

media & culture

an introduction to mass communication

FOURTH EDITION



RICHARD CAMPBELL

Middle Tennessee State University

Christopher R. Martin

University of Northern Iowa

Bettina Fabos

University of Northern Iowa

Cable 1

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cable

and the specialization of television

CHAPTER 6

**Technology and
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When MTV began on August 1, 1981, the first music video played was "Video Killed the Radio Star," by the Buggles. The song proved to be prophetic. But more than twenty years later, in 2002, video resurrected the radio star—in this case, an aging heavy-metal icon—with a show called *The Osbournes*. The program's introduction makes the show look like a fictional TV family sitcom. But the Osbournes are for real. Teenage children Jack and Kelly are making it through their awkward years with dyed hair and lots of black clothing. Mother

Sharon, like most sitcom moms, clearly wields control over the household. She also generated strong viewer sympathy when the program revealed her battle with colon cancer. But the show's main attraction is father Ozzy Osbourne, the fifty-plus-year-old solo act and former lead singer of Black Sabbath. Osbourne is famous for such songs as "Crazy Train," "Paranoid," and "Iron Man" but perhaps even more famous for surviving his more youthful indiscretions, which include heavy drug use, alcoholism, biting the head off of a

bat on stage, and biting the head off of a dove at a meeting with record executives.

So, there was a certain appeal for viewers in seeing how the middle-aged, somewhat doddering heavy-metal star from Birmingham, England, copes as a suburban dad with his wife, two of their three children, and several poorly trained dogs and cats in their Beverly Hills mansion. And there was an unmistakable irony in many situations, including Ozzy dealing with a next-door neighbor who plays music too loud, and his two teenage children who stay out late at night. (A third child, the oldest daughter, declined to participate in the show's tapings.)

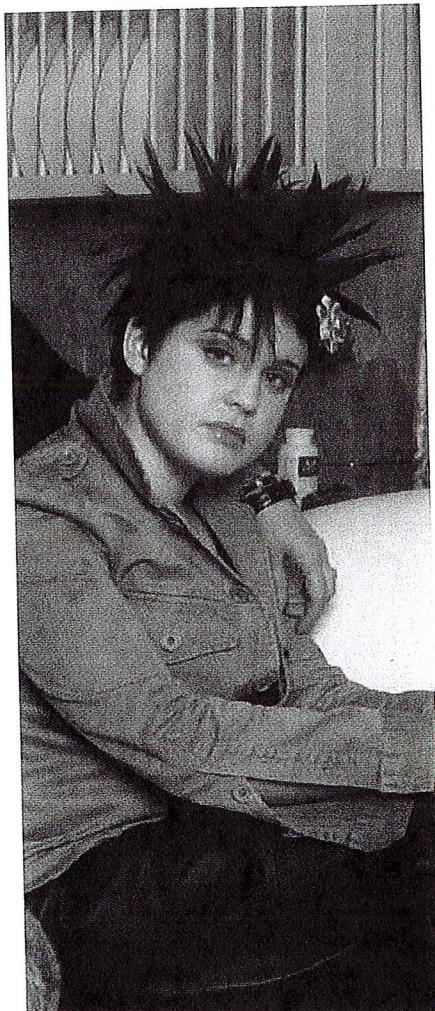
The Osbournes quickly generated great word-of-mouth buzz among viewers, and with just ten episodes in the spring of 2002 it became the biggest hit in MTV's history. It also led to multimillion-dollar agreements for twenty new episodes, a book deal, and DVD/videocassette releases worth about \$30 million for the Osbournes. The show also recon-

firmed MTV's role as one of television's innovators. As the broadcast networks have struggled with declining audiences over the past two decades, MTV has more freely stretched the boundaries of conventional programming with reality programs such as *Real World* and *Road Rules*, shock stunt shows like *Jackass*, and satirical animation like *Beavis and Butt-head*. In fact, the idea for *The Osbournes* emerged from an appearance of the family on another MTV show—*Cribs*, which takes viewers through the

overdecorated homes of hip celebrities.

MTV programs like *The Osbournes* have been extremely successful in attracting the audience so desired by advertisers: people in the age twelve to thirty-four category. Thus, it was not surprising that the day after it premiered, NBC's chief programmer asked his staff to find similar material for his network.

Like many reality programs on network television, however, *The Osbournes*' star dimmed during its second season. It lost more than half its audience, dropping from close to 8 million viewers during its first season high to 6.5 million for its second season opener in November 2002 to fewer than 3.5 million by January 2003. The novelty of documenting the everyday life of an aging rock star's family apparently got old fast. Although the broadcast networks may want similar programming, they still face the reality that unscripted programs outside the creative control of writing teams—while cheaper to produce—are difficult to sustain.



although cable television is almost as old as broadcast television, broadcasters worked hard to stunt its growth throughout its first twenty-five years. Since the mid-1970s, however, when both HBO (Time Warner's premium movie service) and WTBS (Ted Turner's Atlanta TV station) became available to cable companies across the nation, cable television's growth has been rapid. In 1977, only 14 percent of all American homes received cable. By 1985, that number had climbed to 46 percent. By 2003, the figure had leveled off at about 70 percent.

The cable industry's emergence from the shadow of broadcast television and its rapid rise to prominence were due partly to the shortcomings of broadcast television. For example, cable generally improved signal reception in most communities. In addition, whereas prime-time broadcast television has traditionally tried to reach the largest possible audiences, cable channels—like magazines and radio—focused more on providing specialized services for smaller audiences that broadcasters often ignored. Furthermore, through its greater channel capacity, cable has provided more access. In many communities, various public, government, and educational channels have made it possible for anyone to air a point of view or produce a TV program. When it has lived up to its potential, cable has offered the public greater opportunities to more fully participate in the democratic promises of television.

