

**MARKETPLACE**

June 12, 2002 Wednesday

HEADLINE: Fewer and bigger media players in technology

ANCHORS: DAVID BRANCACCIO

DAVID BRANCACCIO, anchor:

This is MARKETPLACE. I'm David Brancaccio.

Vertical integration -- that's what keeps the Eiffel Tower from falling. It's also the Holy Grail of big entertainment companies, owning everything from the shows to the network to the action figures. In theory, this means profits, but it can also mean fewer and bigger media players, something federal regulators are supposed to monitor. This can apply to content, but also to the pipelines that will bring increasing amounts of this media into our houses, fast Internet connections. Media business analyst Martin Kaplan is the associate dean of the Annenberg School of Communication at USC.

Dr. MARTIN KAPLAN (Professor, Annenberg School for Communication):  
There's a sense in which the early Internet got where it was because of the ability within a regulated context for various people to compete. The problem is now we have an FCC that really doesn't believe in regulation at all. Its view is that competition is best achieved where everyone gets out of the way, including government. Unfortunately, it doesn't work that way. When government gets out of the way, consolidation of power is what results.

Most recent case: The FCC has been asked to rule, and it's quite likely to do so, that the DSL providers in your neighborhood...

BRANCACCIO: This is superfast telephone lines that bring loads of data back and forth to your Internet connection in your home.

Dr. KAPLAN: Exactly. And until now, phone companies needed to provide access to their lines to any provider. So if an upstart company said, 'Let's use the phone infrastructure in order to connect,' you could do so. But under a new ruling, comparable to what's already been ruled for cable and ISPs for Internet service, it looks as though the local phone companies won't have to provide access to broadband service, which will reduce the number of competitors and make it easier to consolidate monopoly power.

BRANCACCIO: What's the overall fear, that, in fact, there will just be a couple of companies doing this?

Dr. KAPLAN: Yes. And so if your provider is company X, what incentive does it have to let the content of company Y travel through its pipes? We live in a system which in principle is based on diversity of content. But if the pipes are in fewer and fewer people's hands, then the ability to say, 'No. With our pipes, you only get our content' is increased. That doesn't serve the consumer. And unfortunately, the FCC seems to be asleep at the switch.

BRANCACCIO: Notice the liaison that Dr. Kaplan has just provided for us, moving from Internet service providers to the content discussion.

Dr. KAPLAN: Ah, oui. Yes. In fact, the Writers Guild of America, the caucus of producers, directors and writers have all urged the FCC to take a second look, to hold public hearings, to do studies to look at the impact of vertical integration and consolidation on the content of the business. Not only are the pipes in fewer and fewer hands, but so are the people who spend the money to create it.

Look at the new television season. Virtually every show was developed in-house by the television networks. The ability of an independent television producer to get a pilot made, to get a show on the air is increasingly small. Over the years, the writers used to get their income from the widest variety of owners of studios. Now it's all in the handful of hands.

BRANCACCIO: Thank you very much.

Marty Kaplan is also director of the Norman Lear Center at USC.

LOAD-DATE: June 13, 2002