

initiative, here, we are not going to get any results.

Immediately, there is the overreaction. The Senator from New Mexico, Senator DOMENICI, was at the hearing. He said, "Oh, I differ with Senator HOLLINGS absolutely. We don't want to overthrow President Zedillo."

I don't want to overthrow President Zedillo. I know from the politics of Mexico that is the best chance that he stays on, if the United States jumps him; then he is secure in office politically. That is not the intent. I think the man is honest. I think he is working hard at it. But I think it is too great a problem for him. And I think there are going to have to be some changes down there. I don't see how a decertification initiative of this kind, with the evidence at hand, should upset or overthrow.

I was called by the Albuquerque paper over the weekend, that I suggested we overthrow Zedillo. That is how things can get that far out of hand. That is nonsense. If he is that weak that a decertification initiative here, with the facts at hand, would cause him to lose office, then he is very weak and I think maybe that is the problem.

I think it would be a problem for me, you, or anyone else down there. This thing has grown bigger than us all and it is going to take this kind of approach to bring ourselves to any kind of results and stop this. Because it has been going on year in and year out and we have given way to our economic interests in order to continue. As the London Economist says, "The American's uncritical support of Mexico may have helped to spread drug corruption in that country over the past decade."

I agree with that statement. That is an editorial, lost in a news column. We ought to take heed and I am delighted, at this time, to join in, and I thank Senator FEINSTEIN for enlisting me as a cosponsor.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HUTCHINSON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUTCHINSON. Mr. President, I stand here today in full support of House Joint Resolution 58 and Senate Joint Resolution 21, resolutions expressing Congress' disapproval of the President's certification to Congress that Mexico has fully cooperated with United States antinarcotics efforts during the last year.

Section 490 of the Foreign Assistance Act dutifully permits Congress to disapprove Presidential certifications made under this section if it enacts a joint resolution to that effect.

The importance of Mexico's full cooperation with United States antinarcotic efforts cannot be over-

stated. Drug use among American teenagers has nearly doubled in the last 5 years. Most importantly, more than 70 percent of illegal narcotics entering the United States comes from the Nation of Mexico.

Mr. President, as we all know, on February 28, the Clinton administration certified that Mexico cooperated fully with United States efforts to combat international narcotics trafficking during 1996. However, on February 27, 1 day before the President issued the certification, the day before the administration received a bipartisan letter from 39 Senators, myself included, urging our Government to deny certification to Mexico, the facts unequivocally show that Mexico has not fully cooperated with the United States.

Seventy percent of the illicit drugs that enter the United States still enter through Mexico. There has been no change in those figures or on that front.

The DEA says that Mexican drug traffickers are manufacturing massive and unprecedented quantities of high purity meth and supplying it to distribution networks here in the United States which are destroying our youth and creating a new front in the drug war.

Not 1 Mexican national out of the 100 or more the United States wants currently for trial here in the United States on serious drug charges has been extradited to the United States, despite the numerous requests that our Government has issued to the Mexican Government.

Our own DEA Administrator, Thomas Constantine, has recently said:

There has been little or no effective action taken against the major Mexican-based cartels. . . . The Mexicans are now the single most powerful trafficking group—worse [even] than the Colombian cartels.

Mexico's counternarcotics effort is plagued by corruption in the Government and in the national police. Among the evidence are that eight Mexican prosecutors and law enforcement officials have been murdered in Tijuana in recent months. The revelation that Gen. Jesus Gutierrez Rebollo, Mexico's top counternarcotics official and a 42-year veteran of the armed forces, had accepted bribes from the cartels casts grave doubts upon Mexico's ability to curb corruption at the highest levels of its own Government.

While there have been increases in the amount of heroin and marijuana seized by Mexican authorities, cocaine seizures remain low. The 1996 levels are half those seized in 1993. And the same holds true on drug-related arrests; they are half the figure of the 1992 level.

Lastly, on the eve of full certification to Mexico, the Mexican police released a notorious money launderer linked to a major drug dealer, and the United States was informed of this fact only after certification was announced. The Mexican police officers who released the individual are now under in-

vestigation as a result of this early release.

In the face of these substantive facts, President Clinton still certified that Mexico was fully cooperating with our antidrug efforts. As a father of three, I cannot in good faith be witness to the corruption of the well-being of America's children.

Mr. President, the resolutions before us are simple. Mexico has failed with regard to antidrug cooperation; however, the President has certified giving them a passing grade.

I say to Members of the Senate, both of these resolutions contain a waiver provision that would permit the President to continue both bilateral assistance and multinational development assistance for Mexico. By adopting these resolutions we are declaring that Mexico has not fully cooperated and therefore should not receive the United States certification.

Mr. President, based on the facts, including the national interest waiver, we must send a message to the Nation of Mexico that the administration made the wrong decision and that these resolutions will set that record straight while preserving stability in our relationship with Mexico.

So, Mr. President, I urge the adoption of both House Joint Resolution 58 and S.J. Res. 21 for the good of the Nation and for the good of our children.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DORGAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DEWINE. Will the Senator yield?