We will begin this chapter by examining cable's technological development and traditional broadcasters' attempts to restrict its growth. We will discuss the impact of the various rules and regulations aimed at the cable industry, including the Telecommunications Act of 1996, which was the first major revision of communications law since 1934. We will then turn to various programming strategies, including basic service, premium cable, pay-per-view, video-on-demand, and cable music services, as well as the innovative contributions of CNN, MTV, and HBO. We will also explore an alternative technology—direct broadcast satellite—and its impact on cable. Finally, we will look at business and ownership patterns, particularly the influence of the largest cable operators, Comcast Corp. and Time Warner Cable, and investigate cable's role in a democratic society.

Technology and the Development of Cable

Unlike recording, radio, and broadcast television, cable television's earliest technical breakthroughs came from a fairly anonymous and practical group of people. Originating in rural and small-town communities in the late 1940s, cable sprang from obstacles that appliance-store owners faced in selling TV sets to people who lived in remote areas. In an effort to increase sales in places where hills and mountains blocked broadcast signals, TV dealers and electronics firms built antenna relay towers on the outskirts of their communities to pick up blocked signals. They strung wire from utility poles and then ran cables from the towers into individual homes. Essentially, these individuals created a market for their products by ensuring clear TV reception for viewers.

Although today's technology is more advanced, cable TV continues to operate in pretty much the same way. The key technical distinction between cable and broadcasting remains: In cable, programs reach TV sets through signals transmitted via wire; in broadcasting, signals are transmitted over the air. The advantage of cable is that whereas the airwaves in any given community can accommodate fifteen or so VHF and UHF channels without electrical interference, cable wires can transmit hundreds of channels with no interference.

“New viewers are not coming to network television. How do you build for the future? I was a young executive. I don't know if I would come into the network business. I'd probably rather program *Come Central*.”

—Leslie Moonves, president of CBS Television, 2003

CATV — Community Antenna Television

The first small cable systems—called **CATV**, or community antenna television—originated in Oregon, Pennsylvania, and Manhattan (New York City), where mountains or tall buildings blocked TV signals. The early systems served roughly 10 percent of the country and, because of early technical and regulatory limits, contained only twelve channels. Even at this early stage, though, TV sales personnel, broadcasters, and electronics firms recognized the two big advantages of cable. First, by routing and reamplifying each channel in a separate wire, cable eliminated over-the-air interference. Second, by running signals through coaxial cable, channel capacity was increased.

In the early days, small communities with CATV often received twice as many channels as were available over the air in much larger cities. Because broadcast channels were generally regarded as a limited natural resource, CATV foreshadowed later developments in which cable-channel capacity grew dramatically and the need to operate a broadcast frequency diminished. In combination, the two early technological advantages of cable would soon propel the new cable industry into competition with conventional broadcast television. Unlike radio, which was intended to free mass communication from unwieldy wires, early cable technology sought to restore wires to improve the potential of television.

The Wires and Satellites behind Cable Television

With cable, TV signals are processed at a computerized nerve center, or *headend*, which operates various large satellite dishes that receive and process long-distance signals from, say, CNN in Atlanta or MTV in New York. In addition, the headend house's receiving equipment can pick up an area's local broadcast signals or a nearby city's PBS station. The headend relays each premium channel, local network affiliate, independent station, and public TV signal along its own separate line. These lines are made up of *coaxial cable*, *fiber optics*, or a combination of both. Until the 1980s, when scientists developed fiber-optic technology—sending coded information along beams of laser light—most cable systems transmitted electronic TV signals via coaxial cable, a solid core of copper-clad aluminum wire encircled by an outer axis of braided wires. These bundles of thin wire could accommodate fifty or more separate channels, or lines, running side by side with virtually no interference.

