, common ownership of two television stations is permitted where there remain at least eight independently owned full-power commercial and noncommercial TV stations post-combination and where the two merging stations are not both among the top four-ranked stations in the market, as measured by audience share. Given the high level of competition among TV stations in the six affected markets and the low ratings and shares of the UPN-affiliated stations, Viacom and CBS hope to obtain FCC approval of station combinations in these six cities.

In the case of broadcast television networks, CBS is an established and widely viewed network. It provides nearly 16.5 hours of programming to its affiliates each weekday and twelve hours on weekends. UPN, by contrast, remains a fledgling network, having launched not even five years ago. It distributes only ten hours per week of prime-time programming, plus small amounts of kids and other programming in other dayparts. In terms of total household ratings, UPN is not in CBS's league—garnering only about one-quarter of the viewers that CBS does. Moreover, the demographics for the audiences of UPN and CBS are also very different. UPN largely attracts younger urban male viewers, while CBS attracts a broad-based audience with a slight bias toward older females. Given the drastically varying ratings and demographics of the two networks in a universe of seven national broadcast networks and hundreds of cable networks, common ownership of UPN and CBS does not raise antitrust concerns.

As for cable television networks, a third area where Viacom's and CBS's businesses compliment each other, Viacom operates several premium cable channels, including Showtime and several basic cable channels, including MTV, Nickelodeon, and VH1, while CBS runs only two basic cable networks, CMT and TNN. These Viacom and CBS cable networks exist in a universe of several hundred other cable television networks, all competing vigorously with each other and with other media, including broadcast networks and the Internet, for advertisers, access to distribution platforms and viewers. Consequently, the combination of Viacom's and CBS's cable networks would not adversely impact competition. Moreover, although genres of programming do not define separate markets in cable television, the fact remains that the Viacom and CBS networks do offer different types of programming from one another that appeal to different types of audiences, further reducing the small amount of overlap between them.

Syndicated television programming, the final area in which both companies operate, includes those shows and movies that air during times of the day when broadcast network fare does not. Such shows include *Wheel of Fortune* and *Cheers*. With more than a dozen major entities—including Columbia Tri-Star, ABC/Disney, Warner Bros., Fox/Twentieth Television, Hearst-Argyle, MGM, Universal, King World, Studios USA, Pearson, in addition to CBS/Eyemark and Viacom's Paramount Television—offering hundreds of hours of television programming each and every season, and many having done so for decades, there are hundreds of thousands of hours of programming available, and more are being created each year for syndication. In short, excluding future programming production, there is already in existence plenty of content for a highly competitive market.

In light of this robust television programming marketplace, there is, for several reasons, no threat to competition from a combined Viacom/CBS. First, Viacom's and CBS's programming offerings vary markedly, reducing the degree of competition between the two companies. In fact, CBS's syndicated programming will come in large part from King World, upon CBS's pending purchase of that company, which produces only four shows that garner nearly three-quarters of its revenue: the game shows *Wheel of Fortune*, *Jeopardy*, and *Hollywood Squares*, and the talk show *Oprah*. Paramount's top syndicated shows, on the other hand, include *Judge Judy*, *Entertainment Tonight*, *Frasier*, *Real TV* and *Star Trek: Voyager*. Paramount has no syndicated game show, and while it does produce the talk shows *Montel* and *Leeza*, their ratings do not reach the lofty heights achieved by *Oprah*. Further, Paramount distributes feature films and a vast array of library product (such as *I Love Lucy* and *Bonanza*), which neither CBS nor King World do. By any measure, therefore, no competitive problem is presented by combining the two companies' syndication operations.

In sum, the proposed merger of Viacom with CBS logically reflects the increasing amount of competition in the entertainment industry. FCC rules such as the financial interest and syndication prohibition and limitations on local television and radio ownership were created when most markets had three or four television stations, little or no cable penetration, no satellite distribution and, of course, no Internet access. As a result, all of the alternative distribution markets were nurtured in a regulatory environment that restricted the growth of the over-the-air television. Now, most markets have at least several television stations and nearly all households can choose to receive cable television and satellite television, as well as access to the Internet. As a result, the rules on financial interest and syndication and local broadcast ownership have been relaxed, encouraging

deals like the Viacom/CBS merger. Viacom and CBS believe that more needs to be done to enable free over-the-air broadcast television to compete fairly against the other forms of video programming distribution and to compete in the international marketplace. Provided that the antitrust laws are applied in the normal course, as they should be, the proposed merger of Viacom and CBS should pass the DOJ's antitrust scrutiny.