Mr. DORGAN. I would be happy to.

Mr. DEWINE. Mr. President, I ask unanimous consent that after my colleague is done speaking that I have 10 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DEWINE. I thank the Senator very much.

THE ROAD AHEAD IN TELECOMMUNICATIONS

Mr. DORGAN. Mr. President, I rise today to offer some reflections to express some concerns about the direction of the implementation of the Telecommunications Act of 1996.

It has been over a year since this landmark legislation was enacted. To my dismay, and I think to the dismay of some others, some of the concerns that I and others expressed a year ago are now concerns that are more real than when we expressed them.

As the dust begins to settle after the major titans in the telecommunications industry battled for advantage under this act, the consumers, unfortunately, appear perhaps to be the losers.

I hope that will not be the case in the long run, but I am concerned it shapes up to be the case now unless the course is altered.

Some of this is directly related to the deregulation of the cable television and the media ownership rules under the act. Cable rates, for example, have risen almost three times faster than the rate of inflation, according to the Bureau of Labor Statistics. Consumers are also now getting hit by some preemptive rate increases on local telephone rates.

Finally, the concerns about the direction being taken by the Federal Communications Commission raise the prospect of future increases in telephone rates if the FCC in its universal service proceeding does not implement the Telecommunications Act as we wrote it a year ago.

When the Senate, Mr. President, passed its version of the Telecommunications Act in June 1996, I voted against it for a couple of reasons. First, I feared that the Senate measure would do more to promote concentration in media and telecommunications markets than it would to break up monopolies and to instill competitive markets. Second, in my judgment, the bill put the cart before the horse by deregulating monopoly carriers before the presence of competition.

Despite the fact that it was sold widely on the floor of the Senate as a bill to promote competition in the telecommunications industry, I believed that it would do more to foster and facilitate concentration in the telecommunications industry, producing exactly the opposite of what competition would deliver to consumers.

The Senate version deregulated broadcast ownership rules, and it would have prohibited the Justice Department from evaluating the competitive consequences of the entry into long-distance services by the Bell companies. The conference report then came back and made some improvements in these areas, and I voted for the conference report on final passage with some reservations.

But I remained concerned enough about the issue of media concentration as a result of this act that I introduced legislation to repeal the changes made in the new law on the very same day that the conference report was approved.

I also cited some concerns about increases in rates in the telecommunications services, especially cable services, as a potential problem that Congress is going to have to be concerned about and have to deal with.

Under the Telecommunications Act, the rate regulations of some cable companies were immediately deregulated before the emergence of competition. As a consequence, I am told that some 20 percent of all cable subscribers were left to the mercy of whatever a monopoly might want to do with them upon the date of that enactment.

Now that the new law has been enacted for over a year, let us look at

what has happened and see what it means and what might lie ahead. Looking back, at least it seems to me the road ahead may be troublesome.

Let me first talk about local phone rates.

While the local competition rules are currently in abeyance, stayed by a Federal circuit court because of a lawsuit filed by local exchange telephone carriers and by the States, many of the Telecommunications Act's most important provisions have yet to be implemented. But before local competition emerges in any significant way, some local phone companies are already jumping the gun and saying that they want to raise local rates. Last April, most local phone companies filed comments at the FCC indicating that to them deregulation of the local price caps would allow something they called rebalancing of local telephone rates.

Now, the FCC did not follow their recommendations, but several local phone companies have taken their rebalancing efforts to the States, seeking permission to increase local residential telephone rates.

A number of regional Bell operating companies, for instance, are seeking legislation before State legislative assemblies to repeal price cap regulations, which most say will lead to an increase in local phone rates on residential customers. That was not what was contemplated by the Telecommunications Act.

This deregulation they now seek is unnecessary. They say that they want to be deregulated to balance rates with cost. They say that is a necessity for a competitive environment. "Rebalancing" means doubling residential phone rates over the next 4 years for some local phone service customers in my State of North Dakota. North Dakotans are being told that local phone rate increases are necessary "in order to implement the Federal law in a competitively fair manner," in the words of the company seeking deregulation.

I was a hesitant supporter of the final version of the Telecommunications Act that came out of the conference. I did not vote for that legislation nor do I think did my colleagues vote for that legislation to allow an increase in residential telephone rates in this country. Any suggestion by an incumbent local telephone monopoly that the Federal law requires or even contemplates deregulation of local phone rates before there is any real competition for local phone service is, in my judgment, a gross misrepresentation of both the letter of the law as well as the intent of Congress. I simply do not understand the rationale that local rates must go up because of competition when, in fact, most consumers have not seen the benefits of competition. Local competition, in my State and in most States, does not yet exist.

In the 1 year since the Telecommunications Act was enacted, there has been little change in the actual pres-

ence of local competition for telephone service. It seems that the prospect of future competition, not actual competition today, is driving up prices. That is not a derivative of this act, that is an aberration of this act. I do not believe there is one person who would have stood up on the floor of this Senate and said, "We want to pass a Telecommunications Act because we want local phone service charges to go up." This makes no sense and has no justification in law or in the act that we passed.