CABLE AND THE SPECIALIZATION OF TELEVISION

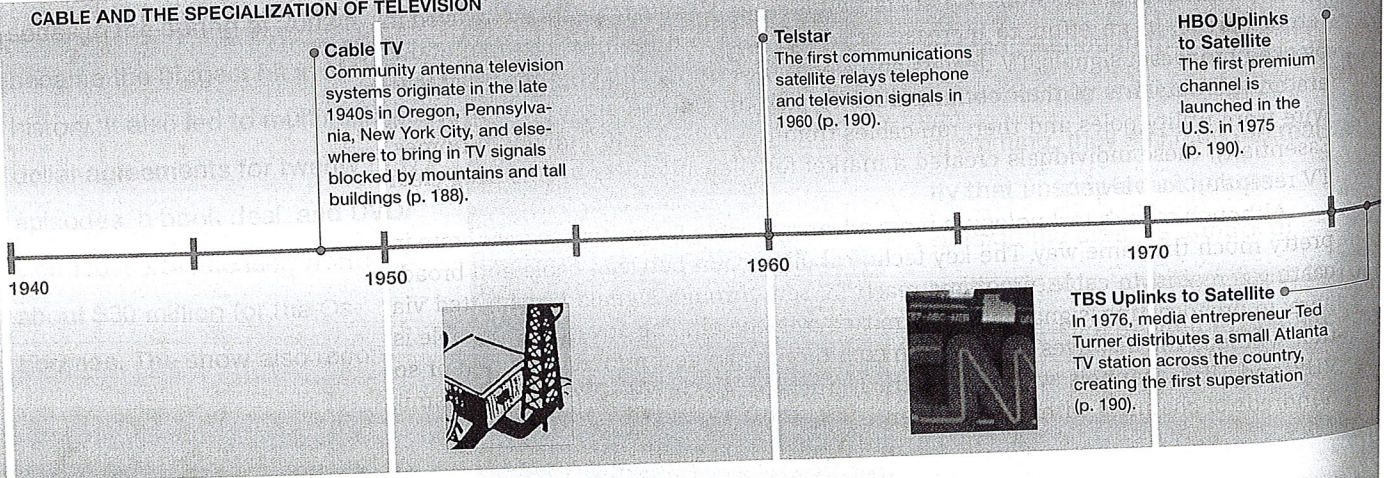
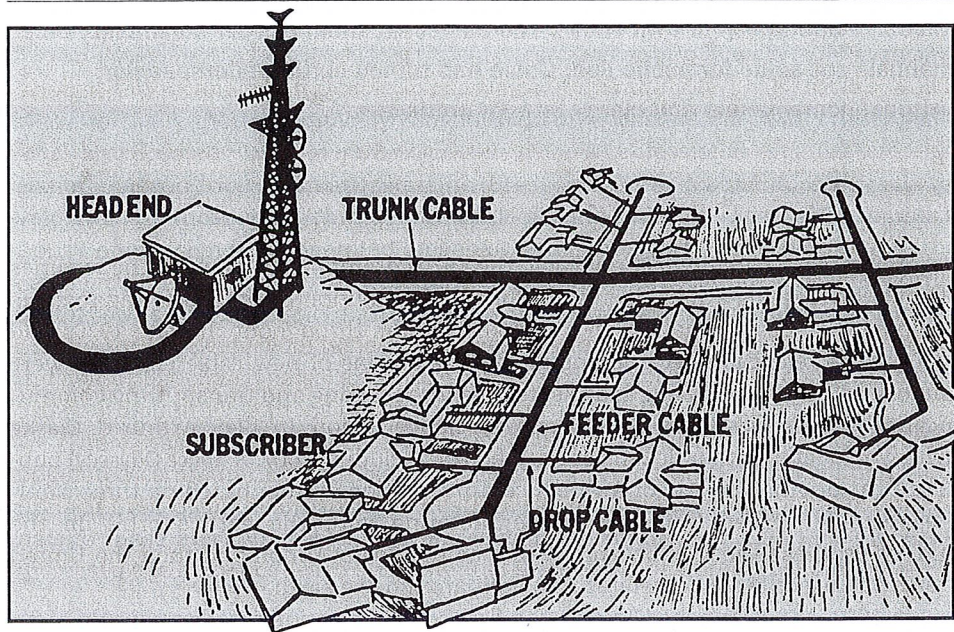
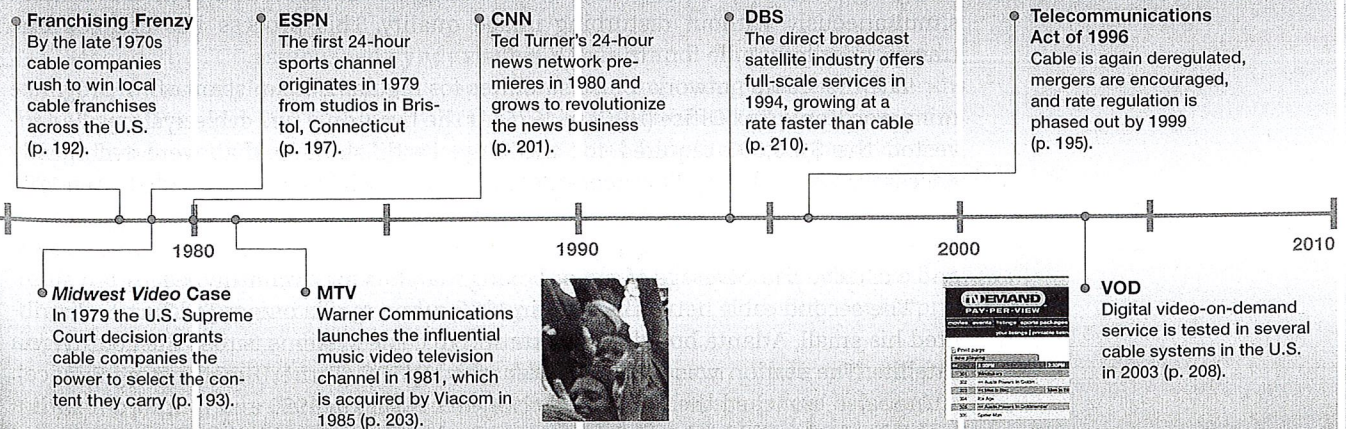


Figure 6.1 A Basic Cable Television System



Source: Jennifer Stearns, *A Short Course in Cable* (Office of Communication, United Church of Christ, 1981), 9.

After “downlinking” various channels from satellites and pulling in nearby stations from the airwaves, headend computers relay them in the same way that telephone calls and electric power reach individual households. Most TV channels are relayed from the headend through *trunk* and *feeder* cables attached to existing utility poles. Cable companies rent space on these poles from phone and electric companies. Signals are then transmitted to *drop* or *tap* lines that run from the utility poles into subscribers’ homes. TV signals either move from drop lines to cable-ready TV sets or pass through a cable converter box, which enables older TV sets to receive each channel. The newest set-top cable converter boxes can also bring the latest digital channels and services to subscribers. (See Figure 6.1.)



“No longer must you be satisfied with programming provided by others. You can videotape your own shows and cablecast them to your community on channels set aside for public use. Cable has turned sixth graders, senior citizens, homemakers and clergy into TV producers.”

