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Deregulation, Integration and a New Era of Media Conglomerates: The Case of Fox, 1985-1995

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Deregulation, Integration and a New Era of Media Conglomerates: The Case of Fox, 1985-1995

by

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Dedication

For my parents

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Deregulation, Integration and a New Era of Media Conglomerates: The Case of Fox, 1985-1995

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In 1985, the film and television industries began a decade-long process of realignment. In this dissertation, I show how News Corp., primarily via its subsidiary, the Fox network, played a central role in redefining the relationship between motion picture studios and television distributors from 1985 to 1995. I analyze how the company successfully launched and expanded Fox Broadcasting by cultivating productive relationships with a variety of different stakeholders including advertisers, the creative community, independent television stations, regulators, cable operators, cable program services, and the press.

This study uses trade publications and mainstream press reports to chronicle and analyze a period that has been understudied by scholars. Through the use of these resources, I describe the specific regulatory, economic and

technological conditions enabling the emergence of a fourth network. This discussion is followed by an analysis of how Fox further shaped these conditions while also introducing a number of significant programming, marketing and distribution innovations to broadcasting. Through Fox's heightened emphasis on targeting specific demographics, its aggressive pursuit of a brand identity and its development of niche-oriented television programming, the company redefined network television along with the larger media landscape. Indeed, Fox, along with parent company News Corp., initiated a new era for media conglomerates. This era was marked by network-studio integration and the increased economic and marketing value of network television programming to entertainment companies.

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Chapter One: Introduction

During the summer of 1995, a series of major media mergers and acquisitions took place. This “merger mania” started when Seagram purchased MCA-Universal in March.[1] It accelerated in July, when Westinghouse bought CBS and Disney bought ABC. And it continued into August, when Time Warner acquired Turner Entertainment. Media analysts reported on these events with wonder and dismay. There was general agreement that something important was taking place; it just wasn’t clear precisely what. *Variety* editor-in-chief Peter Bart argued that these events indicated a “radical realignment” of Hollywood was underway.[2] Media critic Neil Gabler contended that the entertainment industries were in the midst of a “revolution.”[3]

Collectively, these deals were interpreted as reinforcing that “bigger was better” as far as media companies were concerned. As each deal was announced, their companies’ executives spoke of how the combinations would allow for easier expansion into new markets both at home and abroad. The Disney-ABC marriage, which received some of the most extensive media coverage, was represented as providing the template for the new media world of tomorrow. The merger would combine one of the top motion picture distributors and television producers in the world with the number one television network. Disney CEO Michael Eisner promised to create unparalleled synergies through the integration

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[1] So described in Kevin Maney, “Merger Mania Spreads to Disney World,” *USA Today*, 1 August 1995, 1B;
[2] “Waiting for the Revolution,” *Variety*, 28 August-3 September 1995, 8, 77.
[3] “Revenge of the Studio System.” *New York Times*, 22 August 1995, A15.

of the two companies' broadcast, cable, motion picture, radio, publishing and merchandising holdings.

The Disney-ABC deal was seen as a particularly defining event for two key reasons. First, it was interpreted as an indication that a structural transformation of the media industries had begun. For decades, judicial and regulatory decisions had prevented motion picture producers and television distributors from being owned by one company. The financial interest and syndication rules ("fin-syn") implemented by the FCC in the early 1970s created the most formidable structural barrier between the two entities. However, during the early 1990s, these rules gradually were eliminated. With these mergers, media companies were responding to the increased opportunities available to them for the first time. The second reason the Disney-ABC merger – along with the CBS-Westinghouse merger – were seen as monumental was because, as one journalist put it, they reinforced "the notion that advertiser-supported network television may still be the surest bet in the ferocious, fast-changing media marketplace."[4] In other words, the networks had been portrayed as being on the brink of extinction for the last several years. Then, suddenly, one of the largest software producers in the world spent billions of dollars to show its confidence in the future of network television.

The Disney-ABC deal was indeed a sign of a dramatic transformation of the media industries. However, it was a monumental event for different reasons than those pointed out by most media analysts either at the time or since. Rather

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[4] Warren Cohen and Katia Hetter, "Tomorrow's Media Today," *U.S. News & World Report*, 14 August 1995, 47.

than initiating a new era in media conglomeration, the Disney-ABC merger marked the *culmination* of a decade-long process of industrial realignment. This transformation of the media industries actually had been set into motion a decade earlier, primarily through the efforts of one company: News Corp.

In this dissertation, I argue that News Corp., primarily via its subsidiary, the Fox network, played a central role in redefining the structure, conduct and performance of the media industries. In 1985, News Corp. initiated a ten-year-long process by which it altered the relationship between motion picture studios and television distributors. Prior to the emergence of Fox Broadcasting, broadcast networks and motion picture studios were owned by different companies. The motion picture studios produced the majority of television programming; the broadcast networks then distributed this programming. The FCC's fin-syn rules ensured these companies remained separate. The turning point came in 1985, when News Corp. offered regulators something they had long desired: a fourth broadcast network. The prospect of having a competitive fourth network led the FCC to allow News Corp. to retain its recently purchased motion picture studio, Twentieth Century Fox, as well as acquire six Metromedia television stations. These two entities formed the base from which News Corp. launched America's fourth television network, Fox Broadcasting, in 1986. Over the next decade, Fox proceeded to challenge long-standing regulations, redefine the relationship between program producers and distributors, and introduce numerous programming, marketing and distribution innovations to television.

Fox was not simply a "fourth network," however. Rather, it was a new form of network, one which, in acknowledging the increasingly fragmented media environment, placed a heightened emphasis on targeting specific demographics, pursuing a brand identity, and developing niche-targeted programming. Through these tactics, Fox played a dominant role in heralding a new era for media conglomerates. This era was marked by network-studio integration and the increased economic and marketing value of network television programming to entertainment companies.

The Fox motion picture studio continued to churn out the same kinds of big-budget "event pictures" produced by the other Hollywood studios. However, for Fox, the motion picture division became less and less central to the activities of the company. Instead, executives focused their energies on making Fox into the first vertically integrated media conglomerate focused predominantly on television production and distribution. Thus while the other studios focused on creating the next big-budget blockbuster, Fox produced niche-oriented television programming to funnel through its rapidly expanding distribution arms. Fox used demographically-targeted series such as *The Simpsons* and *The X-Files* as launching pads. Such shows became the means by which Fox and News Corp. could expand into a variety of additional markets including cable, satellite, merchandising, video games, and video, both in the U.S. and overseas. In the process, such television franchises yielded the company more than one billion dollars each – amounts realized by only a select number of motion pictures.[5]

[5] *The Simpsons* were described as such in Alec Foege, "Ay, Caramba! *The Simpsons* Heads Into Its 14th Year with No End in Sight," *Brandweek*, 26 May 2003, 10-12. *The X-Files* was cited as

Other media conglomerates did not follow Fox's lead until the mid-'90s – at which point, one after another, they all frantically tried to catch up by creating or purchasing networks of their own. Fox got its head start and influenced the media landscape to the extent it was able to by responding to the distinct needs and desires of several different entities, including regulators, advertisers, independent television stations, and the creative community. The company attained the advantage it did by effectively exploiting existing technological, economic and regulatory conditions. Then, during the next decade, Fox-News Corp. proceeded to further influence such conditions.

This study is framed by two major sets of events: By the sale of all three networks and the creation of Fox in 1985-86 and by the series of mergers that took place during the summer of 1995. In the process of covering this time span, I show that to study the emergence of Fox is to study the transformation of the media industries in a time of flux. From the moment of Fox's creation to the moment it attained parity with the Big Three, television changed from being a three-network system to a multi-channel system with dozens of viewing options. Regulators slowly eliminated the policies preventing the integration of the film and television industries. Hollywood media companies shifted from focusing predominantly on the U.S. market to thinking globally and, in the process, often acquired new owners. As I demonstrate over the next several chapters, Fox and News Corp., under the leadership of its CEO, Rupert Murdoch, were at the forefront of all of these changes. On many occasions, they defined the terms by

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earning this amount in Katherine Monk and Cynthia Littleton, "X-Files Case Closes After Nine Seasons: Expenses Soared As Ratings Floundered," *Vancouver Sun* , 18 January 2002, D10.

which these changes occurred. For example, by developing niche-oriented product while the other networks were still thinking predominantly in terms of the "masses," Fox showed new ways to profit from television programming and different means of conceptualizing network television. By crying "competition" and citing its underdog status to the FCC, Fox first circumvented and then ultimately led to the removal of numerous regulations. By acquiring the rights to the NFL, Fox set off a battle for affiliates the likes of which had not been seen in decades. By using Fox programming as the basis for launching new satellite and cable ventures in the U.S. and abroad, News Corp. became the first truly global media company. Meanwhile its competitors remained focused on expanding into new markets, predominantly through the distribution of motion picture product, and were therefore stalled in their efforts to realize their global ambitions.

Fox demonstrated the viability – indeed, the centrality – of network television product to global media conglomerates. What's more, the company did this at a time when most media analysts, including premier journalist-cum-media critic Ken Auletta, perceived network television to be on its way out.[6] Of course, the network television which Fox created became something quite different from network television as it existed from the 1950s through the 1980s. Indeed, Fox played a leading role in ushering in what Michael Curtin calls the "neo-network" era – a time when media products targeted to mass audiences still existed, but were increasingly complemented by products geared toward more narrowly

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[6] The title of Auletta's book nicely indicates the attitude held about the networks during the late 1980s and early '90s: *Three Blind Mice: How the TV Networks Lost Their Way* (New York: Vintage Books, 1992).

defined groups.[7] These demographic groups were identified and pursued based on their age, race, class, gender, ethnicity or some combination thereof.

In spearheading television's transformation to the neo-network era, Fox changed how the media industries operated. It did this in several ways. First, Fox showed the value of functioning as both a television producer and a distributor. To be profitable, a company had to produce many of the programs it broadcast, own several large television stations, and supervise a chain of affiliates with wide coverage across the country. As the years passed, Fox exploited its programming in other ways as well, including through its own cable channels in the U.S. and satellite operations in Europe, Asia and Latin America.

The second way Fox changed how television operated was by reinforcing the importance of counter-programming to specific demographic groups. By no means did Fox invent the practice of counter-programming or create the niche-targeted product. However, whereas other networks had typically programmed to specific niches for a limited number of time slots, Fox adopted the tactic across its entire schedule. Another distinction was that Fox's niche-oriented series were typically directed to much narrower audiences than had been the niche-oriented series which appeared on the networks. Prior to Fox, a network was seen as narrowcasting in prime time if it targeted the 18-to-49 demographic group.[8] Fox usually viewed the 18-to-49-year-old audience as too broad a demographic to target. Generally, the niches Fox pursued were much more narrowly defined,

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[7] Curtin, "On Edge: Culture Industries in the Neo-Network Era," *Making and Selling Culture*, ed. Richard M. Ohmann (Hanover, New Hampshire: University Press of New England, 1996), 181-202.

[8] The networks had long targeted narrower audiences for daytime programming. Women and children were among the main groups pursued during different times of the day.

ranging from children to teenagers to African-Americans to at most, 18-to-34-year-olds. These groups, and the programming developed for them, were selected based on executives' conclusions that they were both under-served by the networks and highly desired by advertisers. Conveniently, such viewer-consumers were perceived by both media companies and advertisers as being the most willing to try new programs and by extension, the most willing to try new products.

The third way Fox redefined network television was by demonstrating the importance of promoting itself as an alternative program service. Fox made "branding" into an art form, aggressively developing a clear image for itself and marketing its programs as different, distinctive and alternative to those which could be found on the networks. Fox's marketers wanted viewers to believe their programs had "edge," whereas the programs produced by the networks were homogeneous and interchangeable.[9] This objective corresponded nicely with Fox's goal of targeting younger viewers who were more open to new types of programming, fresh styles, and reformulated genres.

Throughout this study, I show how Fox's marketing, scheduling and programming practices altered the network television environment at the same time its distinctive structure affected the larger regulatory and industrial landscape. A key consequence of these efforts was that Fox provided the model for a new era of media conglomerates. In this new era, motion picture studios and television divisions would be part of the same companies. Network television

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[9] See Curtin, "On Edge," for an extensive discussion of the implications of a media product having this characteristic.

programming would have a heightened importance and value to these companies' expansion efforts and their bottom lines. As I demonstrate in the next section, very few studies have discussed the important impact Fox had on the practices and products of the contemporary media industries.

SURVEY OF LITERATURE

As influential as Fox has been, remarkably little has been written about the company and its impact on the contemporary media environment. There has been the occasional biography, chronicling the accomplishments of such "great men" as Rupert Murdoch and Barry Diller.[10] There have been scores of essays and books analyzing Fox television series. However, most of these take the form of textual analyses or reception studies of popular Fox series such as *The X-Files* and *The Simpsons*. If the Fox network's role is mentioned in these analyses, it is usually as an afterthought.

Fox is similarly a side note in media industry analyses. Most such studies focus on the importance of big-budget motion pictures to media conglomerates during the 1980s and 1990s.[11] Since no media conglomerate other than News

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[10] For example, see William Shawcross, *Murdoch* (New York: Simon and Schuster, 1992); Thomas Kiernan, *Citizen Murdoch: The Unexpurgated Story of Rupert Murdoch – the World's Most Powerful and Controversial Media Lord* (New York: Dodd, Mead, 1986); Neil Chenoweth, *Rupert Murdoch: The Untold Story of The World's Greatest Media Wizard* (New York: Crown Business, 2001); George Mair, *The Barry Diller Story: The Life and Times of America's Greatest Entertainment Mogul* (New York: John Wiley & Sons, Inc., 1997).

[11] For example, see Douglas Gomery, "Hollywood Corporate Business Practice and Periodizing Contemporary Film History," *Contemporary Hollywood Cinema*, eds. Steve Neale and Murray Smith (London: Routledge, 1998), 47-57; Jon Lewis, "Following the Money in America's Sunniest Company Town: Some Notes on the Political Economy of the Hollywood Blockbuster," *Movie Blockbusters*, ed. Julian Stringer (London: Routledge, 2003), 61-71. The fact that such articles are located in books centered on the "movie" industry further indicates the continued

Corp. possessed both a television network and a motion picture studio until 1995, scholars do not seem to know what to do with the company. Its practices were exceptional at this time and as such, it could not be lumped easily with other conglomerates such as Time Warner, Sony-Columbia and Matsushita-Universal. The typical response seems to be to ignore – or overlook – News Corp./Fox's contribution, rather than analyze its distinctiveness.

Individuals studying the broadcasting environment seem equally bewildered as to how to deal with Fox. The manner in which Auletta discusses Fox in *Three Blind Mice* is representative of how media analysts solved this dilemma. Fox is lumped with cable programmers as a challenge to the dominance of the three-network system. It is portrayed as one in a multitude of forces leading to the demise of the Big Three. Such a depiction is problematic on two counts. First, it assumes the networks were dying, rather than merely being restructured to accommodate a changing media environment. Second, it misrepresents and indeed diminishes Fox's influence on broadcast policy as well as television programming, marketing and distribution. As Megan Mullen points out in her study of the cable industry, original cable programming actually remained quite limited until the mid-1990s.[12] By that point in time, Fox was airing nearly forty hours a week of original programming via its prime time schedule and its daytime children's network.

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tendency of seeing big-budget motion pictures as the primary economic drivers for media conglomerates.

[12] Megan Mullen, *The Rise of Cable Programming in the United States* (Austin: University of Texas Press, 2003.

Part of the reason Auletta depicts Fox in the manner he does stems from the time in which he wrote his book. *Three Blind Mice* – like most of the studies which discuss Fox at all – was published in the early 1990s. This was long before Fox's full impact and influence could be seen. Thus Fox is relegated to the margins of discussions of the networks in the same way it becomes a footnote in analyses of the practices of media conglomerates. What little scholarly literature there is about Fox takes the form of "fourth network studies." These analyses, most of which were written in the early 1990s, focus on the specific economic and technological conditions enabling Fox to create a fourth network after a three-network system had dominated for more than thirty years.[13]

One of the most thorough of the "fourth network" essays comes from media economists Laurie Thomas and Barry R. Litman.[14] Their essay, "Fox Broadcasting Company, Why Now? An Economic Study of the Rise of the Fourth Broadcast 'Network,'" examines the "various barriers to entry and analyzes the conditions that paved the way for Fox to enter network broadcasting."[15] The authors provide a cursory look at Fox's means of establishing a network identity through product differentiation. However, since the article was published in 1991

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[13] Most of these fourth network studies are unpublished theses. For example, see Timothy L. Cogshell, "A Study of Entry into Network Television Broadcasting: The Fox Broadcasting Company," Masters Thesis (Edwardsville: Southern Illinois University, 1990); Jiunn-Liang Sheu, "Fox: The Making of a Fourth Television Broadcast Network," (Fresno: California State University at Fresno, 1993); Joan Stuller, "Fox Broadcasting Company: A Fourth Network Entry Within the Broadcast Marketplace," Masters Thesis (Northridge: California State University at Northridge, 1989); Kathleen Urbach, "The Fourth Network : Fox Broadcasting's Influence on Network Broadcasting," (Chapel Hill: University of North Carolina at Chapel Hill, 1992).

[14] Laurie Thomas and Barry R. Litman, "Fox Broadcasting Company, Why Now? An Economic Study of the Rise of the Fourth Broadcast 'Network,'" *Journal of Broadcasting and Electronic Media* 35, no. 2 (1991): 139-157.

[15] Ibid, 140.

– just four years after the network began its first broadcasts – many of the conclusions are tentative.

Litman has written elsewhere about the economics of television networks and weblets in the 1980s and '90s and Fox's place within this changing environment.[16] His articles are typically written as introductory surveys, intended to give readers a general sense of the economic and political factors governing the contemporary media industries. He does not look closely at institutional culture nor does he consider the ways specific programs have had an impact on the development of the industry.

In his book *Outfoxed: The Inside Story of America's Fourth Television Network*, Alex Ben Block examines Fox's corporate culture.[17] In this 1991 book, former *Hollywood Reporter* journalist Block describes the management culture at Twentieth Century Fox as it transitioned from being a film studio owned by Marvin Davis to an entertainment division within Rupert Murdoch's News Corp. empire. He suggests how the clever strategizing of a small group of executives that included Barry Diller, Garth Ancier and Jamie Kellner contributed to the formation of the Fox network during 1985-1986. He also looks at how these executives interacted with their new corporate parent as well as how they went about developing their first television programs. Although the book takes gossipy

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[16] For example, see Litman, "Network Oligopoly Power: An Economic Analysis, *Hollywood in the Age of Television*, ed. Tino Balio (Boston: Unwin Hyman, 1990), 145-164; Litman, "The Economics of Television Networks: New Dimensions and New Alliances," *Media Economics: Theory and Practice*, Alison Alexander, James Owers, and Rod Carveth, eds. (Mahwah, New Jersey: Lawrence Erlbaum Associates, 1998), 131-150; Larry Collette and Litman, "The Peculiar Economics of New Broadcast Network Entry: The Case of United Paramount and Warner Bros.," *The Journal of Media Economics* 10, no. 4 (1997): 3-22.

[17] *Outfoxed* (New York: St. Martin's Paperbacks, 1991).

turns at times, it is nonetheless impressive in its depiction of the institutional culture of Fox in the 1980s.

In spite of Block's abundant interviews and years of observing boardroom interactions, the book is narrow in its scope. He provides little discussion of the circumstances within which Fox emerged. After briefly clarifying the obstacles Fox overcame to become a network, he focuses primarily on the executive struggles over the direction specific shows should take and the clash between different personalities for control.[18] He is not interested with the "bigger picture" such as the relationship between the Fox network and other Fox divisions (or other News Corp. divisions) or the ways that Fox impacted industry structure, government policies, or television programming. As with Thomas and Litman's essay as well as Auletta's book, Block's analysis is partly limited due to its publication just four years after the network began broadcasting. However, part of the limitation is also due to the decision to look at Fox solely in terms of its importance in becoming the first successful "fourth network" in more than thirty years rather than thinking about how it changed the existing media landscape in the process.

A similarly limited scope is present in Kristal Brent Zook's book *Color By Fox: The Fox Network and the Revolution in Black Television*.[19] The book is full of promise – Zook interviewed dozens of producers, directors and stars from several of Fox's African-American shows. However, little evidence of these

[18] Much of Block's book focuses on the battle which took place between Fox executives and Joan Rivers' staff over the direction of *The Late Show with Joan Rivers*.
[19] Zook, *Color By Fox: The Fox Network and the Revolution in Black Television* (New York; Oxford University Press, 1999).

interviews in present within the book. Zook's book indicates the shortcomings of a strictly textually-based cultural studies orientation. In her focus on how color and caste, gender and sexuality, and political and social movements are addressed within Fox's African-American texts, Zook stays focused almost solely on matters of representation. She has little interest in exploring how and why African-American programming found a place on Fox during the early 1990s. Further, there is a complete lack of institutional analysis present in any part of the book. The only associations made between any of the texts discussed and the "Fox" of the title is through their presence on the channel; she makes no attempt to draw connections between the various titles she analyzes and the institutional imperatives which factored into their broadcast on the network.

Indeed, Zook's lack of institutional analysis leads her to misrepresent the historical trajectory of the programming she discusses. She selectively focuses on the specific programs that support her ideological analyses, without ever discussing the full range of African-American programs that appeared on Fox. In addition, she suggests that Fox completely rejected African-American programming after 1994, when in fact two of the programs she analyzes at length, *Martin* and *Living Single*, remained on the network through 1996. Because Zook never discusses Fox's entire prime-time schedule, she creates the mistaken impression that the network's sole programming strategy during the early '90s involved pursuing the African-American audience. In fact, Fox executives were targeting a number of other distinct demographic groups (i.e., teens, twentysomethings) at this same time as well.

As the above examples illustrate, on very few occasions have scholars or journalists analyzed Fox as either industrial culture or cultural industry.[20] There has been even less work analyzing the integration of networks and studios (Fox in 1986, the WB and UPN in 1994, Disney-ABC and Time Warner-Turner in 1995, Viacom-CBS in 1999, NBC-Universal in 2004).[21] What little research there has been on Fox or studio-network synergies – whether in scholarly literature or the mainstream press – has focused predominantly on specific landmark programs.

In the case of scholarly literature, research on Fox programs has often resembled Zook's work: Writers use a cultural studies perspective to frame their discussion of representations of gender, race, class, ethnicity and age in such Fox shows as *Beverly Hills 90210*, *Ally McBeal* or *Married…with Children*.[22] Ideological analyses of popular Fox programs are also common.[23] Another favored approach involves exploring fan subcultures for particular series.[24] Some

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20 Eileen Meehan encourages approaching television as both "industrial culture and cultural industry" in "Conceptualizing Culture as Commodity: The Problem of Television," *Television: The Critical View*, ed. Horace Newcomb, Fifth ed. (New York: Oxford University Press, 1994), 563-572.

21 Part of this is due to the relatively recent nature of these occurrences, but nonetheless analysis of these events remains limited.

22 For examples, see C. Lusane, "Assessing the Disconnect between Black and White Television Audiences: The Race, Class and Gender Politics of *Married…With Children*," *The Journal of Popular Film and Television* 27, no. 1 (1999): 12-21; E. Graham McKinley, *Beverly Hills 90210: Television, Gender and Identity* (Philadelphia: University of Pennsylvania Press, 1997); Tracey Owens Patton, "*Ally McBeal* and Her Homies: The Reification of White Stereotypes of Other," *Journal of Black Studies* 32, no. 2 (2001): 229-260.

23 See John Edward Campbell, "Alien(ating) Ideology and the American Media: Apprehending the Alien Image in Television through *The X-Files*," *International Journal of Cultural Studies* 4, no. 3 (2001): 327-347; Josh Ozersky, "TV's Anti-Families: Married…With Malaise. 'The Simpsons,' 'Married…with Children,' and 'Roseanne' may not be as Liberating as they First Appear," *Tikkun* 6, no. 1 (1991): 11-17.

24 See S.R. Wakefield, "Your Sister in 'St. Scully': An Electronic Community of Female Fans of *The X-Files*," *The Journal of Popular Film and Television* 29, no. 3 (2001): 130-137; Susan J. Clerc, "DDEB, GATB , MPPB, and Ratboy," *Deny All Knowledge: Reading the X-Files* (Syracuse: Syracuse University Press, 1996), 36-51; Peter Parisi, "'Black Bart' Simpson:

shows such as *The Simpsons* and *The X-Files* also have spawned a great deal of critical commentary on their innovative styles or generic revisionism.[25] Certainly Fox programs merit such analyses. However, these analyses could be enriched by being contextualized further and linked with key economic, political, industrial and technological developments.

Given the limited amount of information analyzing the development of the Fox network, I have turned primarily to trade publications and popular press articles for information. In terms of the journalistic treatment of Fox, the trade press has regularly covered the interactions of the networks with the studios. Any major business transactions or executive shifts merit news coverage by publications such as *Broadcasting & Cable*, *Advertising Age* and *Daily Variety*. I have reconstructed much of Fox's institutional and programming history by analyzing these trade reports. The trades, as well as other publications such as *Forbes*, *The Wall Street Journal* and *Newsweek* are also helpful in tracking the growth and decline of programming developments, regulatory changes and corporate trends.

In the process of looking at these materials to sketch a timeline of Fox's relationship to the industry's development, I have tried to remain conscious of the limitations of these resources. Many of their limitations coincide with the shortcomings described above in relation to Block's book on Fox. First, such

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Appropriation and Revitalization in Commodity Culture," *Journal of Popular Culture* 27, no. 1 (1993): 125-141.

[25] See Jan Delasara, *PopLit, PopCult, and the X-Files* (Jefferson, North Carolina: McFarland, 2000); Kevin Glynn, *Tabloid Culture: Trash Taste, Popular Power, and the Transformation of American Television* (Durham: Duke University Press, 2000); Jason Mittell, "Cartoon Realism: Genre Mixing and the Cultural Life of *The Simpsons*," *The Velvet Light Trap* 24, no. 6 (2001): 743-793.

stories are subject to the public relations spin of the particular company or companies featured. Second, coverage of corporate growth and changes remains selective. Third, such sources often lack a sense of the "big picture" – of the long-term historical trajectory for industry developments. Almost everything is "new" and "fresh" in these sources, and thus they must be approached with a degree of skepticism. And fourth, due to space limitations, the articles rarely delve into much depth about their topics.

In spite of their potential problems, these journalistic sources have enabled me to understand the key moments in the development of the Fox network as well as its network and studio competitors. I have responded to the challenges presented by these resources by surveying a wide range of trade publications and journalistic materials, cross-checking data whenever possible. As a means of further framing my analyses, I have turned to two bodies of scholarly literature: revisionist media industry histories and the New Hollywood. In referring to these two areas of research, I can contextualize my study within larger historical developments and relate my analysis to other scholarly traditions.

REVISIONIST MEDIA HISTORY AND HISTORIOGRAPHY

The methods and assumptions I employ in this media industry history are drawn from approaches taken by scholars such as Michele Hilmes, Christopher Anderson, Tino Balio and William Boddy.[26] These historians look at a variety of

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[26] See Christopher Anderson, *Hollywood TV: The Studio System in the 1950s* (Austin: University of Texas Press, 1994); *Hollywood in the Age of Television*, ed. Tino Balio (Boston: Unwin Hyman, 1990); William Boddy, *Fifties Television: The Industry and Its Critics* (Urbana:

primary and secondary source materials, including trade journals, popular press articles, non-fiction books on important individuals and companies, scholarly work on the industry, publicly-released financial statements and business reports, and film and television programs. With the information culled from these materials, they analyze the relationship between the motion picture studios and television networks from their earliest days. Their research demonstrates the complex ways in which the studios and networks have been interconnected and interdependent from the outset. Whereas many traditional histories of the emergence and development of television have asserted that the relationship between the film and broadcasting industries has been one of conflict and competition, these scholars offer up a different and far more complicated perspective. As Hilmes observes, in effect summing up the goals of other revisionist historians,

> My primary assertion is that the film industry played a central role in the evolution of economic structures, program forms, and patterns of distribution in broadcasting, because Hollywood has functioned since the early 1920s as broadcasting's alter ego, its main rival and contributor, the only other force unified and powerful enough to present a viable alternative definition to the uses made of the medium by established broadcast interests, yet a necessary contributor to broadcasting's growth and success. The ongoing process of conflict, compromise and accommodation between the two has shaped the economic and expressive structures of both media.[27]

In effect, she argues that the film industry did not simply fight the emergence of television "on principle" nor did it only grudgingly begin producing

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University of Illinois Press, 1990); Michele Hilmes, *Hollywood and Broadcasting: From Radio to Cable* (Urbana: University of Illinois Press, 1990).
[27] Hilmes, 1.

television programming after television had become a dominant presence in American households. Rather, specific judicial, regulatory, technological, industrial and political factors led the major motion picture studios to be marginalized during the early years of television, and encouraged the definition of television along the broadcasting model formulated by the radio industry, advertisers and regulators.

Much of the research exploring the relationship between the film and television industries has been concerned with how and why they took the distinctive forms they did in the first place. For example, in *Hollywood TV*, Christopher Anderson discusses how motion picture studios and independent producers became the dominant suppliers of television programming to the networks during the 1950s. William Boddy also focuses on the 1950s, but frames his concerns somewhat differently. His emphasis is on how a number of different stakeholders – including networks, television critics, regulators, advertising agencies, Hollywood producers and writers – influenced the forms and styles of 1950s television programming. As with Hilmes and Anderson, Boddy maintains that the three-network system as it existed from the 1950s through the 1970s "was not 'natural' or inevitable, but indeed the result of specific economic and political forces with complex determinants."[28] Hilmes' work covers the broadest time frame, spanning from the formation of the radio business in the 1920s up through the 1980s and the studios' investments in pay television. Her book concludes with a discussion of the prospects for Fox Broadcasting and speculation about the

[28] *Fifties Television*, 8.

impact which deregulation will have on the continually evolving relationship between the networks and the studios.[29]

This dissertation strives to apply both the methods and approaches taken by these scholars to a more recent time period. As with Hilmes, Boddy, and Anderson, my overarching concern is with exploring the shifting relationship between the motion picture studios and the television networks. However, whereas their focus is primarily on how and why the motion picture companies and networks carved out their own distinct territories in the television business from the 1950s to the mid-80s, I want to analyze how these two entities came together again from the mid-'80s on.

Though I am looking at a more contemporary time period, the approach I take is the same. One of the primary strengths of these studies comes from their effective incorporation and integration of several different analytical approaches. They borrow political economy's concern with how modes of production and relations of production operate within a particular social system. They incorporate the media economist's interest in measuring structure, conduct and performance to determine levels of competition and diversity within the marketplace. They integrate policy analysts' attention to the impact of judicial and regulatory decisions in structuring media industries. And they draw from cultural studies' perspective that culture is a terrain of struggle and contestation, a place where battles over how society is defined and controlled are played out through the texts and practices of everyday life. Yet while these different approaches inform the

[29] Hilmes' book was published in 1990 and thus could only speculate about many of the issues under examination in my dissertation.

analyses of these scholars, all of them are first and foremost media historians. Their primary concern, as well as my own, is in analyzing, organizing and interpreting the patterns and processes of the media industries.

Along with the work of these revisionist television historians, there is another body of research which informs my research: New Hollywood literature. Developed out of the film studies tradition, New Hollywood literature frames the shifting structure and products of the media industries over the last three decades in fruitful ways in terms of my own project. A short survey of how New Hollywood literature has contributed to media industry studies is instructive for a number of reasons: First, this survey allows me to explore the dominant ways Hollywood's practices have been discussed in recent years. Second, it facilitates the analysis of changing industrial strategies within a historical context, and – along with the work of the revisionist historians discussed above – makes possible the exploration of the relationships between changing industry strategies and shifting technological, regulatory, political and socio-cultural conditions. Third, New Hollywood literature effectively foregrounds the relationship between industry contexts and media texts, between structure and style. Fourth, a survey of the central ideas in New Hollywood scholarship points to the shortcomings in this body of literature, and thus enables me to articulate some of the main contributions which this dissertation can make to media studies.

New Hollywood scholarship has been a fertile area of research in the last fifteen years. While there are significant distinctions amongst New Hollywood scholars – especially in terms of the extent to which they accord attention to media texts – there are also a number of common assumptions. New Hollywood writers including Tino Balio, Douglas Gomery, Thomas Schatz and Justin Wyatt argue that Hollywood product has undergone a dramatic transformation in the past thirty years.[30] They see the Hollywood from the '20s to the '50s as a "unified" system, in which motion pictures studios were vertically integrated. During this time, a limited number of motion picture studios dominated the production, distribution and exhibition of motion pictures. For the most part, the audience generally was conceptualized as a "mass" by these major studios; movies were targeted to a national audience.

These scholars see a combination of technological, socio-cultural, economic and regulatory forces leading to a transformation of the industry in the '50s and '60s. Among the most significant factors were: the emergence of television as a competitive force; the 1948 Paramount decrees requiring the studios to divest themselves of their exhibition branches and cease their unfair distribution practices; a decline in movie theater attendance due to suburban migration and a renewed focus on the family (baby boom); and a domestic economic surge. Cumulatively these developments contributed to a number of shifts in the ways the studios did business from the 1950s through the 1970s. These adjustments include a reorientation by the studios as financing-and-distribution entities; a gradual move toward participating in the television industry

[30] Balio, "'A Major Presence in All of the World's Important Markets': The Globalization of Hollywood in the 1990s," *Contemporary Hollywood Cinema*, eds. Steve Neale and Murray Smith (London: Routledge, 1998), 58-73; Gomery, "Hollywood Corporate Business Practice and Periodizing," *Contemporary Hollywood Cinema*; Schatz, "The New Hollywood," *Film Theory Goes to the Movies*, eds. Jim Collins, Hillary Radner and Ava Preacher Collins (New York, Routledge, 1993), 8-36; Wyatt, *High Concept: Movies and Marketing in Hollywood* (Austin: University of Texas Press, 1998).

as producers of telefilms; a focus on fewer but bigger and more expensive films keyed to an expanding world market; and, conversely, the increased drive toward targeting specific markets (especially youth) rather than the "masses" in total. As the industry continued to fragment during the '50s, a number of entities arose to fill the gaps, most prominently agent-packagers and independent production companies.

New Hollywood is generally defined as beginning in full with the release of Jaws in 1975 – a development which came about at the same time as the launching of HBO via satellite, the emergence of the VCR into the marketplace and the premiere of "superstation" WTBS.[31] It was during the mid-'70s that the motion picture studios shifted their primary focus from releasing "star-genre" films targeted to general audiences to releasing "high-concept" films – movies described by Steven Spielberg as capable of being summed up in twenty-five words or less (e.g. *Superman*, *Raiders of the Lost Ark*). High-concept films were seen as fitting with the changing structures of media conglomerates.[32] Whereas during the studio era of the 1920s through the '40s the studios functioned as vertically integrated enterprises with their activities centered around motion pictures, during the mid-to-late-'60s, the studios underwent a transformation, becoming parts of larger conglomerates. As divisions within larger companies, these studios became increasingly driven to horizontally integrate, building relationships between their distribution operations and the other distribution

[31] See Schatz, "The New Hollywood," *Film Theory Goes to the Movies*.

[32] See Wyatt, for a detailed discussion of the aesthetic characteristics of high-concept films, as well as their vital role to the bottom line of media conglomerates. In *High Concept: Movies and Marketing in Hollywood* (Austin: University of Texas Press, 1998).

divisions within their conglomerate parents. From the '60s through the '80s, the studios were transformed into divisions of an increasingly diversified, globalized "entertainment industry." In this new role, film represented only one component of the vast conglomerates which held them.[33]

Crucially, although the studios shifted their focus, they did not diminish their control over creating media content. On the contrary; as new technologies and new industries emerged, the studios accommodated them and attempted to develop "synergies" with various other divisions of their parent companies. New Hollywood scholars traditionally have seen the high-concept "event" films as the drivers of their conglomerate parents, serving as the primary means by which the conglomerates exploited their various other entertainment-oriented divisions such as music, publishing, cable program services and theme parks.

As noted earlier, New Hollywood literature has a number of strengths, many of which fit well with the purposes of my project. The emphasis on "filmed entertainment" – and more specifically, movies and television programming, is a primary utility to the approach. Although media conglomerates over the last thirty years have differed in terms of their corporate structures and the composition of their divisions, entertainment product (as opposed to news, sports, and information services) generally has been a primary focus across the range of companies. This is the case because entertainment product has been found to have a longevity which other types of media products often lack. Also, as media conglomerates shift to structuring their activities around "software" (e.g., films,

[33] Schatz, "Return of the Studio System," *Conglomerates and the Media*, ed. Erik Barnouw (New York: The New York Press, 1997), 73-106.

television programs, etc.) as opposed to distribution channels, entertainment product becomes a primary means by which synergies between divisions can be developed.

Despite these strengths, there are also a couple of important shortcomings in New Hollywood scholarship. These shortcomings in the scholarship are mainly a consequence of the New Hollywood literature falling behind industrial changes. Nonetheless, these limitations point to distinctions between my work and the previous work from a New Hollywood perspective. One deficiency of New Hollywood literature has been its overemphasis on the importance of high-concept films and relative neglect of lower-budgeted "niche" films produced by such companies as Miramax, Fox Searchlight and Sony Pictures Classics. These are films such as *Friday*, *Lost in Translation*, *Scary Movie* and *Y Tu Mamá También* which are targeted to specific demographic groups such as Latinos, African-Americans, teenagers and gays/lesbians.

Yet niche films are not the only media products passed over too quickly within the New Hollywood literature. Niche television programming also is accorded relatively little attention in this body of work. This leads to a larger limitation of New Hollywood criticism – namely, the continued assumption that motion pictures (and particularly high-concept motion pictures) serve as the primary economic, aesthetic and cultural drivers for media conglomerates. While motion picture studios historically have been the main focus of media conglomerates (many of them began with a motion picture and only recently expanded to television, after all), one of the principal arguments of this dissertation is that we need to reconsider what are the primary sources of profit and power for contemporary media conglomerates. I will show that, with the rise of the Fox network from the mid-'80s onward, media conglomerates have refocused themselves, increasingly investing more time, labor and money into television programming – and more specifically, niche-targeted television programming. Shows targeted at specific demographic groups – particularly children, teenagers, and African-Americans– have become of higher priority on the network program development slate.

A central question then becomes how did media conglomerates reorient themselves toward niche television programming? By examining the move by these entities into purchasing and creating networks – a move begun with the entry of Fox – we begin to see the ways in which network television production and distribution became a priority for media companies, as well as how these niche-oriented "franchises" served the larger strategies of the parent companies.[34]

In seeking to modify the terms by which this body of literature traditionally has been discussed, I also believe we must rethink how scholars have organized various events into specific periods or phases. Media industry history itself is a relatively new field, with most of the literature – including the work of Hilmes, Wyatt, Schatz, and Anderson – emerging from the 1980s onward. Robert

[34] Schatz's work is set apart through his discussion of "the franchise" as the ultimate New Hollywood product. While most New Hollywood analysts argue that New Hollywood is about much more than its films, Schatz takes this a step further by revealing exactly how and why films remain so central to the interests of the conglomerate parents. In other words, he makes clear – on the big-budget level in particular – how "the ideal movie today is not only a box-office smash but a two-hour promotion for a multi-media product line, designed with the structure of both the parent company and the diversified media marketplace in mind" (73-74). I want to extend this analysis of the franchise into my discussion of television product. For more on the importance of franchises to New Hollywood, see Schatz, "Return."

C. Allen and Douglas Gomery were among the first to define this developing field within the context of the film studies tradition. [35] In *Film History: Theory and Practice*, Allen and Gomery explore the four traditional ways film history had been done up to that point: aesthetic, technological, economic and social. Their book concludes by arguing that the most effective film histories integrate more than one analytical framework.

Allen and Gomery's work was an important contribution not only because of its strong case for using a multi-dimensional approach in conducting historical research, but also because of its discussion of how to evaluate and interpret change over time. They encourage historians to focus on the interaction of "generative" (causal) mechanisms, evaluating the ways that various technological, social, regulatory, cultural, and aesthetic factors affected various events.[36] These factors carry different degrees of influence over time; much of the historian's work involves weighing the relative impact of the various forces at play.

In the process of making these determinations, the historian makes decisions as to how to deal with the passage of time. One goal of my project is re-thinking how the New Hollywood has been periodized. Periodization is a tricky task for the historian. They have to determine how large or short a period to deal with, and define how and why they elected to focus on that time frame. As Allen and Gomery note, the basis for choosing a particular time span can be arbitrary; for example, it can be based on decades or centuries.[37] A study can be

[35] *Film History: Theory and Practice* (New York: Alfred A. Knopf, 1985).
[36] Ibid, 16.
[37] Ibid, 48.

strengthened by not simply analyzing one specific time period at random (e.g., 1970-1979).

Schatz provides one model for how to periodize New Hollywood. He identifies three phases (1946-1955, 1956-1965 and 1965-1975) leading up to the formation of the New Hollywood in 1975. He sees one phase ending and another beginning as the result of the intersection of several key developments including shifts in technology, changing studio production and distribution patterns, and particular "landmark" films.[38] In other words, Schatz determined that the interaction of these several different forces caused a transformation in the content and structure of the media industries. New Hollywood "officially" began in 1975 because 1) new technologies and new "delivery systems" took off at this time (the videocassette, HBO, WTBS); and 2) this was when *Jaws* was released, thereby heralding the arrival of new production and distribution methods. *Jaws* was also important, he argues, because it was a defining "supertext" – a film which continued to be reinvented both textually and industrially as it was reformulated across the different divisions of a vertically and horizontally integrated conglomerate.

I wish to adapt this method of periodization for my own study. As with Schatz, I use the intersection of several key developments as the means by which to organize my study. However, the developments I wish to emphasize are not the same. While I agree with Schatz that the New Hollywood started in 1975 as the result of changes in technology, shifts in production and distribution patterns and

[38] "New Hollywood," 11-17.

the release of specific landmark films, I see these developments being central to the definition of a <u>first</u> phase of New Hollywood. This first phase concluded and a second phase began in 1985. In this second phase, television – especially network television – grew increasingly important to the New Hollywood.

This second phase got underway in 1985 with the implementation of a series of de-regulatory acts along with changes in the ownership and management of several motion picture studios and television networks. What is worth noting at this point is that during this year there was a new policy enacted raising the number of radio and television stations a broadcaster could own from seven to twelve. This regulatory change played a large part in increasing the value of television stations and making broadcasters into attractive takeover targets. Before the rule had even become official, a series of major station sales occurred. Ultimately, during the course of 1985, all three networks changed owners. Over the next several years, they would proceed to come to terms with these new owners as well as with the increased competition they faced from video, cable, independent television stations and Fox. At the same time all three networks changed hands, News Corp. purchased the Twentieth Century Fox motion picture studio and a group of independent television stations. The independent stations served as the foundation for the formation of the Fox network. Meanwhile, the Fox production studio gradually developed into one of the new Fox network's main suppliers.

These events cumulatively set the next phase of New Hollywood in motion. This phase of New Hollywood was defined by the increased importance of demographically-targeted television programming to media conglomerates. It was also marked by the studios' heightened efforts to enter into the television distribution business. Fox was the primary entity motivating these changes in industry structure and television content. The company did so through the unprecedented relationships it established with the FCC, cable operators and programmers, independent television stations, the creative community, advertisers and other News Corp. divisions. Through these relationships, Fox transformed how motion picture studios and television networks interacted. Fox showed how to overcome the long-present studio-network divide, creating a model for the vertically integrated television company-cum-global media conglomerate of the '90s in the process.

The second phase of New Hollywood concluded and a third phase began in 1995 with the arrival of further deregulatory acts as well as additional changes in ownership and management at the motion picture studios and television networks. There were several different deregulatory developments at this time, including the repeal of the fin-syn rules and the elimination of the prime time access rules (PTAR) which prohibited the networks from broadcasting more than three hours per night of prime time programming. The Telecommunications Act of 1996 had been approved by both the House and Senate by mid-1995 as well. One part of this act addressed broadcast ownership limits. This time around, television broadcasters were to be allowed to own stations reaching up to 35% of the country.

With these regulatory changes in sight, the aforementioned mergers and acquisitions took place. In forming these new combinations, many companies followed Fox's lead. For example, CBS's production and distribution holdings were substantially strengthened by linking up with Westinghouse. ABC became the first of the three networks to officially be joined with a motion picture studio. These events were significant because they occurred so quickly and with such frequency after a lengthy period during which Fox had the field all to itself. The 1985-1995 period is so distinctive because of the extent to which Fox defined the terms of the television business and set precedents for how the industry would operate in the future. While other conglomerates forged ahead with their motion picture activities – as well as with their theme park, cable, merchandising and publishing efforts – Fox had a disproportionate influence on the television business. During the third phase of New Hollywood which began in 1995, the other studios and networks rushed to become the vertically and horizontally integrated global television powerhouse that Fox had already been for quite some time.

In viewing the New Hollywood as consisting of a series of phases, we are able to shift the focus of this literature away from a film-centric perspective. We can see how, during the 1985-1995 period, network television was becoming – but had not yet become – central to the operations of media conglomerates. The process began with changes in regulation, and was quickly followed by changes in ownership at the networks and at Fox. These factors motivated the events which followed. However, these factors were structuring forces, not allencompassing agents which defined the contours of the neo-network era. In other words, they did not dictate the precise form which television distribution, marketing and production took. As such, it is important to begin with a discussion of the regulatory and industrial context, but not to end there. To understand more precisely how the neo-network era took the form it did, it is essential to study the development of Fox and evaluate how it evolved in relation to the other networks and studios. Prior to doing this however, I outline the key moments which defined the relations between the studios and the networks from high-network era of 1950s through the early 1980s.

A BRIEF SURVEY OF NETWORK-STUDIO RELATIONS

In analyzing and applying the work of revisionist historians such as Hilmes, Anderson, Boddy and Balio to my research project, several key developments stand out. As Balio describes, even before television sets were in any households, the film studios ventured into broadcasting in a variety of ways such as subscription television and theater television.[39] Legal and regulatory roadblocks, as well as opposition from theatrical exhibitors, limited the ability of the motion picture studios to take on as substantial a role in the development of television as they would have liked.[40] The studios faced yet another hurdle in their attempts to make inroads into television distribution in the form of the major radio networks, CBS and NBC, which rallied support from a variety of

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[39] Balio, "Introduction to Part I," *Hollywood in the Age of Television*, 20.
[40] Ibid, 20-21.

stakeholders in order to shape television along the lines of the broadcasting model already in place.[41]

Though the major film studios were unable to move into distribution in television's early years, they nonetheless began producing programming for the new medium by the mid-'50s. The big studios delayed their entry not so much because of a resistance to the medium per se but rather because they wanted to wait until it became cost-effective to create programming.[42] By the late '50s, the major studios as well as several major independent producers were supplying telefilm programming to the networks in prime time, using television as a promotional tool through shows such as *Disneyland*, *Warner Bros. Presents*, and *Twentieth Century-Fox Theatre*, and selling pre-1948 feature films (predominantly) to independent stations and syndicators.[43] MCA accelerated the integration of the film and television businesses when it formed Revue Productions in 1952, a production (and later distribution) entity focused primarily on developing star vehicles for such clients as Alfred Hitchcock and Ronald Reagan.[44] The proceeds from Revue helped provide MCA with the means to purchase the Paramount library in 1958 and then the Universal City lot one year later.

By the early '60s, the network-studio relationship entered into a mature state that changed relatively little for the next several years.[45] The networks

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41 Ibid, 16-17.
42 Ibid, 20-23.
43 Ibid, 34.
44 Anderson, 262.
45 How "mature" the relationship was by the early '60s has been debated recently. While Boddy holds that by the end of the '50s structure and content remained relatively stable for the next

functioned as financiers of television programming, dominating the industry by virtue of their status as distributors. The studios, meanwhile, produced much of the programming the networks aired (or co-produced the programming along with independent production companies such as Arena Productions, Daystar and Shamley Productions).[46] Throughout the 1960s and into the early '70s, the networks remained in a position of dominance relative to the studios. During this period, they were the only major avenue for television distribution, aside from a handful of independent television stations and a public television station in major media markets. The networks used their leverage to demand a financial interest in the programming they chose to air.[47]

In spite of the financial and programming conditions the networks placed upon the studios, the studios did not complain at this time. The studios' involvement in telefilm during the late '60s, in fact, turned out to be the saving grace for many companies. At a time when the film industry was faced with a diminishing theatrical audience, runaway productions and challenges from independent distributors, TV promised a relatively steady income. According to Balio, telefilm production regularly provided more than 30% of the revenue for the motion picture studios throughout the '60s.[48] On top of this income, by the late '60s, the studios also began to generate large sums from the sale of their

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several decades, Mark Alvey maintains that the situation was more complex. Alvey argues that the '60s was not quite the "vast wasteland" that many scholars have argued, and what's more, the major players in television production shifted quite frequently during the decade with a number of independent production companies exercising more influence than has been generally held. See Alvey, "The Independents: Rethinking the Television Studio System," *Television: The Critical View*, ed. Horace Newcomb, Sixth ed. (New York: Oxford University Press, 2000), 34-51.

[46] Alvey, 39.

[47] Ibid, 37.

[48] Ibid.

motion picture blockbusters to the networks. In 1960, the studios resolved the contractual issues preventing them from selling post-1948 features to television; from that point on, the sale prices for big-name features continued to rise throughout the decade. By the late 1960s, the studios factored television airings for their features into their budgets, production decisions and income projections.[49] The studios tried to supplement their feature film output through the production of made-for-TV movies and long-form series, areas that MCA-Universal was once again the first to pursue.

The emergence of television as an additional revenue stream for the studios' features made them increasingly ripe for purchase by larger conglomerates.[50] The studios were further vulnerable because of their struggles to compete in motion picture distribution. Indeed, following the purchase of Universal Pictures by MCA in 1962, a number of the studios were purchased later in the decade. Gulf + Western acquired Paramount in 1966, insurance and financial services company Transamerica Corporation purchased United Artists in 1967, and funeral home-cum-car rental agency Kinney International bought Warner Bros. in 1969. This wave of purchases began a period of "loose conglomeration" for the entertainment industry – a period when the film studios were just one small part of a large, diverse corporate portfolio often filled with numerous non-media holdings.[51] Once again, MCA-Universal remained unique in

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[49] William Lafferty, "Feature Films on Prime-Time Television," *Hollywood in the Age of Television*, 248.
[50] Balio, "Introduction," 40.
[51] For a more detailed discussion about the transition from "loose" to "tight" conglomeration, see Schatz, "The Return of the Studio System," *Conglomerates and the Media*.

confining its investments almost solely to media properties. Other conglomerates did not replicate MCA-Universal's "tight diversification" industrial organization strategy until the mid-'80s.[52]

In the early 1970s, these newly acquired studios briefly entered a crisis period – a crisis brought about partly due to the networks' diminished investment in studio product.[53] Yet just as the studios appeared to be at their greatest disadvantage in their relationship with the networks, a number of regulatory and technological developments set the stage for a dramatic shift in the studio-network balance of power. The first turning point came when the FCC began an investigation into the networks' business practices. By 1970, the networks' control over the market was such that they were able to attain financial interest or syndication rights to 98% of their programming.[54] In other words, program producers (e.g., the studios) had to give the networks a stake in the profits or distribution rights for reruns in other markets in order to ensure their programming reached the air.[55]

To constrain the networks' increasingly monopolistic power, the FCC established the financial interest and syndication rules. The rules, enacted in 1970 and revised through a series of consent decrees between the networks and the Justice Department over the next decade, essentially prohibited the networks from having an ownership and subsequent syndication stake in the programming they

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[52] Schatz, Return, 88.

[53] Balio, "Introduction to Part II," *Hollywood in the Age of Television*, 260.

[54] J. Fred MacDonald, *One Nation Under Television: The Rise and Decline of Network TV* (New York: Pantheon, 1990), 186.

[55] Jennifer Holt, "Vertical Vision: Deregulation, Industrial Economy and Prime-time Design," *Quality Popular Television: Cult TV, the Industry, and Fans*, eds. Marc Jancovich and James Lyons (London: British Film Institute, 2003), 11-31.

aired. The ramifications of the so-called fin-syn rules were severe for the networks, prohibiting them from vertically integrating the production, sale and distribution of syndicated programming.[56] The studios and independent producers – as well as independent television stations – benefited from the implementation of the fin-syn rules. The distinction between the studios and the networks remained intact from the '70s into the late '80s, at which point Fox initiated the process whereby the rules were challenged. In 1995, they were repealed altogether.[57]

Even as the implementation of the fin-syn rules altered the balance of power between the studios and the networks, other developments further affected the status of the major entertainment industry players. The launching of HBO in 1975 and Ted Turner's WTBS as a cable "superstation" in 1976 jump-started the cable era and began the erosion of the network television audience.[58] The network hegemony was further challenged with the introduction of the Betamax videocassette recorder to American consumers in 1976. Although neither cable nor video became substantial industry forces until the mid-'80s, their introduction

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[56] Ibid.

[57] By the time the fin-syn rules were repealed, their force had been eroded substantially, in large part due to Fox's success at never operating as an official network as defined by the FCC. Thus Fox was able to operate as both a supplier and a distributor at a time when no other studios or networks could legally do so. As is discussed in more detail in chapter three, Fowler's FCC intended to repeal fin-syn during the '80s but met with resistance at that time from the studios, which argued that the rules' repeal would unfairly privilege the networks.

[58] Chapter two outlines the specific regulatory conditions which enabled cable channels such as HBO and WTBS to emerge.

into the marketplace promised new competition – as well as new legal headaches – for both the studios and the networks.[59]

For the networks, cable and videocassettes – as well as the growing popularity of independent stations – posed a much more direct threat to their long-standing authority. Already in a weakened financial position due to the fin-syn rules, the networks now faced the prospect of a 500-channel future that threatened to erode their viewer base – and with it, advertising revenues. The networks, in fact, found themselves in a position very similar to that of the studios after the Paramount decision in 1948. Already struggling due to multiple forces, they were under close scrutiny for their anti-competitive practices and, therefore, unable to effectively adjust to the changing marketplace. The studios, meanwhile, were in a more uncertain (albeit promising) position in the late '70s and early '80s. As was the case with the emergence of television, the film companies wanted to be involved with these new technologies from the start. Yet once again, Hollywood was unable to set many of the terms of its involvement, at least in the early years of video and cable. The studios tried to take a proactive role with cable once they perceived it to be a viable market.[60] As Hilmes observes, although legal and regulatory barriers prevented the studios from jointly acting as cable distributors in the late '70s and early '80s, they nonetheless adapted quickly to the new

[59] For a discussion of the networks' and studios' legal struggles to become involved in pay cable, see Hilmes, "Pay Television: Breaking the Broadcasting Bottleneck," *Hollywood in the Age of Television*, 297-318

[60] In 1980, Columbia, Paramount, MCA, and Fox joined forces to form a pay-cable network called Premiere. Yet even before the channel's launch, the Justice Department halted it on antitrust grounds. Similarly, in 1982 Paramount, MCA and Warner Bros. invested in Showtime and the Movie Channel, only to once again have the courts deem the enterprise to be anti-competitive; Viacom subsequently became the sole investor in the channels.

technology in other ways, such as investment in cable distribution and cross-ownership ventures with other media companies.[61]

This brief overview of network-studio relations reinforces revisionist historians' claims that the shape the film and television industries took was anything but natural and inevitable. Specific regulatory, legal and technological forces affected the ways the studios and the networks were involved and invested in television from the medium's earliest days. This background is important because it provides a basis for understanding the changes in the structure, conduct and performance of the media industries during the 1980s and '90s. In addition, it offers a means by which I can frame my description of the development of Fox and demonstrate why this particular company played such a significant role in transforming the media environment. This context provides a starting point from which I can conduct my analysis of Fox's influence on network-studio relations during the 1980s and 1990s.

STRUCTURE OF THE STUDY: A CHAPTER BREAKDOWN

My study begins by explaining how and why the three-network system remained as it did for so long. Chapter two describes the technological, economic, and regulatory conditions which prevented the emergence of a fourth network for three decades. This description is followed by an analysis of the key regulatory

[61] Hilmes describes the strategies employed by the studios throughout the '80s as including: 1) Cross-ownership ventures such as Tri-Star, in which Columbia, HBO and CBS jointly produced, distributed and exhibited films; 2) Package deals, in which film studios entered into contracts with one or another of the established pay-TV services; and 3) Investment in other aspects of cable distribution (e.g., Disney's development of the Disney channel), "Pay Television," 307.

developments which finally enabled the formation of Fox. Chapter three then discusses how and why all three networks changed ownership during 1985 and what the immediate consequences of these changes in ownership were. In addition, this chapter offers a brief history of both the Twentieth Century Fox studio and News Corp. After providing this background, I describe the process by which the two entities came together. The chapter also discusses the means by which the Fox network was assembled and explains why there were initially limited expectations for this new venture.

In the conclusion of chapter three, I shift the focus away from regulatory and ownership issues and toward an investigation of Fox's influence on the structure and content of the television industry. These issues remain the central focus throughout the remainder of the study. The four chapters which follow are broken down according to Fox's changing status in relation to the networks, advertisers, independent television stations, program producers, regulators, syndicators, cable, and of course, the motion picture studios. The chapters take both a chronological as well as a thematic approach. Each chapter follows a particular time span, during the course of which I describe how Fox influenced television production, distribution and marketing practices in distinct ways. Every chapter begins and ends with a "landmark" programming development for Fox – a development which resonated far beyond Fox and affected the structure, practices and products of the industry as a whole. This development, in turn, carried the company into its next phase. By organizing my study in this fashion, I am able to emphasize the important role that programming practices and distribution innovations had shaping the larger media environment. We can also see how such events influenced the regulatory shifts and changes in ownership which occurred during the mid-‘90s.

The first discussion I provide of Fox programming comes at the conclusion of chapter three. Here I analyze how Fox’s earliest network offering, *The Late Show with Joan Rivers*, helped the company define its early relationships with advertisers, independent television stations and the press. I argue that, although the program was a failure in the ratings, it served important marketing and distribution functions for Fox. This analysis propels us into chapter four, which surveys the insecurity and uncertainty rampant throughout the media industries during the late 1980s. The chapter begins with a discussion of the preparations being made for Fox’s prime time launch in April 1987. I explore Fox’s early ups and downs as it struggled to develop its early programming and define its image in relationship to the other networks. We then see how Fox was not the only company facing difficult times. While Fox was trying to establish itself as America’s fourth network, the long-term viability of the Big Three remained in doubt. Meanwhile, one by one the studios were falling into the hands of new (often foreign) owners. The increased interest in Hollywood from abroad spurred much discussion – and anxiety – about globalization and its possible consequences. The chapter concludes with Fox finally starting to regain its footing. The company’s improved fortunes came with the astounding ratings performance of *Married…with Children* and the premiere episode of *The Simpsons* in December 1989.

Chapter five focuses on Fox's first boom period, a period brought about with the regular series premiere of *The Simpsons* in January 1990. I show how this one program served as the primary means by which Fox honed in on its target audience of 18-to-34-year-olds. In addition, *The Simpsons* helped Fox establish its early identity as the "alternative" or "guerrilla" program service. By exploiting the publicity attended upon *The Simpsons*, Fox was able to expand its schedule, increase its ratings, raise its advertising revenue, and increase its leverage with its affiliates. The economic boost Fox gained from *The Simpsons* is contrasted with the worsening financial crisis taking place throughout the film and television industries. While most entertainment companies – including News Corp. – were suffering, Fox continued to grow. Though the so-called "weblet" was increasingly being viewed as a legitimate competitor to the Big Three, the company persisted in using its image as an "underdog" to its advantage, particularly in the regulatory arena. I describe how, mainly due to Fox's forceful campaigning, the FCC reconsidered repealing the fin-syn rules at this time. The chapter concludes with an evaluation of the implications of several milestones, including *The Simpsons*' defeat of *The Cosby Show* in the ratings for the first time, the Fox television stations' withdrawal from the independent station trade organization, and the resignation of Fox Filmed Entertainment president Barry Diller.

Chapter six begins with Fox trying to regroup after Diller's departure in March of 1992. I describe how, with Diller gone, Murdoch focused more attention on Fox. One of his primary desires was to expand Fox's audience to 18-to-49-year-olds. A series of setbacks and disappointments ensued as executives tried to broaden the company's demographic profile. Several programming efforts failed miserably during this time, including a news service and numerous prime time dramas. Warner Bros. and Paramount's decision to develop "fifth" networks of their own provided Fox with more headaches. These studios were not the only ones with expansion efforts in the works. In fact, though Fox's difficulties continued, the rest of the entertainment industry was on the rebound. I illustrate how, with a degree of economic and managerial stability returning to the media business once more, rumors of possible studio-network combinations begin to circulate. These rumors heightened as the economy improved and it became clear that new FCC chair Reed Hundt planned to continue the deregulatory thrust of his predecessors. In contrast, Fox remained in a time of crisis. The company's situation was worsened by the short-lived but extremely expensive failure of *The Chevy Chase Show* in November 1993.

Chapter seven starts with a description of the series of aggressive (and expensive) steps Murdoch took to make Fox an equal to the established networks. This time, however, the company takes a different path to become a "full-service" network. This path involved purchasing the rights to an NFL franchise which had been with CBS for 38 years. In addition, Fox "stole" several network affiliates from all of the networks. I analyze the wide-ranging implications of these deals on Fox's relationship with the networks, affiliates, studios, regulators and advertisers. I also explore what the football franchise meant to Fox and its image – and contrast the value of this franchise with two popular Fox prime time entertainment franchises, *The Simpsons* and *The X-Files*. In evaluating the value of each of these shows to Fox, I show how the company influenced network television's program formats, marketing practices and distribution strategies. I also illustrate how Fox exploited its status as producer and distributor of entertainment programming during a time when no other company was able to do so. This discussion provides further means for understanding the string of mergers and acquisitions which occurred during 1995. These mergers, in turn, propelled the industry into its next phase of development – a phase marked by the marriage and expansion of the other networks and studios.

As this overview indicates, in many ways Fox was in front of its network and studio competitors. Over the course of the next several chapters, I describe how Fox, and its parent, News Corp., repeatedly remained ahead of everyone else. Fox was ahead of the networks in terms of its schedule-wide pursuit of specific demographic groups. It was ahead of the studios by having a television production and distribution entity under one roof. It was ahead of regulators by undermining fin-syn, PTAR and ownership limits. On top of this, the program service re-introduced animation to prime time and re-invented reality programming. Even this partial list of Fox's accomplishments reinforces the value of my approach, an approach which emphasizes the interplay of economic, political, cultural, regulatory, and technological conditions on the evolution of both Fox and the media industries as a whole. My attempt to integrate these various forces into this historical narrative distinguishes my research from previous work which has been done on Fox. Prior to analyzing Fox's impact on the larger media environment, however, I must first describe the conditions which enabled it to form in the first place.

Chapter Two: Stumbling Toward a Fourth Network, 1955 – 1985

A combination of regulatory, economic and technological factors created and sustained a three-network system for more than thirty years. These forces helped the entrenched broadcast networks become more powerful at the same time they prevented viable competitors from forming. As discussed in the last chapter, the studios remained confined primarily to providing television programming for the nearly all-powerful network distributors. Yet the studios were not the only ones beholden to the networks during this lengthy time frame. In fact, the "Big Three," as they were often called in trade publications, had leverage over several other entities as well, including advertisers and their affiliates.

This chapter begins with a survey of the structural conditions which led to the long-term dominance of the three-network system. A variety of factors, including a regulatory policy of localism, the high cost associated with creating a national network, and the limited diffusion of cable, sustained these conditions into the late 1970s. I describe how the few companies which dared to try launching a "fourth network" quickly became victim to insurmountable regulatory, technological and economic hurdles. An occasional judicial intervention or regulatory decision was not nearly enough to change these conditions. The networks thus continued to function according to essentially the same terms as they had for decades, remaining secure in their status as America's mass medium through the 1970s. Between them, the three networks attracted nearly 90% of the viewing audience.[62] The remaining 10% of viewers turned to independent television stations and public television stations.

After explaining why the three-network system remained in place for as long as it did, I describe how and why this structure began to change during the early 1980s. This transformation occurred due to the growing deregulatory orientation of the FCC, the gradual elimination of several technological barriers, and the increased authority of a number of players in the television business, including independent television stations, cable operators, syndicators, and advertisers. One of the main ways these different entities exploited their greater market power during the 1980s was in creating "ad hoc" networks. Independent television stations, syndicators, advertisers and, occasionally, cable operators united through such efforts to air original programming. I illustrate the many different forms these ventures took during late 1970s and early '80s and show why they marked an important transitional moment in terms of the status of network television. Through this description, we can see that the infrastructure required to develop a viable long-term fourth network venture was not yet present.

With the appointment of Mark Fowler as chairman of the FCC in 1981, this infrastructure did emerge. I outline how the implementation of Fowler's deregulatory philosophy led to a boom period for the broadcasting business. Over the course of this boom period came an exponential growth in the number of independent stations, an explosion in syndicated product and the rapid diffusion

62 Thomas and Litman, 147.

of cable. However, one group remained unable to benefit from this deregulatory atmosphere to the extent they wished: the motion picture studios. I show how effective lobbying from broadcasters enabled them to keep fin-syn in place and remain in a dominant position relative to the studios for the time being.