In fact, the conference committee specifically rejected language that would have mandated that we deregulate price caps under the Telecommunications Act. Instead, the Federal legislation correctly focused on promoting competition and establishing adequate universal service support systems that would prevent the necessity of any dramatic local phone rate increases.

When the Telecommunications Act was being developed, a number of us from rural States who sat on the Senate Commerce Committee created something called the "Farm Team." We went to great lengths to strengthen the bill's universal service provisions. Beginning with the Hollings-Danforth legislation of the 103d Congress, which was S. 1822, and through the entire legislative process in the 104th Congress, a number of us labored very, very hard to structure the legislation to make sure that consumers would not experience significant rate increases for telephone rates. Under the act, Congress mandated that universal service support mechanisms be sufficient and that rates be affordable.

To the extent that competition, actual competition, imposes changes in the traditional revenue streams that have historically been available under regulated environments for local phone companies, this act provides that universal service support mechanisms must be in place to ensure that rates remain affordable.

The Telecommunications Act once again does not sanction dramatic rate increases. There is no relationship between this Federal law that was passed last year and legislation before my home State legislature and others that seek to deregulate local monopoly phone service before there is any real price competition. It seems to me if there are circumstances in which local phone monopolies are being pinched on revenues, the debate should be about how to address that problem through the universal service support mechanisms, not through rate increases on captive customers.

I happen to think that the Bell system that serves our State of North Dakota, U S West, is an excellent company. They do a good job. They are a good strong company. I understand that their mission is to their stockholders. But where there is not effective competition, where a local provider has monopoly service, then there

must be good and effective regulation by Government regulators and oversight by State authorities. That is what this issue is, not just to North Dakota, but to many other States, as well.

The Telecommunications Act anticipated a strong role for State legislatures and regulators, but the act does not anticipate that the States would exercise their authority in a manner that would leave consumers unprotected in the face of monopoly service. The objective of the Telecommunications Act is to foster competition and to encourage infrastructure investment. But as we know in rural States like North Dakota and others, competition can be a double-edged sword. In densely populated urban areas, competition can drive down consumer prices to create greater access to advanced telecommunications services. But in rural, less-populated areas, they may never see the benefits of competition, and we do not want to see monopolies extracting higher prices from captive consumers to subsidize services in markets where the carrier faces competition.

We do not want to see the same result in telecommunication services that we see in deregulation of the airlines, or for that matter, deregulation of railroads. We are served in my State with one jet service and one railroad, and in both cases we are paying higher rates than are justified. We pay higher rates in airline service following deregulation despite its promise of benefits for everyone. In our part of the country, we pay anywhere from 20 to 30 to 40 percent more for airline tickets because we do not have competition for jet service. In fact, I can get on a jet in Washington, DC, and fly twice as far and pay half of the cost. If I get on a jet here in Washington, DC, to fly to a city in North Dakota as opposed to flying all the way to the west coast, Los Angeles, I will pay twice as much to fly half as far. Why does it cost that much to fly to a State like North Dakota? Because there is no effective real competition. That is the experience we have had in deregulation of the airline industry.

The railroads, if you put a cargo of wheat on a railroad train in Bismarck and ship it to Minneapolis you pay \$2,300 to ship the carload. Put the same carload of wheat on a hopper car in Minneapolis and ship it to Chicago, you do not pay \$2,300, you pay \$1,000. Why do we get more than double the price in North Dakota? Because between Minneapolis and Chicago there are several railroads competing to haul the wheat, and in North Dakota to Minneapolis there is one. We have long suffered as a result of deregulation, with less service and higher prices.

No one anticipated passing a Telecommunications Act in which the Congress, the regulatory authority, or States would decide that they will deregulate and provide new pricing authority from monopolies to provide

local telephone service. Everyone in this room, everyone in this room who played a role in the Telecommunications Act, if this continues, will be required to respond to constituents who are going to ask them, why did you pass a piece of legislation that resulted in increasing local phone service telephone rates all across this country?

In North Dakota, the dominant local service carrier says that they need to rebalance, which means changing rates and means residential rate increases because they are not otherwise going to be able to invest in States in which they provide local phone services. But this company, like most others, has plenty of capital to invest in other things. This particular company purchased a cable company for about \$11 billion—the largest cable acquisition in 1996. They also bought a couple of other cable companies for over \$1 billion, and they will spend up to \$300 million this year alone to upgrade those cable systems outside their local phone company region. That company in North Dakota, which is a dominant local service carrier, has 15 million access lines in its local phone region, and 250,000 of those are in North Dakota. But, it has more cable subscribers in their foreign and domestic systems than it has in local phone subscribers. The point I am making is that there is nothing wrong with a dominant local phone service carrier having investments outside their region. There is nothing wrong with them asking for the authority to extract more revenue. But there is something wrong with deregulating prices for a monopoly providing telephone service in a region.