—Jennifer Stearns, *A Short Course in Cable*, 1981

Advances in satellite technology in the 1970s dramatically changed the fortunes of cable by creating a reliable system for the distribution of programming to cable companies across the nation. In a few short years throughout the late 1970s and 1980s, cable television became popularized as dozens of new cable channels were launched. The idea for using space satellites for receiving and transmitting communication signals was literally right out of science fiction: In 1945, Arthur C. Clarke (who would later author dozens of sci-fi books, including *2001: A Space Odyssey*) published the original theory for a global communication system based on three satellites equally spaced from each other, rotating with the earth's orbit. In the mid-1950s, these theories became reality as the Soviet Union and then the United States successfully sent satellites into orbit around the earth.

In 1962, AT&T launched Telstar, the first communication satellite capable of receiving, amplifying, and returning signals. Telstar received transmissions from the ground, beamed from an *uplink* facility, and retransmitted the signals to a receiving dish called a *downlink*. An active satellite, Telstar was able to process and relay telephone and occasional television signals between the United States and Europe. By the mid-1960s, scientists figured out how to lock a communication satellite into synchronous or geostationary orbit. Hovering 22,300 miles from the equator, satellites could travel at more than 6,800 mph and circle the earth at the same speed the earth revolves on its axis. For cable television, the breakthrough was the launch of domestic communications satellites, first with Canada's Anik satellite in 1972, followed by the United States' Westar in 1974.

The first satellites were capable of operating for seven or eight years and had twelve or twenty-four *transponders*, the relay points on a satellite that perform the receive-and-transmit functions. By the mid-1990s, the newest satellites had forty-eight transponders and lifetimes of more than fifteen years. Cable and DBS (direct broadcast satellite) program services such as MSNBC or the Discovery Network rent these transponders from satellite companies for million-dollar monthly fees. One conventional transponder can process one color-TV signal or about three thousand simultaneous long-distance phone calls. In recent years, companies have begun using digital compression, a way of increasing the number of signals transmitted simultaneously without disturbing image quality. This process has enabled one transponder to handle four to six TV signals.

The first cable network to use satellites for regular transmission of TV programming was Home Box Office (HBO) in 1975. At the time, only two cable systems had invested the \$100,000 required for the large earth stations that were technically necessary for a cable system operator to retrieve a satellite signal. But between 1975 and 1980, the number of cable earth stations grew to seventeen hundred and HBO became a success, delivering programming such as uncut, commercial-free movies and exclusive live coverage of major boxing matches for a monthly fee.

The second cable network began in 1976, when media owner Ted Turner distributed his small, Atlanta broadcast TV station to cable systems across the country via satellite. The station was eventually renamed WTBS (Turner Broadcasting Service). Turner also launched the Cable News Network (CNN) in 1980 and followed it with a number of other cable channels.

Cable Threatens Broadcasting

Though the technology for cable existed as early as the late 1940s, cable's growth was effectively short-circuited by conventional broadcasters. For nearly thirty years, local broadcasters, the networks, and television's professional organization—the National Association of Broadcasters (NAB)—successfully lobbied to curb cable development in most cities. Throughout the 1950s and 1960s, the Federal Communications Commission (FCC) operated on behalf of the broadcast industry to ensure that cable would not compete with conventional television. Local broadcasters worried that if towns could bring in distant signals from more glamorous cities like Chicago or New York, viewers would reject their local stations—and their local advertisers—in favor of big-city signals. Early FCC rules therefore blocked cable companies from bringing distant TV stations into cities and towns with local channels.

There was one exception to these lobbying efforts: CATV service for sparsely populated communities. Because CATV generally served towns that had no TV stations of their own, the broadcast industry welcomed the distribution of distant signals to these areas via cable. After all, relaying a commercial signal to rural areas increased the audience reach and potential ad revenue of a broadcast station.

The FCC Reins In Cable's Growth

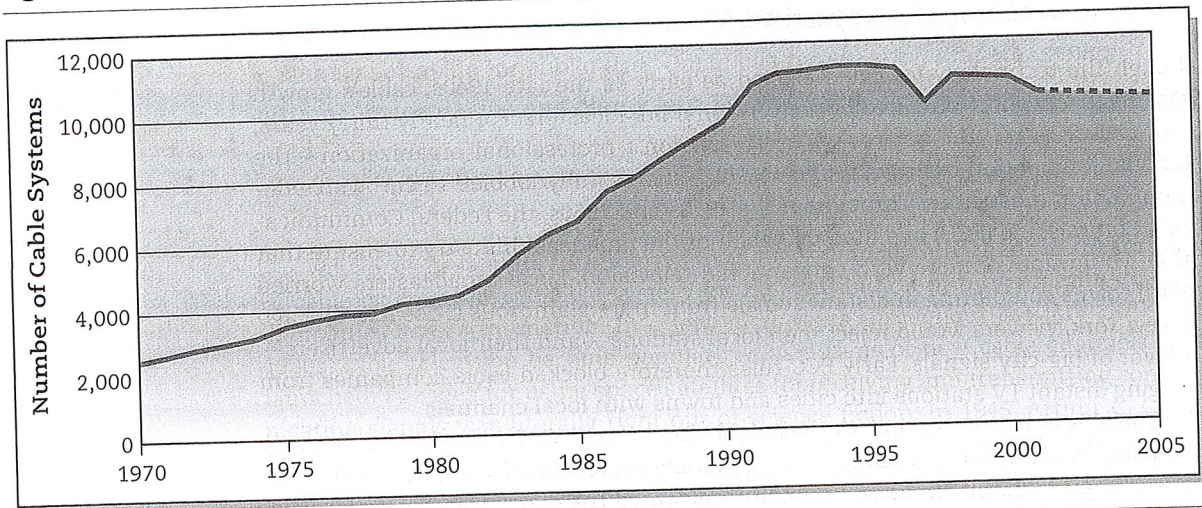
By the early 1970s, particularly with the advent of communication satellites, it was clear that cable's growth could no longer be limited to small, isolated communities. With cable's capacity for more channels and better reception, the FCC began to seriously examine industry issues. In 1972, the commission updated or enacted three main rules to regulate cable's expansion and protect conventional over-the-air television.

