

Let's Play Monopoly

THE FCC GOES MAD FOR MERGERS WHILE MEDIA BIGWIGS HOBNOB AND HATCH PLANS IN SUN VALLEY.

A few weeks after announcing a renewed push to loosen broadcast ownership restrictions, the Federal Communications Commission (FCC) met yesterday in Washington to seal Time Warner and Comcast's acquisition of Adelphia Cable. Meanwhile, some 2,000 miles away in Sun Valley, Idaho, Time Warner's Chief Executive Officer Richard Parsons joined representatives of the media elite for a little whitewater rafting, skeet shooting, and empire building.

From July 11 to July 16, as it has each summer for the past 24 years, the Allen & Co. conference descends on the bucolic Idaho resort -- just a stone's throw from where Hemingway spent his last days. The conference brings together the most powerful names in corporate media, entertainment and, more recently, technology, for five days of recreation, relaxation, and collusion. Hosted by investment banker and media consolidator extraordinaire Herbert A. Allen Jr., the secretive annual event serves as a sort of pre-game huddle, where deals are crafted and fortunes made.

According to Forbes, the 66-year-old Allen has a net worth approaching \$2 billion, which he largely built acting as puppet master for large-scale media mergers. Allen is credited with playing an instrumental role in the 1996 merger of Disney and Capital City/ABC -- a deal that went down following negotiations at that year's Sun Valley gathering -- and more recently his company participated in Google's much-hyped initial public offering.

This year, at cocktail parties and seminars, Time Warner's Parsons will rub shoulders with the likes of Rupert Murdoch, Michael Eisner, and Sony Corp. CEO Howard Stringer as the media oligopoly negotiates the distribution of what's left of the competitive playing field. Also in attendance are representatives of nearly every major technology firm, the commissioners of the NBA, NFL, and Major League Baseball, plus famed takeover attorney Martin Lipton.

Ellen Gillespie, spokeswoman for the Sun Valley Chamber of Commerce, says there are currently around 250 attendees and their families at the conference center. "The conference is very low key, you don't see them out around the town much," she says. "You wouldn't really know anything is happening unless you go down to the [Freidman Memorial] airport and you'll see the planes parked wing to wing."

The visitors may be non-descript, but they certainly come to spend. The Chamber estimates that the Allen & Co. retreat generates more than \$1 million in revenue each year in Sun Valley. Not bad for a county (Blaine) with a population of barely 20,000. "The town just loves having them every year. They really bring a lot of economic benefits to the area," says Gillespie. "They employ a lot of people, they have baby sitters and they hire guides to take them out fishing and stuff. They're just great for the town."

Details of the conference are scarce since much of the secretive event is off-limits to reporters -- that is, unless you're there as a guest (Tom Brokaw and Charlie Rose are both attending). But with the FCC preparing to launch another effort to lift broadcast ownership restrictions -- it said it would do so in a June

21 “Notice of Proposed Rulemaking” -- the timing of this year's conference could make it the party of the decade for financiers like Allen and his group of industry chieftains. The last time the FCC tried to loosen media ownership rules -- in 2003 -- a federal court reversed the changes following widespread public outcry. But that hasn't stopped Chairman Kevin Martin from trying again.

For his part, Parsons -- who was named CEO of Time Warner in 2001, then replaced Steve Case as chairman in 2003 -- has little doubt where the industry is heading. “It's inevitable, the little guys will ultimately be consolidated,” he said in a speech back in November.

Jeffery Chester, executive director of the Center for Digital Democracy, says the Allen & Co. retreat is just another symptom of America's woefully defective media system. “These meetings illustrate what's wrong with U.S. media policy,” Chester says. “They're all about the deal, the merger, the industry as a business -- not how to promote a media system that enriches civil society.”

But Andrew Jay Schwartzman, president of advocacy group Media Access Project, thinks the golden days of the “Allen Camp” may be numbered. “I think that the big boys in Sun Valley haven't noticed that they've peaked, and that the political system is starting to react to two decades of deregulation,” he suggests. “Congress may not let Kevin Martin do too much damage.”

Back in D.C., a coalition of media and consumer activists (not to mention a fair share of TWC/Comcast competitors) had been busy trying to dismantle the Adelphia/Time Warner/Comcast license transfer. (Both Chester and Schwartzman's groups are part of that coalition.) Time Warner and Comcast Cable jointly announced in April 2005 that they would scoop up the remaining assets of bankrupt cable operator Adelphia for \$17.6 billion. FCC approval had been the final hurdle to that deal, which industry watchers now expect will be finalized by the end of the month.

Within four months of the merger announcement the FCC had received more than 10,000 e-mails asking it to block the transfer of Adelphia's licenses to Time Warner & Comcast, and numerous protests have been filed since. Opponents argue the merger shortchanges consumers and tightens the stranglehold the nation's two largest cable companies already have over content provision. “Now that this deal is approved, Comcast and Time Warner will have their clout greatly enhanced, without the needed safeguards to promote real competition and, more importantly, content diversity,” says Chester.

With the Adelphia deal as good as clinched, the coalition is now focusing its attention on the phone monopoly -- specifically the proposed \$67 billion merger of AT&T and BellSouth, which was announced in March and is currently slated for FCC review. The merger would create the largest phone company in the country -- controlling nearly half the lines. The coalition warned of a “re-monopolization of the U.S. telecommunications industry” in a June 30 petition to the FCC. Notwithstanding the optimism of Schwartzman and others, if past decisions by the Republican-stacked commission are any indication, the activists may be fighting a losing battle.