There are two main goals in this chapter: First, I identify the major stakeholders in the television business and their status through the mid-1980s. Each of these stakeholders - studios, regulators, advertisers, independent television stations, syndicators and cable – had a particular set of goals and desires. By the mid-'80s, each had taken different steps toward challenging the networks' hegemony with limited success. This leads to the second goal, which involves describing the ways these different entities united in their efforts to create a competitive fourth network. This chapter provides a basis for understanding how and why the development of the Fox network – or any other fourth network – was not possible until the mid-1980s. In addition, this chapter will help me show the extent to which Fox's initial success was based on its ability to serve the distinct interests of the different stakeholders which arose in the wake of the elimination of several structural barriers.

A SERIES OF UNINTENDED CONSEQUENCES: THE FCC AND THE CREATION OF A THREE-NETWORK SYSTEM

> The use of different definitions [of a network] results from the fact that the Commission's network rules do not embody a coherent, overall policy toward network behavior, but rather a disparate collection of separate provisions, each enacted to deal with a specific 'abuse' and written only with the goal of changing the behavior of those already identified as engaged in the practice to be corrected.
>
> Stanley Besen, et al, *Misregulating Television*[63]

As the passage above suggests, the FCC – the chief regulator of broadcast behavior – struggled for years over how to define a network effectively. "Network" has meant different things at different times depending on what entity (or entities) were being regulated and why. James Walker and Douglas Fergason provide one useful definition, describing a network as "an interconnected chain of broadcast stations that receive programming simultaneously."[64] The words "interconnected" and "simultaneously" are most pertinent to the discussion of why historically only three broadcast networks have existed. Through the mid-1970s, the networks were "interconnected" through their use of AT&T telephone lines. For years, the high cost of interconnection functioned as a primary barrier preventing the creation of a new "fourth" network.

The matter of "simultaneity" is also important in defining a network; this characteristic serves as the primary means of distinction between network and syndicated programming. Networks are able to procure substantially higher rates

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63 Stanley M. Besen, Thomas G. Krattenmaker, A. Richard Metzger, Jr. and John R. Woodbury, eds., *Misregulating Television: Network Dominance and the FCC*, (Chicago: The University of Chicago Press, 1984), 42-43.
64 *The Broadcast Television Industry*, (Boston: Allyn & Bacon, 1998), 209.

from advertisers by guaranteeing the transmission of their programming to a certain number of stations across the country during a fixed day and time. From 1948 through 1985, the networks were restricted to owning no more than seven stations.[65] These stations were called O&Os, short for owned-and-operated stations. The rest of their station base came from affiliates with whom they contracted based on their market size and reach. For network television's first three decades, the audience assumed to be reached by the networks was a "mass" audience, since three networks represented approximately 90% of the viewing audience.

Cumulatively, the expense of renting AT&T lines, paying compensation to affiliates and airing programming at a fixed time across the U.S. served as substantial barriers to entry to the network business. As Thomas and Litman note, the networks' vertical integration and economies of scale – along with government policies – supported a network oligopoly which remained relatively unchanged for 30 years.[66] The government justified its policies with a "scarcity" rationale; in other words, the broadcast spectrum was limited to a fixed number of frequencies, and therefore, it was the government's responsibility to monitor broadcast licenses and ensure that the "public interest" was being served by a determinate number of stations.

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[65] The first restriction on broadcast ownership was imposed in 1940, when networks were limited to three television stations and up to six FM stations. In 1944, the limit was raised to five stations for television. The rules were adjusted for the last time for several years in 1954, when the limit was raised to seven. This limit remained intact until the 1980s. For more details, see Benjamin M. Compaine and Douglas Gomery, *Who Owns the Media? Competition and Concentration in the Mass Media Industry* (Mahwah, New Jersey: Lawrence Erlbaum Associates, 2000), 201.
[66] Ibid, 140.

Though government policies and "the interplay of physics and economics" led to a three-network system, the FCC and the Justice Department nevertheless sought to contain the power of the networks.[67] As discussed in chapter one, a primary means by which these government bodies restrained the networks was by reinforcing a division between network-distributors and motion picture studio-producers. This became necessary because, by the mid-1960s, the networks had solidified their power to the point where they were able to demand a financial interest in most of the programming coming from their suppliers. As a result of this dominance, the Justice Department initiated an anti-trust suit against the networks which culminated in a series of consent decrees. According to the terms of these decrees (which were signed by CBS and NBC in 1978 and ABC in 1980), the networks were limited to two-and-a-half hours of primetime production a week.[68]

The FCC placed its own set of restrictions on the networks in the early 1970s. In 1972, the Commission passed the financial-interest-and-syndication rules ("fin-syn") and the prime time access rules ("PTAR"). In designing these rules – which would do much to dictate the terms by which Fox developed during the late 1980s and early '90s – the FCC generated a new definition of what constituted a network. The commission defined it as an entity which provided fifteen or more hours per week of programming to at least 25 affiliates in ten or

[67] This phrase comes from Besen, et al, 5.
[68] Paul Harris, "TV Antitrust Suit Ends Eight-Year Run: Biz as Usual After Much Ado," *Variety*, 27 August 1980, 49, 62; "ABC Wins a Few Concessions on Internal Primetime Prods. But J.D. Gets Edge on Talent," *Variety*, 27 August 1980, 49, 63.

more states.[69] Whether this definition applied only to the existing three networks or was meant to include any and all 'developing' networks led to much debate between regulators, producers, the networks and independent television stations during the '80s and '90s.

Long before the implementation of fin-syn and PTAR, a variety of businesses attempted to create 'fourth networks.' In fact, there were four networks during the earliest days of broadcasting. By 1948, ABC, CBS, NBC and DuMont were all competitors in the network business. However, the system as it was regulated at that time could accommodate no more than three networks. CBS and NBC were able to thrive early on due largely to the economic security they had gained via their radio networks. ABC and DuMont struggled to stay afloat for several years, with DuMont finally succumbing in 1955. From 1955 through 1975, very few businesses attempted to develop a fourth viable network. One such effort came from an Ohio Warehouse owner, Daniel Overmyer, who in 1966-67 developed the United Network. This venture, which lasted less than a month, consisted of a two-hour program feed to 125 stations from Las Vegas.[70] The high cost of AT&T line interconnection charges led to United Network's demise.

Exploring the numerous factors which prevented the successful formation of a fourth network from 1955 to 1985 is important, as it provides a means of underscoring the complex and dramatic shifts which occurred during the late '80s in terms of regulation, technology, and industry practice. The FCC commissioned

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[69] Occasional exemptions were permitted, as was the case with the Christian Broadcasting Network, which was allowed to have twice as much time per week in programming before being defined by the FCC as a network. For a discussion of this see "Charting the Future: the Prospects for a Fourth Network," *Broadcasting*, 10 February 1986, 37.
[70] Thomas and Litman, 139-140.

a number of studies over the years in an effort to understand why the three network system had remained in place for so long. The most extensive of these studies was completed in 1980 by the FCC's Network Inquiry Special Staff. A group of researchers led by Stanley M. Besen, Thomas G. Krattenmaker, A. Richard Metzger, Jr. and John R. Woodbury later published an analysis of this study.[71] These authors drew from the research of the Network Inquiry Special Staff to conclude that fourth network attempts failed due to three key reasons: First, the aforementioned AT&T land lines proved cost-prohibitive. Companies seeking to create a network could pay either "part-time" or "full-time" interconnection rates. Though in theory this should have worked to the benefit of any newcomer, in practice it served the interests of the established networks. This was the case because it cost the exact same amount to interconnect for an hour (part-time) as it did to interconnect for the entire day (full-time).[72]

FCC restrictions on program services were a second reason a fourth network was unable to emerge. Specifically, the prohibitions against cable system signal importation, as well as the inability for broadcasters to develop subscription television, prevented alternative types of program services from developing. Thus,

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[71] This synopsizes the key points made in this book; more detail can be found on 10-15 of Besen, et al.

[72] Besen et al., 10. During the 1970s and early '80s, a number of analysts working outside of the government attempted to determine how and why fourth network had failed to emerge. Among the individuals who explored why fourth networks had been unable to emerge were Robert Crandall, "The Economic Case for a Fourth Commercial Television Network," *Public Policy* 22 (1974): 513-536; Rolla Edward Park, "New Television Networks," *Bell Journal of Economics* 6, no. 2 (Autumn 1975): 607-620; Park, prepared for the Federal Communications Commission, *New Television Networks: An Update*, (Santa Monica: Rand, 1980); Thomas Schuesser, "Structural Barriers to the Entry of Additional Television Networks: The Federal Communications Commission's Spectrum Management Policies," *Southern California Law Review* 54 (1981): 874-1000.

FCC policies not only prevented the formation of additional “free” (advertiser-supported) networks, but also limited other forms of television as well. Third, and perhaps most detrimental to the formation of a fourth network in the early days of television, were the FCC policies on spectrum management. In 1952, the FCC issued its *Sixth Report and Order*. This order was beneficial in ending the four-year freeze on the development of new stations by providing a “master allotment plan” assigning frequencies for 2,053 existing or potential stations.[73] However, although second and (sometimes) third channels now could emerge in larger communities, the allotment plan effectively prevented a fourth or fifth network. This was the case because of the FCC’s policy of “localism,” which attempted to ensure that each U.S. community (except the most remote locations) would be able to have at least one broadcast station. This policy in effect compelled the FCC to limit the number of stations available to larger cities. Even though smaller towns could have a transmitter, often no station would be established there because of the perception that it would not reach a large enough number of viewers. This problem was further compounded by the decision to allow both VHF and UHF bands in the same market. Because set manufacturers were not required to have UHF tuners at the time of the issuing of the order, channels 2-13 became the only desirable channels to the networks for several years.[74] These disadvantages contributed to what many media analysts have called a “two-and-a-

[73] Walker and Ferguson, 19-20.
[74] Broadcasters had to be spaced out across channels 2-13 in order to avoid blurred frequencies; to avoid interference typically a maximum of three channels was possible across these channels. Also: UHF was not required on receivers until 1964.

half-network system."[75] In this system, CBS and NBC typically secured the two stronger VHF affiliates, while relative newcomer ABC was left with the UHF station. This inequality remained in place through the mid-1970s, at which point ABC was finally able to strengthen its affiliate line-up through the acquisition of additional stations and the increased diffusion of television sets with UHF receivers.[76]

In addition to these three limitations outlined by Besen, Krattenmaker, Metzger and Woodbury, two additional factors served as obstacles to the emergence of a fourth network. The first involved the station ownership cap. If there were no ownership restrictions, companies might have tried to make a fourth network profitable by increasing the value of their O&Os in major markets rather than (or in addition to) seeking advertising revenue from their ability to provide national coverage. However, the FCC limit of seven O&Os per network was too low to make such ventures profitable. The second obstacle involved station sales. As a means of encouraging the operation of television stations in the "public interest," the FCC codified a "three-year rule" in 1962. This rule required station owners to hold onto a station for a minimum of three years. In effect this limited the purchasing and selling of stations for large profits. This rule helped to encourage stability in the broadcast business; it also discouraged the financial community from viewing station ownership as a worthwhile investment. Since

[75] Walker and Fergason, 20, 22.

[76] ABC's "distant third" position was perceived to remain until the late '70s, at which point the network finally became number one in the Nielsen ratings mainly through the success of several situation comedies, such as *Happy Days* and *Laverne and Shirley*. The clear dominance of CBS and NBC led some observers to believe that regulatory forces had in effect generated a "two-and-a-half network" economy. This is discussed in more detail in Bob Knight, "It's Still a 2 ½ TV Network Race: Audience Erosion Poses Problems," *Variety*, 5 November 1986, 1, 84.

stations couldn't rapidly be bought and sold for a tidy sum, there was little incentive for investors to supply the necessary capital to develop a fourth network. Developing a new network was already cost-prohibitive; along with the aforementioned expenses associated with renting AT&T lines and compensating affiliates, other start-up costs included marketing and publicity expenses and overhead costs. The lack of short term returns proved to be yet one more disincentive for investors considering forming a fourth network. In addition, a new service had to pay for programming in the form of license fees. The networks' audience size and distribution reach enabled provided them with the means of generating substantial advertising revenues. These revenues, in turn, could be directed toward expensive programming with high production values. Few new ventures could afford to pay to pay the hundreds of thousands of dollars demanded by the motion picture studios and top independent producers.

Due to these economic, regulatory and technological constraints, the three networks remained the only networks for over thirty years. However, starting in the mid-'70s, some tentative steps began to be taken by regulators and the courts toward encouraging alternatives to the three-network system. In 1972, the FCC issued the *Cable Television Report and Order*. Although several substantive restrictions remained, this order marked a step forward for the cable industry as it enabled local franchises to import distant signals via microwave relay. Perhaps more importantly, the order indicated the emergence of a more favorable attitude by regulators toward cable. The courts further contributed to the growth of cable. A landmark decision occurred in 1974, when "superstations" were ruled to be legal. On several other occasions during the late '70s, the courts found in favor of cable, providing that industry with an additional boost.[77] Perhaps the most significant event of the '70s in terms of cable television took place in 1975, when HBO shifted from microwave relay to satellite and thereby immediately expanded its reach from the East Coast to the entire nation. As Strover notes, the national launch of HBO was important in two ways: First, HBO experienced substantial savings by avoiding AT&T's lines and using a satellite feed.[78] Second, the growing popularity of HBO demonstrated the existence of a demand for new program services.

Even as several new pay cable channels and superstations were launched, a number of companies began to put out feelers to determine if the marketplace was ready for additional broadcast networks. With satellite now a viable alternative to AT&T's lines – and with UHF receivable television sets at last widely diffused – two of the major barriers to fourth network entry suddenly diminished. The greater availability of UHF television receivers facilitated the growth of several new television stations. These "independents," which were unaffiliated with the networks, slowly rose in numbers during the 1970s. In 1972 there were 73 such stations; by 1980 they totaled 120.[79]

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[77] For example, in 1977 the U.S. Court of Appeals sided with HBO in its challenge of the FCC's right to protect broadcast television.

[78] Sharon Strover, "United States: Cable Television," *Encyclopedia of Television*, 2nd Edition, ed. Horace Newcomb (New York: Routledge, forthcoming). In *Misregulating Television*, Besen et al point out that while the launch of HBO via satellite provoked several other cable entrepreneurs to action, the more important event for broadcasters was the FCC's repeal in 1977 of its earlier rules establishing technical design requirements for earth stations (the stations which receive satellite transmissions). Earth stations – which cost less than $5,000 – had the capacity to connect several broadcast stations by satellite for a fraction of the cost of AT&T's lines (10-11).

[79] 1972 statistic from John Downing, "Two Steps Forward, One Step Back? CNN, Murdoch/Fox, and Multipolarity in U.S. Corporate Television in 1988," paper presentation at International

As such, several "ad hoc" networks were announced and a few even aired programming for a limited time during the late '70s. During 1977-78, advertising firm Ogilvy and Mather considered (and later dropped) plans to place Gothic horror tales and adaptations of Gothic novels during weekdays on a combination of independents and network affiliates.[80] At the same time, two ad hoc networks were successfully launched: In 1976, a group of stations began "Operation Prime Time" (OPT). OPT aired a handful of mini-series each year with MCA supplying much of its product.[81] In October 1978, the SFM Holiday Network began broadcasting family-oriented movies; by the mid-'80s, this seasonal network covered 91% of U.S. television households and featured approximately eleven movies a year (all aired in conjunction with major holidays).[82] Both of these endeavors continued operating into the mid-'80s.

One of the more ambitious plans was developed by Barry Diller during his tenure as president at Paramount Pictures in the late '70s. At this time, Paramount seriously considered launching a fourth network; the studio had already declared itself "ready to start prepping the first episodes of [a new version of] *Star Trek* and a two hour made-for-television movie."[83] The service was intended to operate for three hours a week year-round. However, by the fall of 1977, Paramount

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Association for Mass Communication Research conference, Barcelona, 1988. 1980 statistic from "Independent Television: The Good Gets Better," *Broadcasting*, 6 January 1986, 61.

[80] The Gothic programming would air during the prime time access period on the network affiliates. John Dempsey, "Fourth TV Net Again in Focus at Indie Meet," *Variety*, 25 January 1978, 1, 65-66.

[81] Ibid; also see "'Fourth Networks' Feel Their Way Toward Future," *Variety*, 13 February 1980, 51, 150.

[82] "The World of Television Programing: Syndication," *Broadcasting*, 22 October 1984, 67-68.

[83] "Par-TV Postpones '4th Network' Plan: Project Lacking in National Ads," *Variety*, 2 November 1977, 51, 62.

announced the indefinite postponement of the enterprise; a representative described the primary reason for the "delay" as being a lack of national advertising support.[84] By the time this new network was called off, Paramount had signed up independent VHF stations in all major markets.[85]

Gaining the necessary advertising support was certainly one of the major hurdles faced by fourth network planners during the late '70s. However, the ambitious fourth network entrepreneur encountered additional stumbling blocks. There was still not sufficient regulatory support for a fourth network. In addition, the infrastructure to develop such a network, including a satisfactory number of independent stations, did not yet exist. However, at the beginning of the 1980s, a shift in the philosophies of both investors and regulators would lead to a dramatic transformation in the broadcast industry. The appointment of Mark Fowler to the FCC marked the starting point in a new era for that commission – as well as for the three-network system.

MARK FOWLER'S FCC AND REAGAN-ERA DEREGULATION

> "I pledge myself to take deregulation to the limits of existing law."
>
> FCC Chair Mark Fowler, 1982[86]
>
> "Let's remember that turning a good healthy profit reflects the public interest."
>
> FCC Chair Mark Fowler, 1983[87]

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[84] Ibid.
[85] Ibid.
[86] "Fowler's Analogy: Use of 'Print Model' for Deregulation," *Broadcasting*, 25 October 1982, 23.

Although the FCC under Mark Fowler (1981-1987) is often credited with initiating the deregulation of communications, in fact the process was already well underway by the time he came into office in May 1981. The FCC under the guidance of its previous chairman, Charles Ferris (1977-1981), had already begun to reduce the regulations on the media industries, especially cable and radio.[88] Fowler's FCC was distinctive not so much in its drive toward deregulation as in the zeal with which he espoused his philosophies to the press and public. To Fowler, deregulation was a mission. From his first days in office he made it his objective to remove as many regulations as possible. While his seven-year tenure at the FCC was remarkable for a number of reasons to be discussed shortly, the crowning achievement of his chairmanship was his ability to transform the rationale for the FCC's practices and processes. Prior to Fowler's arrival, the FCC had operated according to a "public interest" mandate. However vague and malleable that mandate may have been over the decades, it nonetheless was the dominant means by which the Commission justified its policies. Fowler, however, rejected the notion that the FCC should operate in the public interest altogether. He wholeheartedly espoused a "marketplace" philosophy toward regulation.[89] In Fowler's mind, the commission should be removed from this marketplace.[90] He

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87 "Policy," *Broadcasting*, 2 January 1984, 72.
88 "The Laissez Faire Legacy of Charlie Ferris," *Broadcasting*, 19 January 1981, 37. As *Broadcasting* observes, "Over the Ferris years, the theme has been in word and action: 'Remove the commission from the marketplace. Force it to justify the need for regulation. Get it out of the way of industry driven by new technology…"
89 For a more extensive survey of Fowler's role in the deregulation of communications see Victor E. Ferrell, Jr., "The Impact of Television Deregulation on Private and Public Interests," *Journal of Communication* 39, no. 1 (Winter 1989), 8-38. Also see Mark S. Fowler and Daniel L. Brenner, "A Marketplace Approach to Regulation," *University of Texas Law Review* 60 (1982), 207-257.
90 "Still Deregulating After All These Years," *Broadcasting*, 23 April 1984, 37-38.

believed the FCC should function as no more than what he termed an "electronic traffic cop" and the market – not the government – should determine the "winners" and "losers."[91] For Fowler, the only circumstances (besides purely technical matters) in which the government ought to become involved were in cases of 'anticompetitive conduct.' In these instances, the Federal Trade Commission, the Justice Department – or private parties – would turn to antitrust laws.[92]

Fowler made his objectives clear from his first days as chair. Within weeks of taking office, he announced his plans to overhaul the FCC. He proclaimed early on that "every rule and regulation will be open to question, with the aim to eliminate government as a nuisance."[93] He frequently emphasized his allegiance to the man who appointed him, President Ronald Reagan.[94] He quickly laid out a set of "key goals" as well. Foremost was his desire to create an "unregulated" marketplace.[95] Initially the Fowler-led FCC was surprisingly slow in implementing its policy of "unregulation" – even coming under fire by the Democratic-led House in November 1981 for its inaction.[96] However, the Commission made up for lost time in the following year. Whereas the regulatory changes in 1981 consisted primarily of lessening paperwork requirements for

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91 Term comes from "Still Deregulating."
92 "Mark Fowler's Great Experiment: Setting His People Free," *Broadcasting*, 30 April 1984, 118.
93 "The Pro-Business Bent of Mark Fowler," *Broadcasting*, 23 March 1981, 30.
94 As it would soon become apparent, Fowler was more explicitly in favor of deregulation than President Reagan.
95 The full list of goals can be found in "Fowler Out to Put FCC's House in Order," *Broadcasting*, 25 May 1981, 23-24.
96 Use of term "unregulation" appears in "Out of Neutral for Reagan FCC," *Broadcasting*, 18 May 1981, 27. Reprimand by House discussed in "House Report Criticizes FCC Deregulatory 'Inaction,'" *Broadcasting*, 23 November 1981, 33.

broadcasters (by simplifying licensing procedures, discontinuing the requirement for collection of programming data and so on), in 1982 the FCC began to eliminate a number of substantive regulations. The first major broadcasting-related regulation to go was the three-year anti-trafficking rule. After being on the books for twenty years, the Commission repealed the rule. Broadcasters now could buy and sell stations as they pleased.

The elimination of the three-year rule came at a time when the attitude of the financial community toward broadcast properties already was undergoing a transformation. Ferrell argues that around the late ‘70s, television stations increasingly came to be seen as “inevitably profitable, largely recession-proof businesses that [could] be resold at very substantial profits.”[97] This attitude led leveraged buyers and corporate raiders to purchase older stations or create new ones (a process made simpler due to the increasing use of satellite feeds and cable as well as the proliferation of UHF-equipped television sets).[98] Their investment was made still easier as a result of the FCC’s repeal of the financial showings requirement. Station trading – in both volume and dollar amounts – soared as a result of deregulation and the increased interest of Wall Street in television stations. Throughout the ‘80s, stations sold for higher and higher sums.[99]

Although the FCC’s repeal of the three-year rule passed with relatively little protest from the various sectors of the communications industry and

[97] Ferrell, 10.
[98] Ibid.
[99] For example, see “Changing Hands 1982: $1 Billion (Almost) in Station Trading,” *Broadcasting*, 10 January 1983, 45; “Changing Hands 1983: Radio-TV Station Sales Top $2.8 Billion; Cable System Transactions Hit $1 Billion,” *Broadcasting*, 9 January 1984, 71; “Changing Hands 1986: 1986 was the Year of the Sale; New Records Set for Stations and Cable Systems,” *Broadcasting*, 9 February 1987, 55.

Congress, the repeal of fin-syn would not prove to be as easy.[100] By summer of 1982, Fowler began to speak seriously about eliminating fin-syn. By early 1983, the Commission had begun sifting through comments from a variety of parties regarding the rules.[101] By this point, the different stakeholders had established their positions: The networks and their affiliates represented the strongest group in favor of repeal. Advertisers, television producers, independent television stations, public interest groups and the motion picture studios opposed the elimination of the rules. The networks were supported in their position by the Department of Commerce and the Federal Trade Commission. The Justice Department – which had only finalized its consent decree with ABC two years prior - declared its willingness to modify the decrees depending on the case made by the FCC.[102] The primary condition issued by the Justice Department was that the networks be prohibited from "warehousing" product (meaning holding onto the rights to syndicated product, thereby preventing independent stations from having access to some of the most desirable network programming).[103] Thus in the course of only a few years, the Justice Department had reversed its attitude toward the networks and their market power. Consequently, in January 1983, the office issued a statement declaring "the rules do not promote, and to some degree

[100] Jennifer Holt provides a detailed analysis of the struggle over fin-syn in the '80s and '90s – as well as the consequences of its repeal in "Vertical Vision."
[101] "Syndication, Financial-Interest Comments: High Stakes Rulemaking," *Broadcasting*, 31 January 1983, 28.
[102] CBS and NBC signed their decrees in 1978, ABC in 1980. See Harris, "TV Antitrust," *Variety*.
[103] Paul Harris, "Justice Dept., Webs Honeymoon Over Financial and Syndie Regs; Indies & Suppliers Left in the Cold," *Variety*, 4 May 1983, 513, 520.

may retard competition in production, and in no way reduce whatever market power the networks may have as buyers of programs."[104]

The networks provided evidence to suggest the rules had not accomplished what they had been designed to do – namely, increase competition in the marketplace. According to CBS, before the rules were adopted, there were 60 suppliers of prime time entertainment (during the '69-70 season). However, by the '81-'82 season, there remained only 41 suppliers. According to the network, market consolidation had taken place in spite of the implementation of the rules.[105] NBC concurred, noting that the rise in independent television stations, which some parties claimed had occurred due to the implementation of the rules, was actually due to a general economic upswing, improved advertising conditions and the additional broadcasting possibilities enabled by the growth of cable, satellite and UHF stations.[106]

The opposition had its own set of counterarguments. Independent television stations argued that the supply of syndicated programming increased as a result of the rules. These stations held that they subsequently had a greater number of programming options and were able to increase their audience shares as a result. Advertisers concurred, contending that the additional channels (which offered a wide array of syndicated fare) provided them with alternative sites to promote their products. Public interest groups feared the removal of the rules would lead the networks to once again wield too much authority in the

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[104] "High Stakes," 31 January 1983.
[105] Ibid.
[106] "Last Rounds Shot on Financial Interest?," *Broadcasting*, 2 May 1983, 58.

marketplace. Independent producers – who in 1982 produced approximately 29 ½ hours per week of network programming – claimed they would suffer substantial losses if the networks were once again allowed to have a significant financial stake in programming.[107]

The most vocal and well organized protests came from the motion picture studios via their lobbying organization, the Motion Picture Association of America. As the producers of nearly half of the syndicated fare on television – a market which, at the time, generated more than $800 million annually – the six major studios had reason for concern.[108] They recognized that, should the rules be repealed, they would be hit the hardest.[109] Statistics certainly bore out such beliefs: Prior to the implementation of the rules in 1972, the networks had a financial interest in 93% of television programming; in 1982, this number had decreased to 13%.[110]

Determining precisely what the rules had accomplished was not an easy task. A number of developments, including the emergence of new technologies and larger economic shifts, had occurred in tandem with the implementation of the rules. However, at a minimum, it was clear the rules had forced the networks to dissociate themselves from the syndication business. Further, it was certain that

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[107] The studios produced 18 hours a week at that time. See Dave Kaufman, "Indies Increase Production Lead for Network TV," *Variety*, 14 April 1982, 1.

[108] Jack Loftus, "Nets Lose FCC Rules Compromise: Complicated Proposal Confuses Syndie Issues," *Variety*, 10 August 1983, 62.

[109] In 1984, the majors experienced record sales & profits from domestic & foreign syndication of series & feature films, demonstrating once more why they remained so militant in their desire to keep fin-syn intact. For a discussion of this, see "Senate Roasts Fowler & Webs on Ownership," *Variety*, 12 September 1984, 55.

[110] "Producers, Stations Band Together to Protect PTAR-Related Rules," *Broadcasting*, 17 May 1982, 41.

the networks' departure from the syndication business had opened the door for the studios, enabling them to generate a large sum of profits from this business. In the years between the enactment of the rules and the debate about their elimination, the studios had come to increasingly depend on this syndication income – especially since they were faced with ever-rising costs to produce and distribute motion pictures. At the time that the repeal of the rules began to be discussed, the studios had already been thwarted in several attempts to move into other media businesses. For example, in 1980, the courts issued a last-minute injunction against Columbia, Paramount, MCA and Fox right before they launched a new pay-cable channel, Premiere. The venture was halted due to its perceived antitrust implications. Two years later, the Department of Justice prohibited Paramount, MCA and Warner Bros. from investing in Showtime and The Movie Channel for similar reasons.[111]

The studios' inability to expand into additional markets made them even more committed to retaining their dominance in existing businesses. Under the leadership of MPAA chairman Jack Valenti initiated a crusade against the repeal of fin-syn. Through the spring and summer of 1983, the FCC debated the utility of the rules. Meanwhile, in August '83, the FCC announced a proposal to remove all financial restraints placed upon the networks. In addition, the networks were to be permitted to syndicate any programming they did not air and to be given the right to syndicate all of their programming overseas.[112] The Justice Department

[111] For a detailed discussion of Hollywood's efforts to become involved in television with Premiere and Showtime/The Movie Channel, see Jennifer Holt, "The Pay-Cable Industry: HBO, Premiere and Showtime/The Movie Channel," *In Deregulation We Trust: The Political Economy of Entertainment in the Reagan Era*, Dissertation (Los Angeles: UCLA, 2004), 50-89.
[112] "Networks Win Financial Interest, Syndication Battle," *Broadcasting*, 8 August 1983, 27.

supported the proposal and stated its intent to release the networks from the consent decrees if the policy changes were adopted.[113] Following the announcement, industry trade papers debated its implications. "The Chairman Wins a Big One," wrote *Broadcasting* following the announcement.[114] *Variety* was more skeptical, declaring: "Nets Lose FCC Compromise."[115] This publication argued that the networks ultimately had lost the battle over fin-syn if they remained unable to syndicate primetime programming in the U.S. The studios, however, felt otherwise. In their view, a victory – or even a compromise – was unacceptable.

Even as the trade papers assumed the rule change was a done deal – predicting "betting line: the webs by a nose" – the studios continued to campaign with the press, Congress and the President.[116] In October 1983, a month before a final decision on the rules was to be issued, a firestorm erupted when reports surfaced that President Reagan had been "briefed" by Fowler.[117] Although both parties denied any impropriety, shortly after the meeting, Fowler informed Congress of his plan to put any action on fin-syn "on hold" until May '84.[118] In the interim, he hoped the networks and Hollywood would try to negotiate a settlement.[119]

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113 Paul Harris, "Justice Greenlights FCC Plan to Lift Off-Net Program Regs; Argues for More Web Perks," *Variety*, 28 September 1983, 135, 156.
114 "The Chairman Wins a Big One," *Broadcasting*, 8 August 1983, 28.
115 Loftus, "Nets Lose," 10 August 1983.
116 Paul Harris, "TV Nets Lead H'Wood in D.C. Fight: Syndie Battle Fought on all Fronts," *Variety*, 5 October 1983, 1.
117 Paul Harris, "Big Foot Steps into Syndie Firefight: Congress Probes 'Reagan Factor,'" *Variety*, 28 October 1983, 375, 382.
118 "Fowler Backs Down on Fin-Syn," *Broadcasting*, 21 November 1983, 26.
119 Ibid.

The Reagan meeting proved to be a turning point in Fowler's chairmanship. In observing the impact of the meeting, *Broadcasting* wrote that the President had in effect cut "off the knees of his own chairman."[120] This claim was true on two counts. First, the Chairman's efforts to repeal fin-syn – and thereby achieve one of his most substantial deregulatory acts – were derailed. Fowler did not bring up fin-syn in May '84. In fact, he never again returned to the issue. In December 1984, he admitted defeat on the matter once and for all, announcing he simply "did not have the stomach" to deal with it again.[121] At that time, he spoke of another lesson he had learned during the course of the battle over fin-syn: "Resentment against them [the networks] runs much deeper than imagined, and can be exploited easily by Hollywood…"[122]

The second consequence of Fowler's failure to repeal fin-syn was more far-reaching. Upon admitting defeat, his fervor for deregulation came ever-more under examination from both Congress and the media industry. With the repeal of the three-year rule, for example, the station business took off. Buyers willingly paid exorbitant prices for ownership of broadcast properties. As stations were bought and sold more and more quickly, some broadcasters began to express some concern that deregulation had gone too far. As Ferrell observes, by the mid-'80s, it became clear that "regulated broadcasting was a kind of oligopolists' heaven."[123] Once broadcasters began to see that marketplace forces worked

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[120] "Ganging Up on the Networks Re Fin-Syn," *Broadcasting*, 7 November 1983, 31.
[121] Paul Harris, "Webs Leaderless in Hostile D.C. Camp: Resentment Runs Deep All Around," *Variety*, 16 January 1985, 147.
[122] Ibid.
[123] Ferrell, "Impact," 24-25.

against them as often (if not more often) than they worked for them, they added their names to the growing number of entities calling for the FCC to slow its deregulatory actions. As the '80s proceeded, and broadcasters (including the networks) grew victim to takeovers, their enthusiasm for deregulation, with the exception of the repeal of fin-syn, would continue to wane.

While broadcasters began to express doubts about the effectiveness of deregulation, both the House and Senate increasingly questioned the scope of the FCC's authority. Fowler's brazen speechifying and failure to consult with representatives prior to issuing new regulations caused him to alienate himself and the Commission from many representatives. For example, in early 1985, following Fowler's announcement of his desire to repeal the Fairness Doctrine, members of Congress opined that the FCC lacked the authority to take such an action.[124] By early '85, Congress was regularly composing bills designed to increase its oversight of the Commission. However, before Congress began to clamp down on the FCC, Fowler accomplished several other significant deregulatory feats. The broadcast regulations altered included the removal of regional ownership restrictions, an increase in attribution levels allowing media companies to own up to 5% of a corporation before being considered an owner, and the removal of commercial time regulations.[125] As *Broadcasting* observed in February 1985, "all in all, the Fowler FCC has addressed more than 250 mass

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[124] Paul Harris, "FCC's Fairness Hearings Look Like Another Rerun," *Variety*, 13 February 1985, 117. Walker and Fergason define the Fairness Doctrine as a policy requiring stations to offer a balanced perspective on controversial issues of public importance, *The Broadcast Television Industry*, 205.

[125] For a discussion of these regulatory changes, see "Regional Ownership Restrictions Jettisoned," *Broadcasting*, 16 April 1984, 48; 'FCC Authorizes TV Stereo, Raises Attribution Levels," *Broadcasting*, 2 April 1984, 31-32; Ferrell, "Impact," 20.

media items and reviewed, changed or deleted 89% of the agency's some 900 mass media rules. In the process, the commission estimates that it has reduced the broadcast industry's paperwork burden from 33.5 million hours to about six million."[126] By late 1985, Fowler publicly acknowledged the extent of his influence at the FCC, declaring "the things that I really wanted to accomplish as chairman, I feel that I by and large have."[127]

The final major achievement of the FCC during Fowler's tenure involved an increase in the multiple ownership limits from seven to twelve. The debate over adjusting the station ownership limits in many ways paralleled the debate over the repeal of fin-syn. Once again, it played out as a battle between the studios and the networks, with each side disparaging the motivations of the other to the FCC, the Congress and the press. Both sets of regulations were fought over, negotiated and resolved along the same time span, with the primary difference being that the FCC succeeded in altering the ownership rules. The Commission's ability to accomplish this reveals much about the shifting power relationships and rhetorical plays made by the networks and the studios.

The FCC officially raised the ownership limits from 7-7-7 (AM-FM-TV stations) to 12-12-12 in late July 1984.[128] As originally designed by the FCC, all ownership limits would be removed after 1990. The rationale behind the decision was that it would contribute to the formation of new group station owners which, in turn, might enable the formation of additional ad hoc networks – and perhaps

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"The Bittersweet Chairmanship of Mark S. Fowler," *Broadcasting*, 18 February 1985, 39.
[127] "Fowler Tells BFM He Has Achieved His Major Goals," *Broadcasting*, 4 November 1985, 48.
[128] In other words, this policy was enacted before Fowler officially declared fin-syn's repeal dead.

even a fourth network.[129] The increased ownership cap promised to help the networks by enabling them to have a larger number of O&Os, which were among the most lucrative sources of profit for broadcasters. However, the networks also perceived that the new limits could provide them with additional competition in the form of new networks.

Many of the parties displeased by the prospect of the repeal of fin-syn were satisfied with the increased ownership cap: Independent stations recognized the potential for increased market power; advertisers saw the opportunity for another avenue to sell their goods. The studios, however, were highly dissatisfied. On yet another occasion they declared war on the FCC's decision. Again they represented the move in the press as an anticompetitive act contrived by the power-hungry networks. Once more Jack Valenti appeared front and center for the studios and administered powerful rhetorical blows. Even as Fowler declared he would no longer "straitjacket" broadcasters, Valenti turned to Congress and asked who was in control – the elected officials or the outspoken commissioner.[130] The MPAA president dismissed any claims that the policy would serve anyone's interests but the networks'. At the prospect of a fourth network being created as a consequence of the raised caps, he declared, "the chessboard is already filled…there are no more VHF licenses in the top 100 markets…they're gone forever."[131]

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129 "7-7-7 Becomes 12-12-12," *Broadcasting*, 30 July 1984, 27.
130 Fowler's "straitjacket" statement from Paul Harris, "Congress, FCC to Joust Again Over Networks," *Variety*, 1 August 1984, 39, 53.
131 "Jack Valenti and the Case Against Concentration," *Broadcasting*, 13 August 1984, 37-38.

Thus the studios' public relation abilities and lobbying skills enabled them to transform a policy designed to increase competition to the networks into a policy engineered by the scheming networks. Largely as a result of the studios' protests, the 12-12-12 rule was reworked to become a hybrid ownership cap/percentage cap policy (with various breaks provided for UHF stations and minority groups).[132] The final formulation of the act – passed in late December 1984 and effective April 2, 1985 – allowed for ownership of up to 12 stations or 25% national coverage (whichever came first).[133] The sunset provision was jettisoned entirely.

Though most of Valenti's fears did not come to fruition, one did come true – though not in the way he anticipated it would. Upon the announcement of the new ownership caps, the MPAA President blasted the policy change, arguing, "what is about to happen at the FCC is in a way a back door repudiation of the financial interest and syndication rules."[134] From Valenti's perspective, the raised limits provided the networks with greater bargaining power against the studios. With larger station groups, the networks had more strength to negotiate terms or reject deals. It seemed likely that economies of scale worked in the networks' favor, enabling station groups to produce and distribute more of their own programming.

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[132] "12 TV Limit to Become 12/25% with Discounts," *Broadcasting*, 17 December 1984, 35-36.
[133] "12-12-12: Fait Accompli," *Broadcasting*, 31 December 1984, 35-36. According to Thomas & Litman, the value of a television station rose 40% following the passage of the 12-12-12 rule, "Why Now?," 155.
[134] "Concern Arises in Congress Over FCC Ownership Action," *Broadcasting*, 30 July 1984, 30-31.

In fact, the raised limits did provide a means of undermining the financial interest and syndication rules by enabling the emergence of stronger station groups. However, the station groups strengthened more immediately were the independents. The independent Metromedia stations were one such station group which expanded due to the regulatory change. In 1985, this group of stations became the Fox O&Os and functioned as a primary source of revenue for the new network. Fox, in turn, used its status as a fourth network and additional source of competition to the "Big Three" to receive waivers from fin-syn. As will be discussed in more detail in subsequent chapters, Fox's exemption from fin-syn *did* open the door for the networks to argue for the repeal of the rules.

From the perspective of Valenti and the studios in the mid-'80s, the repeal of fin-syn would cause them extreme economic hardship. In point of fact, they may very well have suffered if the rules were repealed at that time. However, because Fox – as both a nascent network and an established studio – effectively circumvented the rules, the company was able to adjust the balance of power between the networks and the studios and facilitate a marriage between television distributors and producers. Once Fox defined the terms of this relationship, other studio-networks were able to emerge as well. Thus, the raised ownership limits marked an important step in the ultimate repeal of fin-syn and the development of horizontally integrated conglomerates which held both studios and networks. The path toward their repeal would be a long one and one entered primarily via the "back door," resulting mainly from actions taken by the Fox network. However, before such transformations occurred, a number of changes in the broadcast industry had to take place.

NEW HIGHS FOR THE BROADCAST BUSINESS

> The real threat to network affiliates may not be the pay media, but the independent stations that have been able to counterprogram the nets and grab a bigger and bigger share of the advertising dollars…
>
> *Broadcasting*, 1984[135]

> Ad hoc networks are proliferating, first-run programing is increasing by leaps and bounds each year; networks openly admit that independents post a greater threat to network audience erosion than pay cable; a 'bias' against independents by ad agencies has mostly disappeared, and a majority of independent operators predict their growth will outpace the overall television industry average…
>
> *Broadcasting*, 1986[136]

Perhaps one of the most substantial oversights in contemporary media industry studies has been the failure to recognize the economic, cultural and industrial importance of independent stations. Although cable garnered much of the press, independent stations attracted more eyeballs – and money – during the '80s. Further, in terms of programming, independent television topped cable in presenting both the most desirable syndicated fare as well as original programming with the highest production values.[137] No sector of broadcasting experienced more growth during the late 1970s and early '80s than the

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[135] "The New Order Passeth," *Broadcasting*, 10 December 1984, 70.
[136] "Independent Television: The Good Gets Better," *Broadcasting*.
[137] "Improving the Independent Image is a Profitable Position," *Broadcasting*, 19 January 1981, 54-56.

independent television station business. The rise of UHF receivers, the increased reliance on satellite transmission and the expansion of cable provided the technological means for these stations to develop. Increased television expenditures by advertisers, combined with their growing desire to combat the networks' rising prices, fueled the rapid rise in the number of independent stations.[138] The investment community's identification of independent stations as a potential growth sector supplied an additional financial impetus.

The number of independent television stations increased substantially in a relatively short period of time. Whereas in 1970 there were 82 independent stations, by 1983 the number had risen to 197.[139] By 1984, independent stations increased again to 214 and covered 82% of the country.[140] Within a few years, independent stations had gone from being perceived by advertisers and producers as low-end, last resort dumping grounds to being identified as a prime site for programming.[141] The shift in attitude began during the early '80s, and was stimulated in large part by the results of the Burke Study. This study, presented in 1981 to the independents' trade group, the Association of Independent Television Stations (INTV), reported that "any belief that independent television stations provide a less valuable commercial environment compared to affiliate station news and prime-time programming is an unsupported bias."[142]

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138 "The Good Gets Better," *Broadcasting*, 6 January 1986.
139 "Verbal Battling Over Financial Interest, Syndication," *Broadcasting*, 21 March 1983, 56.
140 "Land Fires Up Indie TV Stations in Farewell Address to Confab; Says 'A New Medium is Arising,'" *Variety*, 9 January 1985, 41.
141 Bill Daniels, "Fox B'Casting Envisions 3-To-5-Hour Weekly Slate By March '87; Sept. Bow Set," *Variety*, 7 May 1986, 533.
142 "UHF Equality," *Broadcasting*, 26 January 1981, 46.

By this time, advertisers were turning to independent televisions in growing numbers. With the networks' ad rates rising much more quickly than the rate of inflation, advertisers viewed independents as a viable alternative to promote their products.[143] By 1984, 24% of the $9.3 billion annually spent on advertisements went to independent stations.[144] From 1980 to 1985, independent stations garnered an additional 8% of the total television advertising market (rising from 20% in 1980 to 28% in 1985).[145] By the mid-80s, independents cumulatively attracted approximately the same number of viewers as each network. What's more, the viewers on independent television stations were starting to be considered as more valuable than many network viewers. At the same time the independent television business was expanding, the advertising industry was also undergoing a transformation, shifting its emphasis from mass sales to targeted marketing.[146] The most desirable target audiences were the young and the upscale – precisely the groups found to watch more independent television.[147]

A cycle developed by the early '80s whereby, as independent stations became more valuable assets, they improved their program offerings to attract more desirable (and larger) audiences. The upgraded programming, in turn, drew

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143 According to *Broadcasting*, by 1982, the cost of advertising sales rose 194% from 1972, while the Consumer Price Index rose 132%. See "Latest Foe of Repeal: ANA," *Broadcasting*, 24 January 1983, 36.
144 "Land Fires," 9 January 1985.
145 Gabor and Hawkins cited in Thomas and Litman, 148.
146 Joseph Turow discusses this at length in *Breaking Up America: Advertisers and the New Media World* (Chicago: University of Chicago Press, 1997). See p. 19 for the beginning of this discussion.
147 "Bullish Outlook for Independents," *Broadcasting*, 24 January 1983, 71-72. Also see "Blair Study Queries Advertising World," *Broadcasting*, 5 August 1985, 55-56.

more advertising dollars, thereby increasing the value of the stations still more. The growth rate was stunning: Independent station billings circa 1976 amounted to $600 million; in1980, they broke the $1 billion mark for the first time.[148] Three years later, they surpassed the $2 billion mark.[149] In 1982, Metromedia stock (of which the Metromedia independent stations were one of the largest holdings) surged past $200 on the NYSE, becoming the highest priced stock on the exchange.[150] In the same month, the FCC approved Metromedia's purchase of ABC affiliate WCBV-TV in Boston for $220 million – in a deal *Broadcasting* described was the "richest single-station trade of all-time."[151]

Programming demand followed a similar trajectory, with prices rapidly escalating during the first half of the '80s. Whereas independents increased their demand for programming 22% from 1975 to 1978, between 1978 and 1981 demand grew 82%.[152] Then, between 1981 and 1984, it rose another 74%.[153] At that point, the 214 independent stations in operation accounted for 50% of the more than $1 billion U.S. stations spent on syndicated programs (versus the 40% of that total spent by network affiliates).[154] Cable purchased the remaining 10% – a factor once again demonstrating the dramatically stronger market power of independent stations to cable programmers at that time. Cable penetration, in fact, remained relatively low throughout the early 1980s in spite of the attention

148 "Independents: Riding a Winning Streak," *Broadcasting*, 25 January 1982, 47.
149 "Independents Show Their Muscle in L.A.," *Broadcasting*, 24 January 1983, 66.
150 "Wunderstock: Metromedia Soars Past $200," *Broadcasting*, 26 April 1982, 89.
151 "$1 Billion (Almost) in Station Trading," *Broadcasting*, 10 January 1983, 45.
152 Jack Loftus, "Indies and Syndies Going Steady: Buy 60% of Product; Affils Taking Less," *Variety*, 2 January 1985, 128.
153 Ibid.
154 Ibid, 1.

provided to it in the media. As of 1982, cable reached 23.7 million homes and 29% of U.S. television sets.[155]

The syndication divisions of the motion picture studios were among the prime beneficiaries of these increased programming expenditures by independent television stations. The surge in independent station numbers, combined with the expanding desire by these stations for higher-quality programming, enabled syndicators to charge premium prices for their programming.[156] By 1984, a paucity of appealing off-network re-runs motivated program suppliers to develop more first-run syndicated product.[157] Among the first-run programs favored by independent stations were animated children's programs (*He-Man and the Masters of the Universe*) and game shows (*The New Tic-Tac Dough*). In addition, independent stations acquired more initial broadcast rights to theatrical films as the networks began to focus on scheduling made-for-television movies.[158] Rights to local sports games also became increasingly important to independents.[159]

The ascendance of independent television stations, along with the rapid diffusion of VCRs and the rising number of cable subscribers, began to affect the networks during the late '70s. Network shares declined for the first time in 1978 from 89% to 76%.[160] Approximately half of those "disappearing" viewers turned

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155 "The Cable Connection," *Broadcasting*, 3 May 1982, 37-49.

156 For a discussion of this from the (concerned) perspective of independent television stations, see "Independent Operators: Optimistic Over '86," *Broadcasting*, 6 January 1986, 78.

157 "INTV: Search for Quality Product, Fin-Syn Dominate," *Broadcasting*, 9 January 1984, 51.

158 "Curtain Falling on Theatrical Films on TV," *Broadcasting*, 3 September 1984, 42-44.

159 "Overcoming Hurdles, Facing Challenges," *Broadcasting*, 30 September 1985, 55-56.

160 Koepp, "Murdoch in the Mogul's Seat; Hollywood Buzzes About the Press Lord's Attempt to Build a Fourth TV Network," *Time*, 11 November 1985, 66-67.

to independent stations.[161] At the same time, the networks' experienced an additional strain as suppliers continued to demand higher license fees.[162]

In recent years, narratives have abounded about how the networks "lost their way" during the mid-'80s (the most well-known being Auletta's *Three Blind Mice*, which chronicles the networks' sale to larger entities). It is indeed the case that the networks were challenged with new competition and were out-lobbied by the studios on Capitol Hill. However, their fortunes were not nearly as grim as they have often been portrayed in the journalistic and academic discourses of the last decade. In fact, prior to the wave of network mergers and acquisitions in 1985-86, the outlook for the network business seemed relatively rosy. It was only *after* the Big Three changed hands that the networks came upon difficult times (as chapter three discusses in more detail). Thus, though the networks experienced a decline in viewership, they continued to attain record advertising sales.[163] Profits were also up: whereas the networks reported a cumulative profit of $50 million in 1970, in 1980 they earned more than $325 million.[164] In 1984, the combination of the Olympics and the Presidential election led *Broadcasting* to report another "robust year for business." [165] Largely as a result of these events, the networks projected a 20% increase in income during the year.[166]

In sum, during the first half of the '80s, broadcasting remained a good – albeit rapidly changing – business to be in. Money flowed freely for both the

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[161] Ibid.
[162] "The World of TV Programing: Networks," *Broadcasting*, 22 October 1984, 71.
[163] "Independents Speak of New Alliance," *Broadcasting*, 24 January 1983, 68.
[164] "Producers, Stations Band," 17 May 1982.
[165] "The Second 50 Years of the Fifth Estate: 1984," *Broadcasting*, 31 December 1984, 100.
[166] Ibid.

networks and independent stations. Broadcasters generally continued to see deregulation as a positive development; up to this point, whatever instability had been generated as a result of policy changes worked to their benefit. With networking retaining its promise – and with independent stations becoming more ambitious in terms of size and scheduling strategies – a variety of different entities started to think about more seriously about creating new networks. By the beginning of 1985, the convergence of several economic, regulatory and technological conditions compelled a variety of different companies to take preliminary steps toward developing ad hoc networks.

FALSE STOPS AND STARTS: MOMENTUM BUILDS FOR A FOURTH NETWORK

> Fueled by advertisers' fears of skyrocketing network rates in '84, conversations are said to be under way at every major film studio, just about every major group broadcaster with a history of investing in original programing and at least one advertising agency toward establishing a regularly scheduled prime time alternative to the three major networks. Attempts to create a fourth network are anything but new, but participants and outside observers alike are predicting that the time is coming, probably in 1984, when the economics will finally be right…
>
> *Broadcasting*, 1983[167]

Advertisers, stations groups and motion picture studios – as well as a few media moguls –all made moves toward developing a fourth network between 1982 and 1984. Some of the ventures under consideration were more "ad hoc" than others. Several entities explicitly tried to distance themselves from the "fourth network" label and the connotations which came with it. Each company

[167] "Getting Serious About a Fourth Network," *Broadcasting*, 31 January 1983, 27.

had different motivations for considering the launch of a new network. Advertisers saw a network of their own creation as a means for them to combat rising network advertising rates. Group owners saw a new network as a way to add value to their stations. With the ownership cap now at twelve, stations had a good chance of at least breaking even by producing and distributing shows to their own O&Os; any additional income generated by syndicating programming to other markets would be an added bonus. Motion picture studios, of course, had long wanted to vertically integrate by distributing their product to television. Nearly every major studio made arrangements to create a network, although the size and scope of each plan varied.

Among advertising firms, McCann Erickson's efforts to create an ad hoc network gained the most press coverage.[168] In terms of station groups, many of the largest owners of independent stations formulated fourth network plans. Metromedia announced its intention of using its stations – along with any willing network affiliates – to run movies which had not previously aired on the networks during Saturday and Sunday nights.[169] Group owners Tribune, Taft, Gaylord and Chris-Craft similarly combined to air theatrical films.[170] When Metromedia and Taft's initial schemes failed to get underway, they joined forces in 1984 with Hearst, Gannett, and Storer Communications to create the "New Program Group." This collective, designed to produce and distribute original first-run programming, was created in response to the diminishing supply (and escalating

[168] "NATPE Off to Flying Start in Las Vegas," *Broadcasting*, 21 March 1983, 55.
[169] "Getting Serious," 31 January 1983.
[170] "Broadcasters Band Together to Form Movie Network," *Broadcasting*, 14 February 1983, 36-37.

costs) of off-network series.[171] The first show produced by the New Program Group through this venture was *Small Wonder* (1985-1989), a sitcom about a family with a robot "daughter." Shortly thereafter, Tribune shifted from its earlier arrangement with Taft, Gaylord and Chris-Craft to team up with syndicator Viacom in the creation of "TV Net." This union's relatively modest goal was to offer stations twelve previously unaired theatrical films for barter syndication.[172] Meanwhile, SFM Entertainment and media representative Seltel announced the "Television Premiere Network" to produce adaptations of Fredrick Forsyth stories. At the same time, Petry Television formed the "Media Sales Corporation" to create mini-series and holiday-themed documentaries.[173]

For the movie studios, a "fourth network" served primarily as a means of securing an additional outlet for theatrical product which was no longer in demand by the networks. Paramount, still under Barry Diller's supervision in the early '80s, had the most ambitious blueprint for a fourth network – although once again the plan failed to take off. The studio revived a variation of the idea which had been in development several years earlier.[174] Once again, Paramount hoped to start with a three-hour block of prime-time in which it could schedule a 60-minute series and a motion picture. The aims of Warner Bros., MGM-UA, Orion and

171 "Attacking the First-Run Problem," *Broadcasting*, 10 September 1984, 80-81.
172 John Dempsey, "Viacom and Tribune Form New TV Net: Barter Pix First; Try Series Later," *Variety*, 19 December 1984, 31, 59.
173 John Dempsey, "New Syndie Webs Court INTV & NATPE: Petry and Seltel Joining the Party," *Variety*, 9 January 1985, 41, 172.
174 "Competition Heats Up for 4th Network: Film Combos Pitched to Indie TV," *Variety*, 16 March 1983, 43, 178.

MCA were less grandiose.[175] MCA successfully embarked on its "Debut Network" with a screening of *Dr. Detroit*; MGM-UA got underway with *Clash of the Titans*.[176] Embassy Communications (the television-oriented sister company to Columbia Pictures) had one of the most fruitful efforts with its "Embassy Night at the Movies." During the 1983-84 season, Embassy scored a 13.2 cumulative rating with showings of such films as *Escape from New York*, *The Howling* and *Take This Job and Shove It*.[177]

As the examples above indicate, the time had apparently come for a fourth network. A number of different entities had varying degrees of success with such endeavors. Yet none of these undertakings produced a viable enterprise. The company which ultimately accomplished what no others had been able to was News Corp., under the auspices of its Twentieth Century-Fox subsidiary. As the following chapter describes in detail, Fox had several economic, regulatory and industrial advantages working for it from the outset. From being funded by a parent company with deep pockets to assembling a team of well-connected executives to effectively building support from a wide range of interest groups, Fox simultaneously nurtured its image as established insider and renegade outsider. In the process, the company led the way in redefining the relationship between network-distributors and studio-producers.

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175 See John Dempsey, "H'Wood Majors Eye Ad-Hoc TV Networks; Big Pics Lure Indies: ABC Makes Proposal," *Variety*, 13 June 1984, 41, 70; Dempsey, "Viacom and Tribune," *Variety*; "Theatricals Find Strength in Ad Hoc Numbers," *Broadcasting*, 30 September 1985, 93-94.
176 "Theatricals Find Strength," 30 September 1985.
177 "The World of TV Programing: Syndication," *Broadcasting*, 22 October 1984, 68.

Chapter Three: Developing a New Network, March 1985 – January 1987

> It's not just that the ownership of television stations and groups is changing: it's that it's changing so fast. Never has the broadcasting industry seen such a flurry of major acquisitions, mergers and spin-offs as it has over the last few months. Or such prices.
>
> *Broadcasting*, 1985[178]

> 1985 was a year of unforeseen events. Few would have imagined a year in which two networks would be sold and a third undergo major financial restructuring to fend off a hostile takeover - indeed, even the idea that a network could change hands barely seemed plausible 12 months ago. It was truly a year during which the old order changeth, yielding place to new…
>
> *Broadcasting*, 1985[179]

In early 1985, the television industry was at a high point. Independents were peaking in terms of income, station value and program quality. The syndication market was raking in money as a result of the rising demand from new independents and basic cable channels. Stronger station groups were emerging and forming consortia through which to finance and produce their own programming. Initial steps were being taken toward forming ad hoc or part-time networks. In spite of growing competition, the networks were still riding high as well. The advertising revenues for the Big Three continued to swell, more than compensating for the increased license fees charged by program producers.

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178 "Keeping Score as the Big Get Bigger: The New Top 20 in Television," *Broadcasting,* 27 May 1985, 35.

179 "The Second 50 Years of the Fifth Estate: A Look Back at the Major Communications Events of the Year 1985," *Broadcasting*, 30 December 1985, 75

However, the substantial changes which occurred during the early 1980s would be nothing compared to the events which would take place during the decade's second half. In early 1985, the impact of deregulation – combined with the diffusion of video and cable - began to impinge on the well-being of both the established networks and independent stations. The first hint of a new order for broadcasters came in March 1985 with the announcement of the "cash merger" of Cap Cities and ABC for $3.5 million.[180] Before the year was over, both CBS and NBC changed owners as well. These new owners brought with them different ways of doing business. Indeed, in the wake of these transactions, the networks entered a crisis period as divisions were eliminated, assets were sold, and employees were laid off. Few in the industry or press anticipated the difficulties the networks would experience in the process of being restructured.

Even fewer could have predicted that a fourth network was what Rupert Murdoch had in mind when he purchased the Twentieth Century Fox studio and the Metromedia independent television station group during this same eventful year. However, Murdoch and his chief lieutenant, Barry Diller had grand plans in mind from the outset: They wanted to create a fourth broadcast network. In developing this "weblet," as it was labeled in the trades, Murdoch and Diller exploited several industry developments to the best of its advantage. This included taking advantage of advertisers' desire for an alternate venue for selling their products, offering independent broadcast outlets a chance to increase the value of their stations exponentially, and promising program producers greater

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[180] "Capcities + ABC: A Bold $3.5 Billion Media Marriage Electrifies Industry and Nation," *Broadcasting*, 25 March 1985, 31.

creative freedom than they could find at the established networks. All of these moves would be accomplished with the blessing of the FCC, which saw in the Fox network an opportunity for increased competition in the broadcast industry.

In this chapter, I describe how the nascent Fox Broadcasting Company presented itself as an outsider and an underdog to certain groups such as the press and the FCC while, at the same time, representing itself as an established industry veteran to others entities such as the public, advertisers and the creative community. Indeed, Fox altered its identity to suit its particular need at a given time. These efforts served the company well; Fox effectively found a way to operate as both a program producer and broadcast distributor while the other networks and studios remained bound to the restraints imposed by the financial interest and syndication rules. In the process, the company quietly initiated a new era for the media industries.

This chapter contrasts the wave of consolidation which occurred at the established networks, with the means by which Fox began to consolidate support from a variety of disparate factions such as advertisers, independent television stations, the creative community, the press, and regulators. I begin by providing a sense of the media industries of the mid-1980s in general, and the broadcast industry in particular. I provide this background as a means of contextualizing how and why the Fox network took the shape it did. This information is followed by a brief history of both Twentieth-Century Fox (TCF) and its new owner, News Corp. I describe the perceived value of the Fox network to both its studio parent (TCF) and corporate parent (News Corp.). After providing the "backstory" behind

TCF and News Corp., I explore the key strategies used in the creation of the Fox network. The chapter concludes with a discussion of the fall 1986 launch of Fox's first program, *The Late Show Starring Joan Rivers*. In this analysis, I challenge previous claims that the show was a complete failure for Fox. Instead, I argue that although the series itself may have been a failure, it served several larger functions for Fox. Most significantly, it offered a relatively low cost means by which Fox could generate press, establish its brand name with the public, and assemble its affiliate roster.

THE MEDIA INDUSTRIES IN A TIME OF CHANGE

> The frenzy of mergers and acquisitions among media companies, along with speculation of hostile takeovers of CBS and the proposed friendly takeover of ABC by Capital Cities Communications, has pushed the stock prices and trading activity of several Fifth Estate companies to record levels over the past several weeks. In the process, owners and investors of Fifth Estate companies have seen the industry undergo the kind of convulsions previously thought limited to oil concerns and multinational conglomerates.... The result, they say, is a fundamental - and perhaps permanent - change in the way these companies are viewed by the investment community…
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> *Broadcasting*, 1985[181]

The media industries were in a transitional period in the mid-1980s. During this time, media conglomerates were concluding their decades-long process of divesting themselves of non-entertainment holdings. Companies such as Gulf + Western (parent to Paramount) and Kinney International (parent to Warner Bros.) were increasingly focusing on building up their media-oriented

[181] "The New Bonanza in Broadcasting," *Broadcasting*, 15 April 1985, 43-44.

assets. Among the key divisions of these ever-more "integrated" conglomerates were publishing, music, television production, and motion picture distribution. The precise composition of these 1980s-era media conglomerates varied. However, conglomerates did remain noticeably absent from the network business as a result of the previously noted regulatory constraints (most conspicuously, fin-syn).[182]

Though regulators continued to oppose the integration of networks and motion picture studios, they grew more permissive about the entry of media companies into the cable business as the decade wore on. During the early '80s, the Justice Department intervened in the studios' efforts to invest in cable via Premiere and Showtime/The Movie Channel. However, in late 1982, the Justice Department began to change its tune toward studio-cable alliances. As Holt notes, the turning point came when CBS, Time (through its HBO subsidiary) and Coca-Cola (owner of Columbia Pictures) united to form a new motion picture distribution company, Tri-Star.[183] In this joint venture, Columbia handled theatrical distribution, HBO attained pay-cable rights and CBS had broadcast network rights to motion pictures. In the same way the judiciary permitted conglomerates to move into cable production and distribution as the '80s wore on, it similarly allowed them to vertically integrate (once again) into owning exhibition outlets. Subsequently, MCA (Universal) invested in the Cineplex

182 Schatz discusses this in "The New Hollywood," *Film Theory Goes to the Movies*.
183 For an analysis of this, see Holt, "The Pay-Cable Industry: HBO, Premiere and Showtime/The Movie Channel," *In Deregulation We Trust: The Political Economy of Entertainment in the Reagan Era.*

Odeon chain while Coca-Cola bought into the Loews theaters during the mid-'80s.[184]

At the same time that the corporate structures of conglomerates were changing, there was also a great deal of turnover taking place in these companies' executive suites. A chain reaction began in 1984 when Paramount president Barry Diller left the company after a successful ten-year reign to become CEO of Fox.[185] Shortly thereafter, Diller's second and third-in-command, Michael Eisner and Jeffrey Katzenberg, departed for Disney. A game of musical chairs among the studios followed, with Disney, Paramount, and Fox experiencing the most extensive management shifts at this time.[186]

The turmoil in the executive suites was paralleled by (and a function of) the growing uncertainty in the motion picture business. The stakes involved in producing and distributing motion pictures were rising rapidly as the studios increasingly relied on releasing high-concept "event" films. Although movies such as *Raiders of the Lost Ark* (1981), *Flashdance* (1983), and *Back to the Future* (1985) brought in large sums at the box office, they also cost the studios more to finance and market. As quickly as one such mega-hit could make a company a darling in the trades, a failure could as easily destroy a company's

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[184] Ibid.

[185] Diller's departure came in the wake of the death of Gulf + Western CEO Charles Bluhdorn. Diller found himself frequently at odds with Bluhdorn's successor, Martin Davis. For more on their conflicts, see Block, 70-72, 76.