First, the FCC reaffirmed **must-carry rules**, first established in 1965, which required all cable operators to assign channels to and carry all local TV broadcasts on their systems. This rule ensured that local network affiliates, independent stations (those not carrying network programs), and public television channels would benefit from cable's clearer reception. The FCC guidelines also allowed additional noncommercial channels to be introduced into bigger TV markets, but the guidelines limited the number of distant commercial TV signals to two or three independent stations per cable system. In addition, the guidelines prohibited cable companies from bringing in a network affiliate from another city when a local station already carried that network's programming. This ensured that a network affiliate in one market would not have to compete for viewers against a similar affiliate imported from another market.

Second, the FCC established **syndex rules**, which stands for "syndication exclusivity," and basically prohibited cable operators from importing off-network reruns like *Happy Days* and *M*A*S*H* from distant markets that would duplicate programming already available on local stations. These rules benefited local broadcasters, who each year competed with other local stations for exclusive syndication rights on specific programs. By applying syndex rules to cable, the FCC reaffirmed that cable could not undermine the programming choices of local stations. If cable systems did import duplicated shows, they were required to block them out—replace them with other programming—even if they filled a different time slot. Not surprisingly, the cable industry disliked this bothersome regulation.

Finally, the 1972 FCC rules required cable systems to carry their own original programming by mandating **access channels** in the nation's top one hundred TV markets. In other words, operators of cable systems were compelled to provide and

Figure 6.2 The Rise of Cable Systems, 1970–2005



Source: National Cable Television Association (NCTA), <www.ncta.com>.

fund a tier of nonbroadcast channels dedicated to local education, government, and the public. The FCC required large-market cable operators to assign separate channels for each access service, whereas cable operators in smaller markets (and with fewer channels) could require education, government, and the public to share one channel. In addition to free public-access channels, the FCC called for **leased channels**. Citizens could buy time on these channels and produce longer programs or present controversial views.

Franchising Frenzy

By the end of the 1970s, the future of cable programming was clear, and competition over obtaining franchises to supply local cable service had become intense. Essentially, a cable franchise was a mini-monopoly awarded by a local community to the most attractive bidder, usually for a fifteen-year period. Although a few large cities permitted two companies to build different parts of their cable systems, in most cases communities granted franchises to only one company. Cities and states used the same logic that had been used in granting monopoly status to AT&T for more than a hundred years: They did not want more than one operator trampling over private property to string wire from utility poles or to bury cables underground.

The period from the late 1970s through the early 1990s constituted a unique, if turbulent, era in media history, for it was during this time that most of the nation's cable systems were built (see Figure 6.2). During the franchising process, a city (or state) would outline its cable system needs and request bids from cable companies. Then a number of companies—none of which could also own broadcast stations or newspapers in the community—competed for the right to install and manage the cable system. In the bid, a company would make a list of promises to the city, including information about construction schedules, system design, subscription rates, channel capacity, types of programming, financial backing, deadlines, and a *franchise fee*: the money the cable company would pay the city annually for the right to operate the local cable system.

Few rules or laws existed to regulate the process of franchise negotiations. During the franchising process, competing cable companies made attractive offers and promises to gain monopoly rights in certain areas. In the early 1980s, for example,

Sammon Communication bid for the Fort Worth, Texas, franchise by offering that city a multimillion-dollar community-access package that included three mobile television vans (for producing community programs), \$50,000 for student-internship training programs, \$175,000 as an annual budget for access channels, and \$100,000 to modernize educational buildings and studios. Such offers were typical in large cable markets.

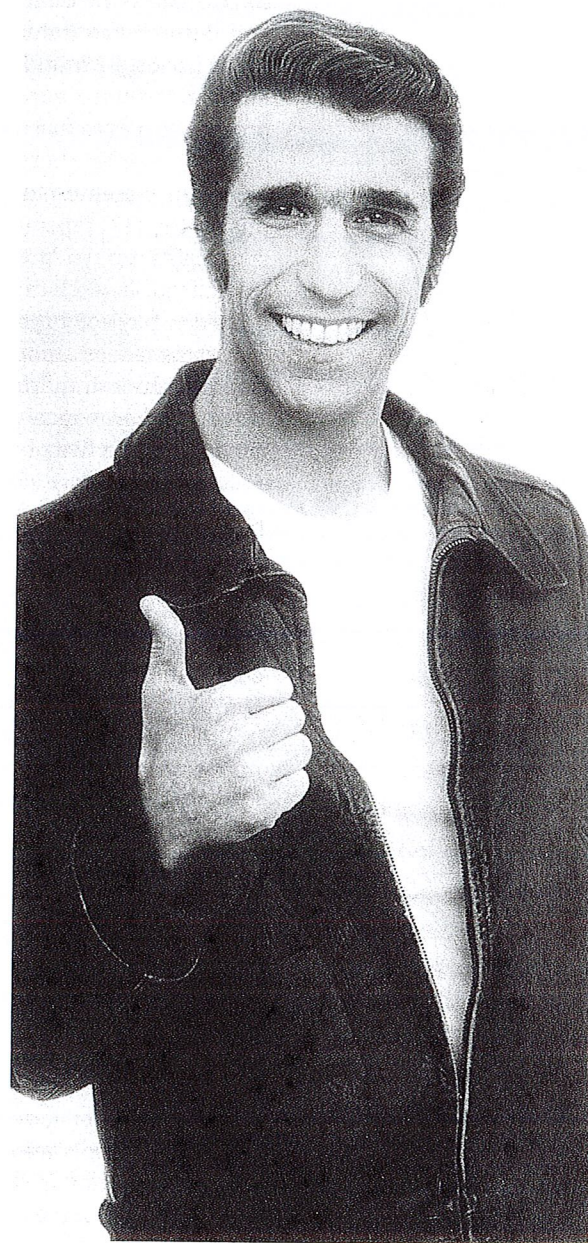
From the late 1970s through the 1980s, lots of wheeling and dealing transpired, along with occasional corruption. Cable companies sometimes offered far more than they could deliver, and some cities and suburbs occasionally made unfair demands on the franchise awardees. Often, battles over broken promises, unreasonable contracts, or escalating rates ended up in court.