As I said, every Member of the Senate will have to answer to that if local telephone rates go up, and we are told that local phone rates have increased throughout most of this country because Congress passed a Telecommunications Act. Every Member of Congress will have to respond to that. The response today is for me to say that there is nothing in this act that would allow the implementation of this act in a manner now described by some of the monopoly carriers and now described by some of the State authorities. The Telecommunication Act was not passed or was not enacted in order to provide 50 percent increases or double the price of local telephone service around this country.

Now, one other point about this. The Federal Communications Commission is in the process of developing final rules to implement a portion of the Telecommunications Act on universal service. Some of this is very dull and boring and hard to understand. But it will play a very important role in determining how much you pay for local telephone service. If the FCC makes the wrong decision—and I am concerned that they are about to do that—they will guarantee that the universal service fund doesn't work to protect consumers and phone rate users in rural areas.

I come from a county with 3,000 people. My hometown is 300 people. The county seat is 1,200 people. I saw a cost model that described what it would cost to build an infrastructure to serve Fargo, ND, with 80,000 to 100,000 people, versus Mott, ND, with 1,200 people. If you are to build an infrastructure to service phones in Mott, a small town, versus Fargo, a fairly large town, the estimate was \$210 per phone for the infrastructure to provide phone service in Mott, ND, and \$19 per phone to provide service to Fargo, ND. Why don't we price telephone service that way and say to the folks living in small rural areas, "We're sorry, but it cost more to get the phone service out to you, so your bill is \$210 a month"? Why don't we do that? It is because we decide that phone service should be universal. It doesn't matter where you live; the presence of one phone advantages any other phone. The fact that someone in Mott, ND, has a phone makes every phone in New York City more valuable because they can call that phone. That is the notion of universal service.

All of that has been funded and developed by the present universal service system. In some areas, they provide some additional resources to support other areas. The result is that the price affordable and reasonably low phone service is maintained across the country. The FCC is now in the middle of a decision about how to restructure that universal service, as required under the act. If they make the wrong decision—and they are inching in that way, regrettably—they will decide, in my judgment, to erode the foundation of universal service.

Last week, for example, the Chairman of the Federal Communications Commission announced that the Commission is considering excluding intrastate revenue streams from the Federal universal service support mechanisms. That means only interstate revenue streams will be available for those support mechanisms. That, in my judgment, doesn't comport at all with the act that we passed.

It is imperative that the FCC, as well as local authorities, comply with not only the letter but the spirit of the Telecommunications Act that was passed by Congress. The Telecommunications Act is clear on this issue, and Congress never intended for each State to be on its own to ensure that services in rural or high-cost areas must be "reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas." That is what Congress affirmatively desired. We never intended for each State to be left to its own devices to ensure national universal service. We want this to be a universal telephone system that is universally affordable.

I hope the FCC will reject this distinction that has been referenced now by the Chairman of the Commission.

To do otherwise, in my judgment, will contradict the intent and the letter of the law in the Telecommunications Act. But the FCC still has ample opportunity to address this concern, and others, under the time frame provided by this act. I was among the group of 25 Senators who sent a letter to the Chairman of the FCC last week highlighting some of the concerns we have about the FCC's deliberations. We have, between now and May of this year, to work with the FCC to develop a Federal-State universal service support system that will ensure affordable telephone rates all around this country. In the absence of accomplishing that goal, we will see a number of monopolies, increased telephone rates, and blame it on the telecommunications bill. Why will it happen? It will happen because the act and the legislation was not implemented the way Congress intended it to be implemented.

One additional point I want to raise is the issue of media concentration. I offered an amendment on the floor on this issue, and I won my amendment, actually. At that point, the majority leader was the major opponent to the amendment. I won by four or five votes. It was 4 o'clock in the afternoon. At about 7 o'clock, there was reconsideration, and another vote was taken. Some people, having eaten a dinner that I am not privy to, decided they had better judgment after dinner than before. They came with arms in casts—having been broken in several places—and they changed their vote, and I lost. My victory was short-lived. My amendment was to strike what I thought was fundamentally unwise deregulation of the 12-station broadcast television rule and the limit on 25 percent of the national audience reach. The bill proposed that we unhitch and let whatever media concentration exists in broadcast properties and television is just fine. That is really what the act did, with no regulation in radio and little regulation on television ownership.

I thought that was, in my judgment, exactly the wrong way to move. I repeatedly said so and offered an amendment and won the amendment for a few hours, and I subsequently lost. But since the enactment of the 1996 Telecommunications Act and, along with it, the lifting of broadcast ownership limits in that act, media acquisitions hit a record \$48 billion in consolidation buyouts. In the first year of the act, broadcast television deals increased over 121 percent from the previous year, totaling \$10.5 billion. Radio consolidation increased a whopping 315 percent since passage of the act, leading to more than 1,000 deals worth a total of \$14.9 billion.

The Telecommunications Act of 1996 increased the national audience reach for television broadcast ownership from 25 to 35 percent. Already, two of the major networks are between 25 and 35 percent. It also allowed unlimited numbers of television stations to rest under one ownership.