[186] Lawrence Cohn, "'84 Pix Biz Saw Shifts in Focus, Execs: More Pics Made but Woes Lurk," *Variety*, 16 January 1985, 80.

bottom line for the year (if not longer, as the havoc wrought by *Heaven's Gate* [1980] on United Artists made abundantly clear).[187]

While the studios were experiencing more extreme ups and downs, the same was not the case for the cable industry. Rather, during the mid-'80s, the cable business began a lengthy period of expansion. This growth was fueled by Congress's passage of the Cable Communications Policy Act in October 1984.[188] This act deregulated cable rates and diminished the uncertainty of franchise renewals for cable operators.[189] In the wake of its implementation, the cable industry underwent a period of consolidation and expansion. A combination of regulatory security and increased market penetration (up from 22% in 1980 to 48% in 1986) led to the launch of a number of new program services as well as an increased investment by programmers in original fare.[190] Much of the original cable programming of the mid-'80s had relatively low production values (formats in favor included travelogues, talent shows, instructional programs and musical showcases).[191] Yet such ventures at least indicated initial efforts on the part of the cable industry to offer more than recycled product from the studios and syndicators. This is not to say that "recycled" (e.g., syndicated) product lost value

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187 *Heaven's Gate* became a nightmare for United Artists. Dramatically over-budget, the film has often been attributed with bringing down the company. For an extensive discussion of this, see Steven Bach, *Final Cut: Dreams and Disaster in the Making of* Heaven's Gate (New York: William Morrow, 1985).
188 "Free at Last: Cable Gets its Bill," *Broadcasting*, 15 October 1984, 38-39.
189 Strover, "United States: Cable Television."
190 Ferrell, "The Impact of Television Deregulation," 12; "The Second Fifty Years of the Fifth Estate: A Look Back at the Major Communications Events of the Year 1986," *Broadcasting*, 29 December 1986, 47-54.
191 Mullen, *The Rise of Cable Programming in the United States*. Also see "1985: A Year Like No Other for the Fifth Estate," *Broadcasting*, 30 December 1985, 38-41; and "Cable Goes Original," *Broadcasting*, 22 September 1986, 62, 64.

to cable programmers. In fact, as the cable industry's market penetration and financial resources increased, it began to siphon off more syndicated fare from networks and independent stations. By the mid-'80s, cable channels were paying competitive prices for both hour-long dramas and theatrical motion pictures (though most sitcoms still remained out of their price range).[192]

Cable may have been coming on strong, but through the early '80s program producers and syndicators still preferred to turn to broadcasters due to their still greater industrial influence and economic power. However, in mid-March, 1985 the status of broadcasting – and particularly, network television – suddenly changed dramatically. It was at this moment that Cap Cities announced its deal with ABC, initiating what *Broadcasting* later called "A Year Like No Other for the Fifth Estate."[193] When all was said and done, the transactional value of the mergers, sales and acquisitions for the year amounted to more than $30 billion.[194]

In the wake of the Cap Cities-ABC deal, a string of major mergers – and attempted mergers – followed in rapid succession. The consequences of the substantial regulatory and economic shifts of the past several years were finally starting to be seen. As one journalist noted, from the Cap Cities-ABC merger emerged "the possibility that media companies are no longer isolated from the fray of the rough-and-tumble world of Wall Street's financial players."[195] The

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[192] Ibid. Half-hour sitcoms, however, remained the domain of broadcasters for the time being.
[193] For additional discussion of the Capital Cities-ABC deal, see "Roots of a Merger: A History of Capcities and ABC," *Broadcasting*, 25 March 1985, 35.
[194] "Fifth Estate's $30 Billion-Plus Year," *Broadcasting*, 30 December 1985, 35.
[195] "Who's Next?," *Broadcasting*, 25 March 1985, 36.

truth behind this statement became even more apparent in mid-April 1985, when Ted Turner made a hostile bid for CBS. Whereas the Cap Cities-ABC arrangement was monumental in marking the first time a television network changed hands, Turner's bid was important in signaling the first occasion in which an individual or company had attempted to purchase a television network which was not for sale. This event – more than any other at this time – called into question the continued viability of a "public interest" mandate for broadcasters. Many politicians who had previously remained silent as the FCC plowed forward with its marketplace philosophy were suddenly called to attention. In response, the "Network Acquisition Control Act" began to circulate in the Senate.[196] Ultimately neither the Act nor Turner's pursuit of CBS succeeded.[197] However, both efforts helped to crystallize what had not previously been clear: As one industry observer noted, the Turner bid demonstrated that broadcast stocks (and, in particular, the networks' stocks) were "attractive takeover targets."[198]

Month after month during the mid-'80s, newspapers announced (or reported rumors of) another such multi-billion-dollar takeover. In May 1985, TCF owners Murdoch and Davis successfully bid $1.5 billion for the Metromedia stations (to be discussed in more detail below). In September 1985, reports circulated of an RCA-MCA combination (which ultimately led nowhere).[199] In

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[196] Paul Harris, "FCC Launches Formal Inquiry Dealing with Hostile Takeovers," *Variety*, 10 July 1985, 63.
[197] On the heels of his failed bid for CBS, Turner announced his purchase of MGM for $1.6 billion in early August, 1985. See "Turner Turns His Attention to MGM/UA: CBS Takeover Attempt Fails," *Broadcasting*, 12 August 1985, 27-28.
[198] "Keeping Score as the Big Get Bigger," *Broadcasting*.
[199] Jack Loftus, "Are Web/Studio Alliances on the Horizon? Put Syndie Biz in Royalty Trust," *Variety*, 11 September 1985, 45, 66.

November 1985, Laurence Tisch became a major investor in CBS. The "Tiffany network" encouraged the self-described "friendly" investor, Tisch, to invest as a means of protecting itself from additional hostile bids such as Turner's.[200] Less than a year later, this so-called friendly arrangement would become less so; by the end of 1986, Tisch had engineered a takeover of the company and a shake-up at the top levels of management.[201]

In November 1985, the FCC approved both the Cap Cities-ABC and the News Corp.-Metromedia deals. These deals – which were the first and second largest transfers of ownership in broadcast history – were eclipsed by an even bigger merger in December.[202] The last major ownership change for 1985 involved General Electric purchasing RCA (including its NBC subsidiary) for $6.28 billion.[203] With this, "the largest transaction in U.S. history involving non-oil companies," all three networks had obtained new owners in the span of a single year.[204]

Although the Big Three changed hands in 1985, it was not until 1986 that the ownership changes took effect. When they did, the changes were significant. Suddenly the rules by which the networks had operated for more than thirty years

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200 For an extensive discussion of the machinations behind this deal as well as the other network mergers and acquisitions, see Auletta, *Three Blind Mice*.

201 Whether CBS was "officially" taken over by Tisch or not would become a matter of some debate by regulators, Congress and the press during the late '80s. For a contemporary report of the management churn, see "CBS Shake-Up: Wyman Out, Tisch In, Paley Back," *Broadcasting*, 15 September 1985, 39-40.

202 They are discussed as such in "A $5.5 Billion Day at the FCC," *Variety*, 20 November 1985, 85.

203 Kevin Goldman, "No Word Yet on NBC Spinoffs; GE & RCA Execs Mum on Regs that May Force Station Sales," *Variety*, 18 December 1985, 41.

204 Ibid. At the least (depending on the CBS arrangement is labeled), all three networks had new management and lead investors.

seemed to be out of fashion. The networks were now part of much larger conglomerates – conglomerates which placed an increased demand on the bottom line. These new owners were, for the most part, trained in other industries besides show business and had minimal experience (and interest) in programming practices.[205] As Auletta describes in detail, with the new owners came a new corporate culture. These owners were more concerned with "trimming the fat" than they were with retaining large news crews, high production values or large layers of management. Over the course of 1986, these new conglomerate owners eliminated scores of positions and laid off countless staff members. In January, Cap Cities eliminated 1000 jobs; in July, CBS cut 700.[206] In total, 2500 positions – or approximately 10% of the total work force – were eliminated by the end of 1986.[207]

Even as the networks faced pressures from within via their new owners, they encountered additional external pressures as well. Unexpectedly, the networks had retained a high level of profitability during the first half of the 1980s in spite of increased competition from cable, video and independent television stations. This was largely a result of the networks' continued ability to extract ever-greater sums from advertisers. However, during 1985, a general economic downturn began to affect the broadcast business in general and the

205 "Sleepy Webs Got a Wakeup Call in '86: Slower Growth Shakes 'Em Up," *Variety*, 14 January 1987, 184.

206 See John Lippman, "It's Layoff City Blues in Media Land: Economy, Mergers Take Their Toll," *Variety*, 16 July 1986, 91, 113; and "In 1987 More Change for the TV Networks," *Broadcasting*, 5 January 1987, 160, 162.

207 "In 1987 More Change," *Broadcasting*. Each of the networks employed approximately 8,000 people prior to the cutbacks. Statistics from Peter Boyer, "CBS Broadcast Group Says It Will Cut 700 Jobs," New York Times, 3 July 1986, C30; Boyer, "700 NBC Workers Facing Dismissal," New York Times, 2 November 1987, A1.

networks in particular.[208] Advertisers started to cut back on their broadcast expenditures for the first time since 1971.[209] Overall advertising dollars were down 3.5%; prime time dollars were down 2.2%.[210] Meanwhile, license fees continued to rise. In 1985, for example, approximately two-thirds of the networks' budgets were allocated for programming costs.[211] It seemed as if the networks were being attacked from all sides.

Thus, even as the Big Three were under greater scrutiny for their business practices from their new parent companies, they were facing diminishing returns as a result of worsening economic conditions. The networks' struggles paralleled the difficulties encountered by broadcasters in general. As one journalist observed:

> 1986 will best be remembered as the year television show business came down to earth, and as with its cable cousin two years earlier, blue sky prophets made way for pragmatists, realists and hard-nosed businessmen. All three networks were under new management, and layoffs touched nearly every corner of the industry - networks, stations, studios - dependent upon lean advertising revenues. 'Lean and mean' became the new buzzwords in broadcasting...[212]

Different entities were affected by advertising cutbacks and a generally weakened economy in different ways: Station values began to rise a little more

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208 John Dempsey, "Economy Nips Indie TV Stations: Must-carry Regs, Firstrun Series Dominate Confab," *Variety*, 1 January 1986, 1, 102.

209 At this time the networks lost advertising dollars as a result of federal regulations prohibiting the advertising of cigarettes. See John Lippman, "Slow Ad Growth Limits TV Webs: Facing Third Year of Bleak Forecasts," *Variety*, 11 February 1987, 1, 69.

210 Percentages from "The Second 50 Years of the Fifth Estate: A Look Back at the Major Communications Events of the Year 1986," *Broadcasting*. John Dempsey labeled the 1986 upfront as "depressingly weak," "Fire Sale Burns Syndie Barter Mart: Distribs Slash Spot Rate Cards," *Variety*, 2 July 1986, 35.

211 "1985: A Year Like No Other," *Broadcasting*.

212 "Sleepy Webs Got a Wakeup Call," *Variety*.

slowly. Program producers haggled a little more with the networks over license fees. Increasingly producers were forced to deficit finance larger sums of their programs. With the syndication market already reaching saturation point, independents and affiliates alike became more selective in terms of the product they acquired. When they did purchase programming, they often spent less. Although independent stations were among the least affected by the economic downturn (in part due to their ability to serve as a key alternate venue for advertisers), they nonetheless were forced to engage in some belt tightening as well. Cumulatively, declining conditions caused all of these entities to heighten their search for ways to cut costs and increase the value of their products – whether the "product" at issue was television stations, programming or consumer goods.

Given this cost conscious environment, it might seem odd that anyone would consider starting a new program service at this time. However, a group of executives led by Rupert Murdoch and Barry Diller identified ways in which several different groups were being underserved. They offered these different entities – entities which included advertisers, independent television stations and program producers – a way to save money, make money or some combination thereof. The means by which these groups could accomplish this was by associating with the Fox network.

This new network came about when News Corp. combined the Twentieth Century Fox studios with the Metromedia television stations. As I will show in the section which follows, Fox was one of the least likely sources for a television network during the mid-1980s. At the time News Corp. purchased Fox, many of the company's most valuable assets had been sold off by owner-investor Marvin Davis. The studio's prospects looked grim and there was little indication it would emerge out of these doldrums any time soon. As such, there was even less of a reason to believe that Fox would shortly provide an innovative template for the media company of the future. Before I delve into how the Fox network came about, however, it is important to provide an overview of the history of Twentieth Century Fox. In showing how this company ended up in such dire circumstances by the mid-'80s, we can see why its evolution during the latter part of the decade was particularly remarkable.

THE RISE AND FALL… AND RISE OF A MEDIA CONGLOMERATE: A BRIEF HISTORY OF FOX

In many ways, to review of the history of Twentieth Century-Fox is to review the history of the motion picture industry over the last century. For the most part, the key points in the development of Fox parallel the defining moments of the studio era and New Hollywood.[213] Fox, like many of the other major studios, was founded by a working-class Eastern European emigrant. An early turning point came in 1925, when Fox became a public corporation, which it remained for more than five decades. Fox operated as a mid-sized studio through

[213] The history of Fox during the studio era has been analyzed extensively. Among the places in which it has been discussed are Douglas Gomery, *The Hollywood Studio System*; Thomas Schatz, *The Genius of the System* (New York: Pantheon, 1988); Aubrey Solomon, *Twentieth Century-Fox: A Corporate and Financial History* (Metuchen, New Jersey: The Scarecrow Press, 1988); and Tino Balio, *Grand Design: Hollywood as a Modern Business Enterprise*, 1930-1939 (Berkeley: University of California Press, 1995).

the late ‘20s, at which point it briefly gained an advantage by moving into sound ahead of many of its competitors. Throughout the late 1920s, Fox continued to grow, increasing its investment in theaters to become second in size only to the Paramount-Publix chain.[214] Fox's rapid expansion, which initially seemed a wise move, ended up working to the company's detriment due to the 1929 stock market crash and subsequent economic depression. The company's financial woes led to a management shakeup and resulted in William Fox's departure from the business in 1930. At this point, Fox went into receivership and, after a series of ups and downs, slowly recovered from its economic crisis.

By the mid-‘30s, Fox was a “vast multinational operation” with 42 subsidiaries and a hand in production, distribution and exhibition around the world.[215] In addition, the company had investments in Broadway plays, music publishing and newsreels. In 1935, Fox president Sidney Kent sought to improve the quality of Fox's films. Thus, he approached Joseph Schenck and Darryl Zanuck, the heads of the production company Twentieth Century Pictures, with a merger proposal. The combined enterprise became Twentieth Century-Fox. Through the rest of the ‘30s, Schenck served as chair and Kent served as president on the East Coast while Zanuck oversaw production on the West Coast. Stability reigned until 1941, when Schenck went to jail and Kent died of a heart attack. At this point, Fox Metropolitan Theaters head Spyros Skouras was promoted by the board of directors to run the company. For the next twenty years – in what proved to be one of the most stable studio-era management structures – Skouras and

[214] Gomery, *The Hollywood Studio System*, 82.
[215] So described by Gomery, 84.

Zanuck divided up control of Fox, with Skouras managing business affairs and Zanuck continuing to oversee the production process. As a result of Zanuck's supervision, Fox cultivated a strong roster of talent. Among the individuals under contract with the company during the studio era were Shirley Temple, Sonja Henie, Betty Grable, Alice Faye and Tyrone Power. During the post-World War II period, Zanuck shifted the studio's emphasis, focusing on making more films with strong social themes. Among Fox's biggest hits during this time were *Gentleman's Agreement* (1947), *The Snake Pit* (1948), and *Pinky* (1949).

Fox's status continued to improve during the 1940s. At its high point, the company employed over 4,000 people. However, Fox's fortunes – along with the rest of the "Big Five" studios – declined in the late 1940s, as the company was forced to divest itself of its theaters as a result of the 1948 Paramount decrees. In 1951, Fox spun off its theaters; in 1952 the company initiated its first round of layoffs. Additional layoffs ensued as the motion picture industry faced growing competition from post-war social, cultural and economic changes. Among the most threatening sources of competition, of course, was television. Like the other major studios, Fox responded to television's growing popularity in a variety of ways. Early on, Fox tried to invest in television distribution, attempting to purchase the ABC network in 1948.[216] The company also invested in theater television during the '40s in partnership with General Precision Corporation of America.[217] Once it became apparent (due to antitrust concerns) that television distribution was not a viable option for major motion picture companies, Fox

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[216] Ibid, 85.
[217] Solomon, *Twentieth Century-Fox*, 81.

focused on producing series programming. The studio got off to a bumpy start with such shows as *The Twentieth Century-Fox Hour* (1955-57), *My Friend Flicka* (1956-57), *Adventures in Paradise* (1959-62) and *Five Fingers* (1959-60). Only *The Many Loves of Dobie Gillis* (1959-63) was a modest success.[218]

Meanwhile, Fox's theatrical film division attempted to differentiate itself from television with the use of the widescreen "CinemaScope" process. Fox released the first CinemaScope film, *The Robe*, in 1953. In addition to the CinemaScope films, the studio derived some of its biggest hits during the '50s through its contract with Marilyn Monroe (her Fox-produced films included *Monkey Business* [1952], *Niagara* [1953] and *The Seven-Year Itch* [1955]). Yet the widescreen films and Monroe features were not enough to keep the company in the black. Thus followed a series of management changes during the mid-'50s and early '60s, leading to Zanuck's departure (and later, his return and replacement of Skouras). When Zanuck returned in 1962, he continued to increase the studio's focus on big-budget spectacles. This tactic – a common one for the studios during the '60s – produced mixed results. Although *The Sound of Music* (1965) was a hit for Fox, *Cleopatra* (1963), *Dr. Doolittle* (1967), *Star!* (1968), and *Tora! Tora! Tora!* (1970) all bombed at the box office. Cumulatively, the failure of these films placed the studio in a precarious financial state.

Television took up the slack as the film division became increasingly unreliable. By the mid-'60s, Fox had hit series on all three networks and some of the shows were beginning to go into syndication. The studio averaged five

[218] See Anderson, *Hollywood TV*, for a discussion of some of challenges Fox faced as it entered into television production.

network hours per week at this time, thereby producing what amounted to approximately 100 features per year.[219] One of the Fox properties which proved to be most valuable was *M*A*S*H*. Even as the feature film version (1970) helped initiate a turn-around for the motion picture division, the innovative television version (1972-1983) became the most profitable series until *The Cosby Show* (1984-1992).[220]

Alas, the financial windfall from *M*A*S*H* came too late to be any help for Darryl Zanuck (and his son Richard, who had previously joined him in running the company). Due in large part to the failures of the theatrical film division, Fox entered a period of retrenchment during the late '60s. Stock prices sank lower and lower; in 1970 alone, losses totaled $77.4 million.[221] Zanuck departed Fox at the end of 1970 amidst an increasingly public battle between stockholders and the board of directors.[222] When the dust settled, Dennis Stanfill took the top spot at the company. In fall 1971, Stanfill appointed Gordon Stulberg to run the production side of the company. Stulberg continued the studio's move away from big-budget productions. With a few notable exceptions (i.e., disaster films such as *The Poseidon Adventure* [1973] and *The Towering Inferno* [1974]), Stulberg proved to be highly risk-averse. He opted for co-productions and negative pick-ups whenever possible. For example, *The Towering Inferno* was a

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[219] Solomon, 158.

[220] The film version of *M*A*S*H* – produced at a fraction of the cost of the musical spectacles – earned more at the box office than *Dr. Doolittle*, *Star!* and *Tora! Tora! Tora!* combined, according to Solomon. The television version of *M*A*S*H,* in turn, earned several hundred million dollars in syndication by the mid-80s, according to *Variety* in "Viacom Taking Firstrun Route with The Cos," 22 October 1986, 451.

[221] Solomon, 165.

[222] Ibid, 167-170.

co-production with Warner Bros., thereby limiting Fox's ability to reap the full benefit of the film's success. Thus, even as Fox films such as *The Towering Inferno* and *Young Frankenstein* were at the top of the box office charts in winter 1975, Stanfill dismissed Stulberg.[223]

In January 1976, Stanfill promoted Alan Ladd, Jr. to vice president of worldwide production. Ladd brought in Jay Kanter and Gareth Wigan from outside the studio to help with production activities. Although the Ladd team's early film slate had mixed results, in 1977 they hit the jackpot with the release of *Star Wars*. They followed this film with a number of additional critical and box office successes including *High Anxiety* (1977), *An Unmarried Woman* (1978), *All That Jazz* (1979) and *Norma Rae* (1979). The Ladd trio's winning streak motivated them to seek additional financial compensation. When they were denied this, they left the company, causing instability in the executive suites which continued through Barry Diller's arrival at Fox in 1984.

Even as the feature film division re-entered a rocky period during the early '80s, Stanfill faced additional problems. His primary concern pertained to the continued status of Fox as a public company. Over the course of the '70s, Stanfill had been the key figure guiding Fox into additional businesses and building up the company's assets. Fox continued to diversify its holdings throughout the decade; its investments as of 1980 included a 63-acre lot in Los Angeles, a film processing lab, three television stations, movie theaters in Australia and New Zealand, a Coca-Cola bottling plant, and luxury resorts in Aspen and Pebble

[223] Ibid, 174-175.

Beach.[224] At this point, executives realized that the company was worth approximately three to four times its stock price.[225] As such, Stanfill and his COO, Alan Hirschfield, began to initiate a leveraged buyout by the management. However, by January 1981, it became clear that they would be unable to find the necessary financing. By the time reports of the failed buyout were public, Stanfill and Hirschfield were at odds and the studio was perceived to be "at play" by Wall Street.[226]

The company was sold shortly thereafter to Marvin Davis, a billionaire who had made most of his money from the oil business and real estate investments.[227] In March 1981, Davis announced his plan to purchase Fox and take it private for approximately $700 million.[228] In arranging the financing, Davis relied on techniques commonly employed in the oil business – namely, looking extensively to outside investors for money.[229] One of his primary sources of funding came from commodities trader Marc Rich, who agreed to put up half of the money for the company but leave voting control to Davis.[230] Another source of money came from the broadcaster Chris-Craft, an entity which already owned approximately 20% of Fox.[231] Chris-Craft made a deal whereby it would

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224 Block, Outfoxed, 11.
225 Ibid, 11-12.
226 Ibid, 14.
227 Block discusses Davis's purchase and ownership of Fox at length; the information provided here is for primarily for context.
228 Geri Fabrikant, "Oilman in $700-Mil 20th-Fox Buyout Bid: TV Spinoff Plan; Chris-Craft Ally," Variety, 25 February 1981, 3, 36. Also see Tina Daniell, "Fox Board, Stanfill Welcome Davis Takeover Offer and TV Spinoff; Trade Asks about Hirschfield," *Variety*, 4 March 1981, 3, 31.
229 Solomon, 193.
230 Block, 19.
231 "Maverick Oilman Bids to Buy Fox," *Broadcasting*, 2 March 1981, 82.

surrender its investment in Fox under the condition that Davis would spin-off the television stations.[232] When all was said and done, Davis assumed complete ownership (and about $1 billion in debt) while only investing about $50 million of his own money.[233] Although a significant move in its own right, Davis's ability to take Fox private was important for another reason: Specifically, Fox became the first major studio to be controlled by an individual since Kirk Kerkorian in the early 1970s.[234]

In taking the company private, Davis assured Stanfill and the board of directors that he would take a "hands off" approach to the company.[235] According to Aubrey Solomon, "Davis appeared to be exactly the rescuer Stanfill needed to keep Fox out of hostile hands which might loot the company and sell off its assets for a quick profit."[236] Upon the announcement of the deal, Stanfill publicly spoke of his confidence in Davis, stating that he was "going to pour a lot of money into [the] company, he's determined to make it number one."[237] Stanfill wasn't around long enough to see how wrong he was. Weeks after Davis officially assumed control of Fox in June 1981, Stanfill was forced out and Hirschfield moved up to the top spot. By December, Davis began to part with the very assets which Stanfill had struggled to build up over the last several years.[238] Among the items sold off were the Coca-Cola franchise, the theaters, Fox's record company and its music

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[232] Block, 20.
[233] Ibid, 25.
[234] Howard Hughes was the only other individual to own a studio during the second half of the twentieth century. He controlled RKO during the 1950s. Ibid, 25.
[235] Solomon, 192.
[236] Ibid.
[237] Daniell, "Fox Board, Stanfill Welcome Davis," *Variety*.
[238] Block, 59.

publishing division.[239] For the most part, the proceeds from these sales went to Davis and Rich. Although some money was used to repay bank debts, Davis and Rich systematically shifted most of their financial obligations onto the studio. As a consequence, according to Block, "by the end of 1984, the studio was deeply in debt, but Davis and Rich had made out very nicely. They had gotten all of their purchase money out of Fox, eliminated their personal debts, and pocketed millions in profits."[240]

The extent to which Davis was liquidating Fox's assets was not immediately apparent to either the press or the industry. In part this was because the filmed entertainment division continued to perform well through 1983. Fox was producing considerable revenue from a variety of sources at this time. Although there had been another executive shake-up in mid-1983 (with Joe Wizan replacing Sherry Lansing as head of production), the studio thrived throughout the calendar year. *Return of the Jedi*, *Porkys II: The Next Day*, *Mr. Mom* and *The Verdict* helped Fox earn the title of "domestic market champ" for 1983.[241] At this time, the feature film division still contributed the bulk of the company's total revenues (with 53%).[242] However, the television division also was performing nicely. Having secured twelve pilot deals for 1983, Fox TV led all the studios in production.[243] With *M*A*S*H* contributing large sums from its

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[239] Ibid, 59-60.
[240] Ibid, 60.
[241] A.D. Murphy, "Fox was Domestic Market Champ in '83: 'Jedi' Led to 21% Slice of Rentals," *Variety*, 18 January 1984, 5, 40.
[242] Ray Loynd, "Fox Operating Net Soared in Fiscal 1983: Bottom Line Off; Execs Doing Fine," *Variety*, 30 November 1983, 3, 31.
[243] Dave Kaufman, "Fox TV Makes 12 Pilot Deals with Networks," *Variety*, 2 March 1983, 325, 338; also see "20th Century-Fox Realizes Prime Time TV Comeback," *Broadcasting*, 15 August 1983, 31-32.

syndicated run, the television division generated 23% of the company's total revenues.[244] Added income came from a recently-formed alliance between CBS and Fox. This home video arrangement brought in tens of millions of dollars more for the studio.[245]

Unfortunately, Fox took a downturn in 1984, particularly in terms of its feature film division. Although the company had a handful of hits – including *Romancing the Stone*, *Revenge of the Nerds* and *Bachelor Party* – there were a disproportionate number of box office failures. While *Unfaithfully Yours, Dreamscape* and *Six Pack* were moderate disappointments, the Sylvester Stallone-Dolly Parton comedy *Rhinestone* was an expensive embarrassment.[246] By the summer of 1984, journalists began to place the studio and its executives under closer scrutiny. It was at this point Davis realized something had to be done to try to save the studio – or, at least, keep it treading water until he could unload it.[247] The first step toward reviving Fox (at least temporarily) involved replacing Hirschfield with a new executive. Fortunately for Davis, there was one such individual interested in changing jobs at just this moment: Paramount Pictures president Barry Diller. With the hiring of Diller, Davis was able to buy time by extending some of the company's loan agreements.[248]

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[244] Loynd, "Fox Operating Net Soared," *Variety*.
[245] "CBS, Fox in Cable-Video Alliance," *Broadcasting*, 22 February 1982, 31-32. See also Ray Loynd, "$250-Mil Buys Murdoch Half of Fox: $132-Mil Going to Aid Pic Arm," *Variety*, 27 March 1985, 33.
[246] "Musical Chairs in Hollywood," *Time*, 24 September 1984, 61.
[247] For a discussion of Davis's rationale in hiring Diller, see Block, 75-78.
[248] Block, 85.

Diller had built quite a reputation for himself in Hollywood as a savvy businessman, a skillful programmer and a top-rate assembler of executive talent. After beginning his career at the William Morris agency, Diller spent several years at ABC. At that network, he helped establish the made-for-television movie and mini-series as important television formats.[249] After remaining at ABC from 1966 to 1974, Diller moved on to Paramount, where he oversaw its film and television activities for the next decade. Paramount thrived under his supervision. Even as the television division produced one hit after another (i.e., *Laverne and Shirley*, *Taxi*, *Family Ties* and *Cheers*), the feature film division financed numerous critical and commercial successes. Among the biggest hits released by the Diller "team" (which also included Michael Eisner and Jeffrey Katzenberg) were *Saturday Night Fever* (1977), *Grease* (1978), *Star Trek* (1979), *Raiders of the Lost Ark* (1981), *48 Hours (1982)*, and *Terms of Endearment* (1983). By 1984, as a consequence of the company's numerous hits, Diller had become Hollywood's highest paid executive.[250] Yet all was not rosy at Paramount for Diller. He increasingly clashed with the newly-appointed head of Paramount's parent company, Martin Davis. As such, Diller began to look elsewhere for employment.

It was at this time that Marvin Davis (of no relation to Martin Davis) approached Diller with an attractive offer. In addition to a salary in excess of $2.5 million, Diller was offered part ownership in the studio.[251] He also negotiated a

[249] Mair, *The Barry Diller Story*, 39-47.
[250] "Keeping Up with the Dillers," *Broadcasting*, 21 May 1984, 39.
[251] "Musical Chairs," *Time*.

clause in his contract which restricted Davis from having contact with Fox staff "in such a manner as shall derogate, limit or interfere with Diller."[252] Diller was prepared for a studio awash in red ink: Upon getting to Fox in September 1984, the trades reported the company had $89 million in net losses for the fiscal year just completed.[253] Yet, when he arrived, it still seemed that a restructuring would put the studio back on track. Thus he immediately began using the relationships he had formed at Paramount to rebuild Fox's executive and creative ranks. In October, Diller appointed formerly Paramount-based producer Lawrence Gordon (*Paternity, 48 Hours*) as head of production.[254] Soon thereafter, he encouraged writer-director-producer James L. Brooks' (*Taxi*, *Terms of Endearment*) to move his production company from Paramount to Fox.[255]

Though Diller was able to rapidly re-build Fox's executive roster, he had much more difficulty strengthening the company's financial resources. It was only a matter of weeks before what had initially seemed to be an ideal arrangement proved to be anything but.[256] As Diller observed to Block, "the truth of the matter is that I found out…that the company was not only technically bankrupt, but that on the following February 11 the company literally would run out of its last resource, its last penny."[257] More stunning to Diller was that Davis seemed unwilling to do anything to help. Rather than putting some of the income

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[252] Block, 76.
[253] The fiscal year at this time ended on August 25, 1984. Craig Reiss and Wayne Walley, "Diller's Dream to Debut on April 5," *Advertising Age*, 16 March 1987, 1
[254] Ray Loynd, "Gordon's Swift Climb Up Fox Ladder: Named President by Barry Diller," *Variety*, 3 October 1984, 3, 41.
[255] "Brooks Follows Par Exodus to 20th Fox," *Variety*, 31 October 1984, 3, 48.
[256] Block, 85.
[257] Ibid.

from the various asset sales into Fox, he continued to take money out. While Diller was responsible for some of the company's financial hardship – upon arrival at Fox, he wrote off many of the film and television projects in development for a total cost of $40 million – Davis was largely to blame for the company's woes.[258] Yet Diller's continued pleas for financial assistance led nowhere. He could not even turn to "silent partner" Marc Rich, for Rich had fled the country under investigation for tax evasion, and Davis had subsequently assumed control over Rich's share of the company for the bargain-basement price of $116 million.[259]

With Davis repeatedly refusing requests for more cash, Diller employed a variety of other measures to try to save the company. He cut costs through employee layoffs and reduced budgets across the board. He informed the SEC in November 1984 that the company planned to raise much-needed operating money through either a debt or preferred stock offering.[260] He brought in a bevy of new executives, including respected attorney Jonathan Dolgen, to handle the company's finances.[261] Amidst all of these efforts, the company's problems – and the growing conflicts between Diller and Davis – became increasingly public. For example, in December 1984, *Variety* declared "Fox' Earnings Plummeted in '84 but Davis Lined Other Pocket."[262]

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[258] Such write-offs are standard industry practice. When a new "regime" arrives, it often places the projects developed by the previous management in turnaround. See Block, 85.
[259] "Davis Takes Over 20th Century Fox," *Broadcasting*, 22 October 1984, 98.
[260] Cohn, "'84 Pix Biz Saw Shifts," *Variety*, 82.
[261] Block, 85-88.
[262] December 5, 1984, 4.

Frustrated and running out of options, Diller (and his lawyers) once again approached Davis in early 1985. Davis finally agreed to provide Diller with $50 million – the amount generated as a dividend from the CBS/Fox venture.[263] Davis also helped the company attain a $400 million line of credit.[264] Diller, however, knew this would not be nearly enough. He thus prepared to sue Davis for breach of contract and fraud. In spite of the mounting conflicts between Diller and Davis, Diller was determined to save Fox – even if it meant he would be engaged in a lengthy legal battle. According to Block, Diller issued an ultimatum to Davis: "You either make an agreement to sell the company, or I sue you for fraud. Because I have no choice. I'm in this company hook, line, and sinker."[265]

Having already more than made his money back from Fox, Davis was prepared to sell off part – but not all – of the company. At this point, his bankers led him to someone willing to buy a half ownership in the company: News Corp. head Rupert Murdoch. In the next section, I explain how Murdoch came to see a Hollywood studio – and eventually, Fox – as the starting point from which he could build a global empire. This section provides an overview of Murdoch's previous efforts to build a media conglomerate centered on publishing. I then describe how, during the late 1970s and early '80s, he gradually shifted his focus away from Britain and Australia and toward the United States. Though he entered the American market as a publishing baron, it didn't take long for him to pursue the position of media mogul. Yet though he may have been interested in

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263 "Fox Firms $400-Mil Credit Line; Davis Putting In Another $50-Mil," *Variety*, 13 March 1985, 3.
264 Ibid.
265 Block, 101.

Hollywood, Hollywood was not as interested in him – at least immediately. His advances toward Warner Bros. were spurned, but Fox proved much more receptive. After exploring the process by which Murdoch assumed complete ownership of the Fox, I describe the steps he took to rebuild it in the wake of what *Variety* called Marvin Davis's "commercial and artistic rape of a venerable motion picture entity."[266]

ASSEMBLING AN ENGLISH-LANGUAGE EMPIRE: RUPERT MURDOCH AND NEWS CORP.

The name Rupert Murdoch elicits a variety of reactions from journalists, media executives and scholars. His right-leaning politics, his reputation as a hands-on leader and his multi-billion dollar "impulse buys" have garnered him a great deal of press over the years. In addition, his ruthless business tactics as well as his dedication to keeping his business "in the family" have led him to be compared to real-life press baron William Randolph Hearst and reel-life character Charles Foster Kane.[267] Murdoch is as often cited when discussing the continued validity of the "great man theory" as his company, News Corp., is used to demonstrate the "globalizing" tendencies of contemporary media organizations.[268]

The pages which follow offer a somewhat different perspective. I suggest how both Rupert Murdoch and his company are far more complicated objects of

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266 "'85: The Year of Turner & Murdoch," *Variety*, 8 January 1986, 12.
267 For examples of such descriptions, see Loynd, "$250-Mil Buys Murdoch," *Variety*, 33; Shawcross, *Murdoch*, 288; Kiernan, *Citizen Murdoch*.
268 For an example of the former, see Wendy Goldman Rohm, *The Murdoch Mission: The Digital Transformation of a Media Empire* (New York: John Wiley & Sons, Inc., 2002). For an example of the latter, see Timothy Marjoribanks, *News Corporation, Technology and the Workplace: Global Strategies, Local Challenge* (Cambridge: Cambridge University Press, 2000).

study than such labels and descriptions suggest. Murdoch has not existed in a bubble; rather, he has continually responded to larger economic, social, technological and cultural conditions. Further, while at times he has exerted an influence on Fox's business practices, the company's development and expansion were due to the efforts of a number of individuals and came in response to a variety of larger forces. Similarly, though News Corp. was often at the head of the pack in terms of its entry into new markets and new regions of the world, the company did not become a pioneering global force as early as it has been portrayed by many journalists and academics. In the next several chapters, I show how News Corp., through the mid-'90s, confined most of its activities to the English-speaking world.[269] By extension, I argue that in qualifying News Corp.'s "global" activities, we can also challenge the sometimes grandiose statements made by many media analysts about the globalizing tendencies of the entertainment industries during the '80s and '90s.

In order to demonstrate these points, it is important first to provide a bit of background on Murdoch and his company. Born in Australia in March 1931,

[269] Joseph D. Straubhaar provides a useful theoretical framework for re-thinking News Corp. as a 'global' company. In "Distinguishing the Global, Regional and National Levels of World Television," he argues that "in terms of media and media flows, a more significant phenomenon than [the] idea of globalization, *per se*, may well be the 'regionalization' of television into multi-country markets linked by geography, language and culture." News Corp.'s media activities were contained predominantly within these terms through the mid-'90s. As an interesting anecdote (which helps reinforce Murdoch's English-language strategy during the '80s), Murdoch told *Variety* he had avoided any involvement in non-English speaking countries because "I like to be able to understand what I'm publishing," "Murdoch's Takeover Bid Closer; Exec Gives Overview of Plans,"17 December 1986, 103. For the Straubhaar article, see Annabelle Sreberny-Mohammadi, Dwayne Winseck, Jim McKenna and Oliver Boyd-Barrett, eds., *Media in Global Context: A Reader* (London: Arnold, 1997), 285. *Advertising Age* provides a chart of Murdoch's holdings circa June 30, 1985 which further reinforces Murdoch's focus on English-language markets in "Murdoch Milestones," 13 June 1994, 68.

Keith Rupert Murdoch was raised in a newspaper publishing family.[270] Upon his father's death, Murdoch inherited a handful of Australian newspapers. He returned from school in England to join News Limited as a publisher in 1953. During most of the '50s and '60s, Murdoch remained focused on building up the company's publishing base in Australia. His first expansion beyond Australia occurred in 1963, when he invested in a Hong Kong magazine publisher and a New Zealand newspaper.[271]

It was during the late '60s that Murdoch began to expand his publishing activities abroad. He focused his energies on England initially, buying into the *News of the World* and the *Sun*. His investment in these papers earned him a great deal of money as well as the reputation as a lowbrow, "down-market" publisher. Due to his active involvement with the *News of the World* he acquired the name the "Dirty Digger." This title was given to him by *Private Eye* magazine following the *News of the World*'s aggressive coverage of British government official John Profumo's affair with call girl Christine Keeler.[272]

In 1973, Murdoch entered the American market for the first time with his purchase of the *San Antonio Express and News*. During this year he also moved his family from London, which had been their primary residence for several years, to New York City. From this point on, the United States would be his main home, although he would retain properties in the UK and Australia. He believed that in order to be a major media player, it was crucial to build up his U.S.

[270] Chenoweth provides a useful timeline of Rupert Murdoch's life and the growth of News Corp. in *Rupert Murdoch: The Untold Story of The World's Greatest Media*, 360-365.
[271] Shawcross, *Murdoch*, 90-91.
[272] Ibid, 115.

investments.[273] He followed up on this belief by spending much of the ‘70s acquiring magazines and newspapers in the U.S. In 1974 he launched the *National Star*; in 1976 he purchased the *New York Post*, *New York* magazine and the *Village Voice*.

In the wake of this series of New York-based purchases, he was featured on the covers of both *Time* and *Newsweek*.[274] The *Time* cover of January 17, 1977 depicted Murdoch as King Kong, towering over the New York City skyline. In large print, *Time* declared “Extra!!! Aussie Press Lord Terrifies Gotham.” As this cover indicates, Murdoch was already being widely represented as a menacing media baron who traded in the sensationalistic. His notoriety in the U.S. continued to increase during the 1970s and early ‘80s as he assumed control of a number of additional major-market U.S. papers, including the *Boston Herald* and the *Chicago Sun-Times*. At the same time, he added to his U.K. holdings, purchasing the *London Times* and *Sunday Times* in 1981. During the ‘80s, he regularly used his British papers to build support for Prime Minister Margaret Thatcher and her policies. Such tactics only added to his reputation as a right-wing propagandist, especially in Britain.

As was the case with many large conglomerates of the ‘60s and ‘70s, News Corp.’s holdings were not limited to publishing. Rather, the company held an interest in a variety of other industries, including aircraft, oil, bauxite, wool

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273 Gomery, “Vertical Integration, Horizontal Regulation: The Growth of Rupert Murdoch’s US Media Empire,” *Screen* 27, nos. 3-4 (May-August 1986), 81.
274 See “Extra!!! Aussie Press Lord Terrifies Gotham,” *Time*, 17 January 1977, cover; “Press Lord Takes City: Murdoch Bags NY Post,” *Newsweek*, 17 January 1977, cover.

and gambling.[275] Regardless of the ways he grew the company, he always made sure to retain control over it. His financial advisers helped him establish a complicated (some might say labyrinthine) corporate structure designed to keep him and his family in power. Thus by the late '70s, through his family's holding company, Cruden, he held approximately 40% of Australia's News Limited, which owned 49.3% of Britain's News International.[276] These two companies, in turn, owned the News America publishing company.

During the early '80s, Murdoch began to make his first investments in audio-visual media.[277] In 1981, he collaborated with producer Robert Stigwood to produce the Australian historical drama, *Gallipoli*. At about the same moment, he thought seriously for the first time about buying a Hollywood studio. According to Block,

> Murdoch had come close to buying a share of Fox once before. During the period when Dennis Stanfill was looking for someone to help him do a leveraged buyout, some bankers had approached Murdoch about taking 40% interest. Murdoch had been interested, but Stanfill had seemed hesitant to give up so much control. Murdoch had studied the situation in some detail and liked the prospect, but before he could act, Davis had arrived and made his preemptive bid.[278]

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275 It was only in the late '80s, as Murdoch attempted to move more extensively into entertainment-oriented businesses, that he sold off many of his non-media assets to obtain additional cash. For an in-depth discussion of Murdoch and News Corp. circa the mid-'80s, see "Murdoch and News Corp.: High-Stakes Global Gamblers," *Broadcasting*, 16 February 1987, 42-48. His non-entertainment holdings are mentioned on p. 43 of the article.

276 Shawcross, 198.

277 Though Murdoch initially invested in television in the '80s, he had long been fascinated by the broadcast industry. During the late '50s, Murdoch developed a friendship with ABC head Leonard Goldenson, whom he visited when he traveled to New York. ABC proceeded to acquire a six percent interest in News Corp. See Shawcross, 78.

278 Block, 101.

These first tentative gestures toward entering into the entertainment business were followed by a much more extensive investment in satellite distribution shortly thereafter. In 1982, Murdoch invested in Sky Channel, a start-up satellite venture which aspired to broadcast programming across Europe.[279] He followed this with an investment of $75 million in direct broadcast satellites (DBS) for the American market.[280] This money was to be used to develop "Skyband," a five-channel, low-power nationwide (U.S.) satellite service. In an attempt to build up his programming base for his satellite operations, he bid unsuccessfully for the pay cable channel Showtime in August 1983.[281] This initial effort to build an American satellite business was short-lived.[282] In November 1983, he put DBS on hold, paying $12.7 million to get out of his contract for the lease of the satellite transponders.[283] Among the reasons News Corp. cited for pulling out of the venture were "difficulty in procuring programming and home earth stations and the insufficient power of its broadcast satellite, SBS III."[284]

Following the failure of his DBS venture, Murdoch attempted to remedy one of the primary problems he faced – namely, his insufficient supply of programming – by investing in a Hollywood studio. This time, Warner Bros. was

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[279] "Revamped Sky TV: TBS, USA, Models," *Variety*, 9 November 1988, 48.
[280] "Murdoch Tunes into DBS to Tune of $75 Million," *Broadcasting*, 9 May 1983, 34.
[281] "The End of the Warner-Murdoch War," *Broadcasting*, 26 March 1984, 60.
[282] Europe's Sky Channel, meanwhile, continued to lose money until Murdoch shifted its focus to the UK (and renamed it Sky Television) in February 1989. Even then, it was a drain on News Corp. until it was merged with British Satellite Broadcasting to become BSkyB. See "Murdoch Takes Big Hit on Britain's Sky TV," *Broadcasting*, 26 February 1990, 55; Paul Noglows, "News Corp. Walks Tall on Street: Market Expected to Welcome Murdoch's Offer," *Variety*, 23 March 1992, 125.
[283] "The New Order Passeth: A Long, Hard Look at Promise Versus Performance of the New Media," *Broadcasting*, 10 December 1984, 54.
[284] "Trying to End Flow of Good Money after Bad in DBS," *Broadcasting*, 9 January 1984, 128.

his target. In early December 1983, he purchased 6.7% of the Warners stock, WCI.[285] He stated the primary reason behind his investment as being his interest in the Warner Bros. film library and studio.[286] Warners' chair Steven Ross perceived this investment as the first step toward a hostile takeover and reacted accordingly. At the end of December, WCI announced plans to merge with the Chris-Craft station group in what was widely perceived to be an attempt to fight off Murdoch.[287] (FCC regulations prohibited foreigners – which Murdoch was at the time – from owning U.S. television stations.) Shortly thereafter, Murdoch declared his plan to increase his ownership stake in WCI to up to 49.9% (in fact, the highest level he got up to was 8.5%).[288] In addition, Murdoch took WCI to court in an effort to halt its merger with Chris-Craft. One journalist described the WCI-News Corp. brouhaha as "the most dramatic takeover battle in the communications industry in some time."[289]

Ultimately, Murdoch gave up on his pursuit for Warners. In March 1984, WCI bought out his share. Though he emerged from the arrangement without ownership of a studio, he did earn $40 million in profit – a 31% gain on his investment.[290] Following the failed bid for Warners, Wall Street anticipated another bid by Murdoch for a studio. Consequently, the stock prices for at least two studios fluctuated substantially during late March.[291] In fact, Murdoch did not

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[285] "Murdoch is WCI's Prime Holder; Allen Link Hints Scenario," *Variety*, 5 December 1983, 3.
[286] "One Round Goes to Warner in Fight with Murdoch," *Broadcasting*, 16 January 1984, 44-45.
[287] "Murdoch Makes Bid for Warners; Curious Angles," *Variety*, 4 January 1984, 76.
[288] Ibid.
[289] "Murdoch Maneuvers for Warner," *Broadcasting*, 9 January 1984, 43.
[290] "Warner Buys Out Murdoch for $172-Mil," *Variety*, 21 March 1984, 1, 150.
[291] "The End of the Warner-Murdoch War," *Broadcasting*.

immediately pursue another studio. About a year passed before he made his next bid. This time, Fox was his target. In March 1985, Murdoch bought half of Fox for $250 million – thereby paying more than double the amount Marvin Davis had paid for Marc Rich's half.[292] Of this $250 million, $132 million went to Fox's motion picture arm.[293] The cash infusion from News Corp. effectively paid off TCF's bank debt and significantly reduced Marvin Davis's debt.[294]

In spite of Murdoch's recent pursuit of Warners, the announcement "caught the industry by surprise."[295] Given Murdoch and Davis's strong personalities and distinctive management styles, few industry analysts believed they would share control of Fox for long. As *Time* noted soon after the news went public, "No one expects either Davis or Murdoch to be content with half control. Most predict that the eventual winner will be Murdoch, who has long hankered for a movie company to provide films for his TV holdings outside the U.S."[296]

In fact, less than six months later, Murdoch did assume complete control over Fox. The means by which he obtained total ownership of the company was through his purchase of the Metromedia independent station group – the group of television stations which would soon become the base from which the Fox television network was developed. Murdoch began discussing purchasing these

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[292] Loynd, "$250-Mil Buys," *Variety*.
[293] Ibid. For tax purposes $88 million of the $250 million advanced by News Corp. was considered a loan.
[294] Ibid.
[295] Ibid.
[296] Gerald Clarke, "Now All We Need is an Ending: Rupert Murdoch Buys Half of Fox from Marvin Davis," *Time*, 1 April 1985, 66.

stations with their owner, John Kluge, in March 1985 – in other words, before his initial investment in Fox even had been finalized.[297]

Murdoch, Diller and Kluge first met as a group on March 24, 1985 at a cocktail party and began preliminary discussions about the stations at that time.[298] Murdoch had met Kluge before; in fact, he had been part of the venture capital group which helped finance Kluge's move to take Metromedia private in 1983.[299] Kluge had taken the company private in anticipation of selling off the television stations. Diller's successor at Paramount, Frank Mancuso, was among the interested buyers.[300] However, Murdoch – with Diller's encouragement – acted first.

At the beginning of May 1985, Murdoch announced his purchase of six Metromedia television stations for the "seller's price" of $1.55 billion.[301] Coming as it did less than six weeks after the announcement of the ABC-Cap Cities merger, the deal added to an already-frenzied atmosphere in the broadcast station business. The sum advanced by Murdoch amounted to fifteen times cash flow, leading to speculation that he had overpaid.[302] While this may have been the case, Murdoch recognized that the station group was a unique asset. As he observed a couple of years after the transaction, "In my mind, I should have paid less, but I

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297 Block, 120.
298 Ibid.
299 "Billion-dollars-plus Buyback at Metromedia," *Broadcasting*, 12 December 1983, 33-35.
300 Block 122-123.
301 Some initial announcements reported the figure at $2 billion (and seven stations) but some of that money was immediately returned to News Corp. because of the intended sale of the seventh station in Boston to Hearst Broadcasting. This information comes from "Another Spin for TV's Revolving Door," *Broadcasting*, 6 May 1985, 3940. "Seller's price" statement comes from "Life Among the High Rollers: Metromedia's $2-billion Deal with Murdoch-Davis; Hearst's $450 Million for Boston," *Broadcasting*, 13 May 1985, 37.
302 "How Murdoch's Production Pieces Will Fit Together," *Broadcasting*, 19 August 1985, 36.

knew that I was paying a premium of $200 million-300 million for the chance to get all those cities together in one hit. It was a unique opportunity to buy them together rather than on a stand-alone basis."[303]

With this one transaction, Murdoch became the owner of the fifth largest station group in the U.S. covering 18.105% of the country.[304] Following this deal, News Corp. controlled 93 publishing, broadcasting and other operations with assets of $4.7 billion and annual revenue of $2.6 billion.[305] According to Murdoch biographer William Shawcross, News Corp.'s holdings now reached a quarter of the world's English-speaking population.[306]

Although Marvin Davis was present for the public announcement of the purchase of the Metromedia stations, it soon became apparent that he was not interested in taking the company in the same direction as Murdoch. Murdoch was willing to pay top dollar to grow Fox; Davis, meanwhile, preferred paying bargain basement prices and selling off the company's assets for a profit. Thus during the summer of 1985, Davis told Murdoch he wanted out. He felt the prices being paid were too high – and further, he wasn't "having fun" owning a studio anymore.[307] In September, Murdoch paid $325 million to buy Davis's remaining half.[308] Although Davis had put in more than $700 million in 1981 for half ownership of

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[303] "The Thinking Man's Media Baron," *Broadcasting*, 13 April 1987, 72.
[304] "Television's New Top 20," *Broadcasting*, 27 May 1985, 36.
[305] Shawcross, 248.
[306] Ibid.
[307] Block, 136.
[308] Ray Loynd, "Murdoch Buying Davis Out of 20th Fox: Price Comes to $487-Mil Total," *Variety*, 25 September 1985, 3. The deal was official in December 1985. For a discussion of this, see "Fox Officially Goes to Murdoch; Final Deal Little Changed," *Variety*, 11 December 1985, 3, 26.

the company, by no means did he lose money on the investment. As one trade writer noted, the Fox which Murdoch purchased was a "much leaner entertainment company" than it had been when Davis came into the picture.[309] In less than five years, Davis had sold off several of the company's holdings. What's more, he was believed to have cleared more than $500 million in profit during that time – not counting the money he diverted into his holding company during the course of his ownership.[310]

With Davis out of the picture, Murdoch began to restructure the company, cutting staff and adding assets. In fall 1985, 300 of Fox's 1500 employees were laid off.[311] In spite of the smaller staff, Murdoch continued to add to his company's holdings. Most significantly, he purchased Metromedia's production arm, a division responsible for such programming as the top-rated *Dynasty* and the first-run sitcom *Small Wonder*.[312] Murdoch then combined Metromedia Productions with Fox's holdings, and created a new company, called Fox, Inc.[313] Diller was placed in charge of Fox, Inc.'s three principal divisions: The television and motion picture production and distribution arm, 20th Century Fox Film Corp. (which now included Metromedia Productions); the Metromedia television stations, which were now called the Fox Station Group; and a new, as-yet-undefined entity, called the Fox Television Network.[314] The form which the Fox

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309 "Fox Officially Goes," *Variety*.
310 Ibid.
311 Koepp, "Murdoch in the Mogul's Seat," *Time*.
312 "Murdoch Buys Metromedia Prods.; 'Dynasty' Clipped so Price Dips," *Variety*, 14 August 1985, 39, 56.
313 Ray Loynd, "Gather 20th Under Fox Inc. Umbrella: Horn Appointed Film Arm Chief," *Variety*, 16 October 1985, 5, 420.
314 Ibid.

Television Network would take in terms of structure, programming and staff would be defined over the course of the next several years. The next section discusses the initial development of the Fox Network, and examines the ways in which this new network took shape due to News Corp. and Fox executives' responses to and negotiations with a variety of entities including regulators, independent television stations, advertisers, industry executives and program producers.

CREATING A "FOURTH" NETWORK

> The FCC will encourage it; Rupert Murdoch has appointed a president for it, and despite substantial skepticism, it may happen, possibly losing tens or hundreds of millions of dollars initially. The 'it' is a fourth television network, a much talked about opportunity to leverage corporate identity, capture more of the estimated $8.3 billion in spot and other national television advertising dollars spent outside the existing broadcast networks and, its backers hope, even to overtake ABC, CBS and NBC…
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> *Broadcasting*, 1986[315]

> Kellner sought to distinguish FBC from first-run syndication, arguing that such programing suffers from inadequate national promotion, no 'day-and-date exposure' and a lack of sophisticated development. 'We are going to be much more in the business that the three networks are in,' said Kellner, but he added: 'It's not really a fourth network. We are a company that fulfills the needs of four interested groups: viewers, advertisers, producers and stations…
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> *Broadcasting*, 1986[316]

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[315] "Charting the Future: The Prospects for a Fourth Network," *Broadcasting*, 10 February 1986, 36.
[316] "Fox's Bold Programming Leap," *Broadcasting*, 5 May 1986, 36.

Murdoch paid such a high price for the Metromedia stations that he had to find a way to further increase their value. The sensible solution involved turning these independent stations into O&Os, which would then function as the core of a new nationwide television network. A number of necessary 'external' factors enabling the creation of a network had already fallen into place: As was outlined in chapter two, by the mid-'80s, the regulatory and industrial environment had become increasingly supportive of a fourth network.

Along with the aforementioned factors needed to start a fourth network, the venture had to be supported by a deep-pocketed, well-positioned media company. The founder of this new network had to have enough money to compensate affiliates, pay competitive license fees for programming, and hire experienced executives. Further, the company had to be willing to sustain losses in the tens of millions of dollars – possibly for several years – while the network built up its distribution system and established a large enough viewership to attract significant advertising money.

Fox, under Murdoch's ownership and Diller's leadership, fit the bill on all counts. Murdoch's previous investments in publishing had made him amenable to making long-term commitments. As one journalist observed, "starting a national newspaper could cost Mr. Murdoch far more than [the $30 million to $50 million he expected to lose in the first year of launching a new network]".[317] For Murdoch the investment was well worth it because it would enable him to become more involved in the American market and, at the same time, help him build up his

[317] Wayne Walley, "Fox Fourth Network Plans Pick Up Steam," *Advertising Age*, 5 May 1986, 1.

supply of programming for future satellite ventures around the world.[318] Meanwhile, Diller had the chance to realize his long-held goal of creating a fourth network. Diller was now in charge of the perfect company to accomplish this feat – namely, a motion picture studio which already had an established reputation as well as a long-standing relationship with the creative community. This time, he also had what he had lacked before – a boss willing to take considerable financial risks in order to realize a long-term investment.

Although the Fox network started out with these advantages, its executives still had to serve and respond to a variety of interests in order to pull of this endeavor. Advertisers, independent stations, program producers, and regulators each had their own set of demands and desires. Fox's successful launch was in large part due to its executives' skill at demonstrating how the network would serve each of these entities' individual needs.

Regulators were the first major group which had to be satisfied in order for Murdoch to proceed. News Corp. and Fox executives repeatedly uttered the mantra of "competition" to get what they wanted out of the FCC and Congress. The deregulatory-minded FCC represented a minimal challenge at best; after all, one of the major objectives of the Commission over the last several years had been to encourage an environment in which a fourth network could emerge. The increase in station ownership limits and the repeal of the anti-trafficking rule had been undertaken with the hope that new sources of competition would emerge.[319] Until Fox emerged as a potential network, exactly the opposite had taken place:

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318 Block, 106.

319 The 12-12-12 ownership rules became official April 2, 1985.

smaller stations had been squeezed out and the industry had further consolidated. Thus it was likely to be music to the commissioners' ears when they heard Murdoch promise he would bring money in for additional programming.[320] Diller, meanwhile, tried to squelch any concerns about concentration by declaring they "had no plans to operate as a vertically integrated company."[321] When Murdoch was asked about potential difficulties he could face as a result of the (still-extant) fin-syn rules, he reportedly responded, "Don't worry about it. We'll change it or something else will happen by then."[322] As the following chapters will demonstrate, this did in fact prove to be the case.

Given this encouraging regulatory environment, Murdoch and company did not have much difficulty attaining the Metromedia stations. One obstacle faced by Murdoch – which could have been a considerable one if he had been operating in a different regulatory and political environment – was his status as an Australian citizen. FCC regulations prohibited foreigners from owning more than 20% of a broadcast license directly.[323] In order to circumvent this regulation,

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[320] "Another Spin," *Broadcasting*, 40.

[321] John Dempsey, "Metromedia Sells 7 TV Stations to Murdoch, Davis," *Variety*, 8 May 1985, 1, 170.

[322] Block, 131.

[323] "Another Spin," *Broadcasting*, 39. According to *Broadcasting*, the limit is 25% "if that interest is held through an intervening corporate layer." Neil Chenoweth argues that Murdoch employed a new form of "virtual law" to make himself and his company "American." He argues: "Murdoch's lawyers would pioneer a form of virtual law that allowed him to assure the FCC in 1985 and every year since then that the Metromedia television stations were American-owned because he and Barry Diller owned 75 percent of the voting stock of 20th Holdings Corporation, the holding company for the stations, and thus he and Diller controlled the stations. At the same time the News lawyers would tell the U.S. Securities and Exchange Commission that News Corp., a foreign company, controlled 20th Holdings. It held 99.9 percent of the company as nonvoting stock and could force Diller and Murdoch to sell the voting stock back to it at any time." See *Rupert Murdoch: The Untold Story*, 61. As I discuss in chapter seven, this strategy eventually came under regulatory scrutiny (leading to a corporate restructuring) due to petitioning from NBC and the NAACP in the mid-'90s.

Murdoch declared he would become an U.S. citizen. Although the normal waiting period for citizenship ranged from three to five years, Murdoch became an American less than six months later.[324] The speed with which the FCC granted Murdoch his citizenship was telling. Indeed, it foreshadowed the extent to which the commission bent over backwards for him and his company. Any request for a waiver or a reevaluation of a long-standing regulation would be granted with haste and typically in favor of Fox or News Corp.

The only other significant hurdle Murdoch had to overcome was the Commission's cross-ownership rule. Under this guideline, a company could not own a newspaper and television station in the same city. The FCC readily issued a two-year waiver allowing Murdoch to keep both his TV stations and newspapers in Chicago and New York City.[325] Some members of Congress – who were already beginning to clamp down on Fowler's FCC – were unsettled by the ease with which he received waivers for the *Chicago Sun-Times* and the *New York Post*.[326] However, the commission had no intention of provide News Corp. with road blocks now or any time in the future.

As soon as regulators approved the Metromedia purchase, Fox began to court independent television stations. Recognizing that the support of these

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[324] "Another Spin," Broadcasting, 39. Later Murdoch declared that he changed citizenship primarily due to "commercial considerations." For this comment, see "Murdoch's Takeover Bid Closer," *Variety*, 103.

[325] Loynd, "Murdoch Buying Davis," *Variety*, 25.

[326] Murdoch sold off the *Sun-Times* in 1986. However, he tried to retain control over the *Post* for as long as possible. Ultimately, he was forced to sell off the *Post* in early 1988 as the result of a controversial amendment added at the last minute to the Hollings-Kennedy bill. For a discussion of the sale of the *Sun-Times*, see "Murdoch Sells Off Sun-Times to Avoid A Hassle with FCC," *Variety*, 2 July 1986, 3. For a discussion of the *Post* controversy, see "Court Comes Down for Murdoch on Crossownership," *Broadcasting*, 4 April 1988, 40-41.

stations (i.e., future affiliates) was crucial to the success of a fourth network, Murdoch made the first "official" statement regarding the formation of Fox at their annual trade convention (INTV) in January 1986. The timing of the announcement could not have been better: After several boom years, independents were beginning to hit a rough patch. In an attempt to realize the inflated prices for which they had been purchased, independents were placed in a bidding war with each other for programming. As one writer noted, a vicious cycle was emerging of "improperly structured financing, overly optimistic projections and overly generous purchasing."[327]

The tumultuous period being entered into by independents worked in Fox's favor. In many major markets, Fox had several independents to choose from; by this time, independents numbered close to 300 and covered 86% of the country.[328] There were at least two independents in every market up to number 67 – and by that point, a potential network could cover 75% of the country.[329] Traditionally, advertisers required 70% penetration in order to purchase commercial time on a nationwide basis.[330] Thus, a network covering the U.S. was clearly viable by this time – and what's more, it was an attractive proposition, especially according to the terms outlined by Fox executives, who began to actively pursue affiliates during the summer of 1986.

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327 "Independents Weather a Rough Year," *Broadcasting*, 5 January 1987, 98.
328 According to *Broadcasting*, there were 283 independent stations by December 1985. See "Independent Television: The Good Gets Better," 6 January 1986, 61. Percentages and Fox affiliate totals from "Fox Broadcasting Goes to Madison Avenue," *Broadcasting*, 9 June 1986, 42.
329 "Charting the Future," *Broadcasting*, 37.
330 "Fox Signs 79 TV Outlets for its Programming," *Los Angeles Times*, 4 August 1986, 3.

In pitching the venture (which newly-appointed Fox president Jamie Kellner strategically described in press conferences not as a network but as a "satellite-delivered national program service for independent stations"), independents were presented with an enticing package:[331] First, Fox guaranteed "quality" (read: high production value) programming at no cost to independents. In exchange for providing this programming "free" of charge, Fox would receive the lion's share of independents' advertising time. Although Fox requested a substantial amount of advertising time, it was far less than that taken by the Big Three. Fox affiliates would be allowed to keep six thirty-second spots for each prime time hour – nearly double the amount provided to network affiliates.[332] Second, Fox offered compensation payments equivalent to those offered by the established networks.[333] In return, Fox asked prospective affiliates for a minimum two-year commitment as well as day-and-date airing of the company's programming.[334] Third, the new venture promised to start its prime-time programming on weekends so as not to interfere with independents' established (and already paid-for) "stripped" weekday programs.[335] Fox executives felt it was important to have two consecutive days available for their initial prime-time launch in order to allow for cross-promotion between the nights.[336] As such, a Saturday-Sunday schedule was the logical choice. While independents would be

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331 "Fox's Bold Programming Leap," *Broadcasting*, 36. Also see Bill Daniels, "Fox B'casting Web Envisions A 3-To-5-Hour Weekly Slate By March '87; Sept. Bow Set," *Variety*, 519, 533.
332 "Fox Hatches Indie Web: First Sign of Life – Walks, Squawks Like a Duck," *Variety*, 14 May 1986, 50.
333 Ibid.
334 Ibid.
335 "Stripping" a show means airing it five days a week, Monday through Friday.
336 "Charting the Future," *Broadcasting*, 37.

expected to give up Sundays – the nights with the highest "HUTs" (households using television) – they would not have to interrupt their established weekday line-up, at least initially. Meanwhile, losing Saturdays was no great sacrifice for independents as this night had the lowest HUTs.[337]

Regardless of what nights Fox planned on premiering its programming, a number of major companies were prepared to advertise. Whereas Diller's earlier efforts at developing a fourth network at Paramount had been halted due to lack of advertiser support, the ad market had now expanded substantially. By 1986, total expenditures on television advertisements stood at $7.6 billion – nearly three times the sum spent a decade before.[338] In spite of the significantly larger amounts being allocated for advertisements, companies were eager to find alternate outlets through which to sell their products. This was particularly the case due to the rise in the Big Three's ad rates – which, as noted previously, continued to ascend in spite of declining network ratings and shares. Advertisers were already turning to independents due to their ability to attract the most desirable viewers; a study in late 1985 found that independents outranked network affiliates in a number of important demographic groups. Independents attracted 19% more women in the 18-49 range, 19% more women in the 25-54 range, 23% more men in the 18-49 range and 17% more men ages 25-54.[339] With independents already out-performing the networks in several key areas, a new network seemed likely to bring in even larger numbers – and, in all likelihood, at a lesser rate to that

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[337] Ibid.
[338] Ibid.
[339] "Closing the Advertising Gap," *Broadcasting*, 30 September 1985, 72.

charged by the networks. Thus, attracting advertiser interest early on was not a difficult task for Fox's staff.