New Rules Aid Cable's Growth

From the very beginning of cable, no one seemed to know who held legal jurisdiction over wired television. Because the 1934 Communications Act had not anticipated cable, its regulatory status was problematic during its early years. However, once cable began importing distant signals into bigger television markets, the FCC's interest perked up. By the mid-1980s, Congress, the FCC, and courts had repealed most early cable regulations, stimulating growth in the medium that had begun to acquaint the world with innovative programming like that carried on MTV and CNN.

Cable's Role: Common Carrier or Electronic Publisher?

Despite the 1972 ruling requiring cable firms to provide local access channels and a selection of leased channels to local bidders, the cable industry had long preferred to view its content (the programming provided on its cable systems) as similar to that provided by **electronic publishers**, with the same "publishing" freedoms and legal protections that broadcast and print media enjoy in selecting content. That meant that the cable companies felt entitled to pick and choose which channels to carry. The FCC argued the opposite: that cable systems should be **common carriers**—services that do not get involved in channel content. Like telephone operators, who do not question the topics of personal conversations ("Hi, I'm the phone company, and what are you going to be talking about today?"), the FCC argued that cable companies should offer part of their services on a first-come, first-served basis to whoever can pay the rate. In 1979, the debate over this issue ended in the landmark *Midwest Video* case, when



● Henry Winkler as Arthur "Fonzie" Fonzone, star of ABC's 1950s-nostalgia sitcom *Happy Days* (1974–84). Fonzie was initially written as a minor character, but cool persona and trademark gesture (one or two thumbs up while saying "aaaayh!") made him immensely popular with audiences. *Happy Days* now widely syndicated, was the first of several hit sitcoms, including the spin-off *Laverne & Shirley*, that propelled ABC into dominance among the networks in the 1970s.

the U.S. Supreme Court upheld the rights of cable companies to dictate their content and defined the industry as a form of "electronic publishing."¹ Although the FCC could no longer mandate channels, the Court said that it was still okay for communities to "request" access channels as part of contract negotiations in the franchising process. Access channels are no longer a requirement, but most cable companies continue to offer them in order to remain on good terms with their communities.

Soon thereafter, in 1980, to boost cable from its position as a struggling new industry, the FCC repealed its syndex rules. These rules had given local stations exclusive rights to syndicate TV programs, such as off-network reruns, that they had purchased. In exchange for the FCC's repeal of the syndex rules, cable companies agreed to pay copyright fees to broadcasters for imported distant signals. By the late 1980s, these fees amounted to more than \$100 million, distributed mostly among the nation's three-hundred-plus independent TV stations. With the repeal of syndex, viewers could conceivably watch episodes of *Happy Days* and *M*A*S*H* five or six times a day on five or six different local and distant channels.

Deregulation and Re-Regulation with the Cable Acts of 1984 and 1992

The first major federal act governing cable was passed in 1984. Coming during the middle of the Reagan presidency, which had been favorable to deregulating business, the legislation represented a victory for the cable industry and a defeat for local communities. The act capped the annual franchise fee a city could charge a cable company at 5 percent of the company's gross revenues. The act further protected cable by making it difficult for cities to sign with a new company at the end of the regular fifteen-year franchise period. A more controversial aspect of the act called for a two-year phaseout of must-carry rules, a provision that upset local broadcasters who worried their stations might not be carried on local cable systems. In addition, it ended rate regulation. This meant that cable system operators, while constituting a local monopoly, could set their own unregulated monthly subscriber rates beginning in January 1987.

Between 1984 and 1990, the average rate for basic services (excluding premium movie channels like HBO) rose from about \$9 to \$17 a month. In addition, in 1984 cable operators effectively argued that must-carry rules violated their free-speech rights (because in many cases they had to assign one-third of their channels to existing broadcast stations). As a result, cable systems began dropping some PBS affiliates and weaker independent stations from their lineups. By the late 1980s, more than 150 public stations had been removed from local cable systems, and some 50 new independent UHF stations, licensed shortly after the 1984 act, were having difficulty getting a cable channel assigned to them. Some large cable companies dropped regular broadcast signals in favor of new satellite-delivered channels on which operators could run their own ads. Displeased with the act, broadcast lobbyists and consumer watchdog groups began calling for cable reform.

With the growing commercial success of cable and the rapid increase in subscription rates, a less sympathetic FCC and Congress changed the law in 1992, reinstating rate regulation. In the mid-1990s, the FCC surveyed the twenty-five largest cable companies, which served roughly 75 percent of all cable subscribers, and found that rates had decreased in fourteen of those systems but had increased in the other eleven systems. In most instances, loopholes allowed cable companies to raise rates on basic service but decrease rates for premium channels such as HBO and Showtime.