Mr. President, I ask unanimous consent that a couple of articles from Broadcasting and Cable magazine be printed in the RECORD. These articles will provide colleagues with a sense of how rapidly the broadcast industry has been consolidating.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From Broadcasting & Cable, Feb. 3, 1997]
TRADING MARKET EXPLODES—1996 SPENDING
TOPS \$48 BILLION

(By Donna Petrozzello)

Spurred by the Telecommunications Act of 1996, consolidation swept the broadcasting industry last year, ushering in an unprecedented era of megagroups and multibillion-dollar deals.

In June, the \$4.9 billion merger of Infinity Broadcasting Corp. into Westinghouse Electric Corp./CBS Radio Inc. riveted the attention of investors and advertisers to the radio industry. In July, News Corp./Fox Television Stations Inc.'s \$3 billion purchase of the remaining 80% of New World Communications Group Inc. made News Corp. the nation's leading TV station owner.

Almost without exception, brokers and group owners across the country describe the year as their busiest—and most lucrative—ever. In 1996, \$25.36 billion changed hands. That is an astonishing 204.8% increase over the \$8.32 billion spent on TV and radio deals in 1995, according to figures compiled by Broadcasting & Cable (see chart at right). And 1996 is the fourth consecutive year of increased station trading since the slump of 1990-92.

Expectations also are high for this year. "Last year and 1997 will represent the two highest levels of station trading in the radio industry ever, and likely will never be surpassed," says broker William J. Steding, managing director, Star Media Group Inc., Dallas.

"Nineteen ninety-six was the best year in our history," says broker Fred Kalil, of Kalil & Co., Tucson, Ariz. "And we already have enough in the hopper for 1997 to beat 1996."

Radio was the champion in 1996, with the all-radio Westinghouse/Infinity merger topping the list of the year's biggest deals (see box, page 23). The Telecommunications Act did far more to deregulate radio than television, encouraging radio-station consolidation and leaving many changes in the TV rules in the hands of the FCC.

NEW LAW DRIVES THE DEALS

"The Telcom Act drove the deal business," says broker Gary Stevens, of Gary Stevens & Co., New Canaan, Conn. "I've never seen such a quantum leap in the industry, particularly in the radio industry, in so short a time. I think it exceeded everyone's expectations, and it went much faster than anyone could have imagined."

The act allows broadcasters to own as many radio stations as they want, nationally. Locally, the most generous cap still in place allows ownership of up to eight stations in a market with 45 or more other radio stations.

The amount spent on radio in 1996, \$14.87 billion, topped 1995's radio total by a whopping 315.5%. Meanwhile, dollars spent on TV stations rose 121.3% to \$10.49 billion. The number of TV deals actually dropped, however, from 112 in 1995 to 99 last year.

"Ninety-six was not as big a year as everybody thought it would be [in TV]," says Steve Pruett, senior vice president, Communications Equity Associates, New York. Early in the year, in anticipation of deregulation, TV stations were drawing multiples

of 14, 15 even 16, he says. However, "buyers drew a line [and] there just weren't a lot of sellers. . . . Clearly, [TV trading] was not the deal-a-minute thing that radio was."

PRICES RISE FOR RADIO DEALS

Indeed, "1996 was the most active trading year in the history of radio broadcasting, and there was a tremendous amount of consolidation," says Scott Ginsburg, chairman, Evergreen Media Corp., Dallas. More than 1,000 radio deals were made last year, compared with 737 in 1995.

Prices also ran high as radio stations became increasingly popular investments. The average deal price was \$14.64 million last year, compared with \$4.86 million in 1995. Multiples, which have risen steadily since the early 1990s, "went out the window" last year, says broker Brian Cobb, of Media Venture Partners, Fairfax, Va. "We've never seen anything like this, ever."

"Consolidation has given buyers the ability to pay great prices and still get good returns on their investments," says broker Glenn Serafin, president, Serafin Bros., Tampa, Fla. "Watching the largest radio companies trade stations in the 12, 14 or 16 times cashflow range" increased trading values even in the smallest markets, Serafin says, like "a rising tide lifts all ships."

But the news wasn't all good. In October, radio companies' stock plunged as much as 20% after the Justice Department limited the number of stations and the amount of radio revenue that American Radio Systems Corp. could control in Rochester, N.Y. The previously fast-paced year went out like a lamb. But by last month, radio stocks had largely returned to pre-October levels.

Justice's "inquiries and companies" digesting earlier acquisitions tapped the brakes a little on trading in the fourth quarter," Serafin says. "But that's temporary. Stocks are rising, capital remains plentiful [and] consolidation is working."

MID-MARKET GROUPS GROW

Midsized groups also gained clout with investors in 1997 and acquired the muscle to grow at unprecedented levels.

"The Telcom Act created a structural shift in the industry that for the first time allowed the creation of middle-market companies that are large enough to be of interest to public markets," Pruett says. "We are looking at a structural change that is permanent."

Nevertheless, some brokers expect smaller, privately held radio companies to survive and perhaps even thrive in 1997. Any private companies still in business are in for the long term, Stevens says: They are not likely to accept a buyout if they haven't already.

Other brokers envision a different scenario. Richard Foreman, president, Richard A. Foreman Associates, Stamford, Conn., anticipates a time when private groups may feel unable to compete larger entities and eventually will sell.