In gathering support from the creative community, Fox had to tread far more carefully. An especially resistant group proved to be the motion picture studios. In spite of Fox executives' assurances that they wouldn't buy from themselves (i.e.., both produce and distribute programming), the other studios looked upon Fox's new endeavor with skepticism.[340] As noted earlier, the networks and studios had long since staked out their positions and roles on the fin-syn rules and PTAR; meanwhile, Fox's place in relation to these regulations was not clearly articulated at this point. Although there was little Fox could do to encourage the studios to provide programming, executives took several steps to attract the support of independent producers. Guarantees were made that producers would have creative freedom and less executive interference. In place of a Standards and Practices division, Kellner stated "there [would] be a good, solid base of common sense."[341] Along with the possibility of more artistic autonomy, Fox promised deals on par with – and sometimes better than – what could be found at the networks. Fox planned to pay the "going rate" for license fees - $350,000 per half-hour and $950,000 per hour.[342] Such sums were intriguing to many independents which were already battling with network executives over license fee reductions. Meanwhile, Fox's stipulation that all

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[340] Block, 201.
[341] Daniels, "Fox B'Casting Web Envisions," *Variety*.
[342] "Fox's Bold Programming Leap," *Broadcasting*, 36.

programs be broadcast across the country at the same date and time reassured producers this wasn't just another experiment in syndication.[343]

The potentially innovative nature of this enterprise also became one of the means by which Murdoch and Diller recruited executives. In filling their executive roster, Murdoch and Diller had two overarching goals: Keep the staff "lean," thereby preventing Fox from being plagued by the layers of bureaucracy (and overhead) which existed at the Big Three; and hire "hungry" mid-level managers who were attracted to the "start-up" nature of the project and eager for the chance to have significant administrative input and move up quickly through the ranks.[344] Several programmers were recruited from NBC while much of the sales force was hired away from ABC.[345] Among the earliest and most important hires were advertising and affiliate relations executive David Johnson (from ABC), senior vice president and head of programming Garth Ancier (from NBC), and executive vice president Kevin Wendle (also from NBC).[346]

Cumulatively, Murdoch and Diller had relatively little difficulty attracting skilled executives as well as building up support from a variety of stakeholders including advertisers, independent television stations, regulators and the creative community. However, there were a few groups which continued to look

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[343] Ibid.
[344] For more on long-held hiring Diller's hiring philosophy, see Block, 149-150.
[345] John Lippman, "Murdoch, Diller Nab Web Execs for Fourth Net," *Variety*, 30 April 1986, 131, 158. Also see Craig Reiss, "Fox Stands 'Logic' On Its Head," *Advertising Age*, 19 May 1986, 84.
[346] Jamie Kellner was the first person hired by Diller and Murdoch. He came from Orion Entertainment Group, where he oversaw its network programming, pay television, home video and domestic syndication operations. Another important early hire was Scott Sassa, who came from Turner Entertainment to assist with the Fox's marketing and promotion efforts. Block describes these early hires and their various backgrounds in detail, 158-175. Also see "Fox Has a Mini TV Web in the Making: Kellner Teams Up with Zimmerman," *Variety*, 22 January 1986, 39, 68.

skeptically upon the new venture. The reason for concern from the established networks on regulatory and competitive grounds is relatively apparent. As noted above, many of the major studios objected for similar reasons. Syndicators also viewed this new program service with wariness.[347] Up through the mid-'80s, syndicators had been among the primary beneficiaries of the expansion of the television marketplace. Emerging cable channels and independent stations had needed product and syndicators had provided it in the form of both re-runs (i.e., recycled sitcoms, dramas and motion pictures) and original programming. Now Fox was threatening to take away some of this business.

On the surface it seemed to be the best of times for syndicators: For example, the trade papers trumpeted record sales of more than a half-billion dollars for *The Cosby Show*, which was sold into syndication in 1986.[348] Unfortunately, the success of a select number of shows belied increasingly difficulties in the syndication business. Most significantly, several boom years had led many syndicators to over-produce. Dozens of companies had appeared and created shows first-run syndication during the early 1980s. Unfortunately, demand far exceeded supply. The situation was made worse because many independent stations had overextended themselves and were now starting to default on their payments for programming.[349]

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347 The motion picture studios also operated as syndicators but there were a number of independent syndicators of varying size and scope as well.
348 The show began its syndicated run in 1998. "Viacom Taking Firstrun Route with The Cos," *Variety*, 22 October 1986, 451.
349 "The Second Fifty Years 1986," *Broadcasting*, 54.

What all of this meant was that Fox was preparing to launch into what many syndicators perceived to be an already contracting market. Fox executives' claim that they would be airing programming during those time periods which historically had been neglected by syndicators was received with doubt in many quarters.[350] As would become apparent over the course of the next several years, many of the apprehensions expressed by syndicators – as well as the studios and networks – would prove to be justified. However, before Fox could become the highly competitive, vertically-integrated force which these entities feared, it would first have to assemble its affiliate base, attract substantial advertising support and launch a reliable program schedule. The next section explores precisely how Fox took some of these preliminary steps. In addition, I examine the press discourses surrounding the program service and its first venture, *The Late Show Starring Joan Rivers*. I demonstrate how, although the program itself was a disappointment, it nonetheless served valuable marketing and distribution functions for the company.

A RATINGS FAILURE, A BRANDING SUCCESS: T*HE LATE SHOW STARRING JOAN RIVERS*

> Only a few days ago, the ambitious plans of Rupert Murdoch and 20th Century Fox chairman-CEO Barry Diller to create a fourth television network were being dismissed by almost every expert as fantastic folly. But following the revelation last week that the Fox Broadcasting Co. will begin a phased-rollout of a fourth network in March of 1987 the heads of

[350] Wayne Walley, "Fox Backers Say Fourth Network Ready to Fly," *Advertising Age*, 22 September 1986, S-4.

> Hollywood studios, major television station groups and big budget advertisers immediately started lining up behind the network...
>
> *Advertising Age*, May 1986[351]

The initial response by the press and media industry to Rupert Murdoch's January 1986 announcement about the creation of a new network was one of skepticism. After all, seemingly dozens of companies had previously spoken of their plans to create "fourth networks" only to have such ventures dissolve over a matter of months (if they launched at all). However, the attitude of the press and the media industry changed dramatically in May 1986, when Barry Diller and Jamie Kellner brought journalists together for the Fox network's official launch.[352] Although Kellner outlined the network's objectives and programming plans, his speech in and of itself did not provide the new service with instant legitimacy.[353] That legitimacy, rather, came from the presence of one additional person at the event: Joan Rivers. Rivers was in attendance to announce her commitment to host a five-day-a-week late night talk show for Fox. She had agreed to give up her guest hosting responsibilities for *The Tonight Show with Johnny Carson* in exchange for a three-year, $15 million dollar paycheck and an opportunity to have her own program.[354]

Block argues "The Rivers announcement had impact beyond Fox's hopes. It gave the new entity instant credibility and, for the first time, a real public

351 "Fox Fourth Network Plans Pick Up Steam," 1.
352 Murdoch was not present at this event.
353 The main points of his presentation are discussed in "Fox Announces Rivers Show, Other Programing Plans," *Broadcasting*, 12 May 1986, 48, 50, 53.
354 Block, 184.

profile."[355] Suddenly Fox went from being represented as just another ad hoc effort to being depicted as the first viable attempt at a fourth network in more than thirty years. In his book, Block provides extensive detail about the creation – and rapid demise - of Rivers' program, *The Late Show*. Through interviews with numerous Fox executives, *Late Show* staff and Rivers herself, Block writes at length about the conflicts between business imperatives and creative desires – conflicts which he believes led to a disastrous first year for Fox and a short-lived run for *The Late Show*. He depicts a network that often seemed to develop in spite – rather than because – of the decisions made by its executives.

There is no need to reproduce that discussion here. I have a different perspective on Fox's first six months of operation (which is the time prior to the launch of Fox's prime time schedule). While it is true that Rivers' show itself was a failure, the show was not an unmitigated disaster for Fox. Rather, during its brief time on the air, it achieved two important objectives for Fox. First, it enabled the company to begin the lengthy process of establishing a clear identity – or "brand" – with the public. More specifically, the show gained the attention and awareness of the kinds of viewers which Fox would continue to cultivate over the next several years. Second, it demonstrated Fox's financial commitment, thereby generating regular journalistic coverage. The hiring of Rivers stimulated a degree and kind of treatment by the press which had not been provided to prior fourth network efforts. This coverage, in turn, had the long-term effect of helping Fox be taken more seriously by the public and the industry.

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355 Ibid, 192.

Everything seemed to happen at an accelerated pace following the May 1986 public launch at which Rivers was present. By the end of May, Fox had lined up its first affiliates. A number of independent station groups signed on early, including Cox, Meredith, Malrite and Outlet.[356] By August, Fox had cleared 80% of the country for its programming, and had affiliate representation in all but two of the top-30 markets.[357] Also by this time, the first sponsors had agreed to advertise on *The Late Show*. Bristol-Myers became the first to sign on, but was soon followed by several other prominent companies, including General Foods, JC Penney, Ralston Purina, Sears-Roebuck, American Motors Corp., and Johnson & Johnson.[358] The going rate for a spot on the show ranged from $10,000 to $22,000 – a discount of approximately 20% from the sum charged by the networks for the same time period.[359] Perhaps most compelling was a deal struck in October 1986 between Gillette and News Corp. Through this arrangement, News Corp. (via ad agency BBDO) sold Gillette advertising space as a package for News Corp.'s Fox, Network Ten (Australia) and Sky Channel (Western Europe).[360] This deal proved to be both a first for a media conglomerate as well as an indication of Murdoch's long-term objectives for his various television holdings.[361]

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356 "Fox Spins Web," *Variety*, 38.
357 "Fox Network Begins to Take Shape," *Broadcasting*, 4 August 1986, 44.
358 "Fox TV Web Signs First Major Sponsor," *Variety*, 23 July 1986, 40; "Fox's First on the Air," *Broadcasting*, 13 October 1986, 41.
359 "Fox Backers Say Fourth Network Ready to Fly," *Advertising Age*, S4.
360 "Murdoch Sells Mega Media to Gillette Co. Via One Ad Agency," *Variety*, 1 October 1986, 2, 112.
361 As innovative as it was, such an arrangement would not be replicated again for several more years.

While the affiliate roster and advertising base were being built up, Fox prepared for the October premiere of Rivers' show. Over the summer, construction began on an office and new studio at KTTV in Hollywood. More than $2 million was spent on creating a 420-seat studio designed according to Rivers' specifications.[362] Meanwhile, Rivers lined up her initial guests. This proved to be a more difficult task than anticipated due to the rumors circulating that anyone appearing on *The Late Show* would not be allowed on *The Tonight Show*.[363] Nonetheless, the show started as planned on October 9, 1986. At the time of the first broadcast, Fox had lined up 98 affiliates.[364] Early guests included David Lee Roth, Cher, Pee-Wee Herman and Elton John.

Although the show received a lukewarm response from critics, initially its prospects seemed promising. The ratings for the first week averaged out to a 4.2 – more than three times what they had been on independent stations prior to *The Late Show*'s premiere.[365] Journalists, however, were not looking at how previous shows had performed in *The Late Show*'s time slot. Rather, the yardstick by which the press measured success was how the show performed compared to *The Tonight Show*. Fox executives were unable to convince journalists that their competition was local newscasts rather than Carson's program (even though *The Late Show* only went head-to-head with *The Tonight Show* in three markets).[366] If

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[362] Block, 195.
[363] Block, 193.
[364] Alvin P. Sanoff, "Can a Fourth Network Succeed?," *U.S. News & World Report*, 13 October 1986, 51-52.
[365] A year prior to The Late Show's premiere, that time slot averaged a 1.2 rating nationally. "Charting the Rivers Ratings," *Broadcasting*, 17 November 1986, 40.
[366] "Rivers Show Opens to Weak Review, Fox Unfazed," *Broadcasting*, 20 October 1986, 33.

journalists weren't writing about how more than twice as many people viewed *The Tonight Show* over *The Late Show*, then they were noting the rapid drop-off the show experienced in ratings after its first week. By late October, ratings had dropped to about 2.5 (though the number of affiliates was now up to 99).[367] Into January 1987, Diller publicly continued to support the program, saying that Fox would stay with the show even if the ratings didn't improve.[368]

By this point, Fox had spent approximately $3.4 million promoting *The Late Show*.[369] This was a relatively minor sum considering companies regularly spent in excess of $500,000 to produce a single prime time television program. Unfortunately, the show's production costs were not equally low. Week after week, *The Late Show* went over budget.[370] At the same time, conflicts emerged between Rivers' production team and Fox executives about the direction the show should take. Thus, less than a month after Diller publicly declared his support, Fox took control of the show.[371] Fox executives were placed in charge and the original producers were fired in February 1987.

Although *The Late Show* was a failure for Fox as a television program, it was successful in other ways which were less readily apparent (and much less frequently commented upon). First, the program was an important means by which Fox quickly established itself with the press. As note above, Rivers' appearance at the May 1986 press conference provided Fox with instant

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367 "All the 'Rivers' Flowing South," *Variety*, 12 November 1986, 44. Affiliate number from "Murdoch and News Corp.: High-Stakes Global Gamblers," *Broadcasting*, 46.
368 "Fox to Bid for Monday Night Football," 19 January 1987, *Broadcasting*, 210.
369 Ibid.
370 Block 196.
371 Ibid, 233.

legitimacy. Numerous articles appeared from that time through the premiere of *The Late Show* in October 1986 which evaluated what precisely constituted a network – and to what extent Fox operated as one. This would be an ongoing point of debate over the next decade, as assorted News Corp. purchases and various Fox television programs functioned as discursive sites over which regulators, journalists, critics and industry executives reconsidered how networks previously had been – and continued to be – defined.

Second, *The Late Show* served as an effective promotional tool for Fox. It became a way for the nascent network to build an identity for itself with both the press and public. Its presence on stations five-nights-a-week helped to brand the show itself as well as the network-to-be. It marked the first in a series of steps taken by Fox to establish itself as a regular television presence. What's more, it helped Fox develop a *particular* image for itself and its programs – an image as a younger, hipper alternative to the Big Three. While the ratings were not as high as Fox executives had hoped they would be, two-thirds of the program's viewers were women between the ages of 18 and 34 – one of the demographic groups which were most highly pursued by advertisers.[372] Thus, *The Late Show* served as the launching pad from which Fox began the lengthy and challenging process of branding itself and its shows with some of the most desirable viewers. With awareness high among key demographic groups, Fox executives could now proceed to their next challenge – implementing the prime-time schedule.

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[372] Bruce Horovitz, "Fox Ad Campaign Seeks 'Alternate' TV Image," *Los Angeles Times*, 20 January 1987, 9.

Chapter Four: Staking a Claim on Prime Time, February 1987 – December 1989

> The continued existence of the Fox network is far from guaranteed and an evaluation of its performance could come before the end of the next broadcast season. That statement came from the incipient network's parent company, News Corp. …
>
> *Broadcasting*, June 1988[373]
>
> Fox, a disaster two years ago, has metamorphosed into a race horse. Ratings surged 66% February '88 to February '89…
>
> *Variety*, September 1989[374]

During the spring of 1987, Fox executives busily prepared for the April 5th launch of the prime time schedule. They planned to start slowly, premiering only two half-hour sitcoms on this first night and then gradually adding several more series to the schedule over the course of the next several weeks. Such a well thought-out strategy belied a great deal of uncertainty about the direction the program service would take. In fact, throughout the late 1980s, strong doubts remained about the long-term viability of Fox Broadcasting. These doubts were fueled primarily by a string of failed series and marginal ratings across-the-board.

In large part because Fox's status was so uncertain, executives increasingly took chances in the program formats they acquired and the scheduling strategies they implemented. As it turned out, out of the company's

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373 "Fox Keeping Close Eye on Network Performance," 20 June 1988, 40.
374 Gay, "1989-90 TV Season Preview: Shares Dwindle Down to a Precious Few but Nets Face Fall Season Hopefully," 13-19 September 1989, 59.

desperation came success. The more it reacted to what the other networks were doing – and counter-programmed accordingly – the more success the company had. When Fox used up everything it had in development, the company made the unprecedented move of licensing several series from pay and basic cable program services. What started as a stop-gap measure soon became an effective means by which Fox could build up its audience base. Similarly, when more traditional sitcoms and dramas failed to perform at the desired level, the company turned to reality programming developed out of the Fox owned-and-operated stations. The company's innovative strategy of scheduling such reality programs as *Cops* and *America's Most Wanted* during the summer proved to be a smart choice. At the same time, larger industrial developments including, most notably, a Writer's Guild strike, also worked in Fox's favor.

Thus through a process of trial and error, Fox slowly formulated its identity and carved out its demographic profile. From the fall of 1988 on, the company increasingly focused on targeting teenagers, African-Americans and, with growing frequency, the entire 18-to-34 age group. By identifying its audience, Fox was better able to cultivate its image as the "alternative" program service and shore up its relationships with its affiliates. While the other networks continued to see Fox as marginal, the company proceeded to lay the foundations from which it would redefine the television landscape during the 1990s.

Fox was not the only company struggling to define itself during the late 1980s. Indeed, this was a transitional moment for both regulators as well as the media industries in general. The Mark Fowler regime gave way to the Dennis

Patrick regime. Patrick brought into office the same deregulatory fervor as his predecessor. However, in drawing the ire of Congress through his support of the repeal of the Fairness Doctrine, he soon found himself and his commission rendered impotent. This caused the FCC to enter a period of brief moment of stasis.

The media world did not experience a similar stasis. Rather, the entertainment business was rocked by a string of mergers and acquisitions during the late '80s. These transactions far eclipsed the network sales of the mid-'80s. The "foreign" status of many of these new buyers contributed to a state of panic about the competitive role of American industry in the global marketplace. With journalists trying to understand the implications of the entry of European and Japanese investors into Hollywood, the press coverage attended upon the television industry diminished substantially. Thus, while newspapers heralded the new era of global media conglomerates initiated by the union of Time and Warner, Sony and Columbia, and Matsushita and MCA, the broadcast networks quietly began to recover from their crisis period of a few years earlier. News Corp. was similarly absent from many discussion of the "global future of Hollywood." Yet as the next section shows, the company was forging ahead with such global efforts, primarily through its development of a new satellite venture in the United Kingdom.

Difficult Times for Regulators and Media Conglomerates Alike

> It's business as usual at the FCC these days. That is, if you take into account a three-person agency with a Republican chairman and two Democrats, unable to act on anything if anyone leaves the room, in the heat of an election campaign that could change the entire direction of telecommunications policy, not to mention the political futures of the incumbents, and with the leadership of the Congress exerting pressure to assure that nothing happens at all…
>
> *Broadcasting*, 1988[375]

> Weakened by a devalued dollar and vulnerable to the dynamics of the free market, US show biz companies have been increasingly squeezed between Japan and the Pacific Rim on the one hand and the prospect of a united, economically reinforced post-1992 Europe on the other…
>
> *Variety*, 1989[376]

In April 1987, Mark Fowler stepped down from his position at the FCC after serving for five years, the longest of any chair. As noted in chapter two, his influence at the FCC was considerable, particularly during the first half of his tenure. During the latter portion of his term, his deregulatory zeal lessened. In part this was due to the fact that he had already deregulated so much. However, it was also a result of the growing resistance to deregulation on the part of both Congress and the other commissioners. In spite of his best efforts, a number of issues which he had hoped to address were not resolved upon his departure. The Fairness Doctrine remained in place as did ownership caps. PTAR and fin-syn likewise remained in place due mainly to effective lobbying by the MPAA and independent stations.

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375 "Plot Thickens at the Patrick FCC," 29 August 1988, 27.
376 Richard Gold, "Time's Move of the Year: Vaults to Media Pinnacle," 8-14 March 1989, 1.

Yet although Fowler was unable to completely deregulate the media business, his impact was nonetheless considerable. *Broadcasting*'s editors – like much of the industry – acknowledged that he played a central role in reshaping the business. However, his contributions were not always seen in the most positive of lights. As the trade publication noted immediately before he left office, "To the Fifth Estate, for which the Fowler FCC has done much, the question is not just what he did for it but what he did to it."[377] While broadcasters' paperwork may have lessened, their headaches increased due to the wave of hostile takeovers brought on with the raised ownership caps and removal of the station trafficking rules.[378] There came hope from many quarters that the Patrick FCC would be less polemical in its discourse and more moderate in its policies.

Patrick certainly had his work cut out for him when entered into the chairmanship. The cry for re-regulation was intensifying even as he began his term. In part this was due to mounting dissatisfaction with the Cable Act of 1984.[379] It seemed no sooner had the act been implemented than the cable industry further consolidated and rates accelerated upward.[380] However, if Patrick was coming into an inflammatory environment, he helped stoke the fires still more through his support for the repeal of the Fairness Doctrine. In August 1987 – just a few months after taking office – the FCC voted unanimously to repeal this

377 "The Fowler Years: A Chairman Who Marched to His Own Drummer," *Broadcasting*, 23 March 1987, 51.
378 Ibid.
379 The act went into effect on December 29, 1986. For a discussion of the act, see Paul Harris, "Cable's Image Takes Pounding in D.C.: Copyright Stance is Sheer Lunacy," *Variety*, 12 March 1986, 39, 46; "D-Day for Rates Arrives for Cable Industry," *Broadcasting*, 29 December 1986, 28-29.
380 Paul Harris, "FCC Joins Others Seeking Repeal of Compulsory Cable Licenses," *Variety*, 2 November 1988, 48.

regulation.[381] Although the Fairness Doctrine had been intended to encourage broadcasters to provide "a balanced perspective on controversial issues of public importance," in fact it often had been perceived as ineffective.[382] Many critics of the rule believed it had a chilling effect on the media's coverage of hot-button issues.[383] Regardless of its value, Congress responded to the Doctrine's repeal with hostility. After its elimination, members of both the House and Senate monitored the FCC much more closely. As *Broadcasting* observed, "through legislation and verbal and written protests, [congressional representatives] have managed to impress their will on the agency and [made] it harder for the FCC to exercise its own."[384]

The most explicit means of retaliation came in the form of Congress' refusal to appoint new commissioners when the terms of the active commissioners expired. Thus, the FCC was forced to operate with only three commissioners during much of Patrick's short time as chairman. During the remainder of his two years in office, Patrick and his commission accomplished relatively little; any hope they may have had of repealing additional regulations such as fin-syn quickly disappeared in the wake of the Fairness Doctrine uproar. Further deregulatory acts would have to wait until the next chair, Alfred Sikes, began his term in the summer of 1989.

The tumultuous times experienced inside the Beltway were matched by the instability felt on Wall Street during the late '80s. The turning point came on

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381 "FCC Votes to End Doctrine; Options Mulled," *Variety*, 5 August 1987, 1, 56.
382 Definition from Walker & Ferguson, 76.
383 Discussion of chilling effect in "FCC Votes to End Doctrine," 56.
384 "Life in the Slow Lane at the FCC," *Broadcasting*, 22 February 1988, 75.

October 19, 1987, when the stock market dropped over 500 points in one day.[385] "Black Monday," as it became known, occurred just as the advertising and broadcasting businesses were beginning to bounce back. This disturbance in the financial world affected various media entities differently. Television stations – both independents and affiliates – were particularly hard hit. This was partly because their prices had been so inflated to begin with. Station owners wanting to sell their properties often found themselves unable to unload them, especially after the stock market crash.[386]

The networks' status during the late '80s was more mixed. As discussed in chapter three, the networks suffered losses in market share, employees and income in the period immediately after they changed ownership. In 1986, NBC was the only network to turn a profit.[387] Network shares continued to decline as the decade wore on, reaching their lowest point in 1989 at 55%.[388] Yet in spite of the general economic crisis as well as the continued defection of viewers to cable and video, the networks began to rebound. In 1989, the Big Three reported an "extraordinary" upfront – the best in history.[389] Their operating margins were reported to be at levels "last seen in the late 1970s."[390] Thus, the odd situation

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385 "Fifth Estate Feels Impact of Stock Market Plunge," *Broadcasting*, 26 October 1987, 44-47.
386 For a discussion of the independent station market before the crash, see "Bad News is Good News for Some Indie TV Buyers," *Broadcasting*, 9 February 1987, 116-118. The environment after the crash is evaluated in "Lengthening Line of Sellers Adds to TV's Buyers Market," *Broadcasting*, 28 November 1988, 51.
387 "*Broadcasting*'s Exclusive 'Big Three' Financial Breakdown: Capcities Leads the Way," *Broadcasting*, 27 April 1987, 31.
388 "Networks Hit Summer Doldrums," *Broadcasting*, 21 August 1989, 35.
389 Gay, "Sunny Daytime Upfront Could Hit $900 Million," *Variety*, 28 June-4 July 1989, 35.
390 So said *Broadcasting* in "Big Three's Big Surge in '89 Profits," 30 April 1990, 35.

emerged whereby the network operations themselves were turning a profit even though many of their affiliates were struggling to get by.

Such seeming contradictions were also apparent at the motion picture companies. Mounting production and marketing costs prevented the studios from reaping the full benefit of record box office grosses both at home and overseas. Yet in spite of the heightened risk associated with making movies, the studios (or their parent companies) became increasingly attractive targets for takeover. The move toward consolidation began in November 1987, when Sony made its first foray into the entertainment industry with its purchase of CBS Records.[391] The deal was significant both because it signaled the increased interest of 'foreign' companies in predominantly U.S.-based businesses and because it marked the first large-scale attempt by a hardware company to invest in a software corporation. Sony further increased its investment in Hollywood a couple of years later when it purchased Columbia Pictures.[392] This deal was followed by Japanese hardware manufacturer Matsushita's purchase of MCA-Universal in late 1990.[393]

Although the Australian-based News Corp. had actually initiated this wave of foreign investments with its purchase of Fox in 1985, the press and industry generally represented the entry of European and Asian money into Hollywood in the late '80s as the point when overseas investments began. The fact that these transactions were taking place within the larger context of reports of growing

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[391] Paul DiMauro, "Sony Buy of CBS Records A Joint Marketing Dream; Big Changes Not Expected," *Variety*, 25 November 1987, 117, 120.

[392] "Rising Sun Over Hollywood," *Broadcasting*, 2 October 1989, 36-37.

[393] Paul Noglows and Charles Fleming, "Japanese Giant Bucks Overspending Trend," *Variety*, 3 December 1990, 1, 98.

Japanese dominance in manufacturing and the impending creation of the European Union contributed to a rising anxiety about the decline of American businesses. With each additional sale of a U.S.-based media company, the "fear of the foreign" seemed to rise even more. This was abundantly clear in March 1989, when Time and Warner combined to create what was described as the "largest media and entertainment giant in the world."[394] The deal was widely perceived as America's attempt to fend off overseas investors. Richard Gold of *Variety*, for example, described the merger as "the first big blow by American entertainment companies against aggressive, takeover-minded foreign operations."[395] In other words, the Time-Warner merger was often portrayed in the press as a defensive act, rather than as an outright effort at expansion.[396]

The motivations guiding these mergers and acquisitions varied to some extent depending on the particular company making the deal. However, two specific strategies dominated during this time. First was the hardware-software combination, explored most extensively by Japanese manufacturers such as Sony and Matsushita. These companies believed that potential synergies could take place by having an investment in both media production and equipment manufacturing. The second strategy involved "tight diversification."[397] Companies employing this tactic focused on shedding their non-media assets while building up their entertainment divisions. The Time-Warner merger was

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394 "Time Inc. + Warner Communications: Media Giants Strike Merger Deal," *Broadcasting*, 13 March 1989, 28.
395 Gold, "Time's Move of the Year," *Variety*.
396 For example, see John Lichfield, "Only Time Will Tell if Media Merger Fends Off Foreign Giants," *The Independent*, 6 March 1989, 10; Samuel Fromartz, "Time-Warner Merger Defensive Move," *Toronto Star*, 6 March 1989, B1.
397 For a lengthier discussion of this, see Schatz, "The New Hollywood," 30.

largely motivated by a desire to become one of the largest producers of entertainment software. Disney similarly focused on building its own divisions. The belief driving these conglomerates' activities was that the properties developed by each division – publishing, television, motion pictures, etc. – could find synergies with the properties in every other division, thereby generating increased profits across the entire corporation.[398]

Like Disney and Time Warner, News Corp. acquired and created a variety of new divisions during the late '80s. Though Murdoch did not ascribe to the philosophy of synergy as wholeheartedly as Disney's Michael Eisner or Time Warner's Gerald Levin, he did focus on building up a range of media assets for the company.[399] Murdoch focused during the mid-'80s on strengthening his American television holdings. By 1986, he had the fourth largest station group in the country; only the Big Three covered more of the U.S.[400] Throughout the latter part of the decade, News Corp. shifted toward accumulating more publishing assets. In December 1986, he purchased Australia's *Herald* and *Weekly Times*; in March 1987 he bought publisher Harper & Row.[401] The following year, he spent approximately three billion dollars to acquire Triangle Publications.[402] The key

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[398] A more extensive explanation of synergy can be found in Larry Collette, "The Wages of Synergy: Integration into Broadcast Networking by Warner Brothers, Disney, and Paramount," *The Motion Picture Mega-Industry*, ed. Litman (Boston: Allyn and Bacon, 1998), 122-143.

[399] According to Shawcross, "synergy between the various elements of News, if synergy there was, happened by chance, not by design," p. 227. Murdoch saw the increase in assets as necessary primarily for corporate survival, 354.

[400] Chart from "Television's Top 20," *Broadcasting*, 1 December 1986, 49. 20th Century Fox had 19.34% coverage at this time.

[401] For a discussion of his bid for the *Herald* and *Weekly Times*, see "Murdoch's Takeover Bid Closer" *Variety*. The Harper & Row purchase is described in Richard Gold, "Murdoch Gets Cozy with Good Books: Harper Accepts $300-Mil Offer," *Variety*, 1 April 1987, 3, 28.

[402] "Murdoch to Buy TV Guide at $3-Bil," *Variety*, 10 August 1988, 46.

property obtained with this deal was *TV Guide*. As a result of this transaction, News Corp. became the largest publisher of consumer magazines in the United States in terms of revenues.[403]

The Triangle publications purchase marked the last large purchase Murdoch would make in the '80s.[404] It also served as the culmination of his efforts over the past several years to increase his American holdings. According to Shawcross, by the end of 1988, News Corp.'s U.S. properties accounted for the majority of its total revenues of almost $3 billion dollars.[405] Unfortunately, News Corp.'s European ventures were not nearly as successful. In fall 1988, Murdoch began to withdraw from his money-losing pan-European Sky Television venture, exiting the Austrian, French and German markets.[406] At this point, he decided to reinvent Sky as a U.K.-based enterprise. He rushed the project to market in order to beat out a competitor, British Satellite Television.[407] The following February, the newly reformulated Sky Channel began beaming four channels direct-to-home.[408] Much of the early programming on the Sky Channel came from the Fox film and television libraries.[409] In spite of its exclusive programming as well as its ability to reach the British market ahead of British Satellite Broadcasting, Sky

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[403] Block, 342.
[404] In late 1989, News Corp. placed a bid for MGM-UA. Ultimately News lost out to another Australian company, Qintex. For the discussion of News Corp.'s loss to Qintex, see Bill Daniels, "Qintex Outruns Fox for MGM/UA; Kerkorian Cleans Up in $1.9-Bil Deal," *Variety*, 20-26 September 1989, 1, 3
[405] Shawcross, 308.
[406] By this point he had sunk more than $55 million into Sky Television. See "Murdoch Will Pull Sky From Austria, France, Germany," Variety, 19 October 1988, 487; loss estimates from "Murdoch Predicts Fox Will Be in Black in Six Months," *Broadcasting*, 7 November 1988, 33.
[407] "Murdoch Predicts," *Broadcasting*.
[408] Ibid.
[409] Ibid.

Channel was a financial disaster. By mid-1989, the division was losing millions every week; it lost more than $120 million in its first six months.[410]

Meanwhile, back in the U.S., the various Fox filmed entertainment divisions continued to perform below News Corp.'s expectations. Instability reigned in the executive suites even after Diller's arrival. Lawrence Gordon, who had recently been elevated to Fox's president, departed in January 1986.[411] Alan Horn, who was brought in to replace Gordon, quickly found himself at odds with Diller.[412] He was also gone by fall 1986. However, the management instability did not extend to Diller, who at this time renegotiated his contract with Murdoch. Under the new terms of their agreement, signed in October 1986, Diller received a base salary of three million dollars and was vested with 25% voting control via Fox preferred stock.[413]

Even as Diller signed his new contract, Fox reported its first fiscal year in the black since 1981.[414] Though Diller was unable to hold onto many of his top executives at this time, they did stay long enough to generate a fair number of box office successes. *Jewel of the Nile* (1985), *Aliens* (1986), and *The Fly* (1986) were among the films responsible for the division's turnaround. After Horn left, Diller turned to his former boss at ABC, Leonard Goldberg, to continue the process of

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[410] Elizabeth Guider, "Murdoch Says Enough Already, Shelves Plans for 5th Channel as Weekly Losses Hit $3.2 Mil," *Variety*, 28 June-4 July 1989, 44; Guider, "Sky-High Pricetag for Murdoch's 6-Month-Old Sat Venture: $120-Mil," *Variety*, 30 August-5 September 1989, 79.

[411] Jane Galbraith, "Gordon Ankles as Prez of Fox; Cites Poor Health, Denies, Discord," *Variety*, 5, 241.

[412] Galbraith, "Horn Ankles As 20th Fox Prez; Differences with Diller Blamed," *Variety*, 20 August 1986, 3, 26.

[413] Block, 141.

[414] The film and television divisions were not broken out in this report. See "20th Fox Closes Out Fiscal '86 In Black, First Year Since '81," *Variety*, 8 October 1986, 3, 35.

revitalizing Fox. In November of ’86, Goldberg was named the president of Fox Film Corp., thereby becoming Diller’s second-in-command.[415] Though 1987 was a so-so year for the movie division (with *Mannequin* and *Revenge of the Nerds 2* being the biggest box office earners), 1988 was a banner year. While event films such as *Die Hard*, *Alien Nation* and *Young Guns* all performed at or above expectations, the company also had sleeper hits with *Working Girl* and the James L. Brooks-produced *Big*. Cumulatively, these movies propelled Fox to third place in terms of domestic box office market share – the best position it had held in years. The studio only trailed only behind Buena Vista, which led the pack with such hits as *Cocktail*, *Beaches* and *Who Framed Roger Rabbit,* and Paramount, which was running high off the success of *Crocodile Dundee II*, *Naked Gun* and *Coming to America*.

Goldberg’s good fortune did not stretch into 1989. The year was nothing less than a disaster for the motion picture division. Film after film bombed; the appropriately titled *The Abyss* - which was the company’s biggest earner for 1989 - failed to earn back its budget at the box office.[416] Fox dropped to seventh place in domestic market share and the film division’s profits slipped 40% over the course of one year.[417] By the end of 1989, Goldberg been replaced by independent producer Joe Roth.[418]

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[415] Galbraith, “Goldberg Tapped Diller’s No. 2 at Fox: To Oversee All Pic, TV Activity,” *Variety*, 19 November 1986, 3, 31.
[416] Lisa Gubernick, “Barry’s Been Distracted,” *Forbes*, 8 January 1990, 42.
[417] Ibid.
[418] Aljean Harmetz, “A Revamping of Fox Film Puts Emphasis on Movies,” *New York Times*, 13 July 1989, D1.

Although Goldberg paid the price for Fox's fall, some observers felt the responsibility for the studio's downturn rested with Diller.[419] His energy had been siphoned away from the motion picture division and directed toward building up the new network. At this time, such a focus must have seemed illogical to many industry observers as the primary source of profit and prestige for the studios came from the production of high-concept event films. However, as would become apparent over the course of the next several years, Diller's decision to concentrate on establishing the television network would be a prescient one. Not only would the Fox network come to be central to News Corp.'s activities, but in fact it would define the economic, cultural and aesthetic terms by which the other major studios entered into network television distribution. First, though, Fox had to survive a rocky prime time launch.

THE PURSUIT OF A SUITABLE PRIME-TIME PROGRAMMING SLATE

> The kind of product in mind [for Fox]: programs with 'no fences, no outer perimeters. The only rule we will enforce is that the program must have taste, must be engaging, must be entertaining, must be original, whether it is a situation comedy, an hour-long drama, a television movie or some new form not yet born…'
>
> Rupert Murdoch, January 1987[420]

In November 1986, as Fox executives were still in the preliminary stages of developing the prime time schedule for their new programming service, *Variety* ran a front page article with a headline declaring "It's Still a 2 ½ TV Network

[419] Gubernick, "Barry's Been Distracted." Block's analysis of Diller's focus during the late '80s and early '90s suggests this as well.
[420] "Murdoch's Call for Quality," *Broadcasting*, 13 January 1986, 156.

Race."[421] The writer, Bob Knight, argued that as a result of audience erosion, there were not enough viewers to accommodate three – let alone four – broadcast networks. On four nights of the week, he claimed, "the third-place series in any half-hour is not generating enough audience to justify the cost."[422] Further, he believed that the current network environment was such that only two series formats could work in prime time – half-hour comedies and hour-long dramas. He perceived musical variety programs, reality shows and anthology series to be passé.

No one would make similar claims at the end of the 1980s. In the matter of a few short years, Fox would prove the viability of a fourth network. In addition, the company would play a major role in bringing back such "passé" formats as variety programs, reality shows and anthology series. From early on, Fox relied heavily on counter-programming the networks. The more the company responded to the networks' programming gaps and scheduling failures, the more it succeeded. Though Fox's early years were filled with ups and downs, in a relatively brief time span, the company refined a series of effective distribution and marketing strategies – strategies which would redefine how its competitors did business. Fox executives' skill in reacting swiftly to the other networks' limitations – as well as its own – enabled them to assemble a program service which was demographically desirable, stylistically distinctive and financially solvent. What's more, this reactive strategy, which was refined from the time of

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[421] Bob Knight, "It's Still a 2 ½ Network Race: Audience Erosion Poses Problems," *Variety*, 5 November 1986, 1, 84.
[422] Ibid.

Fox's prime time launch in April 1987 through the premiere of *The Simpsons* in December 1989, established the foundation from which the weblet could influence how the networks, cable programmers and independent stations operated for years to come.

Fox executives did not have the formula for success immediately, however. In fact, Fox programmers seemed to have no clear set of objectives during the late 1980s. Rather, Fox's first few years in the network business were marked by uncertainty and often outright embarrassment. Beyond a general notion that the new venture had to be "alternative" to the networks in some sense, early on there was minimal direction. In the year prior to the prime time launch, Fox executives repeatedly shifted course. At the time of the official public announcement in May 1986, Murdoch spoke of a desire to provide a "family-oriented" prime-time schedule which would downplay gratuitous violence.[423] This was followed by a proposal to launch the network with a weekly movie screening. That idea was soon scrapped due to objections from independents-cum-affiliates.[424] Later, executives proposed starting off with a five-hour weekend block. However, Fox's research people argued this approach would result in "promotional nightmares."[425] At one point, the company was close to securing the rights for a new *Star Trek* series. However, Fox was unwilling to meet Paramount's terms.[426] The deal also stalled due to Paramount's concern that it

[423] "Fox Announces Rivers Show," *Broadcasting*, 50.
[424] "Fox Hatches Indie Web," *Variety*, 50.
[425] Bill Daniels, "Fox Reins in Program Rollout Plans: Gradual Build Now in the Works," *Variety*, 15 October 1986, 149.
[426] Paramount wanted a twenty-two episode guarantee and Fox only wanted to provide a thirteen episode guarantee according to Block 251.

would be helping a competitor and diminishing the amount of time available for its syndicated product.[427]

By October 1986, Fox executives decided they would start the service with one night of programming which would air on Sunday nights. By the end of the year, programmers solidified a couple of additional points: First, they wanted to launch "off-season" so they could most readily exploit weaknesses in the networks' schedules.[428] The month of April became a choice time for starting up because the networks were concluding their regular season. With an April start, Fox could continue airing original programming during the summer. Executives hoped sampling of Fox would increase as people grew tired of network reruns.[429] Second, they wanted to offer potential viewers as many opportunities as possible to discover the existence – and quality – of their service. To accomplish this, Fox borrowed a tactic from syndicators and planned to repeat the first night's programs three times in a row. Thus Fox planned to air the same episodes of its two premiere series three times each on launch night.[430] (At the time of the announcement, the company had not yet decided what these shows would be.) Kellner described this as an "open house" approach to programming and perceived it as yet another means through which to secure more eyeballs.[431] This move – which can be seen as foreshadowing the "multi-plexing" strategies

[427] Block, 251. Block adds that a private clash between Diller and Paramount head Frank Mancuso factored in as well, 255.
[428] Daniels, "Fox B'Casting Web Envisions a 3-To-5-Hour Weekly Slate," *Variety*, 533.
[429] "Fox Prime Time Block to Debut April 5," *Broadcasting*, 22 December 1986, 66.
[430] The programs aired and then re-aired from 8-9, 9-10 and 10-11 p.m. Wayne Walley, "Fox Net's 1st Move: Reruns," *Advertising Age*, 22 December 1986, 1.
[431] Lee Marguilies, "In the Spotlight," *Los Angeles Times*, 5 April 1987, 3.

increasingly used during the late '90s – also enabled Fox to report cumulative (or "cume") ratings for the three runs of each show.[432] Advertisers gave a "lukewarm" response to this tactic.[433]

Though Fox executives had formulated some general scheduling strategies by the end of 1986, they still remained uncertain about the specific nature of their programming. With the new year, the first night's schedule began to crystallize. The Embassy Communications-produced family sitcom *Married…with Children* and the James L. Brooks/20th Century Fox-produced sketch comedy series, *Tracey Ullman*, were chosen as the shows with which the company would start its prime-time broadcast. Fox then proceeded to premiere one additional show each week until the Sunday line-up was complete with three-and-a-half hours.

With the April 5th lineup set, Fox prepared for a marketing blitz to accompany premiere night. Executives realized from the outset that it was as important to create awareness of the Fox network as it was to make viewers familiar with specific programs. In consultation with advertising agency Chiat/Day, the company decided to add the word "FOX" in front of the HOLLYWOOD sign.[434] In addition, the advertising agency encouraged executives to drop the "FBC" acronym which they had been using to identify the program service up to that time.[435] From thereon out, the service would be marketed as the "Fox network" to the public. Chiat/Day believed that the Fox

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[432] "Fox Weblet Debut Flapping Wings," *Variety*, 8 April 1987, 44.
[433] Walley, "Fox Net's 1st Move."
[434] Walley, "All Spotlights on April 5 Launch: Fox is Beaming," *Advertising Age*, 30 March 1987, 3.
[435] However, trade papers sporadically referred to the venture as FBC throughout the late '80s.

moniker would be associated with the motion picture studio, "which could be identified with a tradition of great entertainment."[436]

In spite of these promotion efforts, the prime time launch results were less than stellar from a critical or ratings perspective. Critical response to the new programs was mixed. Instead of evaluating the shows on their own merits, many journalists focused on how "alternative" the programming was in relation to that available from the Big Three.[437] There was also a great deal of attention paid to Fox's purported censorship of the first episode of *Married…with Children*.[438] The controversy was stimulated by the producers of the program publicly airing their dissatisfaction that, after being drawn to Fox with promises of greater creative freedom, they were forced to remove a line of dialogue.[439] The point of contention involved father Al Bundy declaring that P.M.S. actually stands for "pummel men's scrotums."[440]

Though the press reported on the line's deletion prior to the airing of the episode, the media coverage did not provide the show with as much of a ratings boost as executives might have liked. Anticipating that they had overestimated their premiere night ratings, Fox scaled back its initial guarantees from an eight to a six before the first shows aired.[441] The decision to total the results from the three

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436 Quotation from Block, 212.
437 Examples of early discussions of "Fox-as-alternative-programmer" can be found in "Diller Previews Fox Programing," *Broadcasting*, 30 March 1987, 150; Marcia Chambers, "Fox Making Its Debut on Prime-Time TV," *New York Times*, 31 March 1987, C18.
438 See Tom Shales, "The Day of the Fox; 4th Network Goes Prime Time with Married & Tracey Ullman," *Washington Post*, 4 April 1987, C1; Alex Brummer, "Murdoch Tries a Touch of Blue Humour," *The Guardian*, 6 April 1987.
439 Block, 273.
440 Diller felt the line "went too far." See "Diller Previews Fox Programing," 150.
441 "Fox Broadcasting Co.: The Birth of a Network?," *Broadcasting*, 6 April 1987, 88.

airings makes it difficult to discern how well the shows performed (which was perhaps part of the rationale behind employing the strategy to begin with). Ultimately, the first *Married…with Children* garnered a 15.2 rating and 24 share and the first *Tracey Ullman* earned a 13 rating and 20 share.[442] The launch was broadcast on 108 affiliates, reaching 83% of the country.[443] Approximately 100 sponsors advertised over the course of the night.[444]

For the next three weeks, additional programs were added to the lineup. On April 12, the teen action-drama *21 Jump Street*, produced by Stephen J. Cannell (*Hunter*, *The Rockford Files*), began its run. This was followed by the premiere of Gary David Goldberg's (*Family Ties*) dating-focused sitcom, *Duet*, on April 19; the television spin-off of Disney's hit film *Down and Out in Beverly Hills* on April 26; and the Ed. Weinberger-produced (*Taxi*, *The Cosby Show*), sitcom, *Mr. President,* beginning on May 3. None of the Sunday lineup had much of an impact initially. Fox appeared to have staked too much confidence in its belief that top talent would bring in solid ratings and innovative programming.

Before programmers were able to get a handle on Sunday nights, they began rolling out the Saturday night lineup. On July 11, 1987, Fox began its second night of programming with the two-hour premiere of a supernatural drama called *Werewolf*. This night was an important one for Fox, marking the first occasion in which the service was included in Nielsen's NTI ratings. Historically, shows airing on independent stations and in syndication had been measured by

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442 "Fox Weblet Debut Flapping Wings," *Variety*.
443 Number from "The Birth of a Network;" percent from Block, "Hey, Gang, Let's Put on a Show," *Forbes*, 6 April 1987, 140.
444 Chambers, "Fox Making Its Debut."

Nielsen's Station Index. This night marked the first time a fourth group was measured via the NTI ratings scale.[445] By being included in these rankings, Fox could sell advertisements at higher rates. The premiere of *Werewolf* was important for an additional reason: With it, Fox began a consistent strategy of airing original programming during the summertime. At this time, such a tactic was unheard of in the industry – though in the ensuing years, it would become much more widespread in large part due to Fox's successes in this arena.

After its first week, *Werewolf* ran as a one-hour program on Saturday nights. The rest of the evening was filled out with the teen espionage sitcom *The New Adventures of Beans Baxter* and the Patty Duke sitcom *Karen's Song*. As was the case with Sunday nights, there was little continuity between programs in terms of target audience or concept. The only trait the shows had in common was that they all came from producers with strong track records. For example, *Werewolf* was developed by *A-Team* creator Frank Lupo, while *Beans Baxter* was created by teen movie director Savage Steve Holland (*Better Off Dead*, *One Crazy Summer*). Ultimately these track records mattered little; the shows were all ratings failures.

Fox programmers quickly began shuffling series around their schedule. When that had little effect, the programs were pulled off the air. *Karen's Song* and *Down and Out in Beverly Hills* have the distinction of being the first two programs cancelled (with the last episode of each airing September 12, 1987). In their place came two more sitcoms – *Women in Prison*, from the creators of

[445] "Fox Forges Ahead with Saturday Lineup," *Broadcasting*, 13 July 1987, 38; Block, 268.

Married…with Children, and *Second Chance*, about a man who dies and comes back to earth to advise his younger self how to make better choices in life. Fox tried to stick with *Second Chance*, renaming it *Boys Will Be Boys* and changing the focus to the (living) teen star (played by Matthew Perry). In spite of the retooling, *Boys Will Be Boys* - along with *Mr. President*, *Werewolf*, *The Adventures of Beans Baxter* and *Women in Prison* – was off the air by summer 1988.

Fox's late-night show also continued to be a frustration. By April 1987, it was apparent that the *Late Show* wasn't working. During that month, Rivers left for a vacation and had a series of guest hosts fill in for her. Surprisingly, the ratings for the show actually increased slightly during her absence.[446] Motivated by concerns that affiliates would begin to defect soon if they didn't do something, Fox fired Rivers in May.[447] In her place, they decided to rotate hosts indefinitely. Suzanne Somers, Robert Townsend and Arsenio Hall were among the performers who took on hosting responsibilities for the program following her departure. Fox tried to hire Arsenio Hall for a permanent post, but he was lured away by an offer from Paramount for a syndicated program.[448] Instead of Hall, programmers hired *Late Night with David Letterman* executive producer Barry Sand to develop a new late-night program. He came up with a comedy-newsmagazine hybrid called *The Wilton North Report* (named after the street on which it was filmed).

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[446] Block, 241-242.
[447] Ibid, 245.
[448] "Ratings Encourage Fox to Contemplate New Show for Hall," *Variety*, 23 December 1987, 39.

If *The Late Show with Joan Rivers* was a disappointment, *The Wilton North Report* was a flat-out humiliation. Premiering on December 11, 1987, the show was critically reviled.[449] It also became a site around which many affiliates proclaimed their displeasure with Fox's programming efforts. Although it was taken off the air less than a month after its premiere (and replaced with re-runs of *The Late Show*), the damage had already been done. A handful of affiliates began to rebel. In December 1987, affiliates in Minneapolis, Portland and Orlando canceled Fox's Saturday night line-up.[450] In July 1988, Fox lost its first affiliates when their contracts came up for renewal.[451] Things would continue to get worse before they got better. More shows came and went, some in a matter of weeks. Fox became embroiled in a battle with MGM over one short-lived series, *The Dirty Dozen* (inspired by the film of the same name). MGM accused Fox of breaching its contract by dropping the show prematurely.[452]

Due to the problems Fox faced with the two nights it had on the air, the company was forced to slow down its expansion. In early 1987, Diller had expressed his hope that the network would be on seven nights a week by 1990.[453] But with Saturday nights a complete bust and Sundays only marginally

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[449] See Shales, "'Wilton North,' The Report of Last Report," *Washington Post*, 17 December 1987, C1; Kathryn Baker, "'Wilton North Report' Long on Bite, Low on Humor," *Associated Press*, 12 December 1987, PAGE #.

[450] "Two Fox Affils Cancel Saturday Night Lineup," *Variety*, 23 December 1987, 48; "Orlando Fox Affiliate Dumps Saturday Lineup; Chris-Craft Backpedals a Similar Decision," *Variety*, 30 December 1987, 23, 34.

[451] The affiliates were in Minneapolis, Portland and Tampa. John Dempsey, "Unhappy with Saturday Lineup, 3 Fox Affiliates Won't Renew," *Variety*, 27 July 1988, 39, 53.

[452] Tim Brooks and Earle Marsh, "The Dirty Dozen," *The Complete Directory to Prime Time Network and Cable TV Shows: 1946-Present* (New York: Ballentine Books, 1999), 262.

[453] Don Groves, "Fox Chief Diller Laments 'Croc' Loss, Big Budgets During Oz Trip," *Variety*, 18 February 1987, 7.

successful, executives kept postponing plans for the launch of an additional night of programming. One of Fox's lowest points came in the summer of 1988. It was at this time that News Corp. finance director Richard Sarazen allegedly expressed some concerns about the long-term viability of Fox.[454] According to newspaper reports – which Sarazen said took his remarks out of context – News Corp. was keeping "a close eye" on Fox's performance.[455]

The press may have misrepresented Sarazen's comments, but there was no denying Fox was losing much more money than initially had been projected. For the fiscal year ending June 21, 1988, News Corp. reported Fox lost $99 million – nearly twice as much as was originally budgeted.[456] The higher losses were partly due to larger-than-expected development and programming costs. By September 1988, of the nineteen shows introduced by Fox, only five were still on the air.[457]

As a result of the rapid turnover in programs, Fox executives began to look to different outlets for product. One of the places they turned to was cable. In March 1988, Fox began re-airing episodes of the Showtime series *It's Garry Shandling's Show*.[458] In a first-of-a-kind deal, Fox broadcast episodes of the Viacom-produced program one month after they aired on Showtime. Showtime received a license fee, which was in turn directed toward other programs on the

[454] "Fox Keeping Careful Eye," *Broadcasting*.
[455] Ibid; "Staff Worried Over Reports of Fox Demise," *Variety*, 22 June 1988, 47.
[456] "Fox Broadcasting Lost $99-Mil; Improving Ratings a Bright Spot," *Variety*, 28 September 1988, 57, 69.
[457] Fox failure rate circa September 1988 discussed in "Fox Broadcasting Lost $99-Mil." As Tom Robinson of *Marketing & Media Decisions* noted, schedule changes at Fox were more noticeable because it only had five hours of primetime, versus twenty-two hours on the other networks, "How's Fox Faring?," December 1987, 97-98.
[458] *It's Garry Shandling's Show* began airing on Showtime in fall 1986.

pay service.[459] The arrangement was viewed as so successful that Fox O&Os struck another deal with Viacom, this time for the Nickelodeon series *Family Double Dare*.[460] It was only a matter of weeks before Fox placed *Family Double Dare* on its Saturday night prime time schedule, replacing *Women in Prison*.[461]

While a handful of cable-bred shows provided a quick fix to Fox's troubled schedule, another set of programs provided much more long-term assistance. These shows, which came out of Fox's owned-and-operated stations, not only gave a boost to Fox in prime time but also helped the program service establish an early identity for itself. The first program to be developed out of an O&O never made it to prime-time – but it did make Fox lots of money and provide a business model for how to proceed. This show, *A Current Affair*, began its run on Fox's New York station, WNYW, in July 1986. It soon expanded to run on all the Fox O&Os and a year later, was syndicated nationally.[462] From fewer than a dozen stations in December 1987, the program expanded to play on 129 outlets by the following December.[463] By this time, it was regularly placing among the top five syndicated shows on television. What's more, it was attracting one of the most desirable demographics: viewers ages 25-to-45.[464] Produced for approximately $260,000 per week, the program grossed in excess of $850,000

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459 "Fox Eases Affiliates' Concern: Despite 'Wilton' Axing, Future Projects are all Part of Network's Initial Growth Plan," *Variety*, 13 January 1988, 47.
460 Dempsey, "Cable Influencing Syndie Deals: Fox Network Drives 'Double Dare' Sales," *Variety*, 27 January 1988, 1, 88.
461 It was first aired in primetime on April 9, 1988. "Fox Reconfigures Its Weekend," *Broadcasting*, 4 April 1988, 42.
462 "Fox Moves Forward with Natl. Rollout of 'Current Affair,'" *Variety*, 10 June 1987, 33.
463 "20th Fox TV Thrilled with 'Current Affair' Success: Granddaddy of Sleaze Racks up Ratings; Only in 11 Markets 1 Year Ago, Now in 129," *Variety*, 28 December 1988-3 January 1989, 24.
464 Richard Luna, "Downey, Povich Defend Tabloid TV," *United Press International*, 25 January 1989.

during that time span.[465] Its tremendous success rapidly spawned a slew of syndicated imitators, including *Inside Edition* (King World), *Tabloid* (Paramount), *Crimewatch Tonight* (Orion) and *Exclusive* (Viacom).[466]

Not only did *A Current Affair* become an immediate ratings winner and a financial boon for Fox, but it also jump-started a new programming trend in the U.S.: "tabloid television." Although new to America, this format – which employed the "well-tested formula of crime, sex and scandal of tabloid newspapers" – had been a success abroad for some time.[467] In fact, a program of the same name and style of reporting had aired in Australia since the early '70s. Many a journalist noticed that *A Current Affair* replicated the look and feel of many of Murdoch's tabloid publications.[468] In fact, Murdoch was one of the strongest proponents of the reality magazine format. Its relatively low cost meant that major market stations could afford to produce it and test it out in a limited number of cities. Shows with potential could then be expanded to run nationally either via syndication or on the network.[469]

Fox executives saw *A Current Affair* as a strong model in terms of format and distribution strategy. The trick became finding another program like it which could be plugged into one of the many gaps in Fox's prime time schedule. In spring 1988, they found it. On February 11, 1988, Fox O&Os premiered a new

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465 Dempsey, "More Mags Will Fly in Fall; Too Much of a Bad Thing?," *Variety*, 12-18 April 1989, 79.

466 Some of these programs were developed and marketed but did not make it to the air. Dempsey, "Syndies Plan 'Current Affair' Clones: Strips to Stand By for Slow Starters," *Variety*, 28 September 1988, 59.

467 John Lippman, "NATPE 1990: Trash, Crash Genres of Past," *Variety*, 24 January 1990, 159.

468 For example, see "Syndies Plan 'Current Affair' Clones"; John J. O'Connor, "'Cops' Camera Shows the Real Thing," *New York Times*, 7 January 1989, Sec. 1, p. 50.

469 "Fine Tuning the Fox Stations," *Broadcasting*, 17 November 1986, 50.

program modeled after a British series. The show, called *America's Most Wanted,* asked viewers to call in if they had any knowledge of the whereabouts of criminals which were profiled. In a strike of good fortune for Fox, the first fugitive featured was captured due to a tip provided by a viewer of the program.[470] Building on the publicity surrounding the arrest of this fugitive, David James Roberts, Fox rushed the show onto its prime time schedule.[471] On Sunday, April 10, 1988, *America's Most Wanted* made its national debut.

The timing of the launch could not have been better. At just that moment, the Writer's Guild of America (WGA) began a five month strike. The strike led to a delay on the production of all entertainment programming for the fall. This, in turn, caused the networks' schedules to be more rerun-heavy than usual.[472] The strike benefited Fox in a couple of important ways. First, it enabled some viewers to discover Fox for the first time. Though Fox's entertainment programming consisted of reruns, they were nonetheless new to many viewers. Second, Fox could continue to generate fresh episodes of *America's Most Wanted* during the strike because the show did not employ WGA employees. Thus Fox was able to produce original programming during the summer while the Big Three had little new to offer. What's more, the shows were far less expensive to produce than sitcoms or dramas. The average episode of *America's Most Wanted* cost approximately $125,000 per half hour versus a half-hour sitcom which cost

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[470] Block, 311.
[471] For example, Robert D. McFadden, "Man Wanted as the Killer of 6 is Caught Because of TV Show," *New York Times*, 11 April 1988, B1.
[472] The fall 1988 season was delayed for several weeks as a result of the strike. When original programming appeared again on the networks, premieres were much more staggered than they had ever been before.

upwards of $500,000.[473] This programming was therefore perfectly suited for an increasingly "fiscally conservative" Fox.[474]

Fox executives recognized their advantage over the networks and exploited it to their benefit throughout the summer and into the fall. In July, Fox transferred some of the journalists from *A Current Affair* to a new hour-long newsmagazine. *The Reporters*, performed better on Saturday nights than any of the sitcoms which had preceded it. In September, Fox began airing another reality program, *Beyond Tomorrow*. This show, adapted from an Australian series called *Beyond 2000*, focused on innovative, future-thinking inventions. While neither of these programs lasted for longer than a couple of years, they served a valuable short-term function for the company.

Cops was another series developed during the strike. In October 1988, six Fox O&Os began broadcasting this cinema vérité-style reality program, which followed police officers around during their shifts.[475] The show moved to the network's prime time schedule the following March, where it played on Saturday nights alongside *The Reporters* and *Beyond 2000*. Yet again Fox had a low-cost hit on its hands. *Cops* was a success from its first night on the air. Indeed, Fox's Saturday night reality programming – with *Cops* as the anchor show – proved to be strong counter-programming against a movie-of-the-week on ABC, dramas on CBS, and NBC's powerhouse comedy line-up of *227*, *Amen*, *Golden Girls* and

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473 Brian Lowry, "Fox Sending 'Cops' Behind Iron Curtain as 'Reality' Shows Continue to Proliferate," *Variety*, 19-25 April 1989, 6.

474 So stated by Fox executive Kevin Wendle in "Fox May Unveil Third Night: Mood at Fox is Positive, with Strong Ratings and Growing Financial Strength," *Broadcasting*, 19 December 1988, 37-38.

475 "Fox Will Add 3d Night to Sked; Reality-Based Shows Still Key," *Variety*, 12 October 1988, 167, 178.

Empty Nest. Whereas previous Fox programs on that night had been unable to be different enough from what was available on the networks to attract a substantial audience, these shows were both stylistically distinctive and attractive to completely different (e.g., younger male) demographic.[476]

With the success of this Saturday line-up, Fox moved one step closer to targeting a specific group: viewers 18-34. This schedule also enabled Fox to establish a clearer identity for itself. Even as the strike concluded and the Big Three returned to producing original programming once again, Fox continued to rely heavily on the format. In fact, a disproportionate number of shows introduced by Fox through fall 1989 were reality series. Another popular program was the *Candid Camera* clone, *Totally Hidden Video*. On July 16, 1989 – only the second week it was on the air – *Totally Hidden Video* was the most-watched program in the U.S. during its time period.[477]

In the wake of the strong ratings performances of these reality shows, Fox was finally able to secure an effective schedule for two days of the week.[478] By summer 1989, Saturday nights were working with an all-reality line-up that included *Cops*, *The Reporters* and *Beyond Tomorrow*. Sundays, meanwhile, included a mixture of drama, comedy and reality programming. *21 Jump Street* began the evening, followed by *America's Most Wanted* and *Totally Hidden Video*. The night concluded with four sitcoms – *Married…with Children*, *It's*

[476] As of April 1989, the ratings for America's Most Wanted were highest among men 18-34 with a 9.7 rating, although women 18-34 were close behind with a 9.4 rating. Cops skewed slightly older and more male, attracting the most viewers in the male 25-54 demographic (6.1). See Walley, "Cop Dramas Bow to Real-Life Crime," *Advertising Age*, 10 April 1989, 42.
[477] *America's Most Wanted*, which played immediately prior to *Totally Hidden Video*, also was the most watched show in its time slot. Ratings information from Block, 357.
[478] Marcy Magiera, "Big 3 Out-Foxed in Pilot Display," *Advertising Age*, 27 March 1989, 68.

Garry Shandling's Show, *The Tracey Ullman Show* and *Duet*. With Saturday and Sunday relatively stable, Fox started preparing for the launch of a third night. Programmers played it safe in unrolling this evening's shows. In May 1989, they began running a Monday movie night once a month. The movies came primarily from the Fox library. Among the motion pictures which aired were *The Fly* (1986), *Big Trouble in Little China* (1986), *Jumpin' Jack Flash* (1986), *Black Widow* (1987) and *Revenge of the Nerds 2* (1987).[479]

In September of 1989, Fox shifted from movies to a third night of series programming. Again, the company was conservative in its choice of new shows. *21 Jump Street* was moved to Monday nights to make way for a spin-off, *Booker*, featuring teen heartthrob Richard Grieco. *Duet* was re-formatted and re-named *Open House*. And Fox made its next effort at developing synergies between the motion picture and television divisions with the re-invention of *Alien Nation* as a prime-time program. Though short-lived, *Alien Nation* (which aired following *21 Jump Street* on Mondays) was significant in being the first science fiction show to run on the program service.

Alien Nation was one of the many programs developed during Garth Ancier's tenure as president of the Fox network. However, by the time the show premiered, he would no longer be employed at the company. In February 1989, Ancier left in what was the first "top-level shake-up" at Fox.[480] His departure was

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[479] "…Meanwhile On the Boards," *Variety*, 12 October 1988, 178.
[480] So labeled by Peggy Ziegler, "Ancier Leaves Fox TV," *Electronic Media*, 20 February 1989, 3. It was believed that Kevin Wendle had previously gained favor from Diller and Murdoch. According to *Variety*, Ancier had already been long "removed from the decision-making loop." See "Ancier Resigns at Fox Television," 22-28 February 1989, 408. Wendle – another executive who was instrumental in the development of the early prime-time schedule – left in August of the

a direct result of the shift in program philosophies taking place.[481] Ancier remained a strong proponent of developing half-hour sitcoms and hour long dramas. Throughout his tenure, he resisted relying heavily on reality shows. As these reality shows took off while the entertainment programming stalled, Ancier was pushed out. He was replaced as head of Fox Entertainment Group by Peter Chernin.[482]

Ironically, many of the programs Ancier had championed were just starting to take off at the time of his departure. *21 Jump Street*, which had early on attracted a strong following among teenage girls, continued to expand its audience base.[483] In August 1988, *21 Jump Street* star Johnny Depp became the first Fox performer to grace the cover of *TV Guide*.[484] The momentum for the show continued to build through 1989. At the beginning of that year, *Variety* estimated that, for every television set on, one out of every two women age 18-49 was watching *21 Jump Street*.[485] By the summer of '89, the show was also number one with men ages 18-34.[486]

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same year. His departure is discussed in "Wendle Ankling Fox for 3-Year Prod. Pact with 20th TV," *Variety*, 16-22 August 1989, 40.

481 Lippman, "Opposing Forces Vying for Soul of Fox: Different Philosophies in Programming Approach," *Variety*, 28 September 1988, 57, 69.

482 "Ancier Leaves Fox Entertainment," *Broadcasting*, 20 February 1989, 29.

483 In December 1987, *21 Jump Street* was the #1 show among female teens in the 7pm Sunday time slot, garnering a 26% share. Walley, "Fox Rates Look from Advertisers; Fourth TV Network Rebuffs Skeptics," *Advertising Age*, 14 December 1987, 24.

484 Depp appeared on the cover the same month Murdoch purchased the publication. William Mahoney, "Fox Reaching New Highs with Sunday Night Series," *Electronic Media*, 22 August 1988, 4.

485 Gay, "Diller Says Fox Will Emerge from $94-Mil Hole in '90s," *Variety*, 18-24 January 1989, 146.

486 "Three-Network Viewing Falls Below 70%," *Broadcasting*, 17 April 1989, 30.

Married…with Children also increased its viewership over the course of 1989. As with *21 Jump Street*, its audience expanded as a result of the media attention it garnered during that year. However, the publicity attended upon *Married…with Children* differed substantially from that provided to *21 Jump Street*. The press coverage of *Married…with Children* occurred as the result of a very public campaign undertaken by one Michigan mother against the show. In early 1989, Terry Rakolta campaigned for a boycott against the sitcom and the sponsors that supported it. Her crusade was motivated by an episode which made references to homosexuality and showed a character removing a bra.[487] Rakolta's protests generated national coverage and she appeared on such shows as *Nightline* and *The CBS Morning News*.[488] In addition, the story was featured on the front page of the *New York Times* as well as in *USA Today*.[489] As might be expected, instead of deterring people from watching the show, she drew more attention to it. The ratings for *Married for Children* – which were already slowly rising – skyrocketed following the Rakolta hoopla. In July of 1989, *Married…with Children* was the number-one program during the 9:00 time period, earning an

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487 "Michigan Viewer Urges Ad Boycott of 'Married…with Children,'" *Broadcasting*, 6 March 1989, 34.