III. FEDERAL COMMUNICATIONS COMMISSION REVIEW

As for review by the FCC, that agency's mission is to determine whether the public interest would be served by the merger. Most often, that objective is achieved by looking at the impact of a merger on the twin pillars of competition and diversity. Viacom and CBS commit to making any necessary divestitures as expeditiously as possible after the merger so that their ownership of broadcast stations complies with all of the FCC's local broadcast ownership rules, including the TV duopoly and TV-radio cross-ownership rules. Concerns have been raised, however, about whether the combined assets will conflict with two of the Commission's national television ownership rules: the thirty-five percent reach limit, which caps the percentage of households in the country that one owner may serve through its television stations; and the so-called "dual network" rule, which prohibits the common ownership of an established network and UPN or WB. Specifically, when aggregated, the national reach of Viacom's UPN-affiliated TV stations and CBS's TV stations equals about forty-one percent, about six percent in excess of the cap. And retention of current assets would leave the new Viacom with ownership in CBS and the UPN "weblet."

While Viacom and CBS have stated to the Commission that following the merger the combined company will come into compliance as quickly as possible with whatever rules are in place at the time of their closing, the two companies firmly believe that the thirty-five percent national TV ownership limit and the dual network rules no longer serve the public interest of viewers and those rules should be relaxed. Changing the two rules would be in keeping with the directive of Congress in the Telecommunications Act of 1996—to eliminate unnecessary and counterproductive regulation hamstringing the broadcasting industry.

In the case of television station ownership, after careful consideration of the two issues central to the public interest—competition and diversity—the Commission just this past August substantially liberalized its local broadcast ownership rules. That decision was well justified and highly commendable. But if local TV ownership deregulation is justified—and it is—then there is no rationale for retention of the national TV ownership

cap. Indeed, acknowledging the importance of rationality in the establishment of rules, FCC Chairman William Kennard, in his statement accompanying the adoption of the relaxed local broadcast ownership rules, noted: “[We] are adopting common sense rules that recognize the dramatic changes that the media marketplace has undergone since our broadcast ownership rules were adopted [thirty] years ago [We] need to provide broadcasters with the flexibility to seize opportunities and compete in this increasingly dynamic media marketplace.”¹ To that end, countless economic studies prove that the national cap does not make any economic sense. Nor does it make any public interest sense.

First, the national TV cap does not promote diversity. As the FCC itself found in the mid-1980s: “[T]he most important idea markets are local [N]ational broadcast ownership limits, as opposed to local ownership limits, ordinarily are not pertinent to assuring a diversity of views to the constituent elements of the American public.”²

Second, the national cap does not promote localism in terms of a station’s involvement with the community or programming focused on local issues. Even if it made a difference in this regard to have more locally owned stations, group station ownership is now the norm, and economic reasons will ensure that the vast majority of local stations will always be owned by an entity—very often a publicly traded corporation—whose home office is elsewhere. In fact, sixty-four percent of all U.S. households are served by CBS affiliates run by group owners, and only two percent are run by individual owners. Excellent broadcasters who head television groups that are headquartered all over the country run CBS-affiliated stations. And the FCC agrees. It found in 1985 that “the economics of each local market require autonomous decisions by each station with respect to its editorial judgments.”³ Thus, the national cap simply has no effect on localism.

Most important, though, broadcasting, like politics, is necessarily local, regardless of where the home office is. For example, Cox Communications, a large group owner based in Atlanta, does an outstanding job of serving the community of Dayton, Ohio, through its affiliate WHIO. CBS, which owns WFRV in Green Bay, Wisconsin, does the same outstanding job serving its community. Local station affiliates or

1. Review of the Comm’n’s Regulations Governing TV Brdcast., *Report and Order*, 14 F.C.C.R. 12,903 app. c at 1981-82 (Chairman William E. Kennard, Remarks at the Aug. 5, 1999 Meeting on Broadcast Ownership Items).

2. Amendment of Section 73.3555 of the Comm’n’s Rules Relating to Multiple Ownership of AM, FM, & TV, *Report and Order*, 100 F.C.C.2d 17, para. 60, 56 Rad. Reg.2d (P & F) 859 (1984).

3. *Id.* at para. 21.

network-owned stations depend on involvement with their local communities to differentiate themselves and to succeed in selling local advertising. Localism expresses itself in the content of local newscasts, which are an extraordinarily important part of an affiliate's schedule. It expresses itself in community activities, which create goodwill for the station and build its audience. It expresses itself in special news coverage of emergencies, which every broadcaster sees as part of its public responsibility. Above all, free, over-the-air broadcast television stations, unlike nationally programmed cable and satellite systems, are uniquely situated to offer local voices to their communities. Broadcasters would never forsake this principal competitive advantage.