"In radio, we are hearing the onset of privately held groups being in the minority," Foreman says. "Their plight is that eventually someone will make them a godfather offer they can't refuse."

Operating stations in a market with larger station groups has "made competition more intense. You've got better competitors, and we're finding that the surviving companies are much more savvy and they have more resources," says Jeff Smulyan, chairman, Emmis Broadcasting Corp., Indianapolis.

GROUPS BECOME MEGAGROUPS

The biggest deals of 1996 were marriages of publicly traded radio groups: "1996 was characterized by big-on-small mergers," or big companies buying small companies, Stevens says. "In 197, we'll see combinations of the big companies with each other."

Although brokers and owners don't expect the frenzied levels of 1996 to last through 1997, they do expect trading to remain strong through year's end.

"The trading dollar volume will be high in 1997, but the number of deals will be lower," Stevens predicts. "There will be fewer—but bigger—deals."

"In terms of the number of [radio] stations, I don't think consolidation will keep up at the same pace," says Robert F.X. Sillerman, executive chairman, SFX Broadcasting Inc., New York. But, he says, "there will be intriguing transactions taking place."

"There's still an awful lot of acquisitions to be done," especially in markets 20-100, says broker Dean Meiszer, president, Crisler Co., Cincinnati. Swaps will continue as buyers whittle down their large deals. "Companies trading [stations with similar] cash flow . . . improve their positions in markets where they want to be," he says.

The year's "hot" properties will be "strong cash-flow stations with a rock-solid niche in a format or [audience] demographic," says broker Michael Bergner, Bergner & Co., Boca Raton, Fla.

"In radio, the most sought-after situations in 1997 will be any market where there is a facility left 'undupolized,' particularly in large and medium markets," Cobb says.

Ginsburg expects trading to pick up as the year unfolds. He describes 1996 as the first six innings of a baseball game and the first 60 days of 1997 as "the seventh-inning stretch." Now "we're ready to play the rest of the ball game," Ginsburg says. "I think it will last through 1996, but then it will be pretty much done."

"UNPRECEDENTED" TV MULTIPLES

In television, many brokers expect duopoly rules and technology and must-carry issues that have limited the industry's growth to be resolved in coming months, spurring a period of heightened trading.

While television trading stepped up in markets of all sizes last year, "medium and small markets were particularly active," Cobb says. Within the past two years, the number of TV station owners has declined by 20%, he adds. Multiples ranging from 10.5 to 15 "are the highest multiples we've seen. It's just unprecedented."

Pruett predicts "a few more strategic moves in 1997" similar to last year's \$1.13 billion purchase of Renaissance Communications Corp. by Tribune Co., and the \$1.2 billion merger of River City Broadcasting and Sinclair.

Stevens anticipates a higher pace of TV trading in 1997. "Television is on the cusp of further deregulation, and there will be more duopoly buys in television that will send TV down the same road as radio," he says.

Most brokers agree that 1997 will be another seller's year: "More money than ever is looking for stock values and since the beginning of 1997, radio stocks have rebounded anywhere from 20 percent to 35 percent," Steding says.

"Barring economic catastrophe, 1997 will be just as good a year as 1996," says broker Ted Hepburn, Palm Beach, Fla. "This will even extend into the next century," he says. "Consolidation just can't happen overnight."

[From Broadcasting & Cable, Jan. 27, 1997]

CONSOLIDATION YEA OR NAY

(By Chris McConnell)

WASHINGTON.—More TV consolidation may be around the corner, some broadcasters say. Others contend it has already happened.

TV broadcasters gathering in Naples, Fla., this week for the National Association of Broadcasters joint board of directors meet-

ing will consider supporting further relaxation of the FCC's TV ownership restrictions. Some broadcasters—particularly those heading smaller groups—fear that such deregulation could open the door to placing more channels in the hands of fewer owners.

Those worries are echoed by advertisers, watchdog groups and even the Clinton administration. They fear that the buying trend—totaling more than \$10 billion in TV transactions in 1996 compared with \$4.7 billion in 1995—is leading toward an era of Charles Foster Kane—type media moguls.

"Monopoly power, pricing power, is not a good thing no matter what the medium is," says John Kamp, senior vice president of the American Association of Advertising Agencies.

"It's a way for the good old boys to keep everybody out," adds Andrew Schwartzman, president of the Media Access Project.

But others say that much of the feared consolidation already exists. They cite the widespread use of local marketing agreements (LMAs), which allow broadcasters to manage stations without counting them as "owned" facilities. Some 49 of the deals now exist in 45 markets.

"People have been slipping around the rule anyway," says Philip Jones, Meredith Corp. Broadcast Group president. Jones—who opposes LMAs and further consolidation—also says relaxing restrictions on owning more than one TV station in a market would merely make people striking the LMA deals "feel less guilty."

"The major (deals) are probably already done," adds William Sullivan, manager of the Cordillera Communications station group.