488 In a particularly disingenuous move, Coca-Cola announced it was pulling its ads from the show. As Stephen Advokat noted, what Coke's spokesman "didn't say is that Coke owns Columbia Pictures TV, which is the producer of 'Married,'" "Socialite Vigilante Bags 'Married,' Sets Sights on Tabloids Now," *Variety*, 8-14 March 1989, 44.

489 "The Media Business; A Mother is Heard as Sponsors Abandon a TV Hit," *New York Times*, 2 March 1989, A1; Matt Roush, "Her Crusade Creates Ripples at Fox," *USA Today*, 6 March 1989, 3D.

11.5 rating and 21 share.[490] A few weeks later, it became the first Fox series to move into the top 20 in the Nielsen rankings.[491]

As a result of the publicity surrounding *Married…with Children, 21 Jump Street* and the reality programs, Fox began to establish a particular profile for itself with the press and public. In the broadest sense, its shows seemed unlike anything that could be found on the Big Three. Its shows were pushing the boundaries of style and content in ways that programs on ABC, CBS and NBC were not. For example, the reality series favored fast cutting, hand-held video cameras and sensationalistic subject matter. *Married…with Children* often featured biting satire and raw dialogue. *21 Jump Street* provided a new take on action stories by depicting twenty-something cops going undercover as high schoolers. Slowly, Fox began to refine its image as the "alternative" programming service. No longer did "alternative" merely function as a catch-all term. Rather, alternative began to suggest younger, riskier and – in the increasingly used term, "edgier" – than what could be found on the Big Three. As the decade came to a close, such labels were used to describe the company and its shows with increasing frequency by both the press and Fox's own executives.

The connotations of such terms were not always positive. In fact, many critics reviled this programming, seeing it as taking television to new lows.[492] But

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490 Knight, "Peacock Tops Ratings Again, But Fox Steals the Thunder with Strong Sunday Lineup," *Variety*, 26 July-1 August 1989, 42.

491 "Networks and TV's Significant Others Line Up for Fall," *Broadcasting*, 4 September 1989, 27.

492 For example, Tom Shales of the *Washington Post* felt *Married…with Children* to be "A nasty-minded, overacted and poorly cast sitcom," "The Day of the Fox." *New York Times* writer John J. O'Connor said of *Totally Hidden Video* that "Fox's ads guarantee that this is the funniest new show on television. Now being tested on Sunday evenings at 8:30, 'Totally Hidden Video'' is about as funny as halitosis," "Allen Funt Calls 'Totally Hidden Video," 12 July 1989, C22. *Open*

regardless of critical opinion, the shows were earning both ratings and dollars for the program service. In the fiscal year ending June 30, 1989, Fox broke even for the first time.[493] This was far earlier than anticipated; News Corp. had been prepared to lose money for up to five years.[494] Murdoch's short-term mandate was to "increase the value, the revenues and profits" of the O&Os.[495] In fact, Fox was well on its way to profitability. The company received an additional boost that June when it cleared an impressive $250 million in upfront advertising sales.[496] Little did Fox executives know how profitable the company would soon become.

REFINING STRATEGIES, DEFINING AUDIENCES: FOX, NEWS CORP. AND THE MEDIA INDUSTRIES PREPARE FOR THE 1990S

In 1989, Fox turned a corner. It was at this time that the service began making money, building a brand identity for itself and honing in on a variety of effective programming strategies. The degree to which the company had blossomed in a relatively short time is apparent from a survey of its handling of the Emmy Awards ceremony during the late '80s. In April 1987 – the same month Fox premiered its prime time slate – the company announced its purchase of the rights to Emmys for the next three years. Fox paid $1.25 million per year for broadcast rights, as well as an additional $250,000 for the rights to the Television

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House was described by Matt Roush of *USA Today* as "a tawdry two-step…but not necessarily a step in the right direction," "Disheveled 'Open House' is Littered with Sorry Humor," 25 August 1989, 3D.

[493] Gay, "Fox is Closing in on Record $250-Mil in Upfront Sales," *Variety*, 21-27 June 1989, 37, 40.

[494] Stuller, 142.

[495] Murdoch statement provided in "Fox Eases Affiliates' Concern," *Variety*.

[496] "Fox is Closing In," *Variety.*

Hall of Fame Awards.[497] The rationale behind the deal was that it would add to the company's legitimacy as a programming service with viewers. Fox would not only have the opportunity to attract a large audience with this "event" programming strategy, but could also use the night to promote its regular series. Thus, though it was thought unlikely Fox would earn back its money from advertising sales, the event could serve as a "loss leader," increasing viewer awareness of the company and its shows.

The Big Three were furious with the Academy of Television Arts and Sciences. Previously the networks had rotated the awards between them, with each having the rights to the show every third year. In conjunction with that arrangement, they had avoided scheduling competitive shows on that night. Now the way they traditionally had done business was being disrupted. They claimed that Fox's purchase of the awards compromised the integrity of the event.[498] In response, CBS and NBC decided to air original programming against the Emmys. This tactic, along with Fox's low profile at the time, helped turn the awards broadcast into a disaster for the new service. Whereas NBC's 1986 broadcast received a hefty 21.1 rating/36 share, Fox's 1987 Emmy broadcast earned a meager 8.8 rating/14 share for the evening.[499] Fox had the distinction of having

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[497] Since Fox didn't have 100% coverage of the U.S., the company agreed to offer the show to network affiliates or independents in areas where it didn't reach. At the time of the purchase of the rights, Fox had 108 stations covering about 84% of the U.S. *Broadcasting* reports: "ABC, CBS and NBC had offered $875,000 a year for the Emmys – an increase of $125,000 over the previous annual rate – but did not want the Hall of Fame." Figures from "Fox Wins Emmy Awards," 27 April 1987, 37.

[498] See "Fox Wins Emmy Awards," *Broadcasting*; Dave Kaufman, "CBS-TV Gets Fall Head Start; Debuts Sked Two Weeks Early, Indifferent to Fox' Emmy Show," *Variety*, 26 August 1987, 75, 98; "Fox Airs Emmys; NBC Wins Most," *Broadcasting*, 28 September 1987, 46, 54.

[499] William Mahoney, "FBC Boosts Its Ratings for Emmys Telecast," *Electronic Media*, 25 September 1989, 16.

both the lowest rated awards broadcast in history as well as the longest show ever (with the event coming in one minute short of four hours).[500]

By the time of the September 1988 awards ceremony, circumstances for Fox were improving. Its reality programming was on the rise, as were some of its other prime time shows. The landmarks Fox hit on this evening were more positive than those attained the previous year. Most importantly, Fox had its first ever Sunday night win over another network (ABC). In addition, the company earned its highest Nielsens to date, with a 10.4 rating/18 share – a 29% improvement over the previous year.[501] The 1988 awards ceremony also had the distinction of being the first time cable channels were eligible to be nominated.[502] The HBO special *Dear America: Letters Home from Vietnam* took home the first awards given out to cable programmers.[503]

It was in 1989 that Fox's fortunes with the Emmys – as with the rest of its prime time schedule – improved most dramatically. Fox once again gained in the ratings, attaining an 11.4 rating/19 share.[504] Further, the program service beat both CBS and ABC in the rankings.[505] Even more significantly, Fox won its first Emmys. *The Tracey Ullman Show* received four statuettes at the 1989 event, including the honor for outstanding variety, music or comedy program.

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[500] In spite of its low ratings performance, Fox nonetheless earned its highest ratings yet with the broadcast on that evening. See "Fox Airs Emmys; NBC Wins Most,' *Broadcasting*; "FBC Boosts Its Ratings," *Electronic Media*.
[501] "ABC Tops Emmy List," *Broadcasting*, 5 September 1988, 35-36.
[502] Ibid.
[503] The program won "Outstanding Informational Special" and its writers won for "Outstanding Individual Achievement, Informational Programing."
[504] "FBC Boosts Ratings," *Electronic Media*.
[505] Ibid.

In several ways, this analysis of the evolution of Fox's Emmy broadcast during the late '80s reveals the company's growing influence over the television landscape. First, Fox's purchase of the rights to the program marked the first time – but not the last – that the company overpaid for event programming in order to boost its profile with viewers and be taken more seriously by the industry. The effect of this move, as with many that followed, was that Fox upset how the networks did business. ABC, CBS and NBC were forced to change their scheduling practices in response. Second, the lower ratings for the Emmys during their time on Fox points to the increasing fragmentation of television viewing. When the Emmys were broadcast on NBC in 1986, they attracted 60 million viewers.[506] Three years later, the ceremony was seen by 15.8 million viewers on Fox.[507] While the lower numbers were partially a result of Fox's lesser coverage of the U.S., they were also a function of the increased options available to television viewers.[508] Cable, video and independent television stations were all biting into the networks' total audience share. At the time of the 1989 Emmy awards broadcast, the various cable channels were totaling a 42 share for the full day's schedule while independents (including Fox) averaged a 17 share, and the

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[506] Jeff Kaye, "Fox & the Emmys: Will the Show Hit the Road, Now that the Maverick Network's Contract is Up?," *Los Angeles Times*, 16 September 1989, Calendar 1.
[507] Ibid.
[508] At this time Fox had roughly 165 affiliates and 89% clearance versus the Big Three's 205 and nearly complete national saturation. Further, the networks' affiliates were mainly on VHF whereas Fox had a disproportionate sum of UHF affiliates. Fox affiliate numbers from Paul Harris, "Focus on INTV: Fox' Growing Appetite Should be Tastiest Topic at INTV Buffet," *Variety*, 3 January 1990, 31. Big Three affiliate numbers from Gay, "The Big Three: A Well-Oiled Machine That Still Delivers the Goods – and Viewers," *Variety*, 11-17 October 1989, 95.

Big Three averaged a 44 share.[509] In prime time, the networks' numbers were slightly higher: They had a 47 share as compared to independents' 18 share and cable's cumulative share of 40.[510]

Third, the awards given to *The Tracey Ullman Show* reaffirmed that Fox was not strictly a low-brow, bottom-feeding service. The awards also foreshadowed the different direction Fox would take over the next several months. While the company's reliance on reality shows had provided a short term boost for ratings, they could not be a permanent salve. Many advertisers steered clear of the programs, not wanting their products associated with such low-end shows.[511] As a result, ad rates on many of the reality programs were lower than on the more traditional entertainment fare.[512] Also, by relying so heavily on reality shows, Fox was in danger of becoming too narrow in its focus. Should the trend suddenly lose steam, Fox would have to overhaul a large portion of its schedule quickly. Further, their syndication value was less than ideal because they did not re-run well and because they did not play well abroad.[513] Thus, although they were relatively inexpensive to produce, their revenue streams remained limited. What Fox (and News Corp.) needed was an entertainment franchise which could be exploited throughout many of its divisions.

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509 Study was conducted by the Cabletelevision Advertising Bureau, which analyzed Nielsen data. Cable share represented 30 basic services and 12 pay services. Information from Richard Huff, "Cable Viewership Hits Record High," *Variety*, 13-19 September 1989, 55.

510 Ibid. At this time, paycable penetration was at 29.4%, while VCR penetration was at 65.8%. This was a rise from 28.6 from cable and 53.3 VCR in 1987. Numbers again from Nielsen, as reported in the chart titled "VCR and Paycable Penetration," *Variety*, 13-19 September 1989, 66.

511 "Syndies Plan 'Current Affair' Clones," Variety; Meg Cox, "Advertisers Are Flocking to Fledgling Fox," *Wall Street Journal*, 28 February 1989.

512 Dempsey, "24 Advertisers Boycott 'Affair,' 'Edition,' 'Copy,'" *Variety*, 21 March 1990, 1, 60.

513 "Syndies Plan 'Current Affair' Clones," *Variety*.

The primary importance of the reality programs was in enabling Fox programmers to define their desired audiences more clearly. Previously there had been some uncertainty about which demographic groups were preferable. One week Ancier would tell the press that Fox wanted to generate “mass appeal shows”; the next week he would speak of his pursuit of shows that were “young in appeal.”[514] As the reality shows increasingly hit with teenagers, urban audiences and the 18-34 demographic, executives focused on picking up more shows targeted to these groups. However, the programs in development were not reality series. Rather, by fall 1989, Fox began to focus once more on scheduling sitcoms and hour-long dramas.[515]

The first such entertainment programs to be broadcast in line with this new strategy proved to be much more successful than anyone at Fox could have anticipated. On December 17, 1989, Fox ran a half-hour special entitled “The Simpsons Roasting on an Open Fire.” The characters had been spun off from *The Tracey Ullman Show*, where they appeared in bumpers for that program each week. From their first half-hour prime time appearance, the show was a stunning success. The program ranked 30th in the Nielsens and surpassed the record Emmy ratings Fox had earned a few months earlier. Yet the news for the night got even better. That evening’s episode of *Married…with Children* ranked 13th for the week and became “the first Fox program ever to win a timeslot during the regular

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[514] First statement from Diane Haithman, “Fox Network Picks Up ‘Garry Shandling Show’; ‘North Report’ Canceled,” *Los Angeles Times*, 6 January 1988, Calendar 1. Second statement from “Fox Eases Affiliates’ Concern,” *Variety*.
[515] Brian Lowry, “Reality Out for Fox’ Monday Night Sked,” *Variety*, 22-28 March 1989, 43, 54; Tom Jicha, “Fox Turns Thumbs Down on New Reality Show From WSVN Miami,” *Variety*, 1 November 1989, 53.

season," beating every show of that week "in ratings for a number of key demographic groups, including adults 18-34, men 18-49 and youths 12-17."[516]

Clearly a change was at hand for Fox – not to mention the media industries at large. In late 1989, newly instated Fox Entertainment Group head Peter Chernin was learning the ropes at the network. At the same time, new motion picture division head Joe Roth was becoming familiar with the studio. In November, another important individual joined the company. This person, Preston Padden, left his top position at INTV to become senior vice president of Fox affiliates.[517] Padden's arrival signaled Fox's growing strength as well as the diminishing influence of independent stations. In the ensuing years, he would do much at Fox to increase its authority. Padden's forceful lobbying efforts proved to benefit both Fox and the networks. He would be aided in his pursuit of deregulation by the incoming FCC chairman, Al Sikes. As the next chapter shows, the Sikes-led FCC accomplished what neither the Fowler nor Patrick-led commissions had been able to – an overhaul of the fin-syn rules.

Meanwhile, consolidation continued in the media industries following the recent wave of mergers and acquisitions. Even as News Corp. incorporated its newly acquired publishing divisions and expanded its satellite investments, Time Warner, Sony and Matsushita integrated their recently purchased holdings and redefined their corporate structures. Within these newly formulated entities, filmed entertainment divisions would serve an increasingly important function. For most of these companies, event films were becoming ever-more important to

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516 Tom Bierbaum, "Fox Finds 'Married' Bliss in Nielsens," *Variety*, 27 December 1989, 25, 32.
517 "Padden to Leave INTV for Fox," *Broadcasting*, 20 November 1989, 34.

the bottom line. Such big-budget movies were a focal point for Fox Filmed Entertainment as well. However, at the same time, Fox was in the unique position of being able to explore the economic opportunities available to it as both a television producer and network distributor. As the next chapter demonstrates, *The Simpsons* served as the program through which Fox was first able to test the economic value of this structure. In the process, the program demonstrated that a successful niche-targeted television franchise could be every bit as profitable as a high concept film.

Chapter Five: Finding a Niche with *The Simpsons*, January 1990 – February 1992

> It's a very weird thing…We've all of a sudden gone from doing our stupid little jobs to becoming the Big Story…
>
> Fox executive Peter Chernin, October 1990[518]

> In TV, especially, the era of nichification is at hand. A year ago I remember Robert Wright, president of NBC, complaining about the upstart Fox network. Fox was free to go after the niches, he said, while the senior networks still had a mandate to pursue the broad spectrum audience. Well, times have changed...
>
> *Variety* editor Peter Bart, January 1991[519]

As the '90s began, Fox's future looked full of possibilities. The young program service was coming off its first profitable year and the next year seemed even more promising due to record upfront sales. The company's executives were starting to establish a clear identity for the weblet. The number of viewers in the 18-to-34 target demographic continued to increase. Saturday and Sunday nights were performing well and Monday nights were slowly building an audience. The back-to-back broadcasts of *The Simpsons* special and *Married…with Children* in December 1989 had brought the company its highest ratings yet. Those in the industry and press who had expressed skepticism about the program service's long-term viability were no longer doing so.

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[518] Mark Morrison, "Year of the Fox," *Rolling Stone*, 4 October 1990, 76-77.
[519] "Niche-picking for the '90s, or, Don't Mind the Masses," 14 January 1991, 5, 129.

Fox's impressive performance during the late '80s would prove to be nothing compared to the influence it would wield in the early '90s. Largely as the result of the success of this one show, *The Simpsons*, Fox transitioned from a gradual, methodical growth process into a rapid, chaotic, and stunningly profitable period of expansion. The company exploited the popularity and publicity surrounding the show to expand its schedule from three to five nights a week, shore up affiliate support and cross-promote its nascent Fox Children's Network. Most significantly, *The Simpsons* helped Fox solidify its image as the renegade program service – hipper, younger and brasher than the Big Three. The show became interchangeable with Fox's identity. This, in turn, led Fox to be viewed as a threat to the established networks for the first time. In attracting the 18-to-34-year-old viewers most sought after by advertisers, *The Simpsons* enabled Fox to evolve from its position as a self-described "gnat" to become a force to be reckoned with – and, in some cases, feared by its competitors.[520] The program had a halo effect, providing the company with a clear brand identity which served valuable marketing functions for the entire Fox schedule as well as for other divisions of News Corp.

As I demonstrate in the chapter which follows, in a little over a year Fox evolved from being a weekend program service to a legitimate challenger to the Big Three. Due to a combination of savvy programming strategies, skillful negotiations with cable operators, and effective lobbying in Washington, Fox's fortunes rose at a time when its parent company – as well as the rest the networks,

[520] "Fox Broadcasting Co.: The Birth of a Network?," *Broadcasting*.

motion picture studios and broadcast industry – were struggling to survive a harsh economy and tight advertising environment. By the time Barry Diller left the company in February 1992, Fox had not only instituted a number of innovative scheduling strategies but, even more importantly, used its image as an underdog to challenge the fin-syn rules. Largely due to Fox's campaigning, the FCC reevaluated the utility of the rules and found them no longer necessary. The rules would remain intact only long enough for Fox to gain a substantial advantage over its network competitors. Through this advantage, the company could exist in the privileged position of being both network – and not-a-network – as suited its particular regulatory, industrial and programming needs at a given point in time.

THE EMERGENCE OF A TELEVISION PHENOMENON: THE CASE OF *THE SIMPSONS*

> Seemingly overnight, Fox Broadcasting's *The Simpsons* has emerged as a breakaway ratings hit, an industry trendsetter, a merchandising phenomenon, a cultural template and, among its most fanatical followers, a viewing experience verging on the religious…
>
> *Newsweek*, April 1990[521]

The Simpsons has been a critical and academic darling since its earliest seasons on the air. Over the years, it has been written about in a number of contexts. Most frequently, the show has been evaluated in terms of its postmodern sensibility, its subversive depiction of a blue-collar family, and its influence on contemporary prime time animation.[522] Scholars have concentrated predominantly

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[521] Harry F. Waters and Linda Buckley, "Family Feuds," *Newsweek*, 23 April 1990, 58.
[522] For an example of the treatment of the show as postmodern, see Carl Bybee and Ashley Overbeck, "Homer Simpson Explains Our Postmodern Identity Crisis, Whether We Like It Or

on *The Simpsons'* politics and its aesthetics – traits most readily apparent through an analysis of the show's textual dimensions. Given the substantial amount of literature on the series, it is surprising that scholars have rarely discussed its wide-ranging influence on the television industry's practices and products. Instead, such discussions have occurred mainly in journalistic circles.[523] Journalists covering the industrial dimensions of the program are typically focused on its status at the time they are writing. Such articles, while useful as resources, often fail to evaluate the broader relationship between the show and the contemporary media environment.

In this section, I attempt to fill this gap in the literature on *The Simpsons*, considering the program in terms of its influence on larger production, distribution and marketing processes. As will become clear in this analysis, the history of Fox – its image as a program service, its status as a 'network,' and its position as a vertically integrated company – has been intricately intertwined with the development of *The Simpsons*. This program not only was the first major success story for the young company, but was also the first show to be produced, broadcast and syndicated by one company after the enactment of the fin-syn rules. In other words, *The Simpsons* was the first television program to demonstrate the

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Not: Media Literacy After The Simpsons," *Studies in Media & Information Literacy Education* 1, no. 1 (2001). http://www.utpjournals.com/simile (accessed June 23, 2004). For an analysis of the program's representation of the family, see Diane F. Alters, "'We Hardly Watch That Rude, Crude Show': Class and Taste in *The Simpsons*," *Prime Time Animation: Television Animation and American Culture*, eds. Carol A. Stabile and Mark Harrison (London: Routledge, 2003), 165-184. Several other articles in *Prime Time Animation* nicely contextualize *The Simpsons* in relation to contemporary animation. In addition, see "The Simpsons Archive" online for an inventory of academic and popular articles written about the show: http://www.snpp.com/misc.html (accessed June 23, 2004).

[523] The most extensive such discussion can be found in the paperback edition of Alex Ben Block's *Outfoxed.* Also see various journalistic articles cited in this section.

economic value of a hit series to a contemporary media conglomerate. The show served a branding function for Fox, helping the company further cultivate its image as the "alternative" program service.

The Simpsons rapidly emerged as a television franchise unlike any others which had come before. Although programs such as *The Cosby Show* and *M*A*S*H* were immensely successful in syndication – and *Star Trek* was an unparalleled merchandising phenomenon – no single program ever had brought one company profits via so many different avenues from its first days on the air. This extraordinary financial success carried with it additional industrial, programming and cultural implications. However, before delving into these elements, it is important to provide a bit of background about how *The Simpsons* made it onto the air in the first place.

The Simpson family was created when *The Tracey Ullman Show* producer James L. Brooks approached Los Angeles underground comic strip artist Matt Groening and asked him to provide brief animated sequences to air between Ullman's skits. Groening, whose comic strip "Life in Hell" had developed a strong cult following by this time, decided to create new characters so he would retain the rights to his print characters. The Simpsons were named after members of his own family, with the exception of Bart (an anagram of "Brat"), who was a stand-in for Groening.[524] The animated bumpers of *The Simpsons* were first aired during the second season of *The Tracey Ullman Show* (1988-89). Many of the

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[524] See the BBC special, "America's First Family," *The Simpsons: The Complete First Season*. 1989-90. DVD. 20th Century Fox Home Entertainment, 2001.

character voices – as well as behind-the-scene talent – were drawn from the crew on Ullman's series.[525]

From early on, Brooks felt the Simpsons should have a series of their own, but he met with resistance from many Fox executives.[526] Though Ancier and Wendle supported a Simpson-centered series, Diller initially doubted it would work.[527] He supported creating a number of specials instead. Part of Diller's concern stemmed from the fact that the last successful prime time animated series was *The Flintstones*, which had gone off the air more than twenty years before. The high cost of animation also worried Diller. Given the long lead time needed to complete animation, the entire season (e.g., millions of dollars) would have to be approved up front.[528] If the show failed early on, millions would be lost. Nonetheless, *The Simpsons* finally received a green light, in large part due to Brooks's clout.[529] It was produced by Brooks's Gracie Films production company in collaboration with Twentieth Century Fox Television. From the outset, the creators had an extensive amount of creative freedom. When there were conflicts between Fox and the show's executives, Brooks served as an intermediary.[530]

The mandate from the earliest stages of development was that the show had to be different from previous efforts at television animation. Brooks told Block that his vision from the outset was that it should "be based on the inner

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525 Julie Kavner (Marge) and Dan Castellaneta (Homer) were featured actors on *The Tracey Ullman Show;* in addition, producer-writers Sam Simon and Wallace Wolodarsk as well as editor Brian Roberts worked on the sketch comedy series.
526 Block, 377.
527 Ibid.
528 "America's First Family," *The Simpsons: The Complete First Season*.
529 Ibid.
530 Block, 381.

emotional lives of cartoon characters."[531] The characters should seem real – only animated. Groening and Brooks felt it was important that the characters obey the laws of physics, meaning that they could not randomly fall off a ten story building or be hit on the head with a frying pan and emerge uninjured.[532]

It didn't take long for Fox executives to see the potential of this new take on animation. Upon viewing the first episode, Diller's attitude toward the show changed dramatically. From then on, he was completely supportive of the series.[533] *The Simpsons*, of course, didn't need any backing from Fox executives to survive – as noted in chapter four, it was a hit from the airing of the Christmas special in December 1989. The series officially began on Sunday, January 14, 1990, premiering after *America's Most Wanted* and before *Married…with Children*. By the time the fourth show was broadcast, Fox deemed it enough of a success to renew it for a second 24-episode season.[534] Week after week in the spring of 1990, *The Simpsons* continued to ascend in the ratings. By April, it was regularly placing in the top 20 in spite of the fact that Fox's national coverage remained below 90%.[535] At the end of first season (consisting of an abridged 13 episodes), *The Simpsons* was regularly in the top ten among the 18-49 demographic.[536]

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[531] Ibid, 377.
[532] Ibid, 380.
[533] Block, 377.
[534] Ibid, 282.
[535] Waters and Buckley, "Family Feuds."
[536] "CBS, Fox Round Out Prime Time 1990-91," *Broadcasting*, 4 June 1990, 55-57.

A few months before *The Simpsons* premiered, *Variety* had declared the 1989-90 season to be the first "hitless season in memory" for the Big Three.[537] Suddenly, in mid-season, there appeared a new "national obsession" – one that wasn't coming from the established networks.[538] *Simpsons* characters were featured on the covers of a range of publications, including *Newsweek*, *US, Rolling Stone*, *Mother Jones*, *Spy Jr*., and the syndicated *TV Week*.[539] In addition, *Simpsons*-based merchandise was selling more quickly than stores could stock it.[540] By the end of August 1990, millions of dollars worth of merchandise had been sold, for which Fox typically received a royalty ranging from five to eight percent.[541] And the show was not solely a national phenomenon; *Simpsons* merchandise was selling even in countries where it had not yet aired.[542]

Much of the initial merchandise – as well as many of the early storylines – focused on the character of Bart. For example, a Bart doll declared "the kids in TV land are being duped," while t-shirts featured Bart proclaiming one of his

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537 Lippman, "Big 3 Webs Mired in First Hitless Season in Memory: Is it the Writers' Strike, the Competition or the Nets' Reluctance to Take Risks? Reasons Vary, But All Agree New Show Ratings are Weak," *Variety*, 29 November 1989, 45.

538 Michael Kinsley, "Bart for President," *New Republic*, 23 July 1990, 4.

539 See Waters and Buckley, "Family Feuds," *Newsweek*; Jerry Lazar, "The Bratty Bunch," *US*, 30 April 1990, 38-41; Bill Zehme, "The Only Real People on T.V.," *Rolling Stone*, 28 June 1990, 40-42, 46-47; Sean Elder, "Is TV the Coolest Invention Ever Invented?," *Mother Jones*, December 1989, 28-31; Howard Rosenberg, "*The Simpsons*: A Google-Eyed Guerrilla Assault on TV," TV Week insert of *Washington Post*, 18 March 1990; "Bart Simpson's Match the Excuse to the Thing You Did," *Spy Jr*., January/February 1991, 43-44. An extensive inventory of Simpsons-related media-coverage has been compiled by Bruce Gomes Sr. and is available at http://www.snpp.com/guides/bibliography.html (accessed June 23, 2004).

540 Christy Fisher and Marcy Magiera, "Hey Dude – Fox's Simpson Family is Hot," *Advertising Age*, 19 March 1990, 4.

541 Terry Lefton, "Don't Tell Mom: Fox Looks to a Degenerate Clown and a Violent Cat-and-Mouse Duo to Revitalize 'The Simpsons' Merchandise Sales," *Brandweek*, 10 August 1992, 16-17.

542 For example, according to Lefton, although *The Simpsons* was not yet airing on television in Japan, merchandise from the program was selling well.

signature lines: "Don't have a cow, man." *Variety* declared *The Simpsons* "the hottest character license in the country."[543] Meanwhile, Fox generated respect for its restraint in licensing of the program; licensees during the first year were limited to a relatively conservative number of 75.[544]

While Fox may have carefully managed the merchandising for the show, this is not to say the company limited its commercialization. Promotional tie-ins were struck with a number of major companies early on. In March 1990, Nestle arranged a deal to use the animated characters to promote its Butterfinger candy; by June, Burger King ads starring *The Simpsons* were in production.[545] These commercial tie-ins elicited strong responses from Fox's competitors. Both ABC and NBC refused to air the spots, claiming they helped promote a competitors' program.[546] They argued that, whereas a Mickey Mouse or a Bugs Bunny-centered advertisement was not associated with the shows on any particular network, the Simpson characters were closely linked to the identity of Fox.[547] They felt that to broadcast an advertisement with the Simpsons would be to advertise indirectly for Fox.

The concern expressed by the other networks over showing *Simpsons* commercials indicates Fox's rapidly changing status as a program service. Suddenly Fox was no longer just an annoyance – the equivalent of little more than

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543 "Will the Summer Stifle 'Simpsons' Sizzle?," 30 May 1990, 43.
544 Ibid. According to Block, the show was credited with helping to expand the market for licensed merchandise. Customers ranged from age three to adults, *Outfoxed*, 373.
545 Fisher and Magiera, "Hey Dude," *Advertising Age*; "Burger King-'Simpsons' Ad May Not Air on NBC, ABC," *Broadcasting*, 11 June 1990, 80.
546 "Burger King-'Simpsons' Ad," *Broadcasting*.
547 Ibid.

another independent television station. In large part due to the increased profile the company was attaining with *The Simpsons*, Fox had become a legitimate competitor. The company's executives recognized the incredible boost they were gaining from *The Simpsons* and attempted to use the show as the means by which they could further expand their schedule. In May 1990 – after *The Simpsons* had been on the air less than six months – Fox executives surprised the industry by announcing plans to move it from Sunday nights to Thursday nights.[548] *The Simpsons* would air at 8 p.m. opposite top-rated NBC's *Cosby Show*, which at this time was the most popular series on television.[549] The change was suggested by Murdoch and seconded by Diller; other Fox executives responded much more warily to the proposal.[550]

The decision to move *The Simpsons* to Thursday nights was driven by a desire to expand Fox beyond its current three-night-a-week schedule. Fox executives believed that by moving the show to Thursdays, they would have a powerful base from which to build up the night.[551] *The Simpsons* would function as the launching pad not only for Fox's Thursday nights, but rather for its entire newly expanded schedule. As of September 1990, Fox planned to broadcast programming five nights a week. Two hours of programming a night would play Thursday through Monday with the exception of Sundays, which would have four hours of programming. *The Simpsons* move functioned as the linchpin of Fox's

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548 Dempsey, "Bart To Cos: Eat My Shorts," *Variety*, 30 May 1990, 1-2.
549 Bob Knight, "NBC a Proud (and No. 1) Peacock as '88-'89 TV Season Wraps: Web's Undefeated Streak Hits 43 Weeks, 3 Shy of Alltime Mark; ABC Finishes 2d" *Variety*, 26 April – 2 May 1989, 1, 4.
550 Ronald Grover and Susan Duffy, "The Fourth Network: Fox is a Hit – But Can it Take on the Big Boys?," *Business Week*, 17 September 1990, 114.
551 "Fox Kicks Off Press Tours in Los Angeles," *Broadcasting*, 16 July 1990, 65-66.

most ambitious scheduling strategy to date. However, Fox made other surprising choices at this time as well, including canceling *21 Jump Street* and shifting *America's Most Wanted* to Friday nights, where it would be the anchor for that new night of Fox programming.[552]

Fox slated nine new shows to premiere in the fall of 1990 – the same number being launched on both NBC and CBS.[553] The Fox programming week began on Thursdays with *The Simpsons* and a new sitcom called *Babes*, about three heavy-set sisters living in New York City. After *Babes* came a new teen drama, the Aaron Spelling-produced *Beverly Hills 90210*. On Fridays, Fox placed *D.E.A* after *America's Most Wanted*. This police drama used news footage and hand-held camerawork to give it a grittier feel. The Saturday line-up consisted of two returning series – *Totally Hidden Video* and *Cops* – as well as two new series, the David Lynch-produced anthology series, *American Chronicles*, and the comedy-variety series, *Haywire*. *Married…with Children* was now the lone veteran series on Sunday nights. It was joined by a number of different comedies: *True Colors* was centered on an interracial relationship; *Parker Lewis Can't Lose* featured a Ferris Bueller-type of teenager; *Get A Life* was a Chris Elliot vehicle and *Good Grief* a Howie Mandel vehicle. Concluding the evening was the hour-long dramedy, *Against the Law*. Sandwiched in between *Parker Lewis Can't Lose* and *Get a Life* was a sketch comedy/variety series which made its debut in April of 1990. This series, *In Living Color*, was already developing a following of its

[552] In addition, Tracey Ullman decided to end her series before Fox pulled the plug on her (still low-rated) show. "Tracey Ullman Calls It Quits, Too," *Variety*, 23 May 1990, 74.

[553] This move was all the more dramatic considering Fox was programming significantly fewer hours than either of these networks. J. Max Robins, "Programming Guerrillas: Rebels with a 'Cos'?," *Variety*, 6 June 1990, 39, 49.

own. Often labeled a "black Saturday Night Live" by the press, *In Living Color* was produced by Fox in association with the show's creator and star, Keenan Ivory Wayans.[554]

Fox's decision to premiere so many shows at one time was a risky one. However, it was a move that the company's executives deemed to be necessary for a couple of key reasons. First, by expanding its schedule to five nights a week, Fox struck a substantial blow to other companies which had a potential "fifth network" in the works. At the time Fox prepared its fall 1990 schedule, MCA-Universal and Paramount (in conjunction with the Chris-Craft television stations) were in the early stages of formulating a new network of their own.[555] Their business plan relied in part on linking up with Fox affiliates during the service's "off" days. In expanding to five nights, Fox reinforced it was well on its way to having a full week's worth of programming. Any new services would have little room to expand beyond two nights a week – and Fox executives emphasized the company would be airing shows on those nights soon.[556] These scheduling moves thus served as a way for Fox to prevent affiliates from striking "time-sharing" arrangements with other services. It didn't take long for MCA and Paramount to put away the blueprints for their fifth network venture – at least for the time

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[554] Graham, "'Color' Him Successful; Wayans Puts a Bite in TV Comedy," *USA Today*, 27 June 1990, 1D; Cameron Stauth, "Fox in the Network Henhouse," *New York Times*, 15 July 1990, 29.
[555] Reports of a potential fifth network first surfaced in October 1989 and were then called off by the end of the month due to leaks made by Fox to the press. Fox reacted to the rumors in part by halting a sale of its films to the Paramount-MCA-owned USA cable channel. When the fifth network was called off, Fox completed sale to USA. See "Making the Fifth: MCA and Paramount Talk Network," *Broadcasting*, 23 October 1989, 35; Dempsey, "Fox Fights '5th Web,' Hopes Loose Lips Sink Partnerships: Par-MCA Proposal Gets Scuttled After '4th Web' Spread Word; USA Deal Also Scrapped," *Variety*, 25-31 October 1989, 1, 45.
[556] Robins, "Weblet Outfoxes Ratings," *Variety*, 17 December 1990, 1, 76.

being.[557] In place of such plans, both companies began developing first-run hour-long action adventure series to play in the gaps on the Fox schedule (as well as on other independent stations and perhaps even some network affiliates).[558]

A second reason Fox executives decided to expand so swiftly was because they recognized the company was on a roll. They wanted to take advantage of the high degree of positive publicity being afforded to Fox as a result of *The Simpsons* craze. The publicity surrounding *The Simpsons* was having a positive effect on the entire Fox schedule; viewers tuned in not only to that series but began sampling other programs on the service as well. Media coverage of the company and its shows was at an all time high: Journalists were calling Fox the "guerrilla network" and portraying it as "fresh" and "young" while the Big Three were described as "old" and "stale."[559] Fox's decision to air *The Simpsons* – and air it against *The Cosby Show* no less – helped to highlight its status as a renegade, a risk-taker, an innovator. In the days leading up to the "match-up" between the two programs, the press increasingly built up the oppositions between Fox/*The Simpsons* and the Big Three/*The Cosby Show*. For example, *Time* magazine depicted Fox as the "upstart outsider" [launching] an attack on the very

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557 Dempsey, "Fox Fights '5th Web.'

558 Jim Benson, "MCA, Chris-Craft Pursues Coveted Fountain of Youth," *Variety*, 18 July 1990, 65, 67.

559 From the moment *The Simpsons* appeared on the air, in fact, Fox was taken more seriously. For example, in January 1990, NBC Chairman Robert Wright declared that Fox was "for real." From Dempsey, "Fox, Cable, Indies all Real Threats, Wright Concedes," *Variety*, 17 January 1990, 6. Such statements would become much more frequent, however, after Fox announced it was moving the Simpsons to Thursday nights. For examples of oppositions drawn between the networks and Fox, Robins, "Battling Bart Gives Fox P.R. Boost," *Variety*, 22 October 1990, 25; Jefferson Graham, "The Guerrilla Network: Maturing Fox Becomes the Aggressor; Stalking the Big Three's Weak Spots," *USA Today*, 23 August 1990, 1D; Lowry, "Quick Young Fox Pilfering Viewers from the Three Old Networks," *Variety*, 16-22 August 1989, 53.

symbol of the network establishment. Whatever the outcome, notice has been served: where once there were three contenders on the network battlefield, now there are four."[560] *Variety* ran a front page headline declaring "Bart to Cos: Eat My Shorts" and opined that this one programming move had changed "the whole complexion of the season."[561]

The image of a "contest" between *The Simpsons* and *The Cosby Show* was further reinforced by comments made by executives at Fox as well as at the Big Three. Howard Stringer, Broadcast Group President at CBS, told *Variety* within the context of a discussion of the impending "battle of Bart versus Bill" that "Everything's changing….You have to be careful about stifling [producers] because they'll look around and say, "Oh, we'll go work for Fox."[562] Fox's own Peter Chernin, meanwhile, was portrayed by *Variety* as touting "his team as the upstart programming guerrillas, taking audacious swipes at the Big Three. What better way to boost that brash image than having punk rebel Bart Simpson take on primetime's grand-old man Bill Cosby?"[563]

Such journalistic proclamations served immense promotional value for Fox with the public as well as with advertisers. In short order Fox had found an effective means of tweaking its image. No longer was it the reality network; it had become the house that Bart built. Executives had found a program which appealed to demographics similar to those attained by the reality shows. However, unlike

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[560] Richard Zoglin, Richard Natale and Linda Williams, "The Fox Trots Faster," *Time*, 27 August 1990, 64-66.
[561] Quotation from "Programming Guerrillas: Rebels with a 'Cos.'
[562] Stringer statement and "Bart vs. Bill" phrase from Graham, "The Guerrilla Network," *USA Today*.
[563] Robins, "Programming Guerrillas."

the reality series, *The Simpsons* also received critical praise and advertiser support. Riding high off the media attention surrounding *The Simpsons*, Fox had an amazing 1990-91 upfront season. The company's upfront sales totaled between $550 and $600 million – an increase of approximately $300 million from the previous year.[564] Individual spots sold for as much as 33% more than they had a year before.[565]

Even before this record upfront, *The Simpsons* had already provided a major boost to Fox's bottom line. Whereas the previous year Fox had broken even for the first time, for the fiscal year ending June 30, 1990, the program service reported $33 million in profit.[566] In other words, Fox was turning a profit much earlier than its executives ever expected. When the program service started in April 1987, Kellner had stated his desire for the company to make its first profit within four or five years.[567] In fact, Fox reached this target in only three years and with a mere three nights a week of programming.[568]

The summer of 1990 was clearly a high point for Fox. *The Simpsons* was making headlines across the country. Sponsors were paying top dollar to advertise on a schedule with which featured only a handful of returning series. *The Simpsons* received its first Emmy award for Outstanding Animated Program.

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564 ABC sold about $1.4 billion in this year's upfronts, NBC sold $1.5 billion and CBS sold almost $900 million. Huff and Robins, "Fox Steals the (Ad Sales) Show From the Nets," *Variety*, 4 July 1990, 37, 47.

565 Ibid. Fox promised an across-the-board seven rating in place of the six-plus it had previously guaranteed, Lowry and Huff, "FBC May Have the Laugh Last: Posts $33-Mil Profit for Fiscal '90," *Variety*, 25 July 1990, 43.

566 Ibid.

567 Morrie Gelman, "Fox Has 4 Shows Waiting in Wings, with 3d Night in Limbo; Expects Profit After 4-5 Years," *Variety*, 12 August 1987, 51, 86.

568 Revenues for prime time increased 109% from the previous year , "News Corp. Seeks New Stock," *Broadcasting*, 1 October 1990, 53.

America's Most Wanted, *Cops* and *Married…with Children* were still rising in the ratings and *In Living Color* was beginning to take off.[569] Fox executives were making headlines and earning kudos for their shrewd counter-programming strategies. And media attention continued to build as the Bart vs. Cosby match-up drew closer.

NBC and Fox helped fuel the publicity for their respective series by holding off on airing new episodes until several weeks into the season. This allowed for several different 'landmark' events by which each could measure (and publicize) its success. The first such occasion took place on Thursday, August 23, 1990. On this date, a re-run of *The Simpsons* played against a *Cosby* "bloopers" special. *Cosby*, wrote *Broadcasting*, "won the first round." [570] In terms of ratings, this might have been the case, but *The Simpsons* was nonetheless a victor in the advertising department, receiving approximately $300,000 per 30-second spot.[571] These prices – which rivaled those being charged by NBC for *The Cosby Show* – were being paid even before new episodes of each show were broadcast.

The first time original episodes of both programs aired was on October 11, 1990. Although *Cosby* was the overall ratings victor, the race was much closer than even Fox executives had predicted it would be. In the first "head-to-head" competition, *The Cosby Show* beat *The Simpson*s by a slim one-tenth of a ratings point.[572] The audience share for each show amounted to 29%.[573] On this evening,

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569 *In Living Color* won its time period on its first night on the air, "More 'Living Color,' *Broadcasting*, 21 May 1990, 58.
570 "Countdown to '91: The Shape of Things to Come," 3 September 1990, 19.
571 "The Fourth Network: Fox is a Hit," *Business Week*.
572 Term used in "Families Feud," *Broadcasting*, 15 October 1990, 31. The ratings for *The Cosby Show* were 18.5 while *The Simpsons* earned an 18.4 rating. Numbers also from this source.

The Simpsons also recorded the highest rating ever for an animated program and for a Fox series.[574] Fox had still more to celebrate the following week, when "battling Bart" nearly doubled the ratings attained by *The Cosby Show* in the highly desirable and difficult-to-attract male 18-49 demographic.[575]

From the moment Fox announced the move of *The Simpsons* to Thursday nights, the company's executives had publicly downplayed their expectations. They repeatedly stated in interviews that they had little hope of defeating *The Cosby Show* – rather, they were only hoping for second place. Chernin said in the summer of 1990 that moving *The Simpsons* to Thursday nights was "never about killing Cosby….We have no illusions about that. It's the other guys, the other two networks that aren't really there on Thursday night. There's a lot of audience left over the other two networks aren't hitting."[576] As it turned out, there were a lot of viewers that *Cosby* wasn't hitting – or keeping, at any rate. Prior to *The Simpsons'* move to Thursday nights, *The Cosby Show* was gaining in viewers in the 18-34 and 18-49 age groups. From the 1987-88 season to the 1989-90 season, *The Cosby Show* increased its share of the 18-34 audience from 27% to 32% and its share of the 18-49 audience from 44% to 52%.[577] However, as *Variety* noted, against *The Simpsons* "the numbers fell back to 27% and 46% respectively, while kids and teens dropped from 29% in '89-90 to 23%."[578] What this meant was that

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[573] Ibid.
[574] Ibid.
[575] Cosby earned a 7.8 rating with this group while the Simpsons achieved a 15.1 rating. See "Battling Bart," *Variety*.
[576] Robins, "Programming Guerrillas," *Variety*.
[577] Stuart Miller, "Age Does Not Wither Demo Mix of Hardy Hits," *Variety*, 5 May 1991, 317, 322.
[578] Ibid.

The Cosby Show's audience was getting older – and smaller.[579] With *The Simpsons*, Fox had found the first of many shows able to dethrone a network stalwart and ratings champion. What's more, it enhanced its profile as a youthful alternative to the so-called stodgy networks and built up a core audience of viewers highly sought out by advertisers.

The immense success of *The Simpsons* affected the broadcast television schedule in other ways. The show extended Fox's focus on the "blue-collar family," an emphasis begun a few years earlier with *Married…with Children*. The two programs were often perceived to be mirror images of each other by journalists; one writer called *The Simpsons* a "cartoon copy" of *Married…with Children* while another labeled the Simpson characters as "Fox's other offbeat family."[580] Although the Big Three had first begun airing working-class comedies in the late '80s following the launch of *Married…with Children* (i.e.., *Roseanne* started its run in 1988), the phenomenal performance of *The Simpsons* significantly heightened the level of emulation. ABC – which in the early '90s was targeting similar demographic groups as Fox – relied most extensively on working-class comedies with shows such as *Home Improvement* (premiering in 1991) and *Grace Under Fire* (premiering in 1993).

Far more important and explicit than the influence of *The Simpsons* on the networks' live action television formats was its influence on their larger

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[579] Ibid. The 55-plus group made up 25% of the Cosby crowd in '87-88, 22% in '89-'90 and 27% in '90-'91.

[580] Former phrase from Guider, "Will Bart Be a Syndie Slam Dunk?," *Variety*, 25 February 1991, 1, 268. Latter phrase from Michael Reese, "A Mutant 'Ozzie and Harriet,'" *Newsweek*, 25 December 1989, 70.

programming strategies. The high dollar sums commanded for commercials on *The Simpsons* and other Fox programs reinforced that advertisers were willing to pay premium prices for spots on series which attracted particularly desirable demographic groups. As noted in previous chapters, the pursuit of niche audiences by Fox intersected with the desire by advertisers for more targeted marketing. An emphasis on specific demographics rather than household ratings had also increased during the late '80s with the release of the people meter, a new measurement system capable of recording more specific demographic information.[581]

Fox exploited these industrial developments with great acuity. The lesson learned by the Big Three from Fox's success with *The Simpsons* was that a network didn't have to attract mass audiences to turn a profit. This was a positive development for the networks given the continued fragmentation of television viewership. After Fox took the initial steps toward scheduling more niche-oriented programming, the other networks hastily followed. For instance, in summer 1990, both NBC and CBS changed their upfront strategy to secure demographic rather than household ratings.[582]

The immense popularity of *The Simpsons* had other, more immediate effects on the schedules of the Big Three as well as Fox itself. The most direct impact was felt within the world of television animation, an arena where *The Simpsons* single-handedly spurred a renaissance. While the movie business had been in the midst of an animation revival throughout the late '80s, animation had

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[581] "1987 Ushers in the People Meter Era," *Broadcasting*, 5 January 1987, 59-62.
[582] Dempsey, "Nielsen Competitors on the Warpath," *Variety*, 20 June 1990, 47, 50.

been slower to return to television. In terms of motion pictures, Disney had reassumed the mantle of animation king as a result of the stunning box office performance of *Who Framed Roger Rabbit* (1988) and *The Little Mermaid* (1989). Universal's *American Tail* (1986) and *The Land Before Time* (1988) also contributed to the animation boom of the late '80s. Not long after *The Simpsons* became a hit, the networks explored prime time animation once more.[583] A new objective for many network executives involved finding the next big thing in "animation for adults."[584] This proved to be an elusive goal, at least in the early '90s. A number of imitators came and went, including *Dinosaurs* (ABC, 1991-1994), *Capitol Critters* (ABC, 1992) and *Fish Police* (CBS, 1992).

Cable programmers stayed out of adult-oriented animation altogether at this time. Most remained focused on airing a slate of motion pictures, off-network dramas and low-cost original series. However, slowly a handful of cable channels made their first tentative steps into children's animation.[585] Among the new children's-oriented animated series which began their run shortly after *The Simpsons* premiered were *Captain Planet and the Planeteers* (TBS, 1990-96), *The Legend of Prince Valiant* (The Family Channel, 1991-94), *Doug* (Nickelodeon, 1991-93), and *The Little Mermaid* (Disney, 1992-94).[586]

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583 See Stabile and Harrison, *Prime Time Animation* for several different interpretations of the influence of *The Simpsons* on network prime time programming practices.

584 The label of "animation for adults" was a bit of a misnomer, as the ultimate goal was to find shows appealing to children on one level and adults on another.

585 One of the earlier areas of original series programming entered into by a number of cable channels was in live action children's material. HBO had *Fraggle Rock* (1983-90), The Family Channel had *Rin Tin-Tin K-9 Cop* (1988-93), Showtime had *Fairie Tale Theatre* (1982-87), Nickelodeon had *Hey Dude* (1989-91), and Disney had *The New Leave it to Beaver* (1985-86). Information compiled from Brooks and Marsh and www.imdb.com (accessed June 23, 2004).

586 Titles cited in Brooks and Marsh and on www.imdb.com (accessed June 23, 2004).

Fox also began to move into the children's animation business. In June 1989, Fox announced it would launch a daytime children's program block in the fall of 1990.[587] The company decided to enter into the kids programming business partly as a result of affiliates' concerns about the rising costs of syndicated programming.[588] The arrangement was designed as a profit-sharing enterprise between Fox and its affiliates. The Fox Children's Network (FCN), as it came to be called, had the potential to work heavily in the affiliates' favor. The terms of the deal involved Fox taking 15% of FCN's national advertising revenue, and then using the remaining 85% to cover production costs.[589] Whatever was left after this would be divided between the affiliates based on their market delivery. A possible added bonus for affiliates down the road would come if a hit series emerged. Should a winning show appear on the FCN schedule, 100% of all ancillary revenues would go to the affiliated stations.

Fox stood to gain much from this undertaking. Fox's O&Os would be among the profit participants and thus could reap the same financial benefits as other affiliates (if not more because they were located in most of the largest markets). Further, the enterprise was intended to serve a variety of marketing and promotional functions for Fox. It would enable the company to expand its "brand identity" across another part of the day. Even more to the point, it would help Fox heighten its profile with children and teenagers – demographic groups which were being pursued ever-more aggressively by advertisers. Kellner, widely considered

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[587] "Fox Plans Children's Program Block for Fall 1990," *Broadcasting*, 12 June 1989, 30.
[588] Ibid.
[589] All details regarding the deal come from "Fox Affiliate Defects to Buena Vista," *Broadcasting*, 12 February 1990, 22.

the main architect behind FCN, argued that today's FCN viewers would become the teens and young adults of tomorrow. And these teens and young adults of tomorrow, in turn, were among the main demographic groups sought by Fox in prime time: "We want them to think this is their network right from the start," he stated in explaining the rationale behind the formation of the FCN.[590] To accomplish this, Fox arranged to cross-promote the daytime and prime time schedules.[591] Of course, advertisements on – and for – *The Simpsons* were central to this plan. Also crucial to FCN would be a "Fox Kids Club," an organization "developed for local merchandising opportunities."[592] Fox could keep an inventory of its audience composition in various markets based on who registered to be members of the Kids' Club.

Another benefit of FCN to Fox was that it provided a low-cost way for the company to expand its program schedule quickly. Daytime children's animation was both relatively cheap to produce and easy to syndicate. It also worked well with Fox affiliates' schedules, as 99% of them were already in the children's business.[593] Further, 76% of these affiliates already ranked number one with children ages 2-11.[594] These factors made Fox's move into this realm substantially easier.

Fox's expansion into daytime children's programming was not viewed with excitement throughout the industry. One key company affected by the

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[590] Tom Feran, "Fox, the Little Network That Would, Is Poised to Chug Over the Top," *Plain Dealer*, 17 June 1990.
[591] "Fox Unveils Its Saturday Morning Look," *Broadcasting*, 26 March 1990, 86.
[592] Ibid.
[593] Ibid.
[594] Ibid.

formation of FCN was Disney, which at the time of FCN's launch was earning a tidy sum with its broadcast of the "Disney Afternoon" on many Fox affiliates. It didn't take long for Disney to file a suit against Fox, alleging anti-competitive behavior on the company's part.[595] Disney claimed Fox was threatening to drop stations as affiliates if they agreed to air the Disney Afternoon instead of the Fox Children's Network.[596]

In spite of the Disney lawsuit, Fox continued to expand its daytime schedule throughout 1990. Within months of hiring former Hanna Barbera executive Margaret Loesch to run FCN, the first programs were announced and the launch dates scheduled. FCN began operations on Saturday, September 8, 1990 with six half-hour series: the game show *Fun House* and the animated series *Bobby's World*, *Zazoo U*, *Tom and Jerry Kids Show*, *Peter Pan and the Pirates*, and *Attack of the Killer Tomatoes*.[597] On Monday, September 17, Fox initiated its weekly children's schedule with a re-airing of *Peter Pan and the Pirates*.[598] This half-hour program proceeded to air five days a week.

By the time of the launch, Fox had already signed up approximately two million children for the Kids' Club and sold about $30 million in the daytime upfront – and this was only the beginning.[599] Fox showed no signs of letting up in

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595 The lawsuit came in the wake of the decision by a Seattle Fox affiliate to take the Disney Afternoon instead of the Fox Kids Network. According to *Broadcasting*, Fox pondered dropping the affiliate but didn't. See "Buena Vista Sues Fox," *Broadcasting*, 26 February 1990, 34.

596 Ibid.

597 *Piggsburg Pigs* replaced *Peter Pan and the Pirates* after the first week, when the latter show moved to its regular weekday time slot.

598 This show aired five days a week.

599 Two million statistic comes from "Fox is Poised to Fill a Void," *USA Today*, 5 September 1990, 3D. The $30 million upfront accounted for approximately 10% of the overall network children's upfront market. ABC, CBS and NBC together sold between $330 and $350 during their upfront sales. Fox sold less time than the Big Three in this upfront: The networks sold five

its expansion plans. Rather, the company intended to continue growing FCN until it had four weekday hours and four Saturday hours of programming.[600] To accomplish this feat, FCN needed a major program supplier. In October 1990, the company found it in the form of Warner Bros. At this time, Warner Bros. signed a multi-series deal to provide Fox with children's shows.[601]

Several other significant Fox-related events occurred in tandem with the launch of FCN and the expansion of prime time to five nights a week. In particular, a number of developments transpired on the syndication front. In the spring of 1990, *The Tracey Ullman Show* became the first Fox-produced program to be sold into syndication when it was purchased by the Lifetime cable channel.[602] At the same time, *21 Jump Street* was put on CBS's late night schedule, replacing *The Pat Sajak Show*. This marked the first time a program which had started on Fox went on to play on another network's schedule.[603] Perhaps the most noteworthy event involved the sale of *Married…with Children* into syndication. The off-network rights to the show were sold far more quickly – and for far more money – than supplier Columbia Television had expected. The program soon became one of the most sought-after syndicated properties in television history, trailing behind only *The Cosby Show* in terms of license fees in

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minutes per half hour while Fox only sold two minutes for Monday through Friday and three minutes for Saturdays. Cumulatively, cable networks sold another $50 to $60 million. Numbers compiled from "Networks Set Saturday Morning Schedule," *Broadcasting*, 16 April 1990, 37-38; "Children's Upfront Market Tops Expectations," *Broadcasting*, 30 April 1990, 36.

600 Stephen McClellan, "Fox Goes with Weekday Kids Block," *Broadcasting*, 8 April 1991, 48.

601 Huff, "Fox Children's Net Toons In with Warner Bros. Kid Strips," *Variety*, 22 October 1990, 34, 37.

602 This also marked the first time a cable network had purchased a Fox program. See "Lifetime Buys Fox's 'Ullman,' 'Shandling,'" *Broadcasting*, 12 March 1990, 44.

603 "CBS Fills Sajak Slot with Off-Fox," *Broadcasting*, 16 April 1990, 57-58.

many markets.[604] Several network affiliates purchased the rights to the show, making it the first off-network sitcom to air in the prime time access period of 6-7 p.m. in more than fifteen years.[605] Whereas *Married…with Children*'s status as a Fox series previously had made it an unknown quantity in the syndication marketplace, by the end of 1990, there was little doubt: Fox's unique identity as a PTAR-exempt program service – and not a network – gave its shows added value in syndication. In sum, *Married…with Children*'s solid sales set a promising precedent for Fox and caused a shift in the syndication marketplace.

At the same time that the sale of Fox's prime time series was altering the syndication business, the company also substantially affected the long-standing relationship between broadcasters and cable operators. During the summer of 1990, trade reports appeared that Fox was engaged in negotiations with Tele-Communications Inc. (TCI), one of the largest cable system owners in the country. The conversations between the two companies involved having Fox's programming placed on cable channels in areas where there was little or no broadcast signal.[606] Through this arrangement, which was finalized in the spring of the 1991, TCI not only arranged to create a channel for Fox in so-called "white

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[604] Dempsey, "Fox Sitcom's Married…with Money, in Syndie Deal," *Variety*, 2 May 1990, 8.

[605] Fox's exemption from PTAR meant *Married…with Children* could be aired in the premiere prime time access periods on the networks in the top 50 markets, whereas programs previously shown on the Big Three were not allowed in these time slots. Guider, "Chi Station is 1st Net O&O to Pledge Troth to 'Married,'" *Variety*, 6 June 1990, 39, 49.

[606] *Broadcasting* reported this to be the "first time a broadcast network has directly licensed its programming to cable systems," "Fox & TCI: The Crossover to Cable," 10 September 1990, 23-24. Also see Dempsey, "Affils Wary of Budding Fox, TCI Romance," *Variety*, 11 July 1990, 59, 62.

areas" where Fox was not available, but also agreed to give Fox better channel positions on its cable systems whenever possible.[607]

These were significant developments not only for Fox but for network-cable relations in general. The networks and cable operators long had been at odds over the carriage of broadcast signals. For well over a decade, debates had raged in Congress, the FCC and the courts over whether cable systems should be required to carry broadcast signals via "must-carry" regulation, or if cable had the choice of whether to provide – and pay for – local stations.[608] Diller recognized that, given the technological limitations constraining Fox's coverage in several parts of the country, a failure to work with cable would keep the service at a disadvantage relative to the Big Three. As he stated in one interview, "We believe we are broadcasters… and at the same time we believe that cable will not be an adversary to the growth of the businesses that we're in."[609] Thus the deal with TCI was not so much a luxury as a necessity if Fox wanted to continue to increase its audience base and advertising revenues. *Variety* speculated that the deals negotiated with TCI and other cable systems increased Fox's reach by 6% – from

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[607] "Fox, TCI Cement Ties," *Variety*, 1 April 1991, 88.

[608] The 1984 Act retained a "must-carry" requirement which stipulated that cable systems had to carry all local broadcast signals. Cable operators successfully challenged this rule and in 1986 a federal appeals court ruled in their favor, deeming the rules unconstitutional. Regulators spent the next several years trying to determine how to make carriage of local stations by cable operators both mandatory and constitutional. One approach which gained in favor in light of the legal challenges to must-carry regulation was "retransmission consent." This regulation required broadcasters to either be paid for their signal (in the case of powerful broadcasters) or demand carriage (as was the case with weaker broadcasters). Retransmission consent was included as part of the 1992 Cable Bill. For more on retransmission consent and must-carry, see Patrick R. Parsons and Robert M. Frieden, *The Cable and Satellite Television Industries* (Boston: Allyn and Bacon, 1998), 62-63.

[609] In fact, Fox had begun speaking with cable operators in the late '80s. See "Fox to Air Three HBO Originals," *Broadcasting*, 29 May 1989, 43-44. Comment from Diller comes from "Barry Diller and Fox: Taking the High-Risk Option," *Broadcasting*, 1 January 1990, 50.

91% to 97% – by December 1990.[610] This was expected to mean more than $300 million annually in added revenues.[611]

Fox's good fortunes in 1990 did not end with its heightened presence in the television business. In addition, its motion picture division was also having a banner year. Following Joe Roth's arrival in the summer of 1989, the film studio began churning out a string of hits.[612] Though *For the Boys* (1991) was a disappointment, *Predator 2* (1990) and *Edward Scissorhands* (1990) performed well at the box office and *Die Hard 2* (1990) was a smash. Nothing could have prepared the studio, however, for the astounding box office returns of a little $15 million dollar comedy centered on one eight-year-old boy accidentally left at home during the holidays. *Home Alone*, which opened in November 1990, became one of Fox's most profitable films ever and contributed more than $250 million to the company's bottom line.[613] In what was unusual for a comedy, the movie also traveled well abroad. Primarily on the strength of *Home Alone* and *Die Hard 2*, Fox dominated the overseas marketplace in 1991, with a 22.2% market share and rentals of $265 million.[614] In fact, Fox's foreign box office surpassed the company's domestic earnings by more than $30 million.[615]

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610 "Fox Details Benefits of Cable Affils: How About $300 Mil?," *Variety*, 10 December 1990, 32. Throughout 1991, Fox made deals with other cable systems as well, including Cox, Vision, KBLCOM, Northland, and TriStar. Matt Stump, "Fox Extends Reach with Latest Cable Deals," *Broadcasting*, 6 May 1991, 23.
611 Ibid.
612 Many of these projects were developed by Roth's predecessor, Leonard Goldberg, but Roth received the praise for the division's success.
613 Noglows, "Market Mavens Root for Rupert," *Variety*, 21 October 1991, 1, 89-90.
614 Claudia Eller, "'Home Alone,' 'Enemy' Keyed Big Year for Fox Overseas," *Variety*, 20 January 1992, 7, 12.
615 Ibid. Though it would change soon, this was still a time period when domestic earnings were larger than foreign earnings. Domestic rentals for Fox for 1991 totaled $228.5 million.

Another film responsible for Fox's number-one performance overseas in 1991 was the Julia Roberts thriller, *Sleeping with the Enemy*. Benefiting from the growing popularity of Roberts in the wake of *Pretty Woman* (Disney, 1990), *Sleeping with the Enemy* was also a hit both at home and abroad. Joe Roth, it seemed, had managed to turn around the long-struggling feature film division. Unfortunately, though the Fox Film Corporation was performing well, many other divisions of News Corp. – including Fox – began to struggle. By late 1990, the euphoria which had been felt by the Fox program service during most of the year began to fade. Yet the difficulties faced by Fox's television division at the start of 1991 proved to be nothing compared to the desperate times encountered by News Corp. A rough economy and overextension of the company's resources were affecting News Corp.'s balance sheet. It would take some skillful negotiating on Murdoch's part – as well as several infusions of cash and some strategic alliances – to keep the company from going under in the new year.

FIGHTING OFF A FINANCIAL FREEFALL: THE MEDIA INDUSTRIES IN A TIME OF CRISIS

> [Murdoch] did not expect that there was going to be one of the severest advertising recessions in recent history, a banking crisis in America, liquidity squeezes in the U.K. and Australia and a war in the Persian Gulf – all on top of the appallingly costly competition with BSB…
>
> Murdoch biographer William Shawcross[616]

> The recession continues unabated, suppressing advertising revenue. Entertainment program costs, most agree, are out of control. Professional sports rights will this year single-handedly drive the three-net earnings

[616] *Murdoch*, 385.

> figures into the loss column for the first time ever. Unless you're Jeff Sagansky or Barry Diller, working for a network means wondering whether a pink slip with your name on it is on the way. And it seems clear the downsizing (or bloodletting, depending on your point of view) will continue. Welcome to the new reality of network television - a business that has never been more problematic…
>
> *Broadcasting*, November 1991[617]

Fox's impressive performance during 1990 was not replicated by other News Corp. divisions. Rather, as securities analyst Jessica Reif noted, the Fox Entertainment Group was a lone "bright spot" for the problem-laden News Corp.[618] Throughout the late '80s and early '90s, News Corp. – along with many other media companies - came under severe financial strain. News Corp.'s set of problems were due to a number of factors, including an extensive debt load caused by the company's rapid expansion, rising interest rates, and falling stock prices.[619] In addition, a weak economy had caused advertisers to cut back on their expenditures. Since News Corp.'s publishing, satellite and broadcast divisions depended heavily on advertising, they were all affected by this soft ad market.[620]

On top of this, Sky Television continued to be a tremendous financial drain on News Corp. Murdoch expected this division's performance to improve after it was re-invented as a U.K.-based service in February 1989. However, he could not have been more wrong. By March 1990, when competitor British Satellite Broadcasting (BSB) began operations, the reformulated Sky had lost

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617 McClellan, "The TV Networks in Play," 11 November 1991, 20-22.

618 "Murdoch's $11 Billion Image Problem," *Broadcasting*, 8 October 1990, 65-66.

