

CBS-Viacom merger: monopolies tighten their grip on the media

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Perhaps the most revealing feature of the announced takeover of CBS by Viacom was how little public attention it attracted. There was intensive coverage September 8, the day the deal was announced by Viacom Chairman Sumner Redstone and CBS President Mel Karmazin. After that, the biggest media merger in US history was relegated to the inside pages of the business press and ignored by the broadcast media.

There was little or no commentary about the implications for democracy of the formation of such huge media monopolies, controlling vast means for the manipulation of public opinion. Don Hewitt, executive producer of the CBS 60 Minutes program, joked to the *New York Times*, "I'm convinced that before I die, one person will own everything. And it could well be Mel Karmazin."

It is virtually impossible for any significant section of the media to take up this issue because the media as a whole is controlled by a relative handful of giant conglomerates. Those whose livelihoods depend on these companies routinely subject themselves to a form of self-censorship. Otherwise, like the producers fired last year by CNN for exposing evidence of US use of nerve gas in the Vietnam War, they find themselves out on the street.

The \$40.6 billion Viacom purchase of CBS does not make the merged company the largest media monopoly in America. Depending on which yardstick is used—stock market valuation or gross revenues—the new Viacom is second or third, after Time Warner and Walt Disney.

The merged company will be the largest single operator of television and radio stations in the United States, combining Infinity Broadcasting and Group W, two of the biggest radio chains, both owned by CBS,

with TV stations owned by CBS and Viacom's Paramount subsidiary. The result will be a company with stations in 18 of the 20 largest markets, two stations in six of the biggest markets, reaching 41 percent of the total national broadcasting market. The latter figure compels Viacom to petition the Federal Communications Commission to waive its regulation restricting any one company from owning stations reaching more than 35 percent of the market.

By combining the highest-rated television network, CBS, with Paramount, the studio which produced the highest-grossing movie of all time, *Titanic*, and dozens of the television programs, such as the longtime top-rated comedy *Frasier*, the merger creates a company in a powerful position in both production and distribution. Viacom also owns Spelling Productions, another large producer of television programs, as well as Viacom Productions.

Already the largest operator of cable TV broadcasting, with MTV, Nickelodeon, Showtime, VH-1 and Comedy Central, Viacom will add such CBS-owned networks as TNN. The combined firm will also be the largest US owner of outdoor billboards, as well as controlling Blockbuster Video, the largest video-rental company, book publisher Simon & Schuster, and five amusement parks.

Viacom owns 50 percent of the embryonic sixth US television network, UPN, but will likely be forced to sell all or most of its stake as a condition of the merger. The other half-owner is Chris Craft Industries.

Both Viacom and CBS are themselves products of a complex series of mergers and acquisitions over the past 20 years, during which the US media and publishing industry has seen ownership concentrated in the hands of a half dozen giant conglomerates.

CBS was acquired in 1995 by Westinghouse Electric,

the biggest operator of radio stations as well as a major electronic equipment manufacturer. Westinghouse then sold off or closed down its manufacturing operations and took CBS as its corporate name, to focus exclusively on becoming a media giant. In 1996 the company acquired Infinity Broadcasting, run by Karmazin, and became by far the largest US operator of radio stations.

Viacom owner Sumner Redstone is one of the richest men in America, building a media empire beginning with a movie theater operating company, National Amusements, which bought Viacom for \$3.4 billion in 1986 shortly after it launched MTV, in a deal financed by the issuance of high-interest debt. Redstone used similar tactics in 1993-94, when he acquired Paramount and Blockbuster Video in back-to-back deals worth \$10 billion and \$8 billion respectively.

Redstone will remain the controlling owner of the huge conglomerate. Although his holdings amount to only 13 percent of the total stock, this includes 66 percent of the Class A voting stock. He will be chairman and CEO, while Karmazin becomes Chief Operating Officer and presumed successor when the 76-year-old Redstone departs. The two chief deputies to Redstone at Viacom, Philippe Dauman and Tom Dooley, will leave the company, clearing Karmazin's road to the top, with severance pay, including stock options, totaling over \$150 million apiece.

The deal was reportedly first suggested by Karmazin last month after the FCC proposed relaxing rules on media concentration in local television markets, a move which would allow a merged CBS-Viacom to retain most of its lucrative television stations. The dismantling of virtually all federal regulation, culminating in the 1996 Telecommunications Deregulation Act, has been essential to the formation of vast media monopolies.

The largest US media monopoly is Time Warner, formed from the series of mergers of Time Inc., Warner Bros. and Turner Broadcasting (CNN), with revenues of \$26.8 billion. Second or third is Walt Disney, which acquired Capital Cities/ABC in 1995, and posted revenues last year of \$22.9 billion. The merged CBS-Viacom would stand third in this ranking, with 1998 combined revenues of \$18.9 billion.

The new company will rank first by at least one measure, advertising revenue, with a staggering \$11

billion, nearly double the previous leader, Rupert Murdoch's News Corp. (Fox TV), with advertising revenues of \$5.8 billion. CBS-Viacom will account for nearly one dollar out of every eight spent by American advertisers. Three-quarters of these dollars, in turn, come from just 100 big corporations.



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