In terms of must-carry rules, the 1992 act required that every three years commercial broadcasters opt for either must-carry or **retransmission consent**. The latter option meant that broadcasters could now ask cable companies for fees to carry their channels. However, if broadcasters did this, they waived the right to be auto-

matically carried on these cable systems. Alternately, local commercial broadcasters who chose must-carry gave up the right to be compensated for their channel but were guaranteed a channel assignment on their local cable system. By June 1993, each of the eleven-hundred-plus commercial U.S. TV stations (noncommercial stations could choose only must-carry) had to inform all cable system operators in their broadcast range whether they were opting for must-carry or retransmission. At the time, only low-rated independent stations on the fringes of a market opted for must-carry.

In 1993, the stations that chose retransmission consent did so because they correctly believed cable companies would not risk alienating customers by dropping the popular broadcast stations that carried network programs. In general, a broadcast station wanted either money from cable companies for carrying its signal or the right to advertise on more cable channels. A few large broadcast station owners, such as ABC, struck deals with cable companies that owned a large number of systems. For example, rather than ask for money, ABC requested that cable systems carry its new ESPN2 sports channel, which debuted in 1993. ABC's strategy successfully leveraged ESPN2 onto the lineups of major cable systems around the country. Similar tactics have been used by other broadcasters to launch cable channels such as FX and MSNBC.

The Telecommunications Act of 1996

After sixty-two years, Congress finally rewrote the nation's communications laws in the **Telecommunications Act of 1996**, bringing cable fully under the federal rules that had long governed the telephone, radio, and TV industries. In its most significant move, Congress used the Telecommunications Act to knock down regulatory barriers, allowing regional phone companies, long-distance carriers, and cable companies to enter one another's markets. For the first time, owners could operate TV or radio stations in the same market where they owned a cable system. Just as the Telecommunications Act allows cable companies to offer telephone services, it also permits phone companies to use fiber-optic wires to offer Internet services and to buy or construct cable systems in communities where there are fewer than fifty thousand residents. Before passage of the 1996 legislation, the phone and cable industries had long benefited from their regional and national monopoly status. Congress hoped that the new rules would spur competition and lower both phone and cable rates, although this did not usually happen.

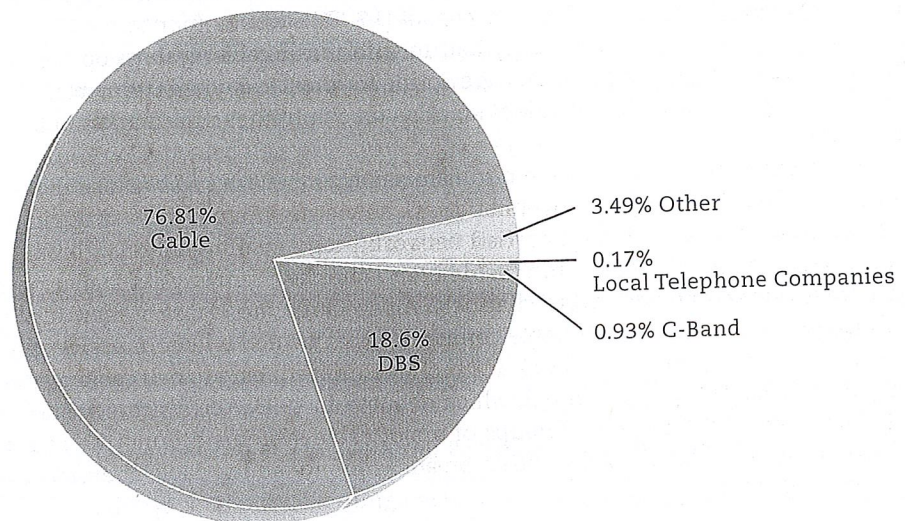
While broadcasters fought steadily for must-carry rules over the years, cable companies continued to argue that these rules violated their free-speech rights by dictating what signals must be included among their cable offerings. The Telecommunications Act appeared to settle the issue by reaffirming broadcasters' need for must-carry rules. However, cable companies with limited channel capacity still objected to having to carry low-rated stations; operators could make more money carrying satellite-delivered movie services and specialty channels on topics such as history or health. The nation's cable companies continued to periodically ask the courts to repeal must-carry rules and free the cable companies to carry whatever channels best served their commercial interests. In 1997, however, broadcasting won a final victory when the Supreme Court upheld the constitutionality of must-carry rules, ensuring that most broadcasters would be carried by their local cable companies.

The 1996 act has had mixed effects for cable consumers. Cable companies argued that it would promote business mergers (such as the one announced in 1998 between telephone giant AT&T and cable giant TCI) that would lead to innovations in programming, services, and technology. But cable consumers often found themselves footing the bill for future interactive and video services that they did not

“If this [telecommunications] bill is a blueprint, it's written in washable ink. Congress is putting out a picture of how things will evolve. But technology is transforming the industry in ways that we don't yet understand.”

—Mark Rotenberg,
Electronic Privacy
Information Center, 199

Figure 6.3 Market Share of Multichannel Video Program Distributors, Mid-Year 2002
(total multichannel subscribers: 93.4 million)



Note: C-Band satellite service relies on large satellite dishes and serves mostly rural areas.
Source: Cable Television Industry Overview, mid-year 2002, <www.ncta.com>, 2002.

necessarily want. In fact, by the early 2000s, cable companies were investing billions of dollars a year in new services. By 2003, U.S. cable companies had signed up nearly seventeen million households to digital programming packages; more than nine million households had cable modem service, and more than two million households received cable-delivered telephone service.² Critics fear that more mergers will further eliminate rate competition in both the phone and cable businesses, and that there will be no government authority to step in and enforce rate freezes or cuts because the act required the FCC to end rate regulation in 1999. Cable rates in most markets are now determined solely by local monopoly cable companies.

