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PRESS STATEMENT
DUAL NETWORK REPORT AND ORDER
MICHAEL K. POWELL, CHAIRMAN

Today, we take an important step in examining the Dual Network Rule in the context of the competitive landscape as it exists today. The Order; (1) examines the competitive changes in the video marketplace; (2) applies an economic framework for analyzing the competitive impacts of such a merger and; (3) examines the impact on diversity by maintaining or changing the rule. The Order concludes that diversity and localism are prospering as a result of the dramatic changes in the video marketplace and that any efficiencies gained through such mergers would likely make the emerging networks more effective competitors. Retention of the rule in its current form is found to be no longer in the public interest. The Order further concludes that the change we make today will not harm, and indeed is likely to promote competitive efficiency and diversity.

The original dual network rule is over 50 years old. It was adopted in the early years of television when 3 networks dominated the entire television market. Today, half a century later, we not only have alternative platforms for distribution – namely cable and DBS – we also have a plethora of new programming channels available to consumers. In 1946 there were only six television stations nationwide; today there are over 1,600 television stations. Today, approximately 84 percent of all Americans subscribe to cable, DBS, or another multi-channel service provider. And with over 200 cable networks there are more sources of programming than any time in history.

These dramatic changes in the video competition market serve as the backdrop for the Commission's review of that portion of the Dual Network Order that prohibits the four largest networks--ABC, CBS, Fox, NBC from merging with UPN or WB. The Commission has a responsibility to examine *all* of its rules in the modern context, and either validate or eliminate them. In fact, in the broadcast ownership area, Congress has *directed* the Commission to review its broadcast ownership rules and "determine whether any of such rules are necessary in the public interest as a result of competition." The Order we adopt today affirms the tentative conclusion made by the Commission the Biennial Report; that the rule as it applies to UPN and WB no longer serves the public interest, and therefore should be repealed.

(more)

The record in this proceeding also demonstrates that maintaining the rule in its current form would actually jeopardize diversity, rather than promote it. Uncontested in the record is the fact that continued ownership of UPN by CBS is essential to the continued viability of UPN and its local affiliated stations. The failure of this network would result in a loss of a diversity of programming at the national level; programming that makes an important contribution to minority and urban audiences. Furthermore, outlet diversity at the local level would also be jeopardized if the stability of the affiliates was put at risk.

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