Maintaining the current national ownership limit is also defended by some on the grounds that raising the cap would allow network companies to exert anticompetitive power in their relationships with nonnetwork-owned affiliates. Since each market stands alone, there is no reason why ownership of a station in a *different* market should affect an affiliate's clout.

Finally, the opponents of broadcast deregulation once again fall back on the old specter of network dominance. If those opponents simply want network companies to be weaker so that they can extract more favorable terms in their affiliation contracts, it is not the job of Congress or the Commission to accommodate them. Moreover, the term "network dominance" was used to justify network regulation of the 1970's, when upwards of ninety percent of the television audience watched one of the then-three existing networks. Those regulations were repealed years ago; today, the broadcast networks are doing well if they garner more than forty percent of the prime-time television audience. The catch-phrase "network dominance" was once and for all debunked by the Commission and the courts. It is perplexing that some network affiliates, including those owned by large group owners who are more than able to fend for themselves in the marketplace, resurrect this term in the cause of perpetuating government regulation of their business.

In the dramatic, evolving telecommunications marketplace today, outdated regulations can have perverse effects. Regulatory policies simply cannot keep pace with the market forces that drive technology and innovation. If one believes that free, quality and universal television is a public good, the government should be encouraging the flow of capital into this service. Instead the 35% cap distorts the investment of capital and programming by penalizing broadcasters and needlessly encouraging the flow of capital to pay outlets. Viacom and CBS will, of course, do whatever is necessary to adapt to this situation. But, the question remains

whether retention of the national limit is in the public interest and makes any sense—whether that limit is set at 35%, 50%, or even 99% of the country. By comparison, under the FCC's newly adopted cable television ownership rules, a cable operator is permitted to own multichannel video programming distribution systems, such as cable, satellite and other such services, serving 30% of subscribers to those services nationwide. This 30%, according to the Commission's calculations, equals approximately 37% of all cable subscribers nationwide. However, in that percentage of the country, cable systems are most likely to be the *only* cable systems. Under the 35% broadcast television cap, by contrast, a station faces competition from at least one to as many as thirty-two other stations in that percentage of the country. Accordingly, broadcasters once again, have been singled out for restrictive treatment.

As for the dual network rule, it is yet another example of an FCC ownership regulation which discriminates against broadcasters who provide free and universal programming. Rather, the rule benefits those industries which provide programming viewers must pay for, while imposing yet another handicap on free over-the-air broadcasters. The rule provides that one of the four established networks is prohibited from combining with an "emerging" network, which the FCC has interpreted to cover only UPN and WB, the two emerging networks in existence at the time the Telecommunications Act was passed in 1996. The rule, therefore, is especially discriminatory and arbitrary. For example, NBC would be allowed to purchase the "seventh" current network, PAXNET, but the new Viacom could not operate CBS and UPN. This lacks all rationality, especially since under the Commission's current rules one company can own unlimited cable networks.

It is unclear what benefit the public gains from this policy. Again, many of the same arguments that are used to support the retention of the 35 percent cap are used here: network dominance, advertising consolidation, lack of diversity of views and decreased minority ownership. These are all unfounded fears. Instead, this rule is yet another unnecessary restraint on the ability of broadcasters, who offer a free and universal product, to achieve ownership efficiencies needed to compete with those who offer a programming service for which consumers must pay.

If Viacom is required to divest its interest in the UPN network, the following paradox will likely ensue. Viacom could try to sell its fifty percent stake, which would mean transferring its losses to a third party. Yet, *no* party is lining up to assume responsibility for a network that is still losing hundreds of millions of dollars each year. The only other option, therefore, might be to shut down UPN altogether. But, shuttering UPN is

something Viacom and CBS want to avoid. Closing it would not serve the public interest. The UPN network is off to a very good start this year, and the efficiencies, synergies and network experience that CBS would bring to the table could be the boost that UPN needs to continue its rise and make it a successful network in terms of a business and in terms of service to the public.

UPN now serves minority viewers as well. Last season, while UPN had a disappointing 2.0 overall rating, it garnered a 5.8 rating among African American households. Among the top fifty rated television network programs among African American households, ten air on UPN. Indeed, as the owner of CBS and UPN, the new Viacom is more likely to retain the "niche" status of UPN than is any other owner, who might be compelled to clone the new network to look like yet another "established" network capable of reaching a larger mass audience and, with it, larger advertising revenues needed to succeed. Whether these broadcast ownership rules are changed or retained, the Viacom/CBS merger will happen. However, it would be a great disservice to the public interest if the full potential of UPN is not allowed to blossom. Such an anomalous result should not be allowed to happen.