The good news for cable subscribers is that the competition encouraged by the 1996 act—when it did occur—appeared to have some impact on cable rates. According to a 2002 FCC report, cable operators in noncompetitive markets charged an average of \$37.13 a month to subscribers. In competitive markets—those in which another multichannel video programming distributor (e.g., another commercial cable company, a municipal cable company, or DBS service) held a significant market share—the average monthly charge was \$34.93, or 6.3 percent less. Unfortunately for cable subscribers in the United States, only 368 of the more than 10,000 cable systems in the country face effective competition.³ (See Figure 6.3.)

In terms of the act's impact on cable programs, advances in technology and new commercial interests will continue to increase the number of cable channels and add more specialized services, especially for affluent customers. As with other aspects of the information highway, of which cable is now a major thoroughfare, many

new developments are likely to bypass poorer communities. Local governments and citizen advocate groups will need to play a strong role to ensure that new media developments reach the widest cross section of people in their communities. The cable industry itself has responded to such concerns with an initiative to provide schools and public libraries with free high-speed cable modems and Internet connections.

“Cable television rates have increased 45 percent since the federal government began deregulating the cable industry in 1996.”

—The Consumers Union, 2002

Figure 6.4 The Top 20 Cable Networks, 2001 (Ranked by Number of Subscribers)



Note: Figures may include non-cable affiliates and/or subscribers. Broadcast viewership is not included.

Source: National Cable Television Association, <www.ncta.com>, June 2002.

production arm of the cable industry, supplying programming to the nation's approximately ten thousand cable operators, which function as program distributors to cable households.

Basic Cable Services

A typical **basic cable** system today includes a thirty-six- to seventy-two-channel lineup composed of local broadcast signals, nonbroadcast access channels (for local government, education, and general public use), a few regional PBS stations, and a variety of services retrieved from national communication satellites. These basic satellite services include ESPN, CNN, MTV, VH1, the USA Network, Bravo, Nickelodeon, Lifetime, ABC Family, Comedy Central, CNBC, C-Span and C-Span2, Black Entertainment Television, Telemundo, the Weather Channel, a home-shopping service, *superstations* (independent TV stations linked to a satellite) such as WGN (Chicago) or WPIX (New York), and ten to thirty additional channels depending on a cable system's capacity and regional interests.

“If Desert Storm fixed CNN’s reputation, and O.J. did the same for Court TV, then the blizzard of ’96 has put the Weather Channel solidly on the map.”

—Newsweek, January 1996

Typically, local cable companies pay each of these satellite-delivered services between five cents (for low-cost, low-demand channels like C-Span) and more than \$2 (for high-cost, high-demand channels like ESPN) a month per subscriber. That fee is passed along to consumers as part of their basic monthly cable rate. Unlike local broadcasters, which make money almost exclusively through advertising, cable companies earn revenue in a variety of ways: through monthly subscriptions for basic service, local ad sales, pay-per-view programming, and premium movie channels. Most basic satellite services, such as ESPN or Arts & Entertainment, block out time for inexpensive local and regional ads. These local ads are cheaply produced compared with national network ads and reach a smaller audience than do broadcast commercials. Cable, in fact, has permitted many small local companies—from restaurants to clothing stores—that might not otherwise be able to afford TV spots to use television as a means of advertising.

The 1990s witnessed a proliferation of new basic cable channels, increasingly specialized for smaller but more definable audiences. These include the popular Sci-Fi Channel (owned by the USA Network), the Cartoon Network (owned by AOL Time Warner), Comedy Central (owned by AOL Time Warner and Viacom), and FX (owned by News Corp.). Newer services featured channels devoted to history, health and fitness, books, games, parenting, pets, and therapy. In 1992, 87 cable networks were in business. By the end of 2002, that number had grown to more than 280.⁴

Cable system capacities continued to increase due to (1) the rebuilding of cable systems with high-bandwidth fiber-optic cable, and (2) the advent of digital cable services in the late 1990s, which have enabled cable companies to expand their offerings beyond the basic analog cable channels. Digital cable typically uses set-top cable boxes to offer interactive on-screen program guides, and dozens of additional premium, pay-per-view, and audio music channels, increasing total cable capacities to between 150 and 200 channels. By the end of 2002, more than seventeen million U.S. households subscribed to digital cable services.⁵

Battling with national cable networks are regional cable services, which target audiences geographically. About seventy-five regional channels exist in the United States, and nearly all of them are located in large metropolitan areas that can support such specialized programming. Many of the regional channels are news/talk formats modeled on CNN, but with coverage limited to a single media market. New York, for example, has New York 1 News, a 24-hour service that began in 1992. The New York region also has News 12 cable channels, which cover local markets outside the city. Similar services include BayTV (San Francisco), NorthWest Cable News (Seattle), Newschannel 8 (Washington, D.C.), and ChicagoLand Television News. Regional sports channels—many of them affiliates of the national

“MTV is popular fascism at its worst. MTV just doesn’t care (and never has) about anything related to a big thing called talent!”

—statement posted at <<http://www.egroups.com/group/Anti-MTV>>, an anti-MTV discussion site, 2000

Fox Sports Network—also thrive in many of the same top television markets and regions that are home to multiple professional sports teams.

The general success rate of new channels has been about 10 to 15 percent, which means that about 85 to 90 percent of new cable channels fail or are bought out by another cable service. The most difficult challenge new channels face is getting onto enough cable systems—many with limited channel capacity—to become profitable. Although several basic cable channels, such as the Discovery Channel and the USA Network (both with about eighty-six million cable subscribers), have been extremely successful, two basic channels—CNN and MTV—have made their mark both on American society and on global culture.