Those LMA deals will eventually be subject to local ownership restrictions, under the proposal issued by commissioners last November. The proposal would treat new LMAs as owned stations and would grandfather existing agreements until they expire.

The move to attribute LMAs follows a series of actions in Washington to relax the ownership rules. In response to the 1996 Telecommunications Act, the FCC last year eliminated the 12-station cap on TV ownership and raised the national audience-reach limit from 25% to 35%. In 1995 the commission also eliminated the financial interest and syndication (fin-syn) rule.

Such relaxations cleared the way for Disney to buy Capital Cities/ABC and for Westinghouse to buy CBS.

But while the FCC now is proposing to tighten its "attribution" rules, it also is asking comment on whether it should relax more ownership rules to allow common ownership of two UHF stations or a UHF/VHF combination within a market.

Policymakers have differed on the question. President Clinton last fall said that he does not think that allowing common ownership of two TV stations in a market is a good idea.

"Outside of group owners, no one thinks [further concentration] is a good idea," adds Larry Irving, head of the National Telecommunications and Information Administration, "Syndicators and advertisers are scared to say anything."

FCC commissioners, however, do not rule out the notion of some ownership relaxation. FCC Commissioner James Quello says he could see a UHF/UHF or even a UHF/VHF combination in areas where the combination would not give the owner too much control over the local advertising market.

And FCC Chairman Reed Hundt last month asked whether allowing common ownership of two stations might increase diversity of viewpoint and programming in some markets.

That was the argument favored by broadcasters at this month's NATPE convention

in New Orleans. Discussing the remaining restrictions, executives on one panel pitched the notion that more consolidation might mean more diversity. Clear Channel Television's Rip Riordan pointed to the use of LMAs to revive stations that otherwise would not be broadcasting.

LIN TV President James Babb, in favoring more relaxation, points to competition with cable and DBS. "We need to be active in proposing that," Babb says.

Other disagree. Hubbard Television Group President Robert Hubbard says important distinctions remain between LMAs and outright ownership. And he predicts that further relaxation of local ownership rules will spur more consolidation.

"We feel very strongly that it's not good for the industry and it's not good for consumers," says Hubbard.

"It removes from the market precisely those stations that have historically provided entry to new and different voices—minorities and women," adds Media Access Project's Schwartzman.

One issue threatening to affect the ownership status of several stations is the must-carry law pending before Supreme Court justices. Defenders of the law requiring cable carriage of local broadcast signals had a rough outing before the court last October, and several expect the court to throw out the law.

Broadcasters say that could threaten the viability of many UHF stations. "It makes the weak weaker," says Meredith's Jones.

"It could be a major negative impact," adds LIN's Babb, who predicts that a struck-down must-carry law combined with relaxed restrictions could accelerate TV consolidation.

Mr. DORGAN. This consolidation is a direct result of a green light provided under the deregulation in broadcast ownership limits in the Telecommunications Act. We have to ask ourselves if this is the result that Congress intended and, if it is, I ask all of those who stood on the floor of the Senate and said this act is going to provide much more competition: How do you square that with the notion that you have many fewer competitors? Competition means many competitors competing in a market system. Concentration is exactly the opposite of competition.

At present levels, I think every one of my colleagues ought to be alarmed. If this consolidation continues, we will soon be facing the question of how we deal with the prospect of a small handful of media moguls controlling the majority of all media sources in this country. At what point is the issue of localism and diversity so seriously compromised that the Congress finally wakes up to pay attention to this situation?

Where is responsibility in these areas? Well, I think the time for that is now. In addition to the deregulation allowed under this act with respect to broadcast ownership, the FCC is considering further ownership rule changes that could further increase concentration. In one proceeding, the FCC is considering changes to its so-called attribution rules that will allow for a more liberal use of local marketing agreements, which they call LMA's. That will allow broadcasters to

manage stations without counting them under their ownership column. Currently, there are 49 LMA's in 45 markets, and if the FCC liberalizes those attribution rules, LMA's could become even more widespread. In the strictest sense, station ownership is limited to a nationwide reach of 35 percent. But these so-called LMA's permit far greater influence in many more stations beyond the 35 percent audience reach limit. Liberalizing the attribution rules will further encourage consolidation under this loophole.

In addition, the FCC is also considering changes to the newspaper and broadcast cross-ownership restriction and is seeking comments on what kind of objective criteria should the FCC consider when evaluating waivers to the newspaper/radio combinations.

The prospect of further consolidation in the media industry, I think, should be of serious concern. This wasn't what was contemplated by the Telecommunications Act, although I feared that was going to be result of it. There has been this orgy of concentration in the industry, and that is exactly the antithesis of competition.

It is interesting that on this floor we talk about what we are seeing, especially from the broadcast industry, from television, and from the airwaves, pollution that comes into our living room and hurts our children with excessive violence and course language. Where is the accountability? Where is all that produced? It is produced, apparently, on the coast to be broadcast into our living rooms, and some are fighting—myself included—to see if we can't see more responsibility in what is broadcast during times when children are watching. But you find more and more concentration in this industry, and what you will have is less and less accountability. More concentration is not moving toward more accountability; it is moving towards less accountability. And that concerns me as well.