619 Jeremy Coopman, "Media Barons Struggle in Debt Sweat," *Variety*, 8 October 1990, 1, 83.

620 Ibid. Of Murdoch's woes, Shawcross observes that "he did not expect that there was going to be one of the severest advertising recessions in recent history, a banking crisis in America, liquidity squeezes in the U.K. and Australia and a war in the Persian Gulf," 385.

more than $340 million.[621] And there was no sign the end was in sight. Sky continued to lose an average of $3.2 million per week, thereby playing a major part in bringing down News Corp.'s operating profits.[622] Recognizing something had to be done, Sky merged with BSB (which was also losing large sums of money) in the fall of 1990. In the new venture, News Corp. controlled 50% and BSB partners Chargeurs, Granada TV, Pearson Publishers and Reed Intl. shared control of the other 50%.[623] The newly named enterprise, British Sky Broadcasting (BSkyB) began operations in March 1991 – and continued to rack up huge deficits. BSkyB went on to lose approximately $12 million per week.[624]

The disappointing performance of Sky Television forced Murdoch to put the brakes on Sky Cable, a U.S.-based satellite venture which News Corp. and co-investors Cablevision Systems, NBC and Hughes Communications had announced to much fanfare only a few months earlier.[625] As *Variety* declared, by March 1991, Sky Cable was "for all intents and purposes, dead."[626] However, Sky Cable was not only halted due to the slow growth of BSkyB. News Corp.'s rapidly rising debt load also played a major part in shutting down Sky Cable and

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621 "Murdoch Takes Big Hit on Britain's Sky TV," *Broadcasting*, 26 February 1990, 55.

622 *Variety* states that for the six months prior, News Corp.'s operating profits before tax "plunged"45%, reducing its worldwide net income to a "relatively paltry $100m." Groves, "Who Will Rule Britannia's Skies? BSB Satellite Programming Blasts Off Against Murdoch's Year-Old Sky TV," 21 March 1990, 63.

623 Guider and Coopman, "BSB and Sky TV Now Birds of a Feather," *Variety*, 5 November 1990, 1, 103.

624 Terry Ilott, "B-Sky-B Relaunching Amid Dish Sales, Cash Crises: Brit Sat Service Faces 3-Year Fight for Survival," *Variety*, 4 March 1991, 35, 78.

625 When announced in February 1990, Sky Cable was depicted as "the next generation" of television. It was to include 108 channels as well as HDTV potential and was scheduled to begin airing programming in 1993. "DBS: The Next Generation," *Broadcasting*, 26 February 1990, 27-28.

626 Dempsey, "The Question in the Sky: Can DBS Fly?," *Variety*, 4 March 1991, 25, 32.

limiting other expansion efforts as well. By October of 1990, News Corp. had more than $8.2 billion dollars in debt – and, as one journalist noted, its stock prices were in a "freefall."[627] Early efforts to diminish this debt – which included the sale of the Fox plaza building in Los Angeles and a half interest in *Elle* and *Premiere* – had little effect on the company's balance sheet.[628] More drastic measures followed. As Shawcross notes:

> [Murdoch] had to sell assets even if the price was disappointing, squeeze extra margins wherever possible, still sell more assets, consider the possibility of diluting his family share by issuing new equity, cut back or eliminate developments today in the knowledge that there would be other opportunities tomorrow, do whatever else was needed to attract long-term debt and fight his way out.[629]

By late 1990, News Corp.'s financial woes were featured in the headlines of newspapers around the world.[630] In January 1991, it all came to a head as several banks called in their loans.[631] Ultimately, after several tense weeks, News Corp. was able to restructure its debt. With the agreement of more than 150 banks, News Corp. created a new loan repayment schedule.[632] Over the course of the 1991, News Corp. took a number of additional measures in order to dig itself out of its financial hole. One step involved taking on additional investors. TCI

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[627] $8.2 billion figure from Robins, "Recession Pinch Takes Punch Out of Networks," *Variety*, 29 October 1990, 1, 78; term "freefall" from Groves, Sky & BSB: Scenes from a Marriage," *Variety*, 12 November 1990, 60.
[628] "New Corp. for News Corp," *Broadcasting*, 13 March 1989, 46-47.
[629] *Murdoch*, 397.
[630] For example, see S. Karene Witcher, "Murdoch Asks Creditors for More Time to Repay News Corp.'s Existing Debts," *Asian Wall Street Journal*, 19 November 1990, sec. 1, 15; Kevin Brown, "Australian Agency Cuts Debt Rating of News Corporation," *Financial Times*, 3 December 1990, sec. 1, 21; Emiliya Mychasuk, "Agency Rings Alarm Bells Over $13.8Bn Debt Burden," *Sydney Morning Herald*, 3 December 1990, Business sec., 29; Barnaby J. Feder, "Murdoch's Time of Reckoning," *New York Times*, 20 December 1990, D1.
[631] For a more detailed discussion of this, see Chenoweth, *Rupert Murdoch: The Untold Story*.
[632] "Murdoch, Banks Agree on Loan Repayment Sked," *Variety*, 4 February 1991, 107-108.

was one company which advanced money to Murdoch's company at this time, thereby furthering News Corp.'s relationship with the cable industry.[633]

Another step News Corp. took to lessen its debt involved reducing costs "across the board" by 10%.[634] Every division was affected by these cuts. Even the motion picture division of Fox, which was coming off of one of its most successful years in recent memory, suffered from News Corp.'s financial problems. As a means of limiting expenditures, Joe Roth was told to find a partner on bigger budgeted films.[635] Although this might limit Fox's risk, it also limited the potential profit the company could attain from any single project. This proved to be the case, for example, with *Last of the Mohicans* (1992), which was one of the early films affected by News Corp.'s mandate to co-finance and co-produce whenever possible. When the film performed better than expected, Fox was forced to split the profits with its producer, Morgan Creek.[636]

The belt-tightening taking place at Fox's film division was not unique for the time. With many media conglomerates showing minimal growth due to stalled stock market prices and a poor economic climate, several motion picture divisions were receiving directives from their corporate parents to cut costs wherever possible.[637] The widely circulated and publicized "Katzenberg memo" – in which Disney executive Jeffrey Katzenberg criticized the sky-rocking prices of

633 $175 million was advanced by TCI in partnership with Boston Ventures Group and billionaire Robert Miller. According to *Broadcasting*, the money was to help pay back debt and fund BSkyB, "TCI Deepens Relationship with News Corp.," 28 October 1991, 28.
634 Joe Flint, "News Corp. to Cut Costs by 10%," *Broadcasting*, 8 April 1991, 57.
635 Charles Fleming and Richard Natale, "Hollywood Seeks Visa for Foreign Exchange: Majors Divided on How to Conquer Foreign B.O.," *Variety*, 30 September 1991, 1, 90.
636 Ibid.
637 Stock prices described as showing "mediocre results" in 1991; see Noglows, "1991: Recession Deflates Showbiz," *Variety*, 9 December 1991, 66.

Hollywood films – compelled many studios to promise a new level of fiscal conservatism.[638] Executives assured their new corporate parents they would lower production and marketing costs as well as star salaries.[639]

Television and radio properties, meanwhile, had their own set of problems, including uncertainty surrounding the crisis in the Middle East and a poor advertising climate.[640] These concerns drove down the prices of broadcast stocks. As one trade publication stated, "For Fifth Estate stocks 1990 was a year to forget. All sectors including entertainment, cable, broadcasting, ad agencies and equipment were off by double-digit percentages."[641] Many companies followed in News Corp.'s footsteps and underwent a period of reorganization. SCI Television, Gillett Holdings, Price Communications and Tak Communications were a few of the many companies which were restructured in an effort to improve cash flow.[642]

As this list indicates, companies which owned stations were particularly hard hit. In 1990, station trading hit a seven-year low. In 1987, 125 stations with a combined value of $5.4 billion changed hands; in 1990, only 72 stations were sold

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638 Richard Turner, "Disney Seeks to End Big, Big Pictures as Executive Calls for Small, Small World," *Wall Street Journal*, 30 January 1991, B1; Larry Rohter, "Hollywood Abuzz Over Cost Memo," *New York Times*, 2 February 1991, sec. 1, 13; "The Teachings of Chairman Jeff," *Variety*, 4 February 1991, 5, 24.

639 Most of these proved to be rather empty gestures. As Fleming observes: "Studio bosses may be declaring war on skyrocketing production costs and star-laden cash vehicles, but an inspection of release schedules and production rosters shows, studio by studio, an impressive list of big-budget projects," "Megabudgets Boom Despite Talk of Doom: Lotsa Costly Pix Still Being Greenlighted," *Variety*, 4 February 1991, 5, 26.

640 Noglows, "Showbiz Stocks Sink In Stormy 3rd Qtr.: Analysts Grin and 'Bear' It," *Variety*, 1 October 1990, 105-106.

641 Mike Freeman and Geoff Foisie, "After the Fall: The Future of Media Stocks," *Broadcasting*, 7 January 1991, 47-48.

642 "1991: The Story Remains the Same," *Broadcasting*, 24 December 1990, 11-12.

for a total of $615 million.[643] Then in 1991, prices went even lower.[644] A mere 38 stations were sold for a total of $273 million.[645] Not only was this the slowest year in station trading since 1982 but the prices being asked were equivalent to those being sought in the late '70s and early '80s.[646]

The networks, which had only recently begun to rebound, were also affected by the deepening economic crisis of the early '90s. The impact of the recession and the Gulf War became evident as the networks planned their fall 1990 schedules.[647] What made matters worse was the continued increase in license fees for programming. Rates had risen nearly 45% for a half-hour show between 1985 and 1990 and there was no sign that costs were going to stop going up.[648] The situation did not improve as 1991 wore on. Upfront sales for the Big Three for the 1991-92 season were down 19% from the previous year, falling from $4.3 billion to $3.5 billion.[649] The decline in advertising affected the networks' bottom lines; NBC and CBS both lost money during the 1991 calendar year.[650]

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643 Noglows, "Station Sellers Stranded: '80s Sales Boom Lead to '90s Bust," *Variety*, 20 January 1992, 27, 34. 160.

644 Joe Flint and Patrick Sheridan, "Station Trading 1990: Picking Up the Pieces," *Broadcasting*, 11 February 1991, 37-40.

645 John Gallagher, "1991 is Slowest Selling Year Since 1982; Total Dollar Value of Station Sales Fell to $1.01 Billion, Down 49% from 1990," *Broadcasting*, 10 February 1992, 17-19.

646 By early 1992, 96 stations were on the market – and didn't look to be selling any time soon. See Noglows, "Station Sellers Stranded."

647 Robins, "Sweeps Steep Webs in Woes," *Variety*, 3 December 1990, 1, 102.

648 According to *Broadcasting*, the average deficit per show assumed by the studios is approx $250,000, five times the burden six years ago. That works out to an average of $6.5 million in the red for each half-hour produced on a yearly basis. The studios bore some of this rise in cost as well. See Steve Coe, "The Rise and Rise of Program Prices: Networks and Studios Point Fingers at Each Other for Increases Over Past Six Years," 23 September 1991, 44-45.

649 Joe Mandese, "Upfront Sales Fall 19%," *Advertising Age*, 8 July 1991, 3.

650 Dempsey, "Cable in Black, Nets Blue: Recession's a Bust for Two Broadcasters, but Basic Cable's Up," *Variety*, 16 December 1991, 25, 32.

The networks took a variety of steps to try to limit their losses.[651] In the fall of 1990, CBS made the radical and highly controversial announcement that it was slashing compensation payments to its affiliates by up to 25%.[652] Executives estimated this would save the network $24 million.[653] This decision caused an outcry among CBS affiliates; many started looking at syndicated product from the studios and independent producers to replace underperforming CBS series.[654] This reaction by affiliates forced CBS to backpedal on its proposal. In the end, compensation was reduced by less than $10 million.[655] NBC and ABC also cut compensation by approximately 10% each.[656] Though their affiliates also spoke out against the reductions, their response was not nearly as intense as had been the response from CBS affiliates.

Another area where the networks tried to reduce costs was in the purchase of sports rights. The top executives of ABC, CBS and NBC all repeatedly declared they would no longer allow themselves to get into bidding wars over baseball, basketball and football contracts.[657] The losses were too steep: CBS, for

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[651] David Kissenger and J. Max Robins, "CBS Cuts: Beyond the Paley?," *Variety*, 8 April 1991, 1, 92.
[652] Robins, "Fallout Seen from CBS Affil Cuts," *Variety*, 26 November 1990, 1, 76.
[653] Kissenger, "Affils Bristle as Fox Trots Out Trims," *Variety*, 26 August 1991, 1, 31, 35.
[654] Dempsey, "Irked Affils Blacken CBS Eye: Rebel Stations Hunt H'wood for Hot Shows," *Variety*, 8 June 1992, 1, 80
[655] Robins, "Affils Take Control in Big Three Comp Romp," *Variety*, 12 October 1992, 29-30.
[656] ABC projected $11 million in savings; NBC projected $13 million in savings, "Affils Bristle," *Variety*.
[657] For example, see Bart, "Webs on the Wane," *Variety*, 18 November 1991, 3, 8; Geoffrey Foisie, Rich Brown and Joe Flint, "One of TV's Best-Kept Secrets: How ABC, CBS and NBC Have Taken the Bite Out of Program Costs," *Broadcasting*, 9 December 1991, 3-4.

example, wrote off $190 million in 1990 and $123 million in 1991 due to the costs associated with its purchase of Major League Baseball and NFL rights.[658]

Due to the networks' decreased expenditure on sports programming and their reduction in compensation payments, relations between the Big Three and their affiliates grew increasingly strained. On a growing number of other issues, the two groups did not see eye to eye. To the affiliates' frustration, the networks were investing more heavily in cable networks (i.e., ABC's stake in ESPN; ABC and NBC's stake in A&E). In fact, affiliates objected to the networks making *any* gestures toward cable, believing that whatever relationships were established between the entities would only decrease their own viewership and influence. Affiliates responded to the networks' actions in a range of ways, including pre-empting lower rated shows and time-shifting prime time schedules.[659]

While the networks' actions seem logical given the financial conditions in which they found themselves, over the longer term these moves would have a variety of ramifications for them as well as for independent stations and Fox. Relative to the networks, independent stations (assuming they weren't for sale) were doing well.[660] This was in part due to the fact that only about 135 remained in business and unaffiliated to Fox by 1990.[661] Due to their ever-more limited numbers, independent stations had more leverage over program producers and

658 Michael Williams, "Jock Lock Rocks the Box: Broadcast Body Count Rises in Global Sports Bidding War," *Variety*, 27 April 1992, 1, 102.
659 "Affils Bristle," *Variety*.
660 Guider, "Topic A for Indies: Sputtering Economy," *Variety*, 31 December 1990, 39, 46.
661 Number from "The 'Other' Independents: Sharing the Success of Fox," *Broadcasting*, 15 October 1990, 74-75. The number only accounts for "traditional" independents – ones that were not specialized in some way (i.e., Spanish language, home shopping, etc.).

syndicators.[662] They found themselves paying less and getting higher quality programming.

This isn't to say that independent stations were without their fair share of problems. As their numbers declined, so did their lobbying power. Although Fox affiliates remained members of INTV and still called themselves as independents, they grew less involved with the organization as the '90s wore on. INTV attendance was down 30% from 1990 to 1991, largely due to the absence of about one-third of Fox's affiliates at the gathering.[663] Attendance dipped further in 1992.[664] Though Fox affiliates maintained they still had a number of issues on which they identified with independent stations – including PTAR, must-carry and channel repositioning issues – as Fox continued to expand, the gap between traditional independents and "Fox independents" widened further.[665] By early 1992, speculation increased as to when Fox and its independent-cum-affiliates would withdraw from INTV altogether.[666]

Independents were further assailed by the growing economic power of a number of cable programmers. The financial resources of several cable services rose as cable penetration went to nearly 60%.[667] Increased license fees from MSO's, combined with growing advertising revenues, made several cable

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662 Ibid.

663 McClellan, "Raining on INTV's Parade: Attendance at Annual Convention of Independent Stations is Down 30% from Last Year as Questions Persist About Association's Future," *Broadcasting*, 7 January 1991, 43-44.

664 In 1990, attendance was 1200, in 1991 850, and in 1992, 750. See Randy Sukow, "INTV '92: Darkest Before the Dawn?," *Broadcasting*, 6 January 1992, 4-6.

665 Robins, "Fox: To Be or Not To Be with INTV?," *Variety*, 31 December 1990, 39, 46; Harris, "Fox' Growing Appetite Should Be Tastiest Topic at INTV Buffet," *Variety*, 3 January 1990, 31.

666 Robins, "Fox: To Be or Not To Be;" Sukow, "Darkest Before the Dawn."

667 Dempsey, "Growth of Basic-Cable's Steady," *Variety*, 17 September 1990, 34, 124.

channels quite profitable.[668] By 1992, fourteen of the largest ad-supported basic cable networks, including USA, MTV and ESPN, reported profits.[669] This money enabled both pay and basic cable to allocate more for sports, syndicated motion pictures, hour- long dramas and original motion pictures.[670] Part of the reason behind cable's increased influence over syndicators was due to the shrinking number of alternative outlets for such product. The disappearance of independent stations, accompanied by the additional number of nights in which Fox was airing original series and the general disinterest of the networks in airing theatrical motion pictures, combined to push certain types of product toward cable. One sign of the changing television environment came when MCA reported in 1990 that it had earned more money for the sale of its syndicated properties from cable than broadcasting for the first time.[671]

With more money, cable programmers could produce and acquire original series with higher production values. By 1992, channels such as Lifetime, USA, TNT, HBO, Showtime and Nickelodeon were adding more original sitcoms and dramas to their schedules.[672] In addition, cable channels and broadcasters continued to explore different distribution windows for programming. In some cases, the networks and cable collaborated on projects. For example,

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668 According to Paul Kagan Associates (as cited in *Variety*), basic cable's advertising revenues rose from $895 million in 1987 to $2.1 billion in 1991. See Noglows, "Is Redstone Studio-Prone: Viacom at Fighting Weight," 13 January 1992, 1, 85-86. Also see Dempsey, "Basic Cablers Soar in Brisk Ad Climate," *Variety*, 13 May 1991, 47, 50.

669 "Cable in Black," *Variety*.

670 "Growth of Basic-Cable's Steady," *Variety*; Dempsey, "MCA & Cable Nets in Four-Way Foreplay: Basic Webs, U Put Rights to 336 Pix in Play," *Variety*, 22 October 1990, 1, 91.

671 Dempsey, "Syndies Wired to Cable," *Variety*, 17 June 1991, 1, 21, 92.

672 Dempsey, "Off-Net and 1st-Run Spar in Cable Ring," *Variety*, 15 July 1991, 23-24; Dempsey, "Cablers Wired Into NATPE: Basic and Pay Webs Expected to Shop 'Til They Drop," *Variety*, 6 January 1992, 23, 28

Nickelodeon's first sitcom, *Hi, Honey, I'm Home* (1991) was aired on ABC shortly after episodes premiered on the cable channel.[673] Similarly, USA aired re-runs of the action-adventure series *Silk Stalkings* (1991) within a week of its initial broadcast on CBS.[674] Made-for-television movies were also shared between the two entities. This pattern began when ABC aired the melodrama *Stop at Nothing* a few months after it appeared on Lifetime.[675]

The early '90s were a time when cable channels, independent stations, the networks, and syndicators tested out new relationships with each other. By 1991, the stigma associated with appearing in a cable series or cable-produced motion picture had lessened substantially. Well-known actors increasingly saw performing in cable movies-of-the-week as an acceptable alternative to performing in theatrical motion pictures.[676] In 1991, Dennis Hopper and Barbara Hershey earn Emmy nominations for their roles in the Showtime film, *Paris Trout*; the following year, Beau Bridges received the award for the HBO drama *Without Warning: The James Brady Story*.

Although cable programmers may have been held in higher regard than ever before, the same could not be said for multiple system operators. The political tide continued to turn away from the owners of major cable systems. These companies had drawn the ire of politicians and consumers alike due to the consistent rate hikes they instituted following the passage of the 1984 Cable Act.

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673 Miller, "Nick At Nite, ABC Team for 'Instant Rerun' Push," *Variety*, 1 July 1991, 53.
674 Dempsey, "Will Affair with Nets Tarnish Cable's Image? Some Execs Don't Like Net-Cabler Alliances," *Variety*, 26 August 1991, 31, 36.
675 Dempsey, "Networks Cozy Up to Cable," *Variety*, 8 July 1991, 1, 19.
676 Dempsey, "Star-Studded Cable Stable," *Variety*, 10 June 1991, 1, 25.

The anger felt toward the cable industry culminated in January 1992 with the Senate's passage of the Cable Television Consumer Protection Act. The passage of this act was interpreted as the consequence of the "arrogance" of cable operators as well as the effective lobbying by broadcasters.[677] Included in this act – which Congress passed in spite of a veto by President Bush - were caps on the amount cable rates could be raised as well as a requirement that cable operators carry the broadcast stations in their region.

Even as broadcasters, motion picture companies and cable operators faced an array of financial and political difficulties, executives at Fox met with their own unique set of economic, regulatory and scheduling problems. When *The Simpsons* initially took off and Fox expanded its primetime and daytime schedule, the program service had seemed unstoppable. However, only one year later, it became clear Fox had developed too quickly.[678] The motivations behind going from three to five nights a week may have been sound; however, that was little to comfort the company's programmers, who suddenly were faced with what seemed to be an insurmountable number of challenges. Diller and his staff knew they had taken a risk by placing nearly every series they had in development on the air. Unfortunately, it was a risk that didn't pay off, at least in the short term. Though *Babes* had a prime time slot following *The Simpsons* on Thursdays, it failed to retain a large portion of the animated series' viewers. Sundays had been

[677] The passage of this Cable Act is also notable for being the only bill to be vetoed by President Bush and then overridden by Congress. "Arrogance" label applied in Dennis Wharton, "Cablers Wire House as Senate Pulls Plug," *Variety*, 3 February 1992, 1, 99. Veto discussed in Sukow, "Congress Reregulates Cable," *Broadcasting*, 12 October 1992, 3-5.
[678] Walley, "Fox Stops Ad Sales to Save Inventory for Make-Goods," *Advertising Age*, 1 October 1990, 56; Dempsey, "CBS Starts Hot, But Fox Frigid," *Variety*, 24 September 1990, 1, 109.

weakened with the shift of *The Simpsons* and *America's Most Wanted* to other evenings. The ratings for the Monday night movies were abysmal – in fact, they were so low that Fox temporarily canceled that night's programming and returned the time to its affiliates.[679]

While the established Fox series continued to perform well, almost all of the new shows were failures.[680] As a result, Fox was forced to provide its advertisers with additional commercials in prime time programs (called "make-goods").[681] Fox was in such dire circumstances that executives had to create an additional fifteen seconds of commercial time in order to break even with advertisers.[682] Daytime was equally problematic. The ratings for the weekday series *Peter Pan and the Pirates* were so low that in order to satisfy its commitment to advertisers, Fox had to take one minute of commercial time back from affiliates.[683] The show was also fraught with production delays, forcing Fox to re-run episodes extensively.[684] The Saturday morning series were performing somewhat better, with *Zazoo U* being the only casualty for the first year.[685]

Amazingly, in spite of these many setbacks, Fox's affiliates remained supportive.[686] This was partly the result of the speed with which Fox responded

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679 Lowry, "Fox Gives Monday Nights Back to Affiliates," *Variety*, 8 October 1990, 40.
680 Robins, "Weblet Outfoxes Ratings."
681 Fox was not alone in providing make-goods; the Big Three also provided a large number of make-goods during the 1990-91 season. See Robins, "A Wintry Fall Chills Networks' Ad Outlooks," *Variety*, 8 October 1990, 1, 82.
682 "Fox All Out," *Variety*, 24 December 1990, 16.
683 Huff, "Fox Takes a Minute from 'Pan,'" *Variety*, 31 December 1990, 25.
684 "Fox Children's Net Toons In," *Variety*.
685 Huff, "Fox Fires Its First Kid Shot: Net 'Pirates' Stages Saturday A.M. Coup at 'Zazoo U,'" *Variety*, 28 January 1991, 34.
686 "News, Replacement Shows on Minds of Fox Affiliates," *Broadcasting*, 31 December 1990, 40.

to its programming problems. It was also the result of the distinctive perspective which Fox's affiliates had. Unlike affiliates of the Big Three, many of Fox's affiliates were used to having low ratings and marginal programming. The majority of these stations were either UHF stations with poor channel positioning or relative newcomers to the broadcast business (sometimes both). Anything the company did raised the profile of these stations. Thus, as long as Fox remained attentive to their concerns, it would retain their allegiance.

This is not to say that Fox didn't have run-ins with its affiliates. Following the other networks' compensation cuts, Fox executives decreased compensation to their affiliates. This was a brash move, considering Fox affiliates already received a much smaller amount of compensation relative to what was paid to the Big Three.[687] However, Fox's actions yielded fewer protests because of the way the deductions were structured. Specifically, reductions were to be made only if the service's ratings rose by at least six-tenths of a ratings point.[688] Fox constructed a sliding scale whereby as ratings improved among the 18-49 demographic, cuts would be instituted.[689] Thus, instead of implementing across-the-board decreases in compensation, Fox devised a more "affiliate-friendly" system based on future level of performance.

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687 Kissenger in "Affils Bristle" states that Fox affiliates received about 15% of the compensation paid to network affiliates. *Broadcasting* specifies a dollar amount, claiming Fox paid approximately $60 million in compensation to its affiliates annually prior to its new agreement. See McClellan, "Fox Affiliates Avoid Sharing Programming Tab," 22 July 1991, 29. It is important to remember that part of the reason the amount was lower was because Fox was programming fewer prime time hours.

688 "Affils Bristle," *Variety*.

689 Coe, "Fox Affiliate Devise New Compensation Plan: Sliding Scale Has Stations Kicking Back Some Money to Network to Pay for Programming if Ratings Increase by at Least Six Tenths of a Point," *Broadcasting*, 2 September 1991, 16.

Meanwhile, Fox executives were taking a variety of steps to further build up prime time viewership. In May 1991, the company announced it was disposing of the traditional notion of a "fall season." Instead, Fox would premiere series year round.[690] In addition, the weblet planned to increase the number of fresh episodes it ordered and aired each year. In place of the standard 22 episodes, Fox intended to air up to 30 episodes per year of several shows, including *The Simpsons*, *Cops* and *America's Most Wanted*. This new plan was put into effect with the premiere of the second season of *Beverly Hills 90210* in July.[691] Fox found both advertisers and viewers supportive of the changes.[692] Only one week into its second season, the teen melodrama showed an 84% ratings increase over its first season.[693] By the end of the summer, *Beverly Hills 90210* was regularly in the top 20 in the ratings – and was placing first among viewers 12-34.[694] By the beginning of the fall, *Beverly Hills 90210* had become a pop culture phenomenon. *Entertainment Weekly* declared it "TV's hottest number," and it was voted a reader's favorite for *Seventeen*.[695] Once again Fox had found a program – and a scheduling strategy – which enabled it to rebound after a difficult season. And in the process, the company became the envy of its network competitors, causing them to launch their fall premieres earlier than usual and to think more seriously about scheduling programs during the summertime.

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690 Coe and Sharon D. Moshavi, "'New' is the Word for the New Season," *Broadcasting*, 27 May 1991, 27-30.
691 New episodes of *Cops* and *America's Most Wanted* were also aired during the summer.
692 Mandese, "Fox Tunes Into New Tactic," *Advertising Age*, 27 May 1991, 36.
693 Coe, "Fox: No More Fall Launch Fray," *Broadcasting*, 22 July 1991, 15.
694 McClellan and Stump, "Fox, CBS Find Their Place in the Summer Sun," *Broadcasting*, 12 August 1991, 23-24.
695 Janice Kelly, "'Beverly Hills' Top of Class," *Advertising Age*, 30 September 1991, 34.

The envy which Fox executives attained from the Big Three for its summer programming successes was nothing compared to the anger they caused via their forceful lobbying in Washington. At the same time Fox was altering network scheduling practices, the company was also transforming regulatory conditions. During the summer of 1991, the program service finally accomplished what the networks had long been unable to: Fox compelled the FCC to reconsider – and revise – the financial interest and syndication rules. While the rules were not completely repealed at this time, the first major blows were struck. What's more, these blows gave Fox substantial short-term economic and political advantages over its competitors.

WHEN FOX CAMPAIGNS, THE FCC WAIVERS: THE BEGINNING OF THE END OF FIN-SYN

> Fox has posed quite a problem for the commission…
>
> FCC Commissioner James Quello, January 1990[696]

> The Financial Interest and Syndication rules were approved when words like VCR and cable TV didn't exist….If you tell me that the status quo must be maintained, I'll tell you you're an idiot…
>
> Barry Diller, March 1991[697]

Shortly after FCC Chairman Al Sikes came into office in the summer of 1989, he spoke of his desire for a more 'activist' FCC than had existed under his

[696] Ann Hodges, "Fox Broadcasting is Seeking to Dodge FCC Bullet," *Houston Chronicle*, 31 January 1990, 7.
[697] James Walsh, "What Bart Hath Wrought: All Barry Diller Wants to Do is Expand Fox Network's Programming to a Full Week," *California Business*, March 1991, 32-36.

predecessor, Dennis Patrick.[698] This FCC would welcome the development of new technologies, look favorably on innovation, and encourage experimentation in the mixing of video, data and voice information services.[699] One of the things he promised his FCC would *not* do was "tackle" fin-syn.[700]

Sikes may have believed his agency could avoid returning to the financial interest and syndication rules. He had no idea how wrong he was. Largely as a result of effective campaigning by Fox executives, the Sikes-led commission was forced to dedicate much of its time to evaluating and revising fin-syn. The means by which the rules were debated and shaped reveals much about the increasing authority of the networks, the gradual disempowerment of the studios, and the extent to which Fox defined the industrial and regulatory terrain of the early '90s. In the process of seeking a modification of the rules, Fox also forced the commission – and its competitors – to (re)identify the key characteristics of a network.

After Fowler's unsuccessful attempt at repealing the rules in the early '80s, discussions of fin-syn were taken off the regulatory table for the rest of the decade. When the topic did come up at the FCC, commissioners tried to deflect responsibility, saying it was up to the studios and the networks to come to terms on the matter. During Fox's first couple of years in operation, the issue was irrelevant. The weblet was busy struggling to come up with a workable schedule for two nights of the week. It was nowhere near the fifteen hour limit which

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698 "FCC Head Sikes Says 'Gatekeeper' Days are Over, Calls for Greater Activist Role," *Variety*, 17 January 1990, 3.
699 Ibid.
700 "Sikes Has No Plans to Tackle Fin-Syn," *Broadcasting*, 18 September 1989, 34.

defined a network and thereby made it subject to the rules' prohibitions on operating as both a producer and syndicator of programming.

Fox executives tested the commission's stance on fin-syn for the first time in the summer of 1988. However, at this point the company had no intention of seeking an adjustment to the rules. Rather, the weblet – which was currently airing three nights and ten-and-a-half hours of programming a week – wanted to be made exempt from fin-syn. Fox requested permission from the FCC to air up to 30 hours per week of programming before being considered a network.[701] Fox's co-members in the MPAA responded with concern at the request and refused to provide comments to the commission on the matter.[702] Soon after, Fox submitted a file with the FCC clarifying its position on the rules. In these documents, the company stated the rules were "absolutely essential to the maintenance of a fairly competitive marketplace. Without [fin-syn], the three major networks would have such dominance no competition would survive. This is why [fin-syn] should neither be abolished nor weakened."[703]

In spite of these filings, Fox once again went silent on the issue for nearly two years. Then in January 1990 – not long after Preston Padden joined the company as its chief lobbyist – Fox broached the matter when it filed a request for an eighteen month waiver from fin-syn.[704] More important than its request for a

[701] "Fox Asking FCC for Permission to Expand Air Time," *Variety*, 22 June 1988, 47, 60.
[702] Paul Harris, "Fox' Recent Request for Exemption from Government Regs Irks 3 Webs… For Now," *Variety*, 27 July 1988, 38.
[703] Wharton, "Outlook for Fox Finsyn Requests: Yes & Maybe," *Variety*, 7 February 1990, 147.
[704] "Fox Waiver Petition May Be Open Sesame for Fin-Syn Revision," *Broadcasting*, 29 January 1990, 19, 26.

waiver was its call for the FCC to reexamine the definition of a network.[705] In responding to this appeal, the commission would be forced to reconsider the broader value of the rules to the current media environment.

Fox did not intend drop the topic this time around, as an adjustment to the rules was imperative for the company to continue its expansion. Fox was in the midst of its first major boom period – *The Simpsons* was starting to take off, the Children's Network was in development – and the applicability of fin-syn to its future had to be established. In the process of making its case as to why it should be awarded a waiver, Fox positioned itself as both a fragile underdog as well as the lone answer to the commission's long-sought-after pursuit of greater diversity in the marketplace. The company's representatives argued that not only had it provided stability to its many UHF affiliates and fulfilled the FCC's vision of sustaining the first successful new network in several decades, but it intended to further serve the public interest in the future through its development of new children's programming.[706] The position Fox maintained throughout the fin-syn battles which ensued is nicely outlined by a statement made by Barry Diller in an interview with *Broadcasting* at the time of the filing for the waiver:

> I can say that we're very, very confident that the financial interest and syndication rules as they were arrived at in the early 70's should not include Fox Broadcasting - should not, as they're presently constructed, put Fox Broadcasting Co. into that kind of regulation. The FISR rules were founded to promote competition, not to shackle a new competitor. Fox Broadcasting Co. bears, other than the word network, about as much

[705] Ibid.
[706] "Fox's One-Year Fin-Syn Waiver Now Official," *Broadcasting*, 14 May 1990, 43-44.

> relationship to the structure, the capital base, the cumulative viewing of the three networks as I do to the Sony Corp.[707]

Fox, as it presented itself to the FCC, was not a major media company as well as a division of a major multinational conglomerate. Nor was it a network, although it marketed itself as such to the press and to the public.[708] Rather, the Fox which was presented to the FCC was a marginal company at best – a company with little more than 100 employees, a few nights of entertainment programming and a small viewership relative to the networks.[709]

The ploy of presenting itself as a minor entity apparently worked. The FCC granted Fox's request with haste, setting up an expedited proceeding so the company could adjust its fall schedule accordingly.[710] The FCC's role in resolving fin-syn was made much clearer later that month when Senate Communications Subcommittee chairman Daniel Inouye declared that Fox's request for reconsideration of the rules raised "an opportunity for the commission to assert its jurisdiction on this issue."[711] With the green light to proceed, Sikes offered the networks and the studios one last chance to negotiate on their own. He gave them until June 1990 to strike a deal. If an agreement could not be reached by this time, the FCC would launch a new rulemaking.[712] Even as the two sides were

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707 "Barry Diller and Fox," *Broadcasting*.

708 As *Variety* states, Fox executives "maintained that there is no contradiction in its efforts to position itself as a network in the public's mind yet to steer clear of such official designation because of Financial Interest in Syndication Rules." See Lowry, "TV Critics Grill Fox Execs on 'Totally Hidden Video: Diller Cries Foul as Critics Focus on 'Video' Fracas, Not the Web's Summer Ratings,'" 19-25 July 1989, 45.

709 Staff at about 100 in 1987 according to Chambers, "Fox Making Its Debut," *New York Times*. It was up to 218 in 1991, Kathryn Harris, "Making Money on Rotten Ratings," *Forbes*, 27 May 1991, 42-43.

710 Wharton, "Outlook for Fox Finsyn Requests."

711 "Inouye Puts Fin-Syn Ball in FCC's Court," *Broadcasting*, 26 February 1990, 32.

712 "Sikes Runs Out of Patience on Fin-Syn," *Broadcasting*, 19 March 1990, 27-28.

purportedly discussing how to revise the rules, the FCC gave Fox a one-year waiver, allowing the weblet to schedule the eighteen-and-a-half hours per week it had requested.[713] The networks, meanwhile, remained limited to a maximum of fifteen hours.[714] Fox was also granted a PTAR waiver which allowed its affiliates to continue airing off-network programming during the prime time access period.[715]

As had been expected, the networks and studios were unable to come to terms about the rules by the June deadline.[716] Thus, the FCC began the lengthy process of evaluating the continued utility of fin-syn. The networks' position was given a boost in late 1990 with the purchase of MCA by Matsushita. The acquisition of yet another studio by a "foreign" company helped the networks make their case that they were being hindered from being competitive globally.[717] Playing on the rapidly rising fears of the decline of American industry, the networks argued that these so-called foreigners could own "Hollywood" studios while the rules constrained them from moving widely into international markets. As *Variety* noted at the time of the announcement of the MCA-Matsushita deal, "now that four out of seven of Hollywood's top production companies have come

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713 "Fox Plans 18 ½ Hours of Programing By Next Fall," *Broadcasting*, 12 February 1990, 29; "Fox Wins 18 ½ Hour, One-Year Fin-Syn Waiver," *Broadcasting*, 7 May 1990, 28.

714 "Fox Wins 18 ½ Hour," *Broadcasting*.

715 The condition of the waiver was that Fox could not supply network programming to them for airing during that time nor could it acquire syndication rights for new programs it licenses while the waiver is in effect, "Fox Wins 18 ½ Hour."

716 "Fin-Syn Talks Fail; FCC Takes Over," *Broadcasting*, 18 June 1990, 19-20.

717 This debate was building for some time, from the time of the Sony deal through the formation of the European Union. For example, see Harris, "'Hollywood for Sale' is Issue in Networks' Finsyn Fight," *Variety*, 4-10 October 1989, 91-92; Wharton, "Finsyn Peace Treaty Kinder to Networks," *Variety*, 8 April 1991, 1, 15, 93.

under foreign ownership, the debate over the finsyn rule has taken on a distinctly nationalistic tone favoring the U.S. nets."[718]

The networks also played the "cable card" effectively in their campaign for the repeal of fin-syn. For example, on one occasion, the heads of the Big Three united to declare that the "demise of 'free television'" could be at hand if they were unable to continue to grow (e.g., move more extensively into syndication).[719] Such rhetoric appeared to work in their favor. By late 1990, when the FCC began holding hearings on fin-syn, Sikes had made clear that the "burden of proof" was on Hollywood to show why the prohibitions should be kept.[720] Concurrently, both the Federal Trade Commission and the Department of Justice came out in support of a complete repeal of the rules.[721] The President's office chimed in shortly thereafter via a letter from White House Chief of Staff John Sununu which emphasized "the President's interest in seeing the FCC resolve the issue in line with his 'aversion' to government regulation of businesses."[722]

By early 1991, the political winds seemed to be moving in the networks' direction. However, all of a sudden they encountered something they had not anticipated: dissent from within the ranks of the FCC. Through skillful lobbying, Hollywood managed to gain the support of two of the five commissioners – Sherrie Marshall and Ervin Duggan. Meanwhile, the swing vote, Andrew Barrett,

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718 Kissenger, "MCA Deal May Seal Finsyn Fate," *Variety*, 3 December 1990, 98.
719 Harris, "Web Honchos Attack Finsyn Before Senate Sub-Comm: Valenti Says Webs Won't Compromise Until New FCC Appointments are Finalized," *Variety*, 28 June – 4 July 1989, 35, 37.
720 "The Commission Said More than the Witnesses," *Broadcasting*, 17 December 1990, 35-37.
721 Wharton, "Fox Memo Causes More Finsyn Flack," *Variety*, 31 December 1990, 19, 59.
722 Harry A. Jessell; Kim McAvoy, "White House Sends Loud and Clear Fin-Syn Signal," *Broadcasting*, 18 February 1991, 27-29.

developed a convoluted proposal in place of a complete repeal of the rules. The "Barrett plan," as it became known, had several components, including allowing the networks to take 100% financial interest in all programs but barring them from the distribution of first-run syndicated product. It placed a 40% production cap on in-house production of primetime entertainment and allowed the networks to possess both foreign and domestic syndication rights to those (and only those) prime time shows. Further, it defined a network as any company airing eleven hours of prime time programming a week and placed no expiration date on these revised rules.[723]

No one was satisfied with this new proposal, least of all Fox. The company announced that, should the Barrett plan be implemented, it would exit the network business altogether.[724] If given the choice between operating primarily as a network or as a syndicator, to Fox, there was no choice: The bulk of the money to be made was in syndication, and the company was not prepared to abandon that profitable business in order to be America's fourth network.

Realizing the situation was not working in his favor, Sikes postponed the fin-syn vote while he tried to gain support from his fellow commissioners.[725] Seeing that the chance of a full repeal of the rules was unlikely, he was ultimately able to obtain a limited number of modifications to the Barrett proposal. Almost all of the changes made worked in Fox's – and only Fox's – favor. The rules, as they were finally passed in April 1991 in a 3-2 vote (with Sikes and

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723 Other characteristics of the plan are spelled out in Wharton, "Finsyn Swing Swats Webs," *Variety*, 11 March 1991, 1, 86.
724 Coe, "Fox to Drop Network if Barrett Plan Succeeds," *Broadcasting*, 18 March 1991, 23.
725 Wharton, "Finsyn Pause Opens Door to Deals," *Variety*, 18 March 1991, 27, 30.

Commissioner James Quello as the dissenters), were significant primarily in terms of the manner in which they redefined a network. Whereas previously a network was considered to be an entity delivering more than fifteen hours of programming, it now was defined as an entity delivering more than fifteen hours of prime time programming.[726] This meant that while the Big Three remained subject to the rules based on their twenty-two hours of prime time programming, Fox could continue to be exempt from the rules even it if offered forty hours of programming spread out over the multiple dayparts.[727] Another major change to the Barrett proposal involved foreign syndication. Namely, in response to concerns expressed by Congress about the potential hindering of the networks' competitiveness in the international market, the rules were adjusted to allow them to obtain 100% foreign syndication rights.[728] The other important adjustment pertained to the rules' long-term prospects. The FCC agreed to look at the status of the marketplace in four years, and if conditions at the time were viewed as "sufficient," then the regulations could be repealed altogether.[729]

In analyzing the new rules, *Broadcasting* expressed what many in the industry and the press felt: Fox was the only "clear winner."[730] No one else benefited substantially from the changes. Neither the networks nor the studios were content with the results. Hollywood felt it lost too much; the networks

[726] The other part of the definition involved reach – an entity could go over twenty-two hours if its reach remained below 75%. Fox was already above this marker, however. Jessell, "Networks Win Foreign Syndication in Majority's Last Draft on Fin-Syn," *Broadcasting*, 8 April 1991, 19-20.
[727] Fox was to be granted a waiver until the new rules went into effect. "The New Look of Fin-Syn," *Broadcasting*, 15 April 1991, 93.
[728] "Finsyn Peace Treaty," *Variety*.
[729] All the new rules are spelled out in "Financial Interest & Syndication," *Variety*, 15 April 1991, 42.
[730] Jessell, "FCC's Fin-Syn Surprise: Everybody Knocks It," *Broadcasting*, 15 April 1991, 37-38.

thought they didn't get nearly enough. To Sikes, the rules were "bad law, bad economics and bad policy."[731] The other commissioners were equally dissatisfied, recognizing the rules to be a compromise at best.[732] Meanwhile, in the eyes of many a journalist, the FCC had made a mockery of itself and its Chair. The following observation sums up the opinion of many a media analyst:

> In the 3 to 2 vote for new regs, set to take effect June 15…commissioners Andrew Barrett, Sherrie Marshall and Ervin Dugan exhibited the independence of rebellious teenagers. Studios and networks alike say the three regulators mocked a legion of lobbyists, thumbed their noses at editorial writers, humiliated FCC chairman Alfred Sikes and essentially told the 'pro-finsyn repeal' Bush administration to take a hike.[733]

Given the widespread displeasure with the new rules, it was no surprise that both Hollywood and the studios immediately appealed the decision. To the shock of many, Fox also drafted an appeal. Fox executives claimed that, although their company profited the most from the new ruling, they were opposed to fin-syn because they were opposed to regulation of any kind. In the ensuing years, this would become an oft-cited mantra for the company.

While the paperwork continued to wend its way through the court system, the rules went into effect in the summer of 1991. The only immediate consequence of their implementation was that the networks started syndicating more programming overseas.[734] Otherwise, the rules' modification mattered little in terms of the status of the industry. Minus their complete elimination – which could only occur in tandem with a modification of the consent decrees by an

[731] Jessell, "Hollywood, Networks Gear Up for Fin-Syn Appeals," *Broadcasting*, 3 June 1991, 28-29.
[732] "Commissioners' Rationale for Fin-Syn Decision," *Broadcasting*, 15 April 1991, 39.
[733] Wharton, "Finsyn Finis, But Fat Lady Still Warbles," *Variety*, 15 April 1991, 31, 42.
[734] Jessell, "Fighting Over Fin-Syn All Over Again," *Broadcasting*, 15 July 1991, 29-30.

appeals court – little more consolidation could take place. By the end of the '80s, independents had already become an "endangered species."[735] For example, 80% of the revenues from foreign syndication were going to only eight companies.[736] Independent producers simply did not have the resources to compete with the studios. Most could not pay the millions of dollars to produce several episodes up front nor could they handle the deficits which the networks required companies to incur. As the syndication business grew even more competitive – and the recession kicked in – a bad situation became even worse.[737] Only the most successful independent producers remained in the business, and many of them were desperately seeking out studio or network partners. PTAR, which was also designed to help out independents, was equally ineffective. By early 1991, 78% of the access slots in the top 50 markets were occupied by only five shows – all produced by King World and Paramount.[738]

Such figures reinforce the extent to which power had become concentrated into two camps: the studios and the networks.[739] The only thing keeping these camps balanced – or separate – was fin-syn. By early 1992, most media analysts and industry executives recognized it was but a matter of time until the networks

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[735] So labeled in Foisie, "Independents Network for Survival," *Broadcasting*, 1 March 1993, 11-16.

[736] As per a document filed by NBC with the FCC; the companies were mainly the major studios. "The Changing Face of Hollywood," *Broadcasting*, 22 October 1990, 63, 65.

[737] Kissenger, "Syndie Indie Prod'n Houses: Now You See 'Em, Now You…," *Variety*, 16 September 1991, 27, 32.

[738] Guider, "Sitcoms Banging on Access Door," *Variety*, 11 February 1991, 1, 37.

[739] New York Law School professor Michael Botein nicely captures the stakes (or lack thereof) of the fin-syn battle by this point. As he stated when the case was about to head to the appeals circuit, "The court views this as a pissing match between the west coast and the east coast over how to allocate a billion and a half dollars a year…I don't believe they'd see any supervening public interest that would cause them to get involved," Kissenger, "Finsyn 'Victory': To the Lawyers Go the Spoils," *Variety*, 15 April 1991, 3, 227.

and studios merged. As Merrill Lynch analyst Harold Vogel observed, “There is a certain inevitability about the networks and the studios getting together in some way or another, whether it's a merger or joint venture…. This is just the beginning of that process. Once you remove the finsyn rule complications, then you just have to wait for the event.”[740] In the meantime, Fox used the head start it had gained from the FCC to its best advantage, demonstrating to its competitors the benefits of vertical integration and the means by which to proceed.

THE END OF AN ERA: THE DEPARTURE OF DILLER, THE ARRIVAL OF A NETWORK

> With the launch of a new tv season, there's no minimizing what Barry Diller hath wrought. In the process of levitating a onetime hodge-podge of low-power UHF and VHF stations into a legitimate fourth network, he has managed to: zap many of the basic programming precepts of the three established networks; obliterate a chunk of the U.S. syndication business; strike fear in the hearts of basic cable networks that they might lose desirable channel positions; reconfigure the economics of station ownership; and alter the way in which advertisers view television itself…
>
> *Variety* editor Peter Bart, September, 1990[741]

> You can't really think of Fox as the fourth network anymore…It's no longer a network alternative like cable or syndication, but part of a base network TV plan for many brands…
>
> Steve Farella, Young & Rubicam, October 1991[742]

At the same time that Fox was triumphing in the regulatory arena, the weblet was also regaining its footing on the programming field. During the

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740 Noglows, “Wall St. Sees Finsyn Changes Triggering Media Merger Spree,” *Variety*, 27 June 1990, 3, 46.
741 “Biz Busily Baiting Barry,” *Variety*, 17 September 1990, 1, 126.
742 As stated in Mandese, “No. 4 Fox Often 2nd or 3rd,” *Advertising Age*, 14 October 1991, 4.

summer of 1991, several events indicated Fox's fortunes were on the upswing. The audience for *Beverly Hills 90210* continued to grow, thereby providing Fox with its first successful hour-long series. The Emmy telecast in August not only ranked number one in prime time but also helped Fox attain its highest weekly rating yet in its four-year history.[743] Also in August, WGMB-TV in Baton Rouge, Louisiana signed on as a Fox affiliate, giving the company full representation in the top 100 markets for the first time.[744] With the addition of this station, Fox had 137 affiliates and reached 92% of the country.[745] Even as Fox's affiliate numbers grew, so did its production strength. At the start of the 1991-92 season, Fox was producing more than 50% of its primetime schedule.[746] Meanwhile, *Married… with Children* began its off-network run and performed above expectations, quickly emerging as the number one new show in syndication.[747] Fox concluded 1991 as the only program service to increase its prime time advertising revenues; the company improved by 15% over the previous year, yielding $606.7 million in income.[748] Fox's share of prime time also rose during the year by more than 2%, giving the company a total of 10.1% of the television audience in prime time.[749]

And there was still more good news. As the new year began, several problem spots on Fox's schedule disappeared. *Married…with Children* and *In*

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743 The show received a 12.6 rating and 22 share, which was more than a 50% improvement from the previous year. Coe, "Emmy Show Wins Fox Its Highest Weekly Rating," *Broadcasting*, 2 September 1991, 20-21.
744 "FBC in all Top 100," *Variety*, 19 August 1991, 21.
745 Ibid.
746 The programs came from several different divisions: STF Productions, Twentieth TV and FNM Co. Wharton, "Fox and CBS Affiliates Court Finsyn Changes," *Variety*, 24 June 1991, 33.
747 From advertisement in *Broadcasting*: "The Most Upwardly Mobile Family in America," 23 March 1992, 2-3.
748 "Fox Tops Nets in Prime-Time Ad Revenue Increases," *Advertising Age*, 11 May 1992, 44.
749 Ibid.

Living Color were no longer the sole programs holding up Sundays. Both *Herman's Head* and *Roc* were gaining viewers as well. Similarly, the viability of *The Simpsons* on Thursday nights was no longer in question; it had proved it could stand on its own against *The Cosby Show*. At the end of February, an important moment occurred for Fox when a fresh episode of *The Simpsons* beat an original episode of *The Cosby Show* for the first time in household ratings with a score of 16.5 to 15.1.[750] Thursday nights were being strengthened further by *Beverly Hills 90210*, which attracted ever-larger numbers of viewers. With those two nights improving, and reality programming providing a solid base on Fridays and Saturdays, Fox reintroduced its movie night on Mondays. This time around, the company was better prepared, having more original made-for-television movies ready to air.

Thus, by March of 1992, Fox had five nights a week secured and a full seven-day-a-week prime time schedule was in the works. Prime time ratings were up 20% and FCN was dominating weekday and Saturday morning television in terms of both reach and advertising dollars.[751] Further heightening its authority over children's programming, Fox announced plans to increase its daytime children's output from ten-and-a-half to nineteen hours a week starting in the fall of 1992. Warner Bros. would supply a substantial number of the new children's shows, including the "tween"-targeted *Batman: The Animated Series*, *Tiny Toon*

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750 "*The Simpsons* Bested an Original Episode of NBC's *The Cosby Show*," *Broadcasting*, 2 March 1992, 72.

751 Mandese, "Fox Leads the Pack in Kids Upfront," *Advertising Age*, 16 March 1992, 6. In addition, Fox's share was up to thirteen points by March '92 according to Diane Mermigas and Joe Mandese, "Murdoch: We'll Do Fine Post-Diller," *Advertising Age*, 2 March 1992, 1.

Adventures and *Animaniacs*.[752] Reports also surfaced that Fox was in the hunt for a late-night host once again.[753]

With so many dayparts either gaining ground or in the works, Fox was looking more and more like a network. Trade papers started to speak of the "Big Three-and-a-half."[754] Fox's viability was no longer an uncertainty, its influence no longer marginal. In fact, the company was continually shaping new programming practices. In addition, its marketers were often lauded, with particular attention drawn to their skill at encouraging affiliates to "Foxify." According to *Variety*,

> There are many ways to Foxify, from answering station phones with "Fox-4" or "Fox-7" (instead of the stations' call letters); tacking the Fox name onto local newscasts; using a fox mascot in kids' clubs; and putting the Fox logo in on-air promos and billboards even when touting non-Fox shows.[755]

Having drawn respect for its skill at attracting the 18-34 audience, encouraging fresh programming trends, forging fresh means of station branding, and influencing regulatory processes, journalists began to ask, "What next?" With its guerrilla image starting to grow old, many wanted to know how the weblet would next define itself creatively and industrially.[756] This question began to be asked with even greater frequency as the result of Barry Diller's resignation

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[752] Huff, "Fox First Out with Kids' Sked," *Variety*, 10 February 1992, 26.
[753] "Barry Wants Dave," *Variety*, 17 February 1992, 33.
[754] So named, for example, in "Night By Night By Network," *Broadcasting*, 5 February 1990, 58-60; "The Fall of Living Dangerously," *Broadcasting*, 4 June 1990, 30-32.
[755] Miller, "Fox Affils Play Name Game in Latest Status Gambit," *Variety*, 14 October 1991, 63-64.
[756] As David Kissenger nicely observed in late 1991, "as the Fox Broadcasting Company enters its fifth season on air, it already is outgrowing its image as the maverick, bad boy, *enfant terrible*, upstart, underdog, little network that could." From "Chernin Yearning to Get Fox Some Hollywood Respect," Variety, 19 August 1991, 21-22.

in late February. Speculation ran rampant as to why he was leaving: Was it because he felt he had accomplished what he wanted at Fox? Was it because, at age 50, he was at a turning point in his life and wished to do something else? Was it because Murdoch had refused to grant him an ownership stake in the company?

As it turned out, Diller departed for all of the above reasons. He had helped create a legitimate competitor to the Big Three – an entity which operated according to its own set of rules yet was nonetheless every bit as profitable as the established networks.[757] He had grown the company the way he had wanted to, pursuing and attaining the 18-to-34-year old audience he had sought out. He had overseen the development of a hit sitcom (*Married…with Children*), variety/sketch comedy show (*In Living Color*), multiple reality series (*Cops*, *America's Most Wanted*), and most recently, hour-long drama (*Beverly Hills 90210*) – not to mention a cultural and industrial phenomenon in the form of *The Simpsons*. In addition, he had developed a line of succession, with Lucie Salhany – whom he had personally recruited from Paramount's syndication division to serve as head of Twentieth Television – rising up the ranks to be second-in-command at the company behind Jamie Kellner.[758]

After Diller operated for years doing as he pleased and taking orders from no one, suddenly Rupert Murdoch decided he wanted to become more involved in Fox on a day-to-day basis. To make matters worse, Murdoch's vision for Fox was starting to diverge substantially from Diller's vision for the company.

[757] According to Paul Noglows, at the start of the 1991-92 season Fox was second in earnings, behind ABC but ahead of CBS and NBC. From "Market Mavens Root for Murdoch."

[758] Prior to Diller's departure, she supervised both domestic and international syndication as well as network and cable production. Freeman, "Salhany to Head Twentieth Television," *Broadcasting*, 27 May 1991, 32.

Technically, Diller's contract limited Murdoch's direct involvement with Fox, confining him to the status of "advisor and consultant."[759] Contract or not, during much of the late '80s and early '90s, Murdoch's attentions had been directed elsewhere – in particular, trying to stop the flow of red ink out of BSkyB at first and then later out of his entire corporation. By early 1992, however, News Corp. was once again showing signs of life. In a relatively short time, the company had made an amazing turnaround. Shares in News Corp. were up approximately 200% from a year earlier as a result of cost-cutting and debt-reduction efforts.[760] In addition, BSkyB was finally breaking even.[761]

With many of the problems worked out in other parts of the company, Murdoch increasingly focused on Fox. He stated his desire to expand its audience beyond the 18-34 demographic and to make it a more "journalistic operation."[762] As it turned out, Murdoch would attempt these things without Diller at the helm. Diller left Fox to explore the world of "emerging technologies," and Murdoch stayed to transform Fox into a "full-service network."[763] What precisely this entailed would become much more apparent over the course of the next several years.

The first major indication Fox was striving for network status (except in the regulatory realm) came a few weeks after Diller's resignation when the

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[759] Block, 286-287.
[760] "Market Mavens Root for Murdoch," *Variety*.
[761] Groves, "B-Sky-B Bets on the Black: Chisholm Sets Satellite Service on Profitability Trail," *Variety*, 2 March 1992, 41, 52.
[762] Coe, "Diller's New Departure; Fox's New Order," *Broadcasting*, 2 March 1992, 4-6.
[763] Diller's interest in "emerging technologies" discussed in William Mahoney and Thomas Tyrer, "Diller Tight-Lipped on Plans After Fox," *Advertising Age*, 2 March 1992, 32. Goal of being a "full-service network" discussed by Chernin in McClellan, "Fox Fills in the Blanks," *Broadcasting*, 1 June 1992, 18-19.

company pulled its O&Os out of INTV.[764] This was both a symbolic and literal means by which Fox made a break with its past. The challenge now became defining precisely what constituted a 'network' in this era of cable, satellite, video and video games. As the next chapter demonstrates, part of what "becoming a network" meant was pursuing a broader audience. However, the means by which Fox could accomplish this was anything but clear or easy. Fox had to take several expensive programming missteps before it could find productive ways to increase its viewership. While the company made these missteps, two new "fifth networks" were breathing down its neck, waiting to seize some of Fox's viewers, executives, affiliates, programming strategies and marketing tactics.

[764] Flint, "Fox O&Os Out of INTV," *Broadcasting*, 9 March 1992, 5-6.

Chapter Six: Struggles to Become a "Full-Service" Network, March 1992 – November 1993

> That's right, we'd prefer you don't call us a weblet anymore…. The fledgling, almost, not-quite-a-wannabe-network will become a full-service, seven-night source…
>
> Fox Entertainment President Peter Chernin, 1992[765]

Over the course of 1992, the economy took a turn for the better. Many companies which had previously cut back their expenditures during the recession began increasing their advertising budgets again. In addition, stock prices – including entertainment stocks – were on the rise. Both broadcasters and motion picture companies were beneficiaries of these developments. News Corp. was no exception to the market upswing. Several divisions of the company were performing well: BSkyB was finally making money. The company's print publications were profiting from the increased advertising spending. The feature film division had one of its best years in ages – and now many of these box office hits were making money through home video sales and rentals.

Fox Broadcasting's future seemed promising as well. The program service was nearing a full seven-nights-a-week schedule at last. Diller had left behind several strong managers including Jamie Kellner and Lucie Salhany as well as a strong slate of prime time programs. There was little reason to suspect that tough times were ahead for Fox. Yet while the rest of the industry was rebounding, the

765 "Fox Fills In," *Broadcasting*.

company began to stumble. Its problems were mainly due to Murdoch's desire to speedily transform Fox from a weblet into a "full-service" network. The primary means by which he hoped to accomplish this was by expanding Fox's target demographic from 18-to-34 to 18-to-49. To attain this broader audience, the company took several different steps simultaneously, including developing more hour-long dramatic programming for prime time, allocating additional funds for the creation of a news service, and preparing to return to the late night arena after a long hiatus. It wasn't long before it became clear that none of these strategies were working. In fact, each venture was a bigger disaster than the last.

This chapter explores Fox's initial struggles in trying to move from being a weblet to a network. The company came under assault on several different fronts at the same time. Journalists attacked Fox for its new programming, labeling the shows unoriginal and uninspired. Top talent accused Fox of overexposing successful shows, thereby lessening their syndication value. Affiliates criticized Fox for strong-arming them. In addition, several top executives left the company. And, to make matters worse, with the repeal of fin-syn imminent, Paramount and Warner Bros. laid out blueprints for their own fifth networks.

As other companies were moving forward, Fox seemed to be in a holding pattern. In this chapter, I discuss the stops and starts Fox experienced as it sought to modify its programming practices as well as its identity as a network. Fox's time of stasis is contrasted with the significant growth taking place at other divisions of News Corp. as well as the rest of the media industry. Much of this growth involved broadcasters and studios developing new relationships with cable operators and creating new cable services. There was also a great deal of expansion into additional markets overseas. As far ahead of the curve as Fox was in terms of its programming practices and means of branding itself, by no means did it proceed without trouble. The company's development was one of trial and error – and during this particular period, there were a lot of errors. Before describing these missteps, however, I first establish the political and economic milieu within which Fox operated at this time.

CLEAR SKIES AHEAD FOR THE STUDIOS AND BROADCASTERS

The U.S. was in the midst of a political transformation during 1992. With Clinton's election into office in November, the FCC prepared for the changing of the guard. That guard, however, was slow to change: Clinton held off appointing an FCC chair until the summer of 1993. Prior to this, long-time commissioner James Quello served as interim chair. Finally in July Reed Hundt took over the chairmanship.[766] As it turned out, Hundt's agenda was not so different from his Republican predecessors. In general, he maintained the deregulatory direction established before his arrival. Among the items on his agenda were a review of the broadcast ownership rules and the repeal of PTAR – the same items which Sikes had on his agenda when he left office.[767] In outlining his views, at times Hundt could have been mistaken for Mark Fowler. On one occasion, for example,

[766] "Quello Named Interim FCC Chairman," *Broadcasting*, 8 February 1993, 4, 16; Sean Scully, "Hundt Tapped for FCC Chairmanship," *Broadcasting & Cable*, 5 July 1993, 6-7.
[767] Kim McAvoy and Christopher Stern, "FCC Chairman Spells Out Broadcast Agenda," *Broadcasting & Cable*, 19 September 1994, 14.

he declared that "the best regulator of programming and content is the competitive market itself."[768] His actions over the next several years would be in keeping with this perspective.

Broadcasters and motion picture conglomerates would soon reap the benefits of Hundt's deregulatory approach. Improving economic conditions provided them with an additional boost. 1993 marked a turning point for several major media companies. Both Time Warner and Viacom reported their first positive net earnings statements since their respective mergers in the late '80s.[769] Having turned a corner into profitability, Viacom continued its expansion efforts. In the fall of 1993, the company announced its plan to merge with Paramount Communications.[770] Although the completion of the merger was stalled due to hostile bids – including one via Barry Diller at his new company, QVC – ultimately it went through, creating the second largest media corporation in the world.[771] In the wake of the deal, much speculation appeared in the press as to whether Viacom CEO Sumner Redstone would be able to realize the kinds of synergies which had motivated the transaction in the first place.[772]

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768 McAvoy, "FCC's Hundt: Sensible Dereg Needed: Chairman Also Addresses PTAR, Going-Forward Rules," *Broadcasting & Cable*, 10 October 1994, 18-19.

769 Noglows, "TW, Viacom Annuals Finally Written in Black," *Variety*, 15 February 1993, 101.

770 Farhi, "Paramount, Viacom Plan Merger; Deal Would Create Entertainment Industry Giant," *Washington Post*, 12 September 1993, A1.

771 Time Warner remained the world's largest media corporation. Noglows, "A Long Hot Sumner: Redstone's New Alliance Goes Above Par," *Variety*, 11 October 1993, 1, 197; Jay Greene, "Sumner's Star Rises: Redstone Takes the Reins; Execs Take Cover," *Variety,* 21-27 February 1994, 1, 184.

772 For example, see Bart, "Mega-Managing," *Variety*, 21-27 March 1994, 8, 71; Geraldine Fabrikant, "Viacom's Victory; Viacom is Winner Over QVC in Fight to Get Paramount," *New York Times*, 16 February 1994, A1.

Murdoch had never declared the pursuit of synergies as one of his main objectives in his growth of News Corp. He placed a much greater emphasis on the importance of expanding and integrating the production and distribution holdings of his filmed entertainment divisions.[773] By the spring of 1992, he once again had the resources to act on these desires. Initially, these investments took the form of moving into new television markets around the world. As discussed in previous chapters, in spite of News Corp.'s depiction in the press as a 'global' company, through 1992, the company had focused primarily on English-language markets. From that year on, however, News Corp. adjusted its strategy and made its first significant investments in electronic media in non-English speaking countries. This process began in June '92, when the company acquired a stake in the Spanish commercial network, Antena-3.[774] This marked News Corp.'s first move into Continental Europe since the early '80s. In July of the following year, the company significantly increased its holdings in Asia with the purchase of a 63.6% interest in satellite network Star Television.[775] In August 1993, Fox launched a Latin American cable channel.[776] Called simply "Fox," the bulk of this channel's programming came from the company's film and television library.[777]

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773 According to Shawcross, Murdoch never placed much faith in the building of synergies. See pp. 227, 288.
774 Linda Moore, "Murdoch Widens Reign with TV Stake in Spain," *Variety*, 22 June 1992, 33, 40.
775 Meredith Amdur," Murdoch Star Deal Transforms Asia," *Broadcasting & Cable*, 2 August 1993, 34-35. Rhonda Palmer of *Variety* called this purchase "the world's most expensive impulse buy." It cost $525 million. See "Murdoch Satcaster Gets Lingo(s): Different Program Strokes for Different Far Eastern Folks," 5-11 September 1994, 43.
776 Flint, "Bart and Company Make Run for the Border: Fox Plans Rollout of Latin American Cable Channel," *Broadcasting & Cable*, 5 July 1993, 16.
777 Ibid.

According to *Broadcasting*, following this investment Murdoch has access to more than three-fourths of the world's population.[778]

News Corp. may have been moving quickly into new parts of the world, but it was not neglecting markets in which it was already involved. In fact, quite the opposite was the case. The company was equally attentive to the regions in which it already had large investments. For example, BSkyB – which was now turning a profit – tripled its basic channel capacity and shifted into operating as a pay cable channel.[779] Similarly, in the U.S., Murdoch remained diligent in his pursuit of a cross-ownership waiver allowing him to retain ownership of the *New York Post* as well as the broadcast station, WNYW. The FCC rewarded him for his patience, providing him with a permanent waiver in the summer of 1993.[780]

Though Murdoch worked hard to regain control of the *New York Post*, television – particularly his U.S. television assets – became ever more central to his company. In 1993, for the second year in a row, News Corp. reported a higher income from its television-related activity in the U.S. than two of the three networks.[781] Though News Corp.'s stakes in broadcasting continued to grow, the company did not neglect cable. Rather, cable remained every bit as important to News Corp.'s growth strategy as it had always been. This was evident with the creation of the Fox Basic Cable division.[782] This entity was designed both to

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778 "Murdoch Star Deal Transforms Asia," *Broadcasting*.
779 Foisie, "Murdoch's News of News Corp.," *Broadcasting & Cable*, 6 September 1993, 56.
780 "The FCC Rejected a Request from the Caucus for Media Diversity to Reconsider Its Decision Granting Fox Television Stations a Waiver of the Commission's Broadcast-Newspaper Crossownership Rule," *Broadcasting & Cable*, 13 December 1993, 94.
781 "Top 100 Companies," *Broadcasting & Cable*, 21 June 1993, 36-39.
782 "Fox to Create Basic Cable Service," *Broadcasting*, 16 March 1992, 56.

develop a cable program service and to continue expanding the reach of Fox Broadcasting into regions where VHF or UHF outlets were unavailable.[783] The results were most immediately visible in Fox's expanded reach. By the summer of 1992, Fox had struck several additional deals with MSO's, thereby using cable to augment its penetration on the VHF band to nearly 60%.[784]

Re-regulation of the cable industry also worked to the advantage of Fox as well as the other networks. Different parts of the 1992 Cable Act went into effect over the course of 1993. On April 1, cable rates were rolled back 10%; by October, cable operators were expected to have negotiated with local broadcasters how they were to be compensated for carriage of their service.[785] Depending on their degree of leverage and popularity, local stations had the option of choosing to be paid for their signal (re-transmission consent) or to have their signal carried free of charge. The networks, of course, were in a position to demand payment for their signal. Fox took the lead in these negotiations. In place of straightforward payment for carriage, Fox struck an innovative deal with TCI whereby the MSO provided it with $30 million per year.[786] This money was to be directed toward a new cable network – a network which was already in development at Fox.[787] The

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[783] Ibid.
[784] Rich Brown, "Fox Net Changing Local Cable Picture," *Broadcasting*, 6 July 1992, 40-41.
[785] See "Cable Set Back, Networks Set Free," *Broadcasting & Cable*, 5 April 1993, 6; Stern and McClellan, "Broadcast Networks Closing in on Cable," *Broadcasting & Cable*, 6 September 1993, 12-13.
[786] Dempsey, "Fox Weaves Cable Web with TCI," *Daily Variety*, 13 May 1993, 1.
[787] In addition to the Fox Basic Cable division which had been created to develop more cable programming services, Fox Circle Productions was created in 1993 to develop programming for FX and for Twentieth Television's first-run syndication division. Fox Circle was the fifth production unit to be developed at Fox. Units already in existence at this time include Twentieth Television, Fox Television Stations Productions (later re-named foxlab), Fox Square Productions, and Fox West Pictures. Twentieth Television produced programming for Fox, syndication and the other networks. Fox Television Stations Productions developed projects out of the station group,

Big Three followed suit, seeking new cable outlets in place of compensation for their signal via retransmission consent. Through these negotiations, ABC was able to jump-start ESPN2, and NBC launched America's Talking.[788] CBS also bargained for a new channel, though it never came to fruition.[789] Cumulatively, the passage of the 1992 Act proved quite beneficial for all of the networks. They were not only able to slow the growth of cable via rate rollbacks, but were able to make additional inroads into cable. What's more, the networks extended their reach into cable at a time when few additional cable programmers were appearing due to a lack of available channel space.[790]

The 1992 Cable Act – an act brought in part through effective lobbying efforts by broadcasters – had the odd effect of stimulating more extensive dealings between MSO's and broadcasters. In the ensuing years, relations between cable and broadcasters heated up even further, leading to what one journalist described as a passionate "love affair" between the two industries.[791] Simultaneously, the cable industry began a flirtation with telecommunications companies ("telcos"). Discussions between these two entities were partly motivated by a judicial ruling that telcos could enter into the cable business in the same markets where they provided voice services.[792] It wasn't long before several

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Fox Square Productions produced programming exclusively for Fox Broadcasting, and Fox West was designed to produce and acquire programming for the Fox Night at the Movies. See "Fox Forms Production Unit," *Broadcasting & Cable*, 24 May 1993, 30; "Fox Forms its Fifth Production Unit," *Variety*, 24 May 1993, 32.

788 "Broadcast Networks Closing in," *Broadcasting & Cable*.

789 Mandese, "Would Warner Net Be the 5th or 50th?," *Advertising Age*, 30 August 1993, 2.

790 Dempsey, "Rookie Webs Ante Up in Cable Space Race," *Variety*, 17 August 1992, 1, 52.

791 Dempsey, "Stoking TV's Love Affair: Plethora of Channels is a Passion Pit for B'cast, Cable," *Variety*, 17-23 January 1994, 54.

792 Dempsey, "H'Wood Picks Up the Phone," *Variety*, 6 September 1993, 1, 51.

of the Baby Bells invested in cable companies. By the end of 1993, mergers were being arranged between Bell Atlantic and TCI as well as between Southwestern Bell and Cox cable systems.[793] In addition, US West made a $2.5 billion investment in Time Warner's cable and entertainment divisions and Nynex invested $1.2 billion in Viacom.[794] These events were seen as the first tentative steps toward building the "information superhighway" which the Clinton-Gore administration was touting so enthusiastically.

In the end, however, few of these unions were consummated. In fact, relations between telcos and cable companies soon soured. The companies attributed their failed marriages to the FCC's decision to roll back rates an additional 7% in 1994.[795] Whether this was the cause or rather merely a useful scapegoat, the fact remains that the largest deals – including the mergers of Southwestern Bell-Cox and TCI-Bell Atlantic – were called off.[796] As one journalist noted, "instead of coming together to form elaborate, complicated mergers, the telcos and cable ops will end up constructing their own paths on the information superhighway."[797] Also apparent was that the construction of the "infopike" would take much longer than had initially been anticipated.[798]

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[793] Farhi, "Southwestern Bell, Cox Plan Cable Partnership; Venture is Latest in Series of Baby Bell Deals; Ameritech Seeks Long-Distance Rights," *Washington Post*, 8 December 1993, F1.
[794] Ibid.
[795] Dempsey, "Cloud Over Cable May Rain Networks," *Variety*, 28 February – 6 March 1994, 1, 79-80.
[796] Ibid; Flint and Dempsey, "Cox, S'West Bell Split: New Pothole on Superhighway," *Variety*, 11-17 April 1994, 45-46.
[797] Dempsey, "Cablers, Telcos Take Chill Pill," *Variety*, 18-24 April 1994, 77.
[798] Among the developments expected to be slowed down in the wake of the failed mergers were the development of digital cable and the expansion in cable capacity. See Robert Silverman and Jay Greene, "Cold Water Hits Infopike Mania," *Variety*, 7-13 March 1994, 35, 38; Dempsey, "Rough Seas for New Cable Webs," *Variety*, 2-8 May 1994, 33, 35.

Though cable and telecommunication companies may have been experiencing growing pains, the same could not be said of broadcasters. Not only were they benefiting from the improving economy, but they were also already celebrating the demise of fin-syn. As discussed in chapter five, by 1992, the FCC had repealed a large portion of the rules, but not enough to satisfy either the networks or the studios. Thus, an appeals court in Chicago had begun to evaluate the FCC's revisions. In November the court issued a surprising decision: a three-judge panel vacated the commission's modified rules, declaring them "unreasoned and unreasonable."[799] The FCC was given 120 days to redraft the rules, a process it began in December after the various parties had submitted comments.[800] In April the commission released their new rules.[801] These were even more lax than the ones released previously. The latest version of fin-syn repealed the financial interest component of the rules altogether.[802] Fox was allowed to expand to a full twenty-two-hour-a-week prime time schedule. The networks were not allowed to have back-end rights to first-run syndication, nor could they syndicate programming domestically.[803] These constraints were to be removed two years after the consent decrees were repealed.[804]

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[799] Jessell, "Appeals Court Vacates Rules: Three-Judge Panel in Chicago Calls FCC Opinion 'Unreasoned and Unreasonable'; Order is Stayed for 30 Days to Give Parties Chance to Respond," *Broadcasting*, 9 November 1992, 4-6.

[800] Jessell, "Another New Year Under Fin-Syn," *Broadcasting*, 14 December 1992, 4-5.

[801] The FCC which revised the rules consisted of only three people because President Clinton had not yet appointed a replacement for Sikes or Marshall.

[802] "Cable Set Back, Networks Set Free," *Broadcasting & Cable*.

[803] Jessell, "Networks Victorious in Fin-Syn Fight," *Broadcasting & Cable*, 5 April 1993, 7-8.

[804] Ibid.

In November 1993, a U.S. District Judge finally lifted the consent decrees.[805] Shortly thereafter, the U.S. Court of Appeals in Chicago accepted the FCC's amended version of the rules.[806] This set the clock ticking in terms of the complete elimination of fin-syn. As of November 1995, the rules would cease to exist once and for all. There were several important consequences to these developments. First, mergers between studios and networks were held off for a little while longer. Second, talks began to commence – and the press started to speculate – about who would merge with whom once the rules were completely removed.[807] For the next several months, the trade publications were rife with speculation as to which network would be purchased first, and what studio would do the purchasing. Third, with network-studio mergers now a possibility in the not-too-distant future, the value of entertainment stocks – especially broadcast stocks – rose even more.[808] This coincided with a broadcast marketplace which was already showing signs of improvement.[809] Paine Webber analyst Alan Gottesman perhaps summed it best in observing that investors "finally got tired of waiting for the broadcasting business to die."[810]

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[805] Flint, "Networks Win, Hollywood Winces as Fin-Syn Barriers Fall," *Broadcasting & Cable*, 22 November 1993, 6-7.

[806] Jessell, "Court Keeps Big Three Out of Syndication Until 1995," *Broadcasting & Cable*, 18 July 1994, 15. The Court said it would review the rules one last time six months before their repeal. See Wharton, "Fin-Syn Voted Out," *Variety*, 18-24 July 1994, 22.

[807] For example, see Dempsey, "Nets' New Riddle: Buyer Be Where?," *Variety*, 28 March – 3 April 1994, 1, 83; Noglows, "Mergers That Might Be: Wall Street's Wish List," *Variety*, 18-24 July 1994, 1, 51; Lowry, "New Season Shaky: Grushow, 'Martin Short' Among First Casualties," *Variety*, 3-9 October 1994, 29, 32.

[808] Noglows and Robins, "Spinning Webs of Intrigue," *Variety*, 5-11 September 1994, 1, 66; Noglows and Robins, "Will Web Tide Ebb?," *Variety*, 19-25 September 1994, 1, 91.

[809] "NATPE Survey '94: Taking Television's Pulse," *Broadcasting & Cable*, 24 January 1994, 66-68.

[810] Noglows, "Biz Outpaces Market in Quarter: Broadcasters Big Winners; Cablers Hit by Rereg Uncertainty," *Variety*, 19 July 1993, 81.

A fourth effect of the repeal of fin-syn was a shift in the nature of the syndication marketplace. As expected, the networks began developing programming for first-run syndication.[811] This contributed to the glut in the syndication marketplace – a glut further augmented as Fox's prime time programs also started to be prepared for their syndicated run. In response to this buyer's market, syndicators grew more creative with the sale of their product. Buena Vista, for instance, staked out new ground with its sale of the sitcom *Empty Nest*. For the first three years of its syndicated run, the program was licensed exclusively to broadcast outlets; after that, it was shared by those stations and cable channel TBS.[812]

Though the syndication market was becoming more crowded, this did not stop the studios from selectively developing first-run product. As previously discussed, during the late '80s, Fox had effectively deterred MCA and Paramount from creating their own networks. In place of making official fifth networks, they took advantage of the dwindling number of prime time dramas and developed action hours for that daypart.[813] Paramount was particularly successful with its two hour block of *The Untouchables* (1993) and *Deep Space Nine* (1993). Warner Bros. also lined up enough independent stations to launch the "Warner Bros. Independent TV Consortium" in January 1993. This effort consisted of the hour-

[811] CBS was the first company to prepare to go into the first-run syndication business. Jim Benson, "CBS Taking First-Run Plunge," *Variety*, 10 May 1993, 73, 77.
[812] Dempsey, "Off-Net Glut Spurs Syndies: Sitcom Bonanza Could Kill Exclusivity," *Variety*, 17 August 1992, 19, 24.
[813] There were only seven dramas on the Big Three in February 1993 versus twenty-one on the air only four years earlier according to Mike Freeman, "Syndicators Bask in Prime Time Prowess; Independent Success Begs Question of Whether Affiliates Could Follow Suit," *Broadcasting*, 1 February 1993, 16-17.

long series *Kung Fu* and *Time Trax*.[814] By fall of 1993, one executive observed there were enough first-run action adventure series in syndication – fourteen in total – to comprise a "pseudo-fifth network."[815] With a de facto fifth network already in existence, Paramount and Warner Bros. initiated development of their own fifth networks. This impulse was also motivated by the recognition that the networks might soon opt for more of their own homegrown programming, leaving these top suppliers without a market for their wares. Having their own network meant having a guaranteed outlet for their product. For example, should Warner Bros.' television production division find itself having difficulty placing its shows on the established networks, the company would be able to assure a place for its product on its own network's schedule.

In the meantime, Fox continued to build on its advantage as both program producer and network distributor. By late 1992, the company had approximately 33 hours of programming on the air.[816] Several of Fox's prime time shows were being placed in syndication on both broadcast and cable channels. To the network's surprise, some unanticipated series emerged as syndicated hits. Most notable was the popularity of *Cops* in its off-network run. Fox had low expectations for the program's chances in syndication, as indicated by its initial placement on only one station. However, the program generated such strong ratings on this lone New York outlet – essentially doubling the ratings garnered

814 "How It May Turn Out by 1995," *Broadcasting*, 4 January 1993, 4-7.
815 Freeman, "Studio Heads See Shrinking TV Market; Siphoning of Independents to New Networks Cuts into Outlets for Film and TV Packages," *Broadcasting & Cable*, 20 September 1993, 26-27.
816 Jessell, "Divided FCC Responds to Fin-Syn Ruling," *Broadcasting*, 23 November 1992, 13.

during that time period a year prior – that Fox quickly moved it into other markets, where it played well in both daytime and access slots.[817] Thus Fox was able to earn still more money on a program which had broken even long ago. This development was particularly significant because it suggested that some reality programming had more of a long-term value than had previously been thought.[818]

Though reality programming may have been bringing in unforeseen profits to Fox, it was not leading the company in the direction it wanted to go with its prime time slate. Unfortunately, it remained unclear precisely *what* direction Fox wanted to take for the 1992-93 season. With Diller gone, the pressure to pursue the 18-to-34 year demographic had diminished. Executives were aware of Murdoch's desire to broaden the fourth network's audience. This problem was in determining how much broader to go and who specifically should be pursued with this modified programming strategy. And even more to the point, what kind of programming would or should Fox develop to accomplish this task? Answers to these questions were not reached immediately. First, the company had to suffer through several misfires – including a late-night debacle and several underperforming hour-long dramas.

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[817] Freeman, "Ratings are Reality for Off-Net," *Broadcasting & Cable*, 12 April 1993, 30-31.

[818] At the same time that *Cops* was performing well in its off-network run, advertiser resistance toward such reality programming was continuing to diminish. This meant reality shows had the potential to earn more money via higher ad rates in their initial run. See Flint, "As Time Goes By, Reality Bites," *Variety*, 9-15 January 1995, 54.

BEING CHASED OUT OF LATE NIGHT… AND OTHER DAYPARTS

> A lot of people thread [Fox's target audience] a little more narrowly than we do. A lot of people think we want to be the teen network. Our desire is to appeal to the 18-to-49-year-old demographic…
>
> Fox executive Peter Chernin, March 1992[819]

> [The] dissemination of news and entertainment, for the good of us and our viewers, must be linked almost umbilically…
>
> Rupert Murdoch, June 1992[820]

Fox's schedule was beginning to stabilize at the time Diller left. With his departure, the company once again entered into a period of uncertainty. This was largely a function of the network's pursuit of a wider audience over more hours of the day. There were several goals placed on the agenda simultaneously, including developing a news service, reaching 18-to-49-year-olds, and re-entering the late night programming business. Throughout 1992 and 1993, Fox made valiant efforts in all these realms, only to face significant setbacks due to a combination of low-rated programming and extensive turnover in the executive suites.

Fox's attempts at developing a news service actually began well before 1993. Off and on over the years, the company had taken small steps toward building a news division. As with so many of its other programming endeavors, Fox executives never imagined their news would resemble the networks' news. They saw a primary means of differentiating Fox's news coverage – and saving money – could come by seeking material from the station group and affiliates. A

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[819] Natale and Kissenger, "…As Rupert Rolls Up His Sleeves," *Variety*, 2 March 1992, 1, 78,
[820] Coe, "Murdoch Blasts Traditional News," *Broadcasting*, 29 June 1992, 17-18.

preliminary move in this direction came in 1988, when the New York O&O WNYW began airing "Fox News Extra," a two-minute nightly news brief.[821] In June 1990 – shortly after Diller assured Congress that Fox would meet its public service commitment by covering major events such as presidential debates – the company provided more details about a national news service it had in the works.[822] Yet in spite of Diller's proclamation that the development of news was "one of our highest priorities," little more was forthcoming except some "Fox Entertainment News" vignettes out of the Los Angeles O&O.[823]

Fox's idea for how news would look and feel became a little clearer with the appointment of Stephen Chao as president of Fox News in March 1992. Chao got his start as vice president for acquisitions at News Corp. in the mid-'80s, where he helped Murdoch put together the deal to acquire both the Fox studio and the Metromedia stations. [824] From there he was promoted to the position of vice president, Fox Television Stations Productions.[825] In that role, he was central to the production of programming out of the station group; *America's Most Wanted*, *Cops* and *Studs* were all created under his supervision. [826] At the time he was appointed to run Fox's news effort, he had no prior experience in television

[821] "Fox Plans 18 ½ Hours of Programming by Next Fall," *Broadcasting*.
[822] The service outlined by Diller planned to use local stations to build their news operations. See "Diller to Solons: Fox Will Meet Its Public Commitment, Like Nets," for address to Congress. Article by Wharton, *Variety*, 18 April 1990, 36. For outline of national news service, see "Fox Affiliates Get the News" *Broadcasting*, 11 June 1990, 31-32.
[823] "Diller to Solons," *Variety*; "Fox Affiliates Get the News," *Broadcasting*.
[824] Richard W. Stevenson, "Making a Difference; Fox Television's New Mr. News," *New York Times*, 22 March 1992, sec. 3, 12.
[825] Block, 396.
[826] "Fox Stations Roll the Dice with 'Tribes,'" *Broadcasting*, 7 May 1990, 32-33.

news.[827] In addition, his experience with journalism consisted primarily of a period working at the *National Enquirer* in the late '70s.

Chao never had the chance to implement his vision for Fox News, as he was abruptly fired from the company in the summer of 1992 following his hiring of a male stripper for a News Corp. conference. The embarrassing event was widely reported due to the presence of Defense Secretary Dick Cheney and his wife, National Endowment for the Humanities chairwoman Lynne Cheney.[828] Following his dismissal, the Fox-news-service-that-wasn't underwent another shake-up.[829] This time, Fox took a different path in its formulation of a news service, turning to former CBS News president Van Gordon Sauter to run the operation.[830] Sauter's arrival came at the same time Fox covered its first major event, the Democratic National Convention in New York.[831] While Sauter's tenure at Fox may have started with a bang, it ended with a whimper. Less than a year later, he left the company and Fox News Service was shut down.[832]

Fox was having as much trouble re-shaping its prime time as it was having defining its news service. The company was coming up against its usual expansion problems as it struggled to reach a full seven-day-a-week schedule. In addition, Fox encountered a new set of dilemmas which included conflicts with talent and difficulties identifying precisely what types of programs appealed to

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827 Stevenson, "Making a Difference."
828 See Bernard Weinraub, "Strip Show Flops at Fox; Murdoch Ousts Official," *New York Times*, 23 June 1992, D17; Phil Reeves, "Nude Dude Too Lewd for Shocked Murdoch," *The Independent*, 23 June 1992, 1.
829 Peter Viles, "Fox's Chao Bumped Over Grind," *Broadcasting*, 29 June 1992, 18.
830 Freeman, "Murdoch Taps Sauter to Head Fox News," *Broadcasting*, 20 July 1992, 19.
831 Ibid.
832 "The Fox News Service Has Been Disbanded," *Broadcasting & Cable*, 7 June 1993, 116.

18-to-49-year-olds. Fox's scheduling problems kicked in shortly after the fall 1992 season commenced. Executives had promised in June that a full weekly schedule would be in place shortly, yet by October they had postponed their launch of Tuesday nights until the next year.[833] While the Aaron Spelling-produced melodrama *Melrose Place* had premiered strongly during the summer, its ratings began to decline with the heightened competition which came at the start of the fall season.[834] Meanwhile, another twenty-something drama, the rock-and-roll centered *The Heights*, was doing poorly on Thursday nights. In January 1993, Fox finally premiered its sixth night, Tuesdays, with the quirky comedy-drama *Key West* and the college-focused drama *Class of '96*. These shows proved to be an additional headache, as Fox was forced to deal with more low ratings and negative critical response. Following the debut of these shows, critics attacked Fox for lacking originality; as one journalist put it, now Fox was simply "ripping itself off."[835]

During the 1992-93 season, Fox's programmers discovered it was one thing to want to broaden its audience but quite another to actually be able to do it. Media buyer Paul Schulman noted that "you could put Lawrence Welk on Fox

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833 See "Fox Fills in the Blanks," in *Broadcasting* for Fox's assurance it would be at seven days a week. See "Fox Puts Off Tuesday Night" for discussion of postponement. Latter article is from *Variety*, 5 October 1992, 31. Fox's ratings in the fall of 1992 remained stagnant from the same time the year before. As one observer put it, "that's quite a damper for the network that saw ratings grow an average 25% over each of the last two seasons." From Verne Gay, "The Facts About Fox: Is the Fourth Network on the Brink of Bigness, or Heading for a Big Fall?," *Newsday*, 17 January 1993, 18.

834 "Fox Puts Off Tuesday," *Variety*.

835 From Gay, "The Facts About Fox." *USA Today* labeled the new series "knockoffs" but did say *Class of '96* had potential. Roush, "'Class' Shows Promise, but 'Key West' is Just Flotsam," 19 January 1993, 3D.

and it would skew young."[836] While this statement was given as a compliment, it points to the dilemma the company's executives faced as they tried to target older viewers: Namely, Fox had built its schedule and its image by being the "Clearasil Web," a channel targeting to people who were younger, hipper, and edgier (or at least thought they were these things).[837] To modify this image, the network would have to make a significant break with its past – both in terms of its marketing and programming strategies. This was a dangerous goal, for Fox risked alienating its core audience and losing the brand identity it had worked so hard to build. Fox was left with the daunting task of developing programming distinctive enough to retain its existing viewer base but familiar enough to attract viewers seeking out more standard network fare.

To make matters worse, Fox had to accomplish this balancing act in the midst of a dispute with the producers of one of its most popular programs, *In Living Color*. The feud came about as a result of Fox's double booking of the show on Thursday and Saturday nights – a measure taken so Fox could fill one of the many gaps which had appeared on its schedule. The show's creator, Keenan Ivory Wayans, objected to this tactic, feeling it overexposed the show and reduced its value for syndication.[838] However, since Fox was a co-producer of the program, it had the ability to override his protests and did so. In response, Wayans left *In Living Color* in December 1992; his siblings Damon, Kim, and Shawn left

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[836] Sharon D. Moshavi, "Fox Eyes Older Viewers: Network to Court an Older Audience to Tap Larger Pool of Ad Dollars," *Broadcasting*, 8 February 1993, 48.
[837] This was a favorite label applied to Fox by *Variety*. See, for example, in John Brodie, "Young Fox Faces Wrinkles: Bart May Smart as 'Simpsons' Shuffles," 9 November 1992, 23-24; Brodie and Lowry, "Does Sagansky Have 4-Year Itch?," 25-31 October 1993, 69.
[838] "Wayans Wriggles Out of Deal at Fox's Den," *Variety*, 14 December 1992, 26.

shortly thereafter.[839] This clash was significant not only because it affected the tone – and ratings – of the show, but even more importantly, because it foreshadowed the conflicts between talent and corporations which would become increasingly common in the impending era of vertical and horizontal integration.

Although it was starting to fade, *In Living Color* remained on the 1993-94 fall schedule. Other shows – including *Key West*, *Class of '96* and the dramatic anthology series *Tribeca* – did not. Nor did a slew of short-lived sitcoms, such as the sketch comedy-oriented *The Ben Stiller Show*, the domestic sitcom *Shaky Ground* and the workplace comedy *Flying Blind*. During the spring of 1993, Fox executives overhauled the schedule in their first full-fledged attempt at broadening the service's reach to the 18-to-49 demographic.[840] The development slate consisted of a blend of with Westerns, cop shows and science fiction series. This prime time schedule was said to have "confused some suppliers."[841] Among the programs which made the cut were the police dramedy *Bakersfield P.D.*, the fantasy-Western *The Adventures of Brisco County Jr.*, and the supernatural drama, *The X-Files*. While there were also several new comedies on the schedule – including the Don Rickles-Richard Lewis vehicle *Daddy Dearest* and the domestic sitcom *The Sinbad Show* – for the most part Fox executives avoided its trademark "ribald comedies," declaring them "too Fox-like."[842]

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[839] Ibid. Keenan Ivory Wayans also ended his exclusive film and television deal with the studio.
[840] Lisa de Moraes, "'Broad-based' Concepts Trademark of Net Pilots: FBC Calls Cops to Arrest Wider Demos," *Hollywood Reporter*, 25 March 1993, 1; Coe, "Networks Cast Wide Nets for Fall: Hoping to Recapture Viewers, Broadcasters Line Up Big Names and Broaden Their Targets," *Broadcasting & Cable*, 29 March 1993, 6-7.
[841] Brodie, "Pilots' Code: Pitch to the Niche," *Variety*, 15 February 1993, 1, 104.
[842] Ibid.

Fox – in developing its first post-Diller schedule – placed more programs into development than any other network. A total of eight new shows were announced, accounting for six of the service's fifteen hours. Along with these additions, the company allocated a large sum of money to buy family-friendly films from Universal Pictures.[843] This deal was significant not only because it was one of the first times the company purchased films from an outside supplier, but also because none of the movies had previously played on pay-television. It was also important because with the airing of the first movie on June 21, 1993, Fox finally reached the full seven day-a-week to which it had so long aspired.[844]

The Universal film which was broadcast on June 21 was *Beethoven* (1992), a comedy about the run-ins between the family dog and its vet-owner (Charles Grodin). From the time of *Beethoven's* broadcast throughout the entire 1993-94 season, Fox interspersed a combination of "broad-appeal theatricals" with "action-driven made-fors aimed at its young, predominantly male viewers."[845] This programming tactic was emblematic of how Fox programmers were trying to balance the audience they already had with the audience they wanted to have. Fox Entertainment Group president Sandy Grushow framed the company's "mandate" for the season as creating programs that helped it expand

[843] Other movies in the Universal package included *Stop or My Mom Will Shoot*, *The Babe* and *Mr. Baseball*. Dempsey, "Fox Takes Universal Pics for New Movie Night Mix," *Variety*, 5 April 1993, 27, 196; Coe, "Fox Signs Movie Deals," *Broadcasting & Cable*, 19 April 1993, 40.
[844] Coe, "Fox Expands to Seven Nights a Week; June 21 is Trigger Date for Weekly Monday Movie, Mix of Made-Fors and Theatricals," *Broadcasting*, 22 February 1993, 16.
[845] Dempsey, "In Search of the Fox Monday Movie Niche," *Variety*, 19 April 1993, 23.

beyond the core 18-34 demographic while maintaining the "Fox edge" and "consistently providing a distinctive alternative to the other webs."[846]

As the 1993-94 season played out, this strategy proved to be unsuccessful more often than not. Most critics argued that the new Fox programming wasn't that different from the old Fox programming.[847] Perhaps ad executive Betsy Frank summed it up best: Fox was "at somewhat of a crossroads."[848] The company's executives knew they wanted to change course; they just weren't quite sure how to do so. Alas, Fox had a couple more wrong turns to make before finding a profitable path.

One such wrong turn came with Fox's next foray into late night. At the same time Fox laid out its 1993-94 schedule, it also signed Chevy Chase for a late night talk show.[849] After an extensive promotional build-up during the summer, the first episode aired on September 6, 1993 and featured guests Goldie Hawn and Whoopi Goldberg. *The Chevy Chase Show* premiered to respectable ratings earning a 5.7 rating and 13 share.[850] On its premiere night, the program defeated both *The Tonight Show with Jay Leno* and *The Late Show with David Letterman*.[851] The performance of *The Chevy Chase Show* was particularly

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[846] Lowry, "Fox Sked a Tall Order; Weblet Wants 13 Episodes of Most Series," *Daily Variety*, 26 May 1993, 3.
[847] See, for example, Brodie, "Fox Weblet Mulls Fall Sked Moves," *Variety*, 24 May 1993, 25, 29.
[848] "The Facts About Fox," *Newsday*.
[849] Coe, "Fox Catches Chase for Late Night; Show Will Debut in 1993 as Part of TV/Film Deal," *Broadcasting*, 13 April 1992, 26-27.
[850] Coe, "Bad Reviews, Good Ratings for 'Chevy Chase' Debut," *Broadcasting & Cable*, 13 September 1993, 14.
[851] The "late show wars" were at their height at this time, as Letterman had recently moved to CBS and Leno's show had been on the air for only about a year. In addition, Conan O'Brien's late night show premiered on September 13, 1993.

impressive considering Letterman's show had premiered to much fanfare on CBS only a week prior.[852] Alas, neither viewers nor critics liked what they saw in *The Chevy Chase Show*. *USA Today* declared that "Fox should put *The Chevy Chase Show* out of its misery," while the *Washington Post* opined that the show was a "complete mess."[853] Chase was lambasted for his lack of charisma as well as his decision to re-hash skits from his time on *Saturday Night Live* in the early '70s.[854] Ratings declined almost immediately: On its second night on the air, the show lost 28% of its viewers and fell to a 4.1 rating and 10 share.[855] By the end of September, it dropped to a 2.1 rating, 5 share; by October it was off the air after only 29 episodes.[856]

The Chevy Chase Show proved to be an extremely expensive embarrassment for Fox. Because the program failed to meet Fox's 4.5 ratings guarantee to advertisers, the company was forced to provide make-goods for months.[857] Between promotional costs, paying out Chase's contract and fulfilling make-good agreements, Fox projected it would take a $40 million loss on the

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[852] Coe, "Bad Reviews, Good Ratings."
[853] Shales, "Chevy Chase: Not Ready for Late Night," Washington Post, 8 September 1993, D1; Roush, "Chase is On, But No Competition in Late-Night Race," USA Today, 8 September 1993, 1D.
[854] "Chevy Chase, Not Ready for Late Night," *Washington Post*.
[855] Ibid.
[856] Fox decided to cut its losses before the November sweeps period. See Coe, "Stations Look for Chase Changes: November Sweeps May Represent Make-or-Break Time for Affiliates' Support," *Broadcasting & Cable*, 11 October 1993, 30-31; Coe, "News Update: Fox Chucks Chase," *Broadcasting & Cable*, 25 October 1993, 28.
[857] Benson, "Chevy: Built to Last? Skeptics Doubt Fox Affiliates' Commitment to Chase's Place," Variety, 20 September 1993, 19-20.

show.[858] With the failure of *The Chevy Chase Show*, the company gave up on trying to fill the late night time slot for the time being.[859]

Fox's newest talk show fiasco not only cost it financially but also in terms of its relationship with its affiliates. The failure of Chase's program merely proved to be the latest annoyance to Fox affiliates. Over the course of 1993, tensions had continued to build between the two entities due to conflicts over a number of issues. Many affiliates had grumbled about giving up their late night time slot to begin with. Several felt they were being forced by Fox to give up highly rated syndicated programming – and what they were receiving in return was a scheduling nightmare.[860] The frustration affiliates felt over The Chevy Chase Show was just the most recent of a string of annoyances: Affiliates had also recently expressed dismay over Fox's plans to provide children's programming on Sunday afternoons.[861] In the end, due to their objections, Fox opted to stay out of this daypart.[862]

The affiliates' dissatisfaction did not end there: They were also worried about Fox's plans to move into cable, fearing this would siphon viewers away from their stations. Fox had to make a number of concessions to its affiliates in order to get their approval for the new FX cable channel. For example, affiliates received nine minutes per hour of advertising time on FX. They were also given

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[858] "Fox's Chase Fallout," *Variety*, 8 November 1993, 5-6.
[859] At one point the company tried to sign Howard Stern to a late night show, but according to *Variety*, Murdoch halted the negotiations for fear that such a program would endanger his relationship with the FCC. See Benson, "Fox Raises Latenight White Flag: Weblet Temporarily Returns Talkshow Slot to Disgruntled Affils," 10-16 January 1994, 45, 50.
[860] Flint, "Fox Affiliates Rebel Against Kids Block," *Broadcasting*, 1 February 1993, 4-5.
[861] Ibid.
[862] In May 1993, Fox agreed to give back one hour on Sunday nights to affiliates. See "Fox Affils Want Long Contracts, Time on New Cable Channel," *Broadcasting & Cable*, 31 May 1993, 7.

the 12 to 2 p.m. time slot on the cable channel to program as they desired.[863] In addition, they were to be provided with their choice of either seven-and-a-half cents per subscriber or five cents per subscriber plus an ownership stake.[864]

While Fox may have feared losing affiliates, several of the company's top executives actually did head out the door. First Diller left, then Chao was fired. In late1992, Joe Roth resigned to start a production company at Disney.[865] Though Roth came under fire for several box office bombs, including the big-budget failures *Toys* (1992) and *Hoffa* (1992), he maintained that the film division was the third most profitable in Hollywood, trailing only behind the consistent industry leaders, Disney and Warner Bros.[866] Among the major money earners developed late in Roth's tenure were *My Cousin Vinny* (1992), *White Men Can't Jump* (1992), *Unlawful Entry* (1992) and *Home Alone 2: Lost in New York* (1992).[867]

No sooner had Roth left than Fox Broadcasting president Jamie Kellner also gave notice. As one journalist put it, Kellner's departure in January 1993 made for "a clean sweep of the executive suite that built the weblet into a

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863 Fox also promised that neither the word "Fox" nor FBC would appear in the title of cable service. See Joe Flint, "Affiliates Approve Fox's Cable Network," *Broadcasting & Cable*, 7 June 1993, 16.

864 The agreement changed slightly when Fox acquired NFL rights. Affiliates agreed to help Fox offset the cost of the NFL by allowing the network to take the first $30 million generated by FX via subscriber revenues. After reaching the $30 million cap, then they would be compensated according the previous arrangement. See Flint, "Affiliates to Give Fox $30 Million; Summerall, Bradshaw Signed," *Broadcasting & Cable*, 31 January 1994, 14.

865 According to *Variety*, Roth couldn't come to terms with Murdoch about his compensation. See "March of the Mobil Moguls," 2 November 1992, 1, 109. For additional discussion of his departure, see Susan Spillman, "Fox Chief Resigns to Be a Producer," *USA Today*, 3 November 1992, 1D.

866 Fleming, "Fox Trots to Rupert's Rhythm: 3 at Bats, 1 'Home' Run," Variety, 11 January 1993, 1, 84.

867 Ibid.

primetime contender."[868] With Kellner and Roth gone, a management shake-up occurred in both the film and television divisions. Most significantly, Chernin transferred from the television to the film division and became head of the motion picture studio.[869] In addition, Salhany was appointed head of the television division, becoming the first woman to head a broadcast network.[870]

Kellner's resignation was especially significant as it was one more sign – along with the company's move beyond its original target audience of 18-34 – that Fox was no longer the new kid on the block. The company's maturing status became even more apparent as 1993 wore on and Paramount and Warner Bros. each accelerated their fifth network plans. Rumors about these emerging networks began to circulate during the summer of 1993 although neither company specified their plans until October.[871] At that time, Paramount publicly announced its intention of partnering with the Chris-Craft station group in the creation of UPN.[872] A new *Star Trek* series, *Voyager*, was to be one of the first programs on its prime time schedule.[873] The following week, Warner Bros. outlined its plans

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868 From "Executive Exodus at Fox Broadcasting," *Adweek*, 11 January 1993. At the same time as the management shake-up at Fox, there were also several resignations at both ABC and NBC. See Brodie, "Topper Turnover Devils Development," *Variety*, 8 February 1993, 1, 92.

869 Coe, "Chernin to Replace Roth at 20th; Observers Expect Sandy Grushow Will be Named to Fox Broadcasting Post," *Broadcasting*, 9 November 1992, 42.

870 Thomas Tyrer, "TV Gets 1st Woman Leader; Salhany Succeeds Kellner as Fox Net's Top Exec," *Advertising Age*, 11 January 1993, 4.

871 For a discussion of the preparations, see Robins and Noglows, "Would 5th Web Launch Put Par on the Course?," *Variety*, 28 June 1993, 1, 37; Flint and Freeman, "Warner Unveils Fifth Network," *Broadcasting & Cable*, 30 August 1993, 6-7; Benson, "Ted Tangles Warner Web," *Variety*, 27 September 1993, 1, 78.

872 The name "UPN" was not used initially. The acronym was adopted the fall of 1994.

873 Flint, "It's Warner v. Paramount and Tribune v. Chris Craft," *Broadcasting & Cable*, 1 November 1993, cover, 6-7.

for its channel, the WB. Its blueprint included the use of superstation WGN to enhance its national reach.[874]

Warner Bros. executives chose to look to cable from the outset because they recognized there were not enough independent stations remaining to attain the necessary national coverage. The shortage of independent stations points to a key difference between the circumstances in which the WB and UPN emerged and the circumstances by which Fox developed nearly a decade before. As Collette and Litman observe in their paper exploring the rationale driving the creation of WB and UPN, traditional economic and industrial analyses fail to explain why one company – let alone two – would choose to develop a fifth network at this time.[875] The costs of entry were high, revenue projections were grim, and there were doubts either service could attract enough viewers to be profitable.[876] As they note, "assuming that firms do seek to maximize profits, secure market share in existing markets, and reduce risk amid uncertainty, this market entry may seem curious."[877]

These authors posit that vertical integration served as an "adaptive strategy" for the two studios. In part both Paramount and Warners were acting defensively, trying to gain a foothold in the marketplace at a time when entry remained possible.[878] In other words, the 500-channel universe was within view,

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[874] Benson, "WB Goes Super Route," *Variety*, 6 December 1993, 17, 41.
[875] "The Peculiar Economics of Broadcast Network Entry," *Journal of Media Economics*, 4.
[876] Ibid.
[877] Ibid.
[878] Warner Bros. Executive Vice President Barry Meyer also referred to the creation of the WB as a defensive measure in Jessell, "Syndicators Face Fifth-Net Squeeze," *Broadcasting & Cable*, 15 November 1993, 23-24.

but it didn't exist yet. There was still time for these companies to establish a brand identity in the marketplace with relative ease. Five years down the road, this might not be the case: "Come late and you'll be forced to catch up," Collette and Litman observe. Fail to act now and "you could be pushed to the margins."[879]

Another equally important reason why both companies were proceeding with fifth network plans at this time was the imminent demise of fin-syn. All the networks were producing more of their own programming in-house. Paramount and Warner Bros.– companies which had been two of the top program suppliers to the networks for decades – feared they either would be pushed out of the market altogether or forced to surrender more back-end rights in order to guarantee placement on the networks' schedules.[880] If the networks did bump these studios' projects to more competitive time slots, their programs might lose viewers, thereby leading to early cancellation. This would mean the studios likely would not have enough episodes of their programs to make their money back in the syndication market – and typically the studios did not earn back their investment in series during the course of their initial prime time run.

In order to protect themselves from being pushed off the network schedule altogether, Warner Bros. and Paramount felt they had to start networks of their own. A network – as opposed to a cable channel – was still seen as the best means of reaching the widest possible audience. Though this audience might not

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[879] "The Peculiar Economics," 10.

[880] Such fears certainly seemed justified. For example, in the fall of 1994, NBC announced it was moving the Paramount-produced *Frasier* out of its cushy Thursday night time slot and into a much more competitive position on Thursday nights. In *Frasier*'s place went *Madman of the People*, a sitcom produced by NBC Productions. See Lowry, "Peacock Ruffles Par's Feathers," *Variety*, 16-22 May 1994, 1, 54.

be as large as it used to be, it was still much larger than what could be obtained via any other delivery systems on the horizon.

In deciding to start their own fifth networks, Warner Bros. and Paramount demonstrated their faith not in the network system as it actually was, but in the network system as it was becoming – a system dependent on turning both the television programs and the services they aired on – into brands. The shape these services took was strongly influenced by the model proved by Fox.[881] In this model, distribution was viewed as a means to the end, while the end was the programming itself. Rupert Murdoch said as much when he told *Broadcasting* that "all our ambitions are first and foremost to be the creators of software. Where it's acceptable we'd like to be purveyors of news…We are only in distribution where it's necessary to be in distribution."[882] Jamie Kellner, who went from his position as CEO of Fox Broadcasting to CEO of the WB in the summer of 1993, had a similar perspective, declaring that "a network can be defined by its programming, not by its distribution in the 21st century."[883]

Every step that was taken to enhance a network's distribution reach and the brand identity of its shows was one which had the potential increase the value of all of its programming far into the future. And as this programming was increasingly owned by the same company which owned the network, the potential for earning a profit went up that much more. It was in recognition of these factors

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[881] As Collette and Litman observe, "all other means of distribution remain inferior options to the national networks in terms of scope and potential revenues," "The Peculiar Economics," 9.
[882] Don West and Joe Flint, "The Wonder's Still in the Wireless," *Broadcasting & Cable*, 24 January 1994, 20-23.
[883] "Jamie Kellner," *Mediaweek*, 23 January 1995, 32-33.

that Paramount and Warner Bros. willingly took their chances on the network business and jumped into an out-and-out war to secure the limited number of remaining independent stations to become affiliates.[884]

It was also in recognition of these factors that Murdoch made several major purchases to take Fox to the next level in its development. After the company had failed to expand during the 1992-1993 period by airing news and late night series, Murdoch took a different tack in trying to grow the company and expand its target audience. This "different tack" came in two main forms. First, it involved turning to "event programming" via sportscasts – a shift attained through Murdoch's acquisition of NFL rights. Second, it involved increasing the company's presence in distribution by way of an investment in several different station groups. This latter move was truly an example of News Corp. being in distribution because it was seen as "necessary to be in distribution." With a heightened distribution presence, Fox once again went about trying to alter its image and its audience profile. There were far-reaching consequences to Fox's next efforts to broaden its reach. As the next chapter demonstrates, these different purchases resonated throughout the industry, affecting Fox's relationship to the Big Three, their affiliates, independent television stations, program producers, syndicators and the FCC.

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[884] The atmosphere was depicted as a "race" or as "war-like" on multiple occasions. For example, see Benson and Robins, "Par Takes the Fifth," *Variety*, 8 November 1993, 17, 21; "The Wonder's Still in the Wireless," *Broadcasting & Cable*. There was much skepticism that either studio could effectively start a network, given the limited coverage which remained available via the existing broadcast outlets. For examples of such doubts, see "Would 5th Web Launch Put Par on the Course?," *Variety*; Flint, "Fifth Network: More Smoke Than Fire?," *Broadcasting & Cable*, 5 July 1993, 11-12.

Chapter Seven: Fox, Football and Franchise Television, December 1993 – August 1995

> The weblet had been banished to the back pages after Warner Bros. and Paramount announced their fifth network efforts last year. Fox was no longer the eager young upstart, but a stunted network with a long laundry list of programming problems and a highly visible late night failure with Chevy Chase. In a couple of expensive swoops, Fox re-wrote the rules of broadcasting. And the repercussions are likely to be felt for a long time. This New World of TV has left some long-time industry honchos, who earned their stripes in the old school, feeling somewhat bewildered...
>
> *Variety*, July 1994[885]

> With little fear of Washington, and with Wall Street sending their stocks soaring, network brass were experiencing a sense of déjà vu last week - wondering whether the year was actually 1985, the last time the Big Three began to fall like dominos to new owners…
>
> *Variety*, September 1994[886]

From December 1993 to August 1995, Fox accelerated its efforts to attain parity with the other networks. This equality would come in a variety of ways, including expanded broadcast coverage, increased advertising revenues, and the acquisition of sports rights. Most importantly, it would come by attracting a broader viewership. To attain this elevated status, Murdoch returned to his old ways of spending. He did so eagerly, determined to allocate the dollars necessary to take Fox to the next level. In the process of spending – most notably, on the rights to the NFL, on an investment in the New World station group, and in the

[885] Benson, "TV's Traumatic Times: Summer's Sweeping Changes Reinvent the Business," 18-24 July 1994, 1, 51.
[886] Noglows and Robins, "Will Web Tide Ebb?."

creation of several new divisions – Murdoch not only made Fox competitive with the Big Three but demonstrated how to do business in the neo-network era.

The Fox model for how to do business had a number of important components, including an emphasis on niche-oriented programming, the use of event programming as a means of branding, and a strong integration of the company's production and distribution arms. As the mid-1990s approached, Fox's expansion efforts would become greater in size and scope. Fox's growth during this time established the terms by which the Big Three could eventually develop into the Big Six – a Big Six whose holdings included both networks and studios.

Meanwhile, with the economy continuing to improve and with fin-syn on the way out, the entire industry remained on the upswing. The manner in which the media industries developed during this time was in no small way a result of the efforts of Fox. In this chapter, I explore how other companies attempted to emulate Fox's broadcasting model. This emulation took two different forms: There were the new program services, UPN and the WB, which adopted the scheduling, marketing and distribution strategies which had been refined and eventually abandoned by Fox as it outgrew "weblet" status. And then there were the networks, which adopted the programming, marketing and distribution strategies that were being taken up by Fox-the-emerging-network.

This chapter illustrates how others sought to become more like Fox even as Fox sought to solidify its status as distributor and program producer. First I describe how Fox's fortunes started to turn around with the acquisition of sports rights. Then I show how Fox pushed the station sales business into frenzy with its investment in several broadcast groups. This discussion is followed by an analysis of the implications of these deals for both Fox as well as the larger media business. Fox's deals caused a new level of instability for syndicators, affiliates and the networks. These investments had larger ramifications for Fox as well. Most notably, the ire the company drew from its network competitors upset its friendly relationship with the FCC, causing it to be placed under scrutiny by the commission for the first time.

Though Fox may have been placed in a defensive position in Washington, it was on the offensive on television sets across the country. In the fall of 1994, the company began its most lucrative season yet. With *The X-Files* becoming a break-out hit and *The Simpsons* getting a second wind with its syndicated launch, Fox reaffirmed the profitability of the niche-oriented prime time franchise. The company's success with such programs reinforced the value of the Fox way of doing business. In addition, it motivated several networks and studios to pursue a similar structure and programming strategy, thereby feeding into the "merger mania" of 1995. Before talking about the boom period of the mid-'90s, however, I must first go back and describe the deals which enabled Fox's fortunes to look up and brought it back to a level of health equal to the rest of the industry.

TACKLING THE NFL, FOX-STYLE

> Murdoch has said that money, and assured losses, are no matter - he's prepared to make a loss-leader deal as a signal to Fox affiliates that Fox is in the network business for the long haul. Fox has pressure to reinforce that signal with the emergence in recent months of two new proposed nets from Warner and Paramount, both of which are pursuing Fox affiliates…
>
> *Broadcasting & Cable*, December 1993[887]

> I think the NFL as clearly as any other event marked the point in time when Rupert Murdoch decided he was not content to be the fourth network. He wanted to be the number-one network. The pieces that have been put in place since then are all related to aggressive competition and the goal of becoming number one…
>
> Fox executive Preston Padden, October 1994[888]

As the last chapter demonstrated, by late 1993 the Fox network was in a precarious position. Its initial efforts at developing prime time programming targeted to the 18-49 demographic had been largely unsuccessful. *The Chevy Chase Show* was a humiliating failure. Affiliates were growing vocal about their displeasure with these miscalculations along with the company's move into cable. Several key executives had either left or were on their way out. The press was starting to question whether Fox had lost its way even as Warner Bros. and Paramount were preparing to launch program services targeting its core audience. Fox had to take action and demonstrate to its own affiliates as well as the press and industry at large that it was serious about competing with the Big Three.

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[887] McClellan and Flint, "Fox is Wild Card in NFL Negotiations: While CBS and NBC are Refusing to Pay Higher Rights Fees, Fox Says it Will," *Broadcasting & Cable*, 20 December 1993, 6-7.
[888] West, "Preston Padden: Strategizing to Move Fox from Underdog to Head of the Pack," *Broadcasting & Cable*, 17 October 1994, 18-22.

At the end of December 1993, Murdoch did precisely that, taking the first in a series of steps which would push Fox into the next phase of its development. For a record price of $1.58 billion, he signed a four-year contract for the right to broadcast NFL games.[889] With this deal, Fox took away a franchise which had been held by CBS for 38 consecutive years. The transaction had several other consequences as well, not the least of which was that it reinforced that Murdoch was in charge and was going do whatever it took to make Fox a legitimate network.[890] As the section which follows demonstrates, the acquisition of the NFL rights served several important production, distribution, and marketing functions for Fox. Furthermore, by attaining these rights, Fox continued to alter both its public image and its corporate culture.

This was not the first occasion Fox had pursued the rights to the NFL but it was the first time the league took the company's bid seriously. In 1987 – before Fox had launched its prime time line-up – the weblet tried to purchase *Monday Night Football*. Though Fox offered more than ABC for the rights, the NFL turned it down.[891] It was too much of a risk for the NFL to take on an unproven program service. Shortly thereafter, CBS and Fox competed for rights to the NFL, with CBS coming out the winner. Following this transaction, Fox went to the

[889] In addition to acquiring the rights for NFC division games, Fox also acquired the right to air the 1997 Super Bowl. The price broke down to $395 million per year. See Mandese, "How Fox Deal Aids NFL Global Aim," *Advertising Age*, 3 January 1994, 4.
[890] In his own words, he wanted Fox to have more "credibility." See Foisie, Figuring the Pluses, Minuses of Fox-New World," *Broadcasting & Cable*, 30 May 1994, 10-11.
[891] "NFL Television Contract Draws Probe from FTC; Government Making Antitrust Inquiries," *Washington Post*, 16 May 1987, C1. According to Andy Pasztor, Fox offered approximately $7 million per game for the franchise versus the $6.2-6.5 million offered by ABC. From "FTC is Expected to Accuse CBS Inc. of Antitrust Violation in NFL Talks," *Wall Street Journal*, 30 September 1988. Diller said knew their chances of getting the rights were "slim" in "Diller's Dream to Debut on April 5," *Advertising Age*.

Federal Trade Commission with allegations that CBS engaged in anti-trust activity.[892] The agency ruled in Fox's favor, concluding CBS did "improperly reduce competition" in the process of negotiating for football rights.[893]

Fox executives continued to speak of their desire for the NFL rights in the ensuing years.[894] In the meantime, they did their best to undermine the other networks' football broadcasts. Most notably, in January 1992, Fox joined with Frito-Lay to create the "Doritos Zaptime/*In Living Color* Super Halftime Party" to run opposite the Super Bowl.[895] This event involved the cast of *In Living Color* performing skits live during halftime. The broadcast was extremely successful, attaining a 14.9 rating versus CBS's half-time rating of 16.7; more than 70% of these viewers came from CBS.[896]

Less than two years later, Fox made its next play for the NFL rights. This time, in a sign of the company's growing authority and influence, the NFL enthusiastically agreed to Fox's terms. The League found Fox's pitch appealing this time around because it saw its audience was aging. The number of 18-34-year-olds watching football had declined approximately 40% in the past ten years.[897] The NFL wanted to go younger and Fox, with its core viewership of 18-to-34-year-olds was the right entity to accomplish this task. Fox promised to make

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[892] Ibid.
[893] Ibid.
[894] For example, see Richard Huff, "Nets Warm up for NFL Fight; Fox Wants 'Monday Night,'" *Variety*, 17 January 1990, 40; Coe, "Fox's Passionate Pro," *Broadcasting & Cable*, 1 March 1993, 18-20.
[895] Mandese, "Breaking the Rules; Fox's Doritos Show Just Another Example," *Advertising Age*, 16 December 1991, 4.
[896] "Fox Halftime Ploy Works," *Advertising Age*, 2 March 1992, 20.
[897] McClellan, "NFL on Fox: 'Same Game, New Attitude,'" *Broadcasting & Cable*, 15 August 1994, 26-29.

the NFL appeal to younger viewers. To achieve this, the company invested in several technological innovations, such as Dolby surround sound and the use of highly sensitive parabolic microphones around the gridiron.[898]

While the NFL saw in Fox the opportunity of gaining a younger audience, Fox saw in the NFL another means by which it could broaden its audience. As noted above, prior attempts to expand its demographic profile had borne little fruit; in fact, during the 1993-1994 season, viewership of Fox was down 6% in households and 8% in viewers ages 18-49.[899] Part of the reason Fox placed so much emphasis on broadening its audience to 18-to-49-year-olds is because advertisers were believed to be willing to pay up to twice as much for this demographic as they would pay for the 18-34 demographic.[900] The NFL was a different way for Fox to go about its pursuit of this wider audience. At the same time, in purchasing the rights to football, Fox saw a way to solidify its dominance with males. Even before the NFL deal, Fox led the networks in terms of male viewers, with more than 50% of its prime time audience being male as opposed to 40% at each of the Big Three.[901] With football, Fox could build further on this base – and target it in another daypart no less. The company hoped it could retain these viewers throughout the evening. The fall 1994 schedule was designed with this strategy in mind.[902] For example, *The Simpsons* – a long-time ratings leader

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898 Ibid.

899 Steve Brennan, "Fox TV Marches Into Future with Two Divisions," *Hollywood Reporter,* 8 July 1994, 1.

900 "Fox Eyes Older Viewers," Broadcasting.

901 See Miller, "Young with Clout Tune Out," *Variety*, 23 November 1992, 13, 16; percentages from Dempsey, "In Search of the Fox Monday Movie Niche," *Variety*, 19 April 1993, 23.

902 According to Murdoch, the NFL's decision to go with Fox "was not just financial. The fact is that the way it's been broadcast during the last few years, the audience has been getting older and

with men ages 18-49 – was shifted from Thursdays back to Sunday nights in order to buttress this effort.

The acquisition of the NFL rights also served a variety of marketing functions for Fox. Most significantly, the deal enabled the company to demonstrate it was more than just an entertainment service. Through this one expensive acquisition, Fox instantly had a sports division – one of the major indicators of a "full-service network." Murdoch appointed David Hill as president of the new Fox Sports operation; Hill was only one of several News Corp. executives transferring to Fox at this time.[903] In addition, Fox raided the CBS staff for other employees. Veteran CBS sportscasters Pat Summerall and John Madden were among the most prominent individuals to shift allegiances.[904]

These staff changes generated a great deal of press coverage, coverage which reinforced the dichotomy between Fox as young and cutting edge with CBS as old and stodgy.[905] Fox, of course, did its best to exploit these

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older. The 18-39-year-old group of people who watch football has been declining in numbers. We have to turn that around. Hopefully, we'd like to bring some women viewers to it, too. So we have to - while being totally professional and not in any way demeaning anything - we have to give it a younger appeal. We have to do a much more appealing program. For instance, the networks, while varying very much in quality, have really spent nothing on new technology in the last three or four years. We'll be starting fresh, and with all the latest equipment imaginable. We did that in Britain with soccer - we've absolutely changed the look of a soccer match." From "The Wonder's Still in the Wireless," *Broadcasting & Cable*.

903 Regarding the appointment of Hill, see McClellan, "Fox Picks Its Prince of the Pigskin," *Broadcasting & Cable*, 3 January 1994, 14. Other News Corp. execs who took key positions at Fox were Les Hinton, Ian Rae, and Piers Akerman. All came from publishing and moved into television operations. In January 1993, Hinton became head of the Fox O&Os; Akerman became head of Fox's latest iteration of its news service soon after. Rae took over supervision of *A Current Affair*. All information from Robins and Brodie, "Murdoch's Makeover: H'wood Frets as News Corp. Chief Remakes Fox," *Variety*, 12 April 1993, 1, 93.

904 McClellan, "Fox's Latest Deals: Madden, Summerall," *Broadcasting & Cable*, 24 January 1994, 10.

905 See "Editorial: Murdoch's Great Catch," *Advertising Age*, 10 January 1994, 21; Lowry, "CBS Gets Black Eye from Edgy Affils," *Variety*, 6-12 June 1994, 21, 26.

representations. The network initiated a public relations blitz, spending approximately $100 million on a marketing campaign "letting hard-core NFL'ers know the NFC has moved, but also pitching younger, less football-savvy viewers to tune in."[906] The pitch for the promotion was "same game, new attitude," and more than 80 different commercial spots were created to sell the NFL as "hip and edgy."[907]

Fox executives tried to portray the program service as many things all at once: They wanted to show that Fox was much more than a weblet and thus far superior to UPN and the WB, which were both premiering in January 1995. They also wanted to reinforce that Fox was like the Big Three in terms of its resources and the production values of its programs but unlike them in other, equally crucial ways. In particular, Fox's shows were presented as more distinctive, fresh and innovative than those found on the other networks.

While the NFL provided Fox with an important platform from which the company could reinvent itself and redefine its audience, it served other purposes as well. With the acquisition of the football rights, Fox made the first in a series of major moves toward enhancing its distribution. The company had two key goals: to renew its relationship with existing affiliates and, simultaneously, to attract new broadcast outlets. The former goal was important because of the atmosphere which had developed as UPN and the WB competed to secure affiliates. Fox wanted to impress upon its existing affiliates – 141 at the time of the NFL

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906 "NFL on Fox: 'Same Game, New Attitude," *Broadcasting & Cable*.
907 Former quote from "NFL on Fox," *Broadcasting & Cable*; latter quote from Jeff Jensen, "First Period: Fox's NFL on March," *Advertising Age*, 5 September 1994, 5.

acquisition – that secondary affiliations were unacceptable.[908] Secondary affiliations were formed when there were a limited number of broadcast signals available in a particular locality. When a station formed a secondary affiliation with another network, it would have to pre-empt or time-shift some of the programs of the primary network. Executives believed such affiliations would "dilute" the brand identity which Fox had worked so hard to build.[909] In addition to using football as a means of discouraging secondary affiliations, Fox hoped its acquisition of the sport would make up for the failure of *The Chevy Chase Show*.[910] In fact, football was viewed as such a boon by many of Fox's affiliates that the company was able to procure three additional 30 second spots from to finance the acquisition.[911]

Football also helped Fox in obtaining its latter goal of attracting new affiliates. This strategy marked a shift away from the company's previous tactic of pursuing better coverage and channel positioning by turning to cable channels. Now, executives wanted to improve Fox's VHF coverage and channel positioning using the more traditional route of aligning with broadcast stations. The NFL was certainly a major reason – although not the only reason, as will be discussed in the following section – why Fox was able to sign dozens of additional primary and

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[908] Affiliate number from Flint, "Fox Uses NFL to Woo Network Affiliates," *Broadcasting & Cable*, 10 January 1994, 18. Secondary affiliation information from Flint, "Fox Stations Told to Say No to New Networks," *Broadcasting & Cable*, 22 November 1993, 12.

[909] In a memo sent to affiliates, the Fox affiliate board of governors wrote "we should not help [Paramount and Warner Bros.] dilute our own valuable identity." From "Fox Stations Told to Say No," *Broadcasting & Cable*.

[910] Regarding trying to compensate for *The Chevy Chase Show*, see Flint, "Who Wants the Ball?," *Broadcasting & Cable*, 20 December 1993, 6.

[911] In addition, Fox affiliates agreed to give up to $30 million annually via retransmission consent money to help offset the costs of the acquisition. See "Affiliates to Give Fox $30 Million," *Broadcasting & Cable*.

(ironically) secondary affiliates. While most of the primary affiliates which signed on were independent stations, many of the secondary affiliates were allied with ABC.[912] By early May of 1994, Fox had signed more than two dozen additional affiliates and increased its national reach to more than 97%.[913] This brought the company's total affiliate number close to 200 – a number on par with the Big Three.[914] In some cases, Fox was able to use the NFL to upgrade its affiliates from UHF to VHF.[915]

Improving its affiliate roster was rapidly becoming one of Fox's main obsessions. The reason this was so important was because better coverage meant more advertising dollars. Fox wanted to get the same advertising rates CBS had received the previous season. As it turned out, Fox ended up doing better than CBS had the season before. Whereas CBS earned about $130,000 per 30 second spot for the 1993-'94 season, Fox received about $150,000 per 30 second spot for the 1994-'95 season.[916] Fox profited in other ways. In particular, its O&Os showed a 50% operating profit on a 25% revenue gain during the first six months of its 1994 fiscal year.[917] While this was partly due to a generally improved economic outlook and the subsequent upswing in the station business, Fox

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[912] Flint, "Fox Football Luring New Affils – Almost: Mostly ABC Stations Sign Up as Secondary Outlets," *Variety*, 18-24 April 1994, 25-26.
[913] "Fox Signed Three New Primary and 17 Additional Secondary Affiliations Last Week," *Broadcasting & Cable*, 2 May 1994, 68.
[914] West, Stern, McClellan, and Jessell, "Turning Up the Heat on Fox," *Broadcasting & Cable*, 12 December 1994, 6-9.
[915] "Fox Uses NFL to Woo Network Affiliates," *Broadcasting & Cable*.
[916] In total, Fox generated about $300 million for football in '94-'95; CBS received about $275 million for '93-'94. Mandese, "Fox NFC Telecasts Score a Touchdown," *Advertising Age*, 23 January 1995, 8.
[917] McClellan, "News Corp. Offsets NFL Loss," *Broadcasting & Cable*, 13 February 1995, 45.

executives maintained that the bump was primarily due to the addition of football.[918]

The acquisition of the NFL rights affected far more than News Corp.'s balance sheet. For News Corp., the deal represented another step forward in its efforts to increase its presence in sports around the world.[919] In tandem with his purchase of football rights in the U.S., Murdoch approved the purchase of soccer, rugby, cricket, golf – and even ping-pong – for broadcast over his growing number of cable, satellite and broadcast outlets in Europe, Australia, Asia and Latin America.[920] He also added to Fox's U.S. sports holdings, paying $150 million for the right to broadcast National Hockey League (NHL) games for five years.[921] With this purchase, Murdoch's total expenditure on sports was estimated to be close to $3 billion.[922] As a result of this pact, NHL games received their first network broadcast in twenty years. As *Variety* journalist Michael Williams observed, these purchases were "radically changing the rules of the game," altering the methods by which sports were procured, produced and distributed.[923]

These deals were not merely an end in themselves, but rather a means to larger ends for News Corp. Sporting events functioned as loss leaders, establishing a brand for News Corp.'s program services across the globe and helping to bring in viewers who (it was hoped) would then stay to watch other

918 Ibid.
919 For a discussion of News Corp.'s global sports strategy, see Michael Williams, "Rupert's Sporting Life," *Variety*, 17-23 July 1995, 1, 65.
920 Ibid**.**
921 Flint and Robins, "For Rupert, the Puck Stops Here," *Variety*, 12-18 September 1994, 1, 71.
922 Ibid.
923 "Rupert's Sporting Life," *Variety*.

programs. Sporting events, added Williams, were nothing less than the "locomotives" being "used successfully to promote entire networks and increase subscriber bases."[924] News Corp., as the mid-'90s approached, had a rising number of networks and subscriber bases to promote. For example, in June 1994, Murdoch acquired a 49.9% interest in German commercial television channel Vox; in July 1995 he purchased the remaining 36.4% of Star TV.[925] With holdings in so many different countries, Murdoch's company was able to absorb losses from one division with profits from another. This proved to be the case with football; the $350 million in losses incurred from the high price paid for the NFL were more than offset by the $600 million the company earned by selling off a small percentage of its ownership stake in the now highly profitable BSkyB.[926]

Although News Corp. took an immediate financial hit from football, the deal was still seen by the company as a worthwhile long-term venture. As one journalist commented,

> While Fox's mammoth $395 million annual NFL rights fee is unlikely ever to post a profit on a network ad sales basis, the network's executives believe intangible values of promotion - increased coverage, the impact it will have on the asset value of the Fox-owned TV stations (increasing their value as much as 15% annually during the course of the four-year deal) and enhancing other company values - will more than make up for the investment.[927]

Yet while News Corp. might have benefited substantially from the NFL deal, the same could not be said for the Big Three. At the time Murdoch swooped

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924 Ibid.

925 Regarding Vox investment, see Amdur, "News Corp. Moves into Germany," *Broadcasting & Cable*, 4 July 1994, 56. Regarding Star TV, see Fionnuala Hannigan, "Murdoch Takes Over Star: News Corp. Mogul Buys Remaining Stake," *Variety*, 24-30 July 1995, 27-28.

926 McClellan, "News Corp. Offsets NFL Loss," *Broadcasting & Cable*.

927 "How Fox Deal Aids NFL Global Aim," *Advertising Age*.

in, the networks were finally beginning to make headway in their efforts to limit their expenditures on sports rights. Both NBC and CBS had placed bids that were about 10% lower than they had previously paid.[928] The $1.58 billion offered by News Corp. – an amount which was several hundred million dollars more than that offered by CBS – promptly put a stop to this effort.[929] A few days later, NBC returned to the NFL and paid in excess of $100 million more than it had paid for the same package four years earlier.[930] ABC increased its payment for *Monday Night Football* by about two percent.[931]

The sums the networks once again were allocating for sports rights were soon exceeded by the price they found themselves paying to retain the loyalty of their affiliates. The $1.58 billion News Corp. put out for football was only the first part of a two-pronged effort by the company to enhance its distribution and adjust its audience profile. The second part of this effort involved pursuing VHF-based stations with better channel positioning. These stations would be attained through a process of investing in more than a dozen television stations and also by aggressively encouraging network stations to switch affiliations. Through these expenditures, News Corp. set off a chain reaction in station purchases and instigated a realignment of broadcast affiliates across the country. This realignment contributed to a resurgence in the station sales business and caused prices to ascend to levels they had not been at since the boom period of the mid-

[928] McClellan, "Fox's NFL Bid Drove Up Prices, Drove Out CBS," *Broadcasting & Cable*, 3 January 1994, 18-19.
[929] Ibid.
[930] NBC paid $868 million, a 15% increase. These figures from Chris McConnell, Rich Brown and Steve McClellan, "Fox Adds Pages to its Technology Playbook; Network is Beefing Up Equipment Arsenal for NFL Debut," *Broadcasting & Cable*, 15 August 1994, 30-31.
[931] "Fox Adds Pages to its Technology Playbook," *Broadcasting & Cable*.

‘80s. The consequences of these transactions – the most prominent of which was News Corp.’s investment in the New World station group – were far-reaching, affecting both the syndication business as well as the networks’ financial well-being. In addition, as a result of these deals, News Corp. suddenly found its previously friendly relationship with the FCC become surprisingly contentious.

A BOOMING STATION BUSINESS ONCE AGAIN

> I believe as much as ever in broadcasting…I believe this so strongly that I want to see Fox buying more stations both here and around the world…
>
> Rupert Murdoch, June 1992[932]

> While rival networks and lobbyists don't take issue with Fox's tactics and at times have jokingly referred to the FCC as the 'Fox Communications Commission,' they are growing tired of Fox playing the role of the underdog newcomer that needs all the help it can get…
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> *Variety*, May 1994[933]

In the spring of 1994, the broadcast station business was starting to look up after a lengthy slump. With interest rates down and spot revenues up, station values were on the rise.[934] The first significant signs of improvement came in March 1994. At this time, Fox joined with Savoy Pictures to create a new station group, SF Broadcasting.[935] This venture, in which Fox owned 58%, was put

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932 “Murdoch Blasts Traditional News,” *Broadcasting*.

933 Flint and Wharton, “Rupert Regales Regulators,” *Variety*, 2-8 May 1994, 1, 40.

934 For discussion about the improvement in the economy, see Julie A. Zier, “Fox-New World Deal Opens Trading Vistas,” Broadcasting & Cable, 6 June 1994, 48. Regarding the improving station market, see Flint, “TV Station Sales Surge,” *Variety*, 14-20 March 1994, 24.

935 Zier, “Fox, Savoy Buying Stations Together; Network Will Have 58% Interest in SF Broadcasting,” *Broadcasting & Cable*, 21 March 1994, 10.

together with the intention of acquiring stations in large and medium sized markets.[936] Of particular interest were markets with NFC teams.[937] The group was to be run by Tom Herwitz, an executive whose prior experience included stints as assistant to Mark Fowler at the FCC and as Vice President and General Manager of the Fox-owned WTTG-TV in Washington D.C.[938]

The investment in SF Broadcasting was relatively minor compared to what came two months later. At the end of May 1994, Fox announced a deal whereby, in exchange for $250 million in preferred stock and $250 million in a seven-year loan, it would acquire a twenty percent ownership stake in New World Communications.[939] As a result of this deal, the twelve New World stations – eight of which were currently allied with CBS – became Fox affiliates.[940] The initial affiliation agreement was for ten years.

According to one Fox executive, "football was the bait" that caused New World chair Ronald Perelman to bite.[941] There were additional incentives, however. New World was looking to heighten the output of its production division and Fox promised several means of accomplishing this. Fox guaranteed it would order a minimum of two series pilots and two made-for-television movies

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[936] Fox would only have a 25% stake in the first station, however. See Flint, "Fox Endruns FCC," *Variety*, 1-7 August 1994, 56.
[937] Ibid.
[938] Block, 320, 396.
[939] Richard Zoglin and Massimo Calabresi, "Murdoch's Biggest Score," *Time*, 6 June 1994, 54-56.
[940] The New World affiliates were in Dallas (CBS), Detroit (CBS), Atlanta (CBS), Cleveland (CBS), Tampa (CBS), St. Louis (ABC), Phoenix (CBS), Milwaukee (CBS), Kansas City (NBC), Greensboro/Winston Salem/High Point (ABC), Birmingham (ABC), and Austin (CBS). From Foisie, "Fox and the New World Order," *Broadcasting & Cable*, 30 May 1994, 6-7.
[941] Erik Larson, "Will Murdoch Be Outfoxed? A Little-Noticed Federal Probe Has Stalled the Mogul's U.S. Empire – and Perhaps Imperiled It," *Time*, 17 April 1995, 45-48.

from New World Entertainment.[942] In addition, New World was attracted to Fox's more limited schedule relative to the Big Three. The extra hours available for programming could be filled at least in part by New World's own product.[943] The rest of the time could be occupied by syndicated programming. The lion's share of the money from ad sales for this programming would go to New World rather than a network.[944] To New World executives, the immediate losses resulting from affiliation changes would be made up for in the long-term by the enhanced value of being a vertically integrated company with its own library of programming.[945] To further strengthen the production division, New World hired former NBC Entertainment head Brandon Tartikoff to supervise the development of programming.[946]

There were also several potential benefits of this deal for Fox. Most significantly, Fox raised its VHF coverage substantially, going from 25 to 40%.[947] Furthermore, the company accomplished this without having to pay additional compensation to these affiliates; New World bought Fox's argument that the extra time it would have available on its schedule would more than make up for the loss in network compensation.[948] Meanwhile, though these stations would function in

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942 "Fox and the New World Order," *Broadcasting & Cable*.
943 Ibid.
944 Ibid.
945 Flint, "Webs Want O&O Ceiling Lifted," *Variety*, 30 May – 5 June 1994, 21, 26.
946 Alan Bash, "Tartikoff Joins New World: He's Back in the Programming Fray," USA Today, 15 June 1994, 3D.
947 "Murdoch's Biggest Score," *Time*.
948 "Preston Padden: Strategizing to Move," *Broadcasting & Cable*.

many ways like O&Os, Fox circumvented FCC attribution rules by holding a non-voting interest in the stations and keeping its ownership stake under 25%.[949]

The New World-Fox contract had wide-ranging consequences. First, it set off what *Time* called "the most sweeping affiliation shake-up in network television history."[950] Instantly, several Fox stations were looking for new homes. While the Big Three as well as the WB and UPN were looking for new affiliates. These efforts were complicated because, in nine out of twelve markets in which New World operated, there were only three VHF stations – and now Fox had one of them.[951] Cumulatively, according to *Variety*, affiliate changes compelled "viewers in roughly 40% of the country this fall [of 1994] to go looking for their favorite shows on other channels."[952]

The second consequence of the deal was that it gave the station business the final push it needed to become red hot.[953] Station prices began a climb which would continue for the next several years. Even stations in smaller markets were viewed with greater interest by the networks than they had been before.[954] In spite of the growing value of stations, many were not purchased outright at this time. Rather, the Fox-New World arrangement spurred a new trend in which the networks favored strategic alliances over outright purchases. Although this pattern

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949 "Fox Endruns FCC," *Variety*.
950 "Murdoch's Biggest Score," *Time*.
951 "Figuring the Pluses, Minuses of Fox-New World," *Broadcasting & Cable*.
952 "TV's Traumatic Times," *Variety*.
953 As Flint observed, "The Fox-New World deal confirms what most of the broadcasting industry already knew: TV station trading – especially for Big 3 affils - is back with a vengeance." From "Webs Want O&O Ceiling Lifted," *Variety*.
954 According to Flint, Fox and NBC were particularly interested in stations in smaller markets. See "Station Prices Soar in New (Dis)Order: Fox, NBC Shell Out Big Bucks for Smaller Markets," *Variety*, 22-28 August 1994, 19-20.

had started in 1993 when Paramount and the Chris-Craft station group united to form UPN and Warner Bros. and the Tribune station group joined to form the WB, the Fox-New World deal was distinctive because it was motivated by a desire to circumvent FCC ownership rules.[955] CBS quickly imitated Fox, making a similar arrangement with Westinghouse's Group W station group.[956]

The third result of the New World-Fox deal came in the syndication world. Station groups were increasingly being envisioned as sources of programming. Fox, of course, had long turned to its own O&Os for product. Now, this process intensified. In addition, larger station groups gained further leverage over program suppliers due to their ability to clear substantial portions of the country.[957] Syndicators which were not aligned with O&Os or major station groups were thus squeezed in two ways: Not only did they have difficulty getting clearances, but even if these clearances were obtained, there was less space on the stations' schedules for outside product because they were producing more in-house.[958] To make matters worse, syndicators had to scramble in one more way. Namely, due to the affiliation shake-ups, the programming strategies and audience profiles of dozens of stations changed. The syndicated product which many stations had previously licensed often did not suit their new viewership. This

[955] "It's Warner v. Paramount and Tribune v. Chris Craft," *Broadcasting & Cable*.
[956] No money was exchanged with this arrangement, however. The affiliation agreement included five stations and was to last for ten years. From Flint, "CBS Beats NBC to Group W Deal," *Variety*, 18-24 June 1994, 52.
[957] Dempsey, "Station Groups Bite Hand that Needs 'Em," *Variety*, 23-29 January 1995, 1, 82.
[958] For a discussion of concerns about a contracting syndication market, see Benson, "Syndicators in Fear of NW Daytime Block," *Variety*, 30 May -5 June 1994, 21, 26.

forced syndicators to hustle to secure different outlets for their product before their competitors did so.[959]

The turmoil in the syndication market was matched by the mayhem taking place in the network business, marking the fourth consequence of the Fox-New World alliance. If the NFL deal disrupted the networks' cost-cutting strategies, the Fox-New World arrangement altogether ceased such efforts. Placed in a constant state of fear that they would lose additional affiliates, the networks dramatically raised their compensation. By the end of the summer, each network had increased compensation from around \$100 million to more than \$120 million.[960] In exchange for this increase, the networks demanded affiliates accept longer-term contracts.[961] At the same time, they intensified their call to the FCC to modify ownership regulations, arguing this would provide more stability to the broadcast business.[962] Both Congress and the FCC took this request to heart and started debating how much to raise the limits.[963]

In the meantime, Fox met with its own unique set of challenges. The New World agreement might have helped Fox finally reach an "even playing field" with the networks in terms of distribution.[964] However, it also stimulated a great

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959 Flint, "Syndie Strategy Shake-Up: Affiliation Scramble Puts Stations in Programming Flummox," *Variety*, 25-31 July 1994, 19, 24.
960 Flint, "'Comp' Bucks Cut Loose Under New World Order," *Variety*, 1-7 August 1994, 33, 36.
961 Martin Peers and Joe Flint, "Run on Nation's Stations: Likely Change of O&O Rules Energizes Market," *Variety*, 20-26 February 1995, 193, 196.
962 Wharton, "NBC Urges Easing of FCC Regs," *Variety*, 13-19 June 1994, 38.
963 Regarding the FCC see Stern, "FCC Raises Roof on TV Ownership," *Broadcasting & Cable*, 19 December 1994, 6-7. Regarding Congress, see Stern, "Deregulation Debate; Broadcasters Split Over How Much is Enough," *Broadcasting & Cable*, 27 March 1995, 58.
964 According to Mandese, "Most observers agreed that the New World deal and the NFL give Fox an even playing field." From "Fox Jolts Nets into New Era," *Advertising Age*, 30 May 1994, 34.

deal of hostility between Fox and its affiliates. Affiliates were now distrustful of Fox, suspicious that they would be dumped if a better station came along.[965] Consequently, they came into the June 1994 affiliate meeting with a long list of demands. Most notably, they asked for longer affiliation contracts and said they would be unreceptive to any more late night programming.[966]

While Fox's problems with its affiliates took a turn for the worse, its relationship with the FCC soured as well. The New World deal played a part in this but there were additional reasons Fox suddenly found itself under increased scrutiny from the commission. Fox's problems on this front began in December 1993, when the NAACP charged the company with violating the FCC rule barring foreigners from owning more than a 25% interest in a U.S. television station.[967] News Corp. did not take the allegations seriously. The company's attorneys said that what had been the case in 1986 remained the case in 1994: Murdoch was a U.S. citizen. As such, he was the "de facto controller" through his ownership of 32.7% of the company's shares.[968] Nonetheless, in April 1994, the FCC announced it would look into the matter.[969] Few industry analysts expected the investigation to come to much. As *Variety* observed at the time the inquiry began, since Murdoch and Diller "first launched the Fox Network in 1986, the FCC has done just about everything it could to keep government out of their way. And just as it's changed the way America watches television, Fox is changing the way

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965 Coe, "Fox Faces Affiliate Fears in L.A.," *Broadcasting & Cable*, 20 June 1994, 7-8.
966 Flint, "Fox Affil Powwow Strained," *Variety*, 27 June – 3 July 1994, 104.
967 "NAACP vs. Fox Station Ownership," *Variety*, 6 December 1993, 20.
968 Foisie, "Does Fox Have a Foreign Accent? FCC Examines Charges of Foreign Ownership of Group's TV Stations," *Broadcasting & Cable*, 11 April 1994, 38.
969 Ibid.

people lobby the FCC and Capitol Hill."[970] The general attitude seemed to be "why would anything change now?"

News Corp. apparently felt similarly. Whenever the company needed waivers to long-standing regulations, the FCC had readily provided them. When certain rules came into conflict with News Corp.'s growth objectives, the company found ways to circumvent the rules – or, on occasion, contribute to their repeal. Given this history along with the general sense that the FCC was in its back pocket, News Corp. executives likely felt they had little to risk in conceding certain points. Hence, in early May 1994, Fox acknowledged publicly for the first time that yes, it was foreign owned but said this should not make a difference. After all, Murdoch had become a U.S. citizen to meet the commission's requirements.[971] And what's more, should the FCC care if Fox was foreign-owned, they only need think of all that the company had accomplished in the name of competition. News Corp. executives claimed that Fox had not only achieved the FCC's long-standing goal of developing a fourth network, but it had also stimulated competition amongst program suppliers, strengthened the UHF station business and, most recently, facilitated the emergence of two new networks.[972]

Considering Fox's skilled lobbyists and deep pockets, all of this hullabaloo might have led nowhere. However, it did lead somewhere due to the

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970 "Rupert Regales Regulators."

971 Stern, "Fox Stations Owned by Foreign Firm, But…," *Broadcasting & Cable*, 30 May 1994, 12.

972 "Fox Stations Owned by Foreign Firm, But…," *Broadcasting & Cable*; Stern and McClellan, "Foreign Ownership Waiver Likely for Fox," *Broadcasting & Cable*, 8 May 1995, 16-17.

commotion the company caused through its various station transactions. The attack on Fox was stepped up in June 1994, when NBC sent a memo to the press attacking the FCC for the ways it had shown favoritism toward the company.[973] The New World deal, according to NBC, "highlights the absurdity of the fact that [Fox] enjoys special treatment."[974] NBC's ultimate aim was to encourage the FCC to ease its regulations for all, rather than continuing to privilege only one.

In August 1994, however, NBC's goals shifted. It was at this point that SF Broadcasting acquired its first stations – stations which included NBC affiliates in Green Bay, Honolulu, New Orleans and Mobile.[975] With the exception of the Mobile station, all were to become Fox affiliates. These sales compelled NBC to file an official complaint with the FCC.[976] The company's immediate mission was to prevent Fox from purchasing additional stations.[977] NBC also wanted the FCC to consider whether Fox was violating the ownership rules. Officially Fox had eight stations and 19.42% coverage of the U.S.[978] However, if the New World and SF Broadcasting stations were included, Fox had 36 stations covering more than half the country – a number which far surpassed the 12 station/25%

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973 "NBC Urges Easing of FCC Regs," *Variety*.
974 Ibid.
975 The Green Bay station was the first to be acquired, "Fox Endruns the FCC," *Variety*. Later in the month, the other stations were purchased from Burnham Broadcasting. See Zier and Jessell, "Still More for Fox: Fox-Savoy Buys Burnham Stations for $229 Million," *Broadcasting & Cable*, 29 August 1994, 6.
976 See Flint, "Peacock Web Sticks Feds on Fox, Savoy," *Variety*, 3-9 October 1994, 50. CBS was reported to be supportive of NBC's complaint as well, according to Wharton and Flint, "NBC Slams Fox's Bids," *Variety*, 28 November – 4 December 1994, 108.
977 "Peacock Web Sticks Feds," *Variety*.
978 Most recently Fox had purchased a station in Atlanta in February 1993. See Flint, "Fox, Evergreen Up Ownership Stakes with Big Buys," *Broadcasting*, 8 February 1993, 5. The company was also currently in the process of acquiring two additional stations, which would raise its total to ten and its coverage to 22%.

ownership limit.[979] NBC demanded the FCC be consistent. Either all of the networks should be able to own more stations, or none should.

While the FCC evaluated the merits of this complaint, Fox invested in yet another station group. In October 1994, Fox gave minority-owned Blackstar Communications $20 million.[980] The money was designed to help Blackstar increase its station holdings from three to fourteen. However, some observers speculated Fox had other, subtler objectives. According to *Variety*,

> By allying with an African-American firm, Murdoch seemingly negates criticism from some civil rights leaders in the U.S. who have alleged that his newspapers are anti-black, that Fox's minority hiring record is abysmal, and that the Fox weblet's portrayal of blacks in programming is stereotyped.[981]

Whatever his motivations, the investment in Blackstar proved to be the last such arrangement Murdoch struck on behalf of Fox for quite some time. In December 1994, the FCC announced it was expanding its investigation.[982] The commission ordered a new proceeding in order to obtain more info about Fox's ownership status. In addition, the commission planned to evaluate whether Fox was in violation of the ownership rules by holding "attributable" interests in various companies.[983]

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979 "Peacock Web Sticks Feds," *Variety*.

980 At the same time, Tribune Broadcasting announced it had similar plans in the works with sports entrepreneur Peter C.D. Bynoe and musician Quincy Jones. See West and McAvoy, "Tribune, Fox, Minorities Push Ownership Envelope: Major Groups Accelerate Using Non-Voting Interests to Broaden Station Portfolios and/or Affiliates," *Broadcasting & Cable*, 10 October 1994, 6-7.

981 From Wharton, "Fox's Blackstar Stake," 10-16 October 1994, 112. Such speculation is also present in Brooks Boliek, "Fox, Blackstar in Affil Venture," *Hollywood Reporter*, 7 October 1994.

982 "Turning Up the Heat on Fox," *Broadcasting and Cable*.

983 Ibid.

In deciding to proceed with this investigation, NBC accomplished one of its aims: It slowed down Fox's expansion plans.[984] Not only was Fox's purchase of four additional stations stalled, but in addition, the company was unable to effectively recruit as many of the stronger affiliates it so desperately wanted.[985] Many station owners steered clear of dealing with Fox while it was under the FCC's microscope. This, in turn, opened the door for the other networks, giving them more room to negotiate (or renegotiate) their own affiliation agreements.

Though Fox may have been facing regulatory difficulties, its problems in the programming world were easing up. Whereas the company's efforts at reaching out to the 18-49 audience during the 1993-94 season were largely unsuccessful, during the 1994-95 season the company had better luck at attracting this demographic. One such program to appeal to the 18-49 audience was *The X-Files*. As the following section shows, Fox exploited the growing interest in this series – in conjunction with the sustained popularity of *The Simpsons* – to further broaden its viewership. While *The X-Files* was integral to Fox's prime time expansion, *The Simpsons* was vital to Fox's growth in other dayparts. Despite the distinctions between these two programs, they were equally important franchises for Fox. The manner in which Fox produced and distributed these series set an industry-wide precedent. Through its handling of each show, Fox reinforced the hit-driven nature of contemporary television as well as the benefits of being a vertically integrated media conglomerate.

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984 Robins and Flint, "How Foreign is Fox?," *Variety*, 5-11 December 1994, 1, 85.

985 Flint, "Peacock Backs Off from Fox," *Variety*, 20-26 February 1995, 200; Stern, "Murdoch, Fox Defend News Corp. Ownership," *Broadcasting & Cable*, 6 March 1995, 8.

THE IMPORTANCE OF THE PRIME-TIME ENTERTAINMENT FRANCHISE: THE GROWTH OF *THE X-FILES*, THE SYNDICATION OF *THE SIMPSONS*

> We've done a fairly respectable job of attracting the upper end of [18-49], but now we're working hard to extend our reach…and still not lose what's come to be called 'the Fox edge.'….There's potential for trouble when you develop a show that appeals only to a niche within that niche…
>
> Fox executive Sandy Grushow, March 1993[986]

> *X-Files* shows that a program can be unique and distinctive, with edge, but still be a quality production….The two can go hand in hand…
>
> Fox Inc. president Chase Carey, January 1995[987]

As of the beginning of the 1994-95 season, Fox was officially up and running for a full seven days a week. With the exception of *Melrose Place*, *The X-Files* and the sitcom *Living Single*, all of the series introduced during the 1993-94 season were cancelled. Once again, Fox relied heavily on hour-long series to rebuild its schedule and expand its viewership. These hour-long series included dramas, dramas and more dramas. There were family dramas (*Party of Five*), melodramas (*Beverly Hills 90210*, *Melrose Place*, *Models Inc.*), police dramas (*New York Undercover*), supernatural dramas (*M.A.N.T.I.S.*, *The X-Files*) and anthology dramas (*Tales from the Crypt*, imported from HBO).These shows were spread out across the week, with at least one drama playing five of the seven nights.

Along with these new series, Fox tried out a couple of fresh counter-programming strategies. With NBC reemerging as a powerhouse on Thursday

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986 "'Broad-Based' Concepts Trademark of Net Pilots," *Hollywood Reporter*.
987 Block and de Moraes, "No Dearth of Challenges as Fox Eyes Wider Base: Eyes Wider Audience with Launch of New Shows," *Hollywood Reporter*, 10 January 1995, 1.

nights with the yuppie comedies *Mad About You, Friends* and *Seinfeld*, Fox programmers decided to try a different tactic and aggressively pursue black viewers with a programming block that included *Martin*, *Living Single* and *New York Undercover*. Though Fox had previously developed several programs targeted to the African American audience, it had never geared an entire evening to this demographic.

Sunday's shows, meanwhile, were aimed mainly at 18-49-year-old men. Fox hoped to pull in viewers with football and keep their interest with a mix of comedy and adventure series. Leading out of football was the hour-long spy series *Fortune Hunter*. This was followed by *The Simpsons*, which returned to Sunday nights after several years on Thursdays. Then came the baseball-themed sitcom *Hardball*, *Married…with Children*, and the twenty-something sex comedy *Wild Oats*.

The rest of week included a blend of old and new series. Women were the primary demographic pursued on Mondays via *Melrose Place* and *Party of Five*. *Melrose Place* had survived a rough patch in the fall of 1992 to become one of Fox's most dependable series. Similarly, the *Fox Night at the Movies* finally had found its audience on Tuesdays. Wednesdays had back-to-back Spelling melodramas with *Beverly Hills 90210* and *Models Inc*. while Fridays had the science fiction block of *M.A.N.T.I.S.* and *The X-Files*. The week concluded on Saturdays with long-time reality stalwarts *Cops* and *America's Most Wanted*.

Sunday was expected to be a sure thing due to the promotional value of football as a lead-in as well as the return of *The Simpsons* to that evening.

However, quite the opposite proved to be the case. Sundays caused Fox executives a great deal of angst from day one of the fall season. The first regular season NFL game aired on September 4, 1994 and the new prime time line-up was introduced on that night as well.[988] Football started the evening off strongly but the entertainment series did not sustain the momentum. By the end of September, *Fortune Hunter*, *Hardball* and *Wild Oats* were cancelled. Subsequently, one series after another was introduced in their time slots. In October came the supernatural-themed reality series *Encounters: The Hidden Truth* and *The George Carlin Show*.[989] In January, Fox premiered a new version of *Get Smart* and the sketch comedy series *House of Buggin'*. With no additional replacement series left, programmers filled the remaining gaps with a double-run The *Simpsons* and re-runs of the HBO sitcom *Dream On*. In February, Fox dropped these series and took another tack with the legal drama *The Great Defender* and the animated sitcom *The Critic*, which had previously run on ABC for a season.[990] Fox relied on this schedule until the summer.[991]

Though the newer Sunday series were a disappointment, the evening was not a complete wash. *The Simpsons* was still bringing in the most advertising dollars of any Fox series, earning $170,000 per 30 second spot.[992] *Married…with*

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988 Pre-season games started being broadcast on August 12.

989 *Encounters* actually premiered during the summer of 1994.

990 Coe, "Fox Shuffles Three Nights; 'Get Smart,' 'M.A.N.T.I.S.,' 'Models, Inc.' and 'House of Buggin' are Bugging Out to Make Room for New Shows," *Broadcasting & Cable*, 13 February 1995, 19.

991 In fact, Fox didn't finally have a successful Sunday night schedule until 1999. The addition of two more animated series – *King of the Hill* and *Futurama* – worked well with *The Simpsons*. In addition, *The X-Files* was moved to Sundays permanently at this time.

992 Robins, "Hot Spots Dot Networks: Upfront Ad-Vantage," *Variety*, 29 August – 4 September 1994, 1, 54.

Children, now in its seventh season, also remained dependable. And football was the huge success Fox had hoped it would be. In less than nine months, Fox had used football as the means by which it created an entire sports infrastructure and attained 99% coverage of the country.[993] At the same time, Fox's advertising sales for football were further boosted by a Major League baseball strike.[994] Ultimately, Fox fulfilled its promise to the NFL that it would improve ratings among males 18-to-34; the Nielsen numbers ended up topping CBS's 1993-94 performance with that demographic.[995] In household numbers, Fox's first season with the NFL yielded ratings only 4% lower than CBS had attained in 1993-94.[996] Additionally, Fox beat out NBC among men ages 18-34, 18- 49 and 25-54 during the 1994-95 season.[997]

These same demographic groups were also turning out in larger numbers for *The X-Files* on Friday nights. Initially, Fox executives had low expectations for the show, placing more emphasis on promoting its lead-in, *The Adventures of Brisco County Jr.,* with advertisers.[998] As late as January 1994, Fox programmers did not realize what they had with *The X-Files*. It was at this time that Fox Entertainment Group President Sandy Grushow told affiliates of his dream that Fox would one day cultivate a *Star Trek*-style franchise:

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[993] Percentage from "First Period: Fox's NFL on March," *Advertising Age*. The new infrastructure included new operation control centers and the purchase of new equipment. "Fox Adds Pages to Its Technology Playbook," *Broadcasting & Cable*.
[994] Silverman, "NFL Stations Sales Slow," *Variety*, 15-21 August 1994, 56.
[995] "Fox NFC Telecasts Score a Touchdown," *Advertising Age*.
[996] Ibid.
[997] Ratings for the 18-34 demographic were 9.8 for Fox v. 9.5 for NBC. With 18-49 and 25-54, Fox beat NBC by .1 in ratings. Thomas Walsh, "Fox, NBC Declare NFL Wins," *Variety*, 2-8 January 1995, 41.
[998] Brodie, "Fox Narrows Down Fall Choices," *Variety*, 21 May 1993, 1.

> As many of you know from your experience with *Star Trek*, these types of shows will strongly appeal to our young demographic. And I have no doubt that in time we at the Fox network will grow our own *Star Trek* franchise - or two, or three….It's a genre I've long felt is missing from Fox, but belongs to Fox.[999]

Shortly after this address, *The X-Files* blossomed into precisely the type of franchise Grushow wanted. By the end of its first season, it was labeled by *Variety* as "Fox's hottest show."[1000] *The X-Files* was an all-out success by September 1994.[1001] A little more than a year after its premiere, the show had increased its ratings by more than 30%, rising from a 6.2 rating/9 share to a 9.5 rating/16 share in households.[1002] In October, Fox was promoting it as a potential hit in broadcast syndication, likely to attract the same demographics as *Star Trek*.[1003] By November, the show was performing so strongly that Fox was double-running it on Thursday and Sunday nights.[1004] It was particularly popular with Fox's target demographics of 18-49-year-olds and males.[1005] By year's end, *The X-Files* was regularly placing first with men 18-34, 18-49 and 25-54 and finishing second among adults and women 18-49.[1006]

The performance of *The X-Files* was notable for a couple of key reasons. First, it was part of the general revival of the hour-long drama. As discussed in chapter five**,** dramas were almost entirely absent from the prime time schedule in

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999 Flint, "Fox to Fight for Superhighway Access," *Broadcasting & Cable*, 31 January 1994, 32.
1000 Miller, "Big 3 Outfoxed in Summer Fare," 1-7 August 1994, 39.
1001 "New Season Shaky," *Variety*.
1002 "Prime Time Demographics for Nov. 29-Dec. 5," *Electronic Media*, 13 December 1993, 50; de Moraes, "ABC's 'Weapon' Keeps 'Scarlett,' CBS at Bay," *Hollywood Reporter*.
1003 Lowry, "Reruns the Rage: Will Overexposure Deplete Backend Value?," *Variety*, 17-23 October 1994, 181, 184.
1004 Ibid.
1005 "ABC's 'Weapon' Keeps 'Scarlett,' CBS at Bay, *Hollywood Reporter*.
1006 Ibid. ABC's family-friendly "TGIF" line-up placed first with these demographics.

the early ‘90s. However, *The X-Files*, along with less otherworldly fare such as *NYPD Blue* (launched on ABC in 1993) and *E.R.* (launched on NBC in 1994), showed that life remained in this television format.[1007] *The X-Files* was also significant in terms of its influence on the science fiction genre – a television genre considered all-but-dead with the exception of the various *Star Trek* spin-offs. With this series, television sci-fi was reinvented. Gone were images of robots and outer space adventures. In their place were FBI agents finding examples of the paranormal in small town USA. The *noir* imagery, the dark tone and the use of police drama conventions all helped made *The X-Files* distinctive. They also contributed to its frequent emulation. By the time the industry trade show, NATPE, took place in January of 1995, scores of *X-Files* clones were in development.[1008]

The second reason the success of *The X-Files* is worth noting is because of the role it played in helping Fox re-define its image and its schedule. With this show leading the way, Fox solidified its seven-nights-a-week prime time slate. Even more importantly, *The X-Files* was precisely what Fox wanted from a show at this time: It was hip, edgy, unique and distinctive.[1009] But it also attracted a broader demographic – specifically, men 18-49 – than did previous dramas such as *Beverly Hills 90210* and *Melrose Place*. As Grushow’s comment suggests, *The*

[1007] Lowry and Benson, “New Hours of Power? Jury Split on Syndie Future of Net Dramas,” *Variety*, 24-30 October 1994, 39, 42.
[1008] Flint, “Cop Trend Unabated in New Rosters,” *Variety*, 9-15 January 1995, 51, 55.
[1009] See Carey quote beginning this section. For similar statements also see McClellan, “Fall TV: Advertiser Friendly,” *Broadcasting*, 1 June 1992, 10-11; Coe, “Fox Seeks Broader Demos for Fall Season,” *Broadcasting & Cable*, 31 May 1993, 14-15.

X-Files was a niche-targeted show but avoided appealing "only to a niche within [a] niche."[1010]

The X-Files demonstrates both of the fluidity of the word "niche" in press and industry discourses as well as the centrality of niche programming to media conglomerates. In this emerging neo-network era, it paid – both literally and figuratively – to be a niche-targeted program. Michael Curtin argues that niche-oriented media products are those which are targeted to specific demographic groups and "actively pursue intensity."[1011] In this sense, *The X-Files* is the prototypical niche product. Viewers of this program eagerly consumed it in several different ways including television show, book, soundtrack, video game, motion picture, and videocassette. Of course, many of these products were produced by other divisions of News Corp. The book series, which was launched in 1994, was published by News Corp. division HarperCollins. Videos were released by 20th Century Fox Home Video beginning in early 1996. Fox Interactive started releasing video games based on the series in 1998. At every opportunity, News Corp. and Fox took advantage of the program's synergistic possibilities. Its popularity in these various iterations, in turn, helped make it into the quintessential franchise.

Indeed, *The X-Files* was nothing less than a model of the television franchise of the 1990s. *Star Trek* may have been unparalleled in its money-making abilities for decades, but *Star Trek* was not the sole property of – and

[1010] From Grushow statement beginning this section. See "Broad-Based' Concepts Trademark of Net Pilots," *Hollywood Reporter*.
[1011] "On Edge: Culture Industries in the Neo-Network Era," *Making and Selling Culture*, 197.

profit center for – its producer, Paramount. *Star Trek* aired on NBC and was no more than a marginal success in its network run, barely lasting a total of three seasons. It was only after years of play in syndication that *Star Trek* became a cult phenomenon with motion picture, television and publishing spin-offs. *The X-Files* was Fox's, and only Fox's, from the outset. It was produced by Twentieth Television, distributed globally by Fox International, and spun-off into a book series by News Corp.'s Harper Collins division. It brought Fox money through ad sales, licensed merchandise, spin-offs, syndication and box office receipts. And what's more, it accomplished all of this <u>during</u> its initial network run.

To fully evaluate the impact of *The X-Files* on Fox, it is important to relate it to the development of *The Simpsons*. To a large extent, T*he X-Files* built on a process initiated by *The Simpsons* – a program which, like the Fox network, was entering into another important phase of its life in the mid-1990s. Like Fox, *The Simpsons* was maturing. As discussed in chapter five, *The Simpson*s' initial role had been defining Fox as the young, upstart network. It pushed the limits of what television could be while Fox pushed the limits of what a network could be. But by 1994, *The Simpsons* was no longer cutting edge television and Fox was no longer the guerrilla programmer. There were newer program services waiting in the wings, services which were employing many former Fox staffers and adopting prior Fox programming strategies.

There were other signs that both *The Simpsons* and Fox were maturing. The first wave of writers and producers had departed the series.[1012] Though the

[1012] Benson, "Affils Still Fox Trotting," *Variety*, 1 November 1993, 1, 58.

program remained number two with adults 18-to-34, it also regularly placed in the top five among men ages 25-to-54.[1013] As the audience aged, so did the focus of its narratives. The stories became centered more on Homer than on Bart – a convenient development given Fox's own efforts to move beyond children and teenagers. Furthermore, the series was no longer drawing the ire of conservative groups and educators the way it used to; now the ruder, cruder *Beavis and Butthead* (MTV, 1993-1997) had become the target of such outrage.[1014] Whereas many conservatives had previously decried *The Simpsons*' depiction of the nuclear family, now some celebrated its representation of family values.[1015] Similarly, whereas many educators had previously questioned the disrespect Bart showed toward school, now some asked how the show's aesthetics and narrative structure could be studied in the classroom.[1016] At the same time, the show was being frequently cited by television critics as evidence that television had entered into its second "golden age."[1017]

The Simpsons may have been aging, but it remained important to Fox nonetheless. In September 1994, the show began its off-network run, thereby

[1013] Freeman, "War of Words (and Demos) Over 'Simpsons,'" *Broadcasting*, 25 January 1993, 62.
[1014] This point made by Bybee and Overbeck in "Homer Simpson Explains Our Postmodern Identity Crisis," *Simile*.
[1015] For example, see Jonah Goldberg, "Homer Never Nods: The Importance of the Simpsons," *National Review*, 1 May 2000, 36. Similar results were found by Bybee and Overbeck in "Homer Simpson Explains Our Postmodern Identity Crisis."
[1016] For example, see Stephen J. Scanlan and Seth L. Feinberg, "The Cartoon Society: Using the Simpsons to Teach and Learn Sociology, *Teaching Sociology* 28, no. 2 (2000): 127-139.
[1017] Bruce Handy and William Tynan, "The Real Golden Age is Now," *Time*, 30 October 1995, 84-89; Charles McGrath, "The Triumph of the Prime-Time Novel," *New York Times*, 22 October 1995, sec. 6, p. 52.

bringing another source of revenue to the company.[1018] Preparations for the syndicated launch had been in the works since late 1992.[1019] In December 1992, seven Fox O&Os preemptively purchased the rights to the show.[1020] The following May, three of these O&Os also bought the Buena Vista-produced *Home Improvement* to play with *The Simpsons* in the access period.[1021] With the purchase of *Home Improvement,* Fox executives reinforced their vision of *The Simpsons* as an "adult vehicle" rather than an afternoon children's vehicle. Some stations were skeptical whether an animated show could attract decent ratings during the early evening. Fox demonstrated it could.[1022] Placing *The Simpsons* in the access period was important to Fox because, with the exception of prime time, these were the most profitable time slots. They were also slots which network product could not occupy as long as PTAR remained in place. Fox was not the only company making a statement with an access sale. Disney, which had been among the most aggressive in campaigning for the repeal of the access rule, made a point of declaring that *Home Improvement* was sold to Fox primarily because the FCC refused to deal with PTAR.[1023]

These sales were significant for additional reasons. For Disney, they fueled a record year for the company's syndication division. Largely as a result of

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[1018] Benson, "'Simpsons' Surprise Syndicated Success," *Variety*, 28 November – 4 December 1994, 35, 40.
[1019] Freeman, "Twentieth to Launch 'Simpsons' in Syndication: Hot Show Set for Fall '94 Off-Fox Launch," *Broadcasting*, 9 November 1992, 40-41.
[1020] Freeman, "Fox O&O's Put Up Big Bucks for Bart," *Broadcasting*, 14 December 1992, 84.
[1021] Benson, "Disney on $1 Billion TV High," *Variety*, 25-31 July 1994, 26.
[1022] "War of Words (and Demos)," *Broadcasting*.
[1023] Benson, "Bygones are Bygones as Disney Turns to Fox to Sidestep PTAR," *Variety*, 14 June 1993, 24, 32.

the success of *Home Improvement*, Disney claimed an industry record of $1 billion in sales from upfront license fees and barter advertising revenue.[1024] *The Simpsons* was every bit as lucrative for Fox. With this show, Fox demonstrated the potential gold mine available to a vertically integrated media company. To be sure, Fox was in a unique position with *The Simpsons*. The company had already made its money back from the show's prime time run. Everything earned now was icing on the cake. What Fox discovered was a lot of icing: By selling the show to its own O&Os, money was essentially moved from one division of the company to another. Further, all of the profit from advertising sales on the O&Os went directly back to Fox.

Fox was also the beneficiary of a healthy upfront period and strong scatter markets. Twentieth Television (the official syndicator of *The Simpsons*) reported returns of approximately $1.8 million per episode for the first syndicated run.[1025] These numbers made *The Simpsons* the third best-selling syndicated program ever, trailing behind only *The Cosby Show* and *Who's the Boss?*[1026] With 170 episodes included in this package, Fox would earn more than $300 million through the first round of syndication sales alone.

Meanwhile, any fears that the show would not play well in access were rapidly quashed. In the November 1994 sweeps, *The Simpsons* placed number one

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1024 "Disney on $1 Billion TV High," *Variety*.

1025 This figure includes money generated from both the licensing of the show and national advertising revenue received through barter arrangements. "'Simpsons' Surprise Syndicated Success," *Variety*.

1026 Ibid. According to this journalist, *The Simpsons* was the show that turned around the syndicated market. The last big show expected to sell well in syndication, *Roseanne*, had not performed at the desired level. *Home Improvement* was then seen as taking the syndication business "to a new level."

with men 18-34 and 25-54 and was also the top-ranked off-network sitcom in households.[1027] The show's impressive performance in syndication gave another boost to the television animation business. All of a sudden, animation looked like a savvy long-term investment. As one journalist noted, shows like *The Simpsons* didn't look dated over time in the same way that live action series often did.[1028]

Fox took advantage of *The Simpsons'* move into syndication in every way possible. In 1995, for example, the company launched another round of licensing, this time geared for more mature viewers.[1029] Such cross-promotions provided the show with yet another boost in its prime time and syndicated ratings.[1030] In the wake of this second wave of merchandise sales, the show emerged as Fox's largest licensing property ever.[1031]

By 1995, *The Simpsons* was well on its way to becoming a "1 billion dollar asset" for Fox.[1032] In other words, this show, along with *The X-Files*, had become Fox's most valuable entertainment franchises. At this point, it is helpful to contrast the use of the word "franchise" as I use it to describe *The Simpsons* and *The X-Files* with how the word has been used in speaking of the NFL franchise. Both of these franchises served very specific – and very different –

1027 McClellan, "Tough Going for New First-Run; October Syndication Sweeps Hits Come from Off-Network Side," *Broadcasting & Cable*, 21 November 1994, 14-15.
1028 James Sterngold, "The Simpsons and Their Progeny Colonize Television in a Golden Era for Animation," *New York Times*, 16 March 1998, D8.
1029 "Get Ready for a Blast of 'New Simpsons' Merchandise," *Brandweek*, 19 June 1995, 5.
1030 "War of Words (and Demos)," *Broadcasting*.
1031 According to Peter Byrne, Fox's executive vice president of licensing and merchandising, "It is without a doubt the biggest licensing entity that Fox has had, full stop, I would say from either TV or film." From Jon Bonne, "'Simpsons' Evolves as an Industry," www.MSNBC.com. (accessed November 8, 2003).
1032 So described in "Ay, Caramba! *The Simpsons* Heads Into Its 14th Year with No End in Sight," *Brandweek*, 26.

purposes for Fox. While Fox's acquisition of the rights to the football franchise might have generated more press attention at the time, the company's ownership of *The Simpsons* and *The X-Files* franchises were of greater importance for the company's identity as well as its profitability.

Football, for Fox, was not an end in itself. As discussed above, Murdoch purchased the rights to the NFL mainly to increase the company's distribution. With football, Fox gained more affiliates, more advertisers, more viewers and more legitimacy. Fox, in acquiring the rights to football, acquired the rights to a central symbol of network-era, mass-mediated television. Thus, in gaining these rights, Fox was portrayed as reaching parity with the Big Three. However, the reason the NFL opted to sell the rights to Fox reveals much about the status of network-era, mass-mediated television. More to the point, this era was disappearing (if not already gone). Viewers – especially young viewers – were looking elsewhere for their entertainment. The NFL hoped Fox would help reverse this trend, and to an extent, the company did. However, with the exception of an extremely limited number of media events such as the Super Bowl, television shares and ratings would never be what they had been in the heyday of the network era. There were too many other channels, too many additional entertainment options.

Television had to be something different in the neo-network era to be profitable. Fox's greatest success was in defining *how* television could be different. What enabled this redefinition were niche-targeted prime time entertainment franchises such as *The Simpsons* and *The X-Files*. Previously, networks made money primarily through a combination of network advertising sales and ownership of O&Os. Now, in this post-fin-syn era, there was a third source of revenue. This type of revenue – revenue from programming – had been taken from the studios and independent producers and transferred to the networks. The most profitable such programming followed the trajectory taken with *The Simpsons* and *The X-Files.* Namely, this programming was produced and distributed by two divisions of the same conglomerate. Additional revenues came as this programming was tied in to other divisions of the company. These divisions ranged from publishing to music to movies to interactive to merchandising divisions.

The type of software most capable of doing this was developed for specific demographic groups. These demographics could be narrower (teenagers, yuppies, African Americans) or they could be broader (adults 18-49). But they were no longer assumed to be everyone, the *masses*. Scholars have long debated precisely how mass a medium television was even during the heyday of the three-network system. Regardless of how mass a medium TV was during the network era, it was certainly *not* a medium for all in the neo-network era. But this is not to say television programming could not be profitable. However, profit was derived in different ways: It came in the way the programming helped a company market itself and define its identity. It also came, as mentioned above, in the degree to which this programming sustained an intense devotion from its audience. The more intense the interest, the more viewers were willing to consume and re-consume the products as they were reproduced in other forms over time. As Fox demonstrated with *The X-Files* and *The Simpsons* – not to mention other series such as *Cops* and *In Living Color* – the programs most likely to be re-consumed were those which most clearly were *not* for the masses. To be viewed as "not mass" a show had to be distinctive, it had to have edge. It could be deemed trashy or it could be deemed quality, but it could not be deemed mainstream. If it accomplished this feat effectively, attracting viewers in prime time and holding them as it moved through syndication and into video (and later DVD), then it could yield unprecedented sums of money for one company. And the first company to attain such unprecedented sums was Fox. Thus, while the football franchise was distinctive in giving Fox an immediate boost, popular prime time entertainment franchises were crucial in sustaining the company over the longer term.

What's more, as the tremendous financial performance of *The Simpsons* and *The X-Files* also made clear, the most successful television series could be every bit as lucrative – if not more so – than the most successful motion picture franchises. This can be seen by comparing the performance of *The Simpsons* to the performance of Fox's most profitable motion picture during this time: *Mrs. Doubtfire* (1993). This Robin Williams family comedy, which was one of the highest-grossing films of all time as well as the second highest grossing film of the year, earned more than $200 million in box office rentals during its theatrical release alone.[1033] Assuming box office income comprises about a third of the total income for a motion picture, *Mrs. Doubtfire* could be expected to bring Fox

[1033] "Surefire," *Variety*, 20-26 June 1994, 5. This includes domestic and foreign figures. Grosses were $219 domestic, $208 foreign. *Jurassic Park* was the number one release of 1993.

approximately $600 million in profit.[1034] This is certainly an impressive sum. However, it is less than what shows like *The Simpsons* and *The X-Files* were yielding – and would continue to yield – over the course of several years. And this is not including less quantifiable items like the promotional value of such programs or the degree to which they extended the Fox "brand" around the world. Indeed, *The Simpsons* and *The X-Files* were vital to News Corp.'s global expansion strategies. For instance, when News Corp. started its Australian digital satellite service, Foxtel, it was *X-Files* star David Duchovny (Agent Mulder) and Bart Simpson who appeared on screen to count down to the premiere.[1035] Considering the value derived from such programming (and its stars), it comes as little surprise that motion pictures were described as "the last item" on Murdoch's agenda when he sat down to speak with his executives.[1036]

As this discussion of the production and distribution of *The Simpsons* and *The X-Files* demonstrates, by the mid-1990s, Fox was playing a substantial role in defining the practices and products of network television. In fact, the company's influence went beyond network television, influencing the ways media conglomerates were structured and the manner in which they produced and distributed television programming. The following two sections examine more precisely how Fox's influence can be seen on the larger entertainment landscape during the mid-1990s. First I look at the changing shape of the television

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1034 Rentals average out to approximate half the amount of grosses over time. Percentages taken from Gregory Goodell, *Independent Feature Film Production: A Complete Guide from Concept Through Distribution* (New York: St. Martins, 1998), 441.
1035 "Foxtel Taking to the Skies," *Hollywood Reporter*, 2 March 1999, 99.
1036 From Kathleen O'Steen, "Fox Floats New Flix: Chernin Eyes Pickups, New Talent; Ducks Big Budgets," *Variety*, 21 June 1993, 1, 58.

business. Second, I survey the wave of mergers and other dramatic changes which swept through the media industries as PTAR and fin-syn finally became a thing of the past.

WHERE FOX GOES, EVERYONE FOLLOWS: THE REINVENTION OF OLD NETWORKS, THE INVENTION OF NEW ONES

> Most of the TV industry snickered when Fox Broadcasting announced its plan to launch a fourth network. Eight years later, the laughter has stopped and the big question is whether Warner Bros. or Paramount will be successful in starting a fifth national network next January...
>
> *The Plain Dealer*, August 1994[1037]
>
> It has become difficult to find anyone speaking out with much passion on behalf of household ratings or the necessity of reaching the widest possible audience. The target, in fact, seems to be narrowing on all sides, with even children and teenagers receding in importance as the networks zero in on development designed to reach the broad – and undeniably lucrative – 18-54 age grouping, which accounts for about half the U.S. population but also has shown itself to be one of the most elusive audience segments to reach…
>
> *Variety*, April 1995[1038]

The benefits of the Fox model were becoming increasingly apparent by 1995. This model had several components – components which both the established networks and the emerging weblets tried to emulate. Among the characteristics receiving the most attention from these entities were the construction of brand loyalty, the promotion a more 'limited' schedule, the

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[1037] Tom Feran, "Warner Network to Raise Curtain," 2 August 1994, 13E.
[1038] Lowry, "Webs Betting the House on Ad-Friendly Demos," *Variety*, 24-30 April 1995, 19, 21.

production of more programming in-house, and the pursuit of material targeted to narrower demographics.

Fox, along with more narrowly targeted cable channels such as MTV and Nickelodeon, had long tried to cultivate brand loyalty among viewers. In the company's annual affiliate meetings, both ABC and NBC executives were reported to have been "lavish in their praise for what Fox had accomplished – namely, a clear-cut image in the marketplace."[1039] Developing programming "with edge" was one means of achieving this; having affiliates identify themselves by attaching Fox to their channel position was another. One of the more recent innovations taken up by Fox as well as a handful of other program services involved placing the company's logo in the lower right hand corner of the screen throughout the prime time broadcast.[1040]

In terms of the value of a more limited schedule, all Fox had to do was point to its 1995-96 advertising sales. The company had a record upfront season, breaking the $1 billion dollar mark for the first time. As Fox president of sales Jon Nesvig observed on the occasion, "This is the year we reached parity with everyone else… When a 15-hour network hits $1 billion, it's like being a 22-hour network hitting $1.7 billion. It's the kind of landmark where you get an engraved plaque commemorating the moment."[1041] While the other networks had strong upfront sales as well – number-one network ABC looked to sell $1.6 billion while

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[1039] Robins and Brodie, "Syndies Tell Affils: To Air is Human," *Variety*, 1 February 1993, 1, 115.
[1040] According to *Variety*, this logo first appeared on Fox in April 1993. ABC ran it intermittently during the day starting in June. From Brodie, "New Kind of Bug Infesting Webs," *Variety*, 19 July 1993, 25, 30.
[1041] Robins, "Upfront Gets Giddy with Scads of Ads," *Variety*, 5-11 June 1995, 21, 24.

number three network CBS projected sales of $1.2 billion – Fox's numbers were the most impressive.[1042] What's more, Fox would reap additional hundreds of millions of dollars from the syndication of its programming. For a little while longer, the networks remained limited in the amount of programming they could have an ownership stake in.

The networks had been shifting slowly toward producing more of their own programming for the past couple of years, however. With fin-syn's elimination in sight, the networks stepped up production in 1993.[1043] By the 1994-95 season, they had all become their own biggest suppliers.[1044] As might be suspected, this affected independent producers most severely. The number of suppliers dropped as did the percentage of programs placed by independent suppliers in prime time.[1045] According a report issued by the Coalition to Preserve Fin-Syn in 1995, from the time that the FCC relaxed the rules, the portion of the prime time schedule occupied by product from smaller companies fell by almost 30%.[1046] Network product made up nearly the entire gap.[1047] Those independent producers which remained in business tended to develop lower cost and less easy to syndicate fare, such as reality programming.[1048] With circumstances becoming increasingly dire for independents, many elected either to partner with larger

[1042] Ibid.
[1043] Brodie and Robins, "TV's Year of Living Cautiously: Advertiser-Friendly Skeds Drop the Wacky and Weird," *Variety*, 24 May 1993, 1, 65.
[1044] This includes the product from their respective news units. See Robins, "Rules Change in Sked-Setting Sesh," *Variety*, 23-29 May 1994, 21-22.
[1045] In 1970, before fin-syn was implemented, there were 55 suppliers of prime time entertainment. By the 1991-92 season, the number was down to 26. From Jessell, "Battle Lines Drawn, Once Again, On Fin-Syn," *Broadcasting*, 8 February 1993, 27-28.
[1046] Stern, "Independents: Syndication Rules Fall Short," *Broadcasting & Cable*, 5 June 1995, 36.
[1047] Ibid.
[1048] Benson, "Finsyn Finale Spins Webs of Intrigue," *Variety*, 5 April 1993, 1, 196.

companies or get out of the business altogether. The fate of long-time indie leader Cannell Entertainment was a sign of the times: In 1995, the company was purchased by New World, thereby surrendering its status as one of the last independent production companies.[1049]

With their greater leverage and deeper pockets, the major studios were somewhat better off. For the 1995-96 season, they had an interest in 70% of the 105 series on the schedule.[1050] But they had to make more concessions to the networks to get placement on prime time. This often took the form of allowing the networks to co-produce their series and retain a percentage of the back-end rights. The networks, meanwhile, continued to expand their reach and influence. In one of the stranger developments in the business, the networks started not only producing more programming for themselves, but also for each other. For Fox this was nothing new: Twentieth Television was the primary production company for Fox even before it had its own network. Thus it had seemed natural for Twentieth to provide programming to both the Fox network and the Big Three. For the other networks, though, this was a new practice. The trend was augured in with Fox's broadcast of the ABC-produced *Class of '96* (1993). By 1995, this practice was becoming more widespread, as an ABC-produced program had played on CBS (*The Boys Are Back*) and a CBS-produced program aired on NBC (*Caroline in the City*).

1049 Benson, "New World Closes on Cannell," *Variety*, 27 March – 2 April 1995, 35.
1050 Robins and Lowry, "Mad Ave. Not Laughing as Webs Hype Comedy," *Variety*, 29 May – 4 June 1995, 1, 75.

The networks were becoming more alike not only in their programming practices but also in their audience profiles. As described above, Fox was trying to expand its reach to the 18-to-49 demographic. One way the company tried to accomplish this was in the hiring of a new programming president to replace departing executives Lucie Salhany and Sandy Grushow. In September 1994, John Matoian was brought in to fill that role. A former CBS executive, Matoian most recently had served as head of Fox Family Films. Upon taking up his new position, he declared his desire to pursue "less raunch" and "more genteel development."[1051] This shift was most apparent in Fox's move away from developing tabloid-style biopics such as *Madonna: Innocence Lost* (1994), *Roseanne: An Unauthorized Biography* (1994) and *Love and Betrayal: The Mia Farrow Story* (spring 1995). In place of such movies, the company developed more science fiction fare. Early titles included an updated version of the 1960s series *The Invaders* (fall 1995) and a highly controversial documentary about a government cover-up in Roswell, New Mexico entitled *Alien Autopsy: Fact or Fiction* (fall 1995).[1052]

While Fox sought to expand its audience reach, the other networks tried to narrow theirs. By the start of the 1995-96 season, all were developing more programming targeted to specific niches.[1053] CBS, NBC and ABC may not yet have begun developing their own *X-Files* clones (this did not happen until the fall

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[1051] Robins and Lowry, "Gen X Marks the Spot: Pilots Fixate on Youth, Sci-Fi," *Variety*, 20-26 March 1995, 1, 63.
[1052] The *Alien Autopsy* controversy is discussed in Richard Corliss and William Tynan, "Autopsy or Fraud-topsy?: A 'Documentary' About a Purported Alien Stirs the Liveliest Debate of any Home Movie Since the Zapruder Film," Time, 27 November 1995, 105.
[1053] The most immediate influence of *The X-Files* was visible on NBC's 1996-97 Saturday night line-up of *Dark Skies*, *The Pretender* and *Profiler*.

1996-97 season). However, they all acted increasingly as if the 18-49 demographic was their Holy Grail. CBS, the network with the highest median age, had the toughest task at hand. With such older-skewing shows as *Murder, She Wrote*, *Diagnosis Murder* and *Dr. Quinn, Medicine Woman* still on its schedule, CBS was the least accessible to this group. This became even more apparent in May 1994, when CBS earned the dubious honor of being the first network to lose to Fox in the 18-49 demographic during a sweeps period.[1054] One solution CBS executives took for the 1995-96 season involved turning to *Beverly Hills 90210* creator Darren Star, who developed a new melodrama called *Central Park West*. The company also developed a spin-off of John Grisham's *The Client* with a series of the same name.

NBC had been trying to reach a younger audience since the 1992-93 season with mixed results.[1055] By 1995, the network had finally found several shows which appealed to 18-to-49-year-olds. Many of these hits were sitcoms. *Mad About You*, *Fresh Prince of Bel Air*, *News Radio*, *Wings*, *Frasier*, *Friends*, and *Seinfeld* were among the series which were helping NBC become a ratings powerhouse once again. Number-one ABC had the least work to do, as it had completed a stellar 1994-95 season, taking the top spot among the networks for the first time since 1979. Along with returning hits such as *Home Improvement*, *Coach*, *NYPD Blue* and its family-friendly Friday comedy block, ABC had

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1054 Flint, "CBS Tosses House Key," *Variety*, 5-11 June 1995, 60.
1055 Miller, "NBC Nabs Youth, at a Cost," *Variety*, 12 October 1992, 29, 38.

several promising new series, including *The Drew Carey Show* and a re-vamped *Ellen*.[1056]

While the Big Four increasingly developed programming for the same demographic group, the newly formed WB and UPN remained much more specific in their focus. Both of these emerging program services turned to former Fox talent, executives and programming strategies in the development of their early schedules. Also like Fox, both were prepared to sustain heavy losses at the outset. Each company estimated it would spend about $300 million during its first four years of operation.[1057]

Recently departed Fox programmer Lucie Salhany quickly moved on to become president and CEO of UPN.[1058] At launch time, UPN was seen as having the edge over the WB due to its greater broadcast clearance as well as its possession of the *Star Trek* franchise. As such, the company promised advertisers a seven rating and got it.[1059] Using *Star Trek* as its anchor, UPN targeted males ages 18-49 with a blend of sitcoms and dramas. On Monday, January 16, 1996, UPN began broadcasting its prime time schedule with a special two-hour episode of *Star Trek: Voyager*. The following week, the regular schedule took shape with *Voyager* starting the evening, followed by two comedies, *Pig Sty* and *Platypus*

[1056] The Friday comedy block included Family Matters, Boy Meets World, Step by Step and Hangin' with Mr. Cooper.

[1057] Each venture predicted losses of approximately $50-$75 million for the first two years on the air. See David Tobenkin, "New Players Get Ready to Roll: UPN, WB Network Prepare To Take Their Shots," *Broadcasting & Cable*, 2 January 1995, 30-33.

[1058] McClellan, "Salhany's Back and U/P's Got Her: Former Fox Broadcasting Head to Preside Over Launch of New Network,' *Broadcasting & Cable*, 19 September 1994, 18.

[1059] Regarding promise of a seven rating, see "New Players Get Ready to Roll," *Broadcasting & Cable*. Results from Coe, "UPN Beats…Everybody. Debuts at Number One for Its First Night with New 'Star Trek' Show," *Broadcasting & Cable*, 23 January 1995, 4-5.

Man. Tuesday's programming consisted of two more dramas, *Marker* and *The Watcher*. UPN executives hoped that former *21 Jump Street* heartthrob Richard Grieco would replicate the magic of that Fox program with *Marker*. Unfortunately, this did not turn out to be the case.

The WB copied Fox's programming and distribution strategies even more extensively than UPN.[1060] WB CEO Jamie Kellner brought in several former Fox Broadcasting executives, including Fox's first president Garth Ancier and marketers Bob Bibb and Lewis Goldstein.[1061] Ancier announced his intention of relying heavily on comedies, as Fox had done during its early years. Ancier turned to former *Married…with Children* co-creator Ron Leavitt along with Wayans brothers Shawn and Marlon.[1062] Two of the first programs to run on the WB were *The Wayans Bros* and Leavitt's *Unhappily Ever After*. Both series – along with the Robert Townsend sitcom *Parent 'Hood* and the soap opera spoof *Muscle* – premiered on Wednesday, January 11, 1995. WB was much more conservative about its ratings guarantees than UPN had been, promising only a three rating (which it didn't get).[1063]

While Ancier copied Fox's early programming strategies, Kellner imitated its early distribution tactics. For example, where the WB could not find a broadcast affiliate, he turned to cable for distribution.[1064] In addition, he sought to

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[1060] "It's Warner v. Paramount and Tribune v. Chris Craft," *Broadcasting*.

[1061] de Moraes, "Sly as Fox: WB Has Ancier, Promo Team for New Net," *Hollywood Reporter*, 13 May 1994.

[1062] Coe, "It's Comedy for WB Network," *Broadcasting & Cable*, 15 August 1994, 13.

[1063] Promise of a three rating in "New Players Get Ready to Roll," *Broadcasting & Cable*; results are from Coe, "WB Network Makes Weak National Debut," *Broadcasting & Cable*, 16 January 1995, 3-4.

[1064] "WB Goes Super Route," *Variety*, 6 December 1993, 17, 41.

brand the WB early on through a process of "WB-ification." As Bibb and Goldstein described this strategy, "We are going to promote the WB-ification of WB affiliates just as we did the Fox-ification of Fox affiliates….We are basically targeting the same old Fox demos and we want to convey to the affiliates' viewers the same attitude of hip awareness of this culture's hipocracy."[1065]

Whereas Fox had struggled early on to define its demographic, Kellner and Ancier were quite clear about who they wanted to pursue: 12-to-34-year-olds. This made them target a somewhat younger audience than Fox ever had. This strategy was partly due to Kellner's experiences with the Fox Children's Network and partly due to the particular resources available to Warner Bros. As noted in chapter five, during Kellner's time at Fox, he argued forcefully for the importance of attracting younger viewers. These viewers, widely perceived to be the most open minded in terms of their viewing patterns, would grow up with the WB. The programming could then age as the viewers did. Another means by which the WB hoped to build up a youthful audience base was through the creation of its own daytime children's network. As Kellner observed, "Our job in building this network is to help build a franchise in cities across America, and the fastest way to get the market started is to get kids watching it."[1066] Thus, the company prepared to launch the "Kids' WB" in the fall of 1995 with three hours of programming on Saturday and one hour every weekday morning.[1067] The Kids' WB planned to rely heavily on Warner Bros.-produced fare. Among the first

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[1065] Tobenkin, "Plotting WB-ification," *Broadcasting & Cable*, 25 July 1994, 15.
[1066] Tobenkin, "Warner Bros. Wants to Capture Kids; New Network Will Go After Fox and Disney Franchises," *Broadcasting & Cable*, 25 July 1994, 16.
[1067] Ibid.

series were *Freakazoid!*, early Warner Bros. Sylvester and Tweety cartoons, and classic episodes of *Merrie Melodies*.

As plans for the Kids' WB solidified, rumors circulated that Fox would exit the children's market. Upon initial consideration, this seemed to be a bit of a dramatic response, especially considering FCN's leading position in the children's television business. From 1992 through 1995, FCN was the top-rated programming source for children ages 2-11 and 6-17.[1068] The Fox Kids Club had more than five million members and FCN broadcast nineteen hours per week of programming.[1069] In terms of both audience reach and advertising, FCN was number one.[1070] As of the February 1995 sweeps period, FCN's ratings were nearly equal to the combined scores of ABC and CBS; its dominance played a major part in driving NBC out of the children's television business altogether.[1071] According to one CBS television executive, "we're fighting [with ABC] for third place because Fox is so far ahead and there is no second place."[1072]

By the spring of 1995, FCN showed little sign of slowing down. It sold more than $200 million in the children's upfront season for 1995-96.[1073] The top seven programs with kids ages 6-17 were on FCN.[1074] *X-Men* was a hit and

[1068] Lowry, "NBC Carves Sat. Niche with Teens," *Variety*, 28 November – 4 December 1994, 35, 40.
[1069] Daniel Cerone, "'X' Marks Success For Fox: New Serial Has the Network Gaining in Saturday Morning Ratings," *St. Louis Post-Dispatch*, 7 March 1993, TV Magazine, 5.
[1070] "Fox Leads Pack in Kids Upfront," *Advertising Age*.
[1071] "NBC Carves Sat. Niche with Teens," *