Mr. President, I wanted to describe some of my concerns today largely because many believe—and I felt it worthy to support something that would encourage competition in an industry that was changing dramatically. The telecommunications industry is making breathtaking changes in our lives, and it can be changes for the good. But also it can be destructive, and changes that are unhelpful to the market system.

I am concerned about local phone companies demanding deregulation of rates before there is effective competition. That would mean higher telephone rates across the country. I am concerned about the FCC and the decision it is going to make on universal service funds which will determine how much someone in one of our local rural counties pays for telephone service. I am concerned about concentration in the telecommunications industry, because I believe that determines what kind of an industry we have and at what price it is made available to the

consumers as well. I hope as we have oversight hearings in the Commerce Committee that we will begin to address these issues.

If the Telecommunications Act of 1996 is not implemented as intended, if its implementation is a perversion of the intent of that act, if it moves toward less competition rather than more competition, if it moves toward greater monopoly rather than toward more competition, if it moves toward higher prices for cable television, for telephone service, and for other services in that industry, then I think Congress ought to revisit this issue, because that is not what was intended.

Mr. President, let me finish with one note. I have from time to time held up a little vacuum tube to describe what this revolution is all about, and with it a little computer chip that is half the size of my little fingernail. We are all familiar with the vacuum tube, which is old technology, and the little computer chip. The computer chip is the equivalent of five million vacuum tubes. That is what we have done in this country in terms of technology.

The head of one of our major computer firms, in a report to stockholders, was talking about storage density technology. He said, "We are near a point where I can believe that we will have in the future the capability of putting on a small wafer all 14 million volumes of work which exist at the Library of Congress," which is the largest repository of recorded human knowledge anywhere on Earth. The largest deposit of recorded human knowledge anywhere on Earth is at the Library of Congress. Fourteen million volumes we will put on a wafer the size of a penny. Think of what that means—the capability of and the development and distribution of information and knowledge. It is breathtaking what is happening. But it must happen the right way to be accessible to all Americans and at an affordable price. If it doesn't, if the on ramp and off ramp doesn't exist in the smallest towns of Alaska, or the smallest towns of North Dakota, or Nebraska, then we will not have built an information superhighway that works for all Americans.

That is why the implementation of this act is so critical to the American people. And it is why I am so concerned about what I think is happening in three areas that will represent a contradiction of what Congress intended with the passage of this act.

So, Mr. President, I hope that the Commerce Committee will have oversight hearings and that we will continue to address these special and important issues.

Mr. President, I yield the floor.

Mr. DEWINE addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio is recognized for up to 10 minutes.

Mr. DEWINE. I thank the Chair.

FLOOD-RAVAGED SOUTHERN OHIO

Mr. DeWINE. Mr. President, I just returned from spending 3 days in flood-

ravaged southern Ohio. I had the opportunity to visit with some of the victims in Clermont County, Adams County, Brown County, Scioto County, Jackson County, Lawrence, Gallia, and Meigs counties. When you see the damage up close, it is even more terrifying than it is when you see it on the nightly news, or see it on CNN.

As I visited with the victims, I saw something that was very heartening. I saw something that simply makes you feel good. It certainly made me feel good. That was the number of people who were pulling together in a spirit of community, reaching out to each other to reassure each other, to help each other, to be with their friends, to be with their neighbors. I can't tell you how many different times I saw people who were volunteering to help someone else.

I walked into one home and talked to a woman. I said, "How did your home get cleaned up?" She was an elderly lady. She said, "I had 30 people come in here, 30 of my friends. They came in. They cleaned it up." They cleaned it up in a very short period of time.

This weekend I visited Jackson, OH, in Jackson County. We were walking down a street that had been very heavily damaged. The homes had been heavily damaged by flood water. We came across what looked like 30, 40, or 45 Boy Scouts in Boy Scout uniforms. I asked the leader what they were doing. He said, "Well, we were supposed to be camping out this weekend." These were scouts from four, five, or six different counties. "But we decided to come in here to Jackson." And they literally just started volunteering to clean up people's homes.

So I watched these Boy Scouts for a while as they went about their business moving the debris from that street, going into people's homes and helping them scrub down their floors and get the mud out. It was absolutely an unbelievable thing to see.

That same day I saw the same spirit in New Boston. The Jaycee group was in New Boston. Again, as I was walking down the street and talking to some of the victims of the flood, I saw a bunch of Jaycees. They were out doing the same thing. They were drawn from all over the State of Ohio. They just volunteered to come in that day and were doing that type of cleanup work.

On Sunday morning, yesterday morning, I participated in a church service in the village of Vinton, OH, a small village in Gallia County. Just about every family in that church had experienced some devastation from the flood. Yet, I heard words of hope from the pulpit. I heard words of hope from the members of the congregation.

Frankly, Mr. President, I was reminded of what I saw in Xenia, OH, in 1974 when Xenia went through that tornado. Then, several days later, people still went to Sunday church services. There were people who said, "Why in the world do they do that?" Again, it was, I think, a reaffirmation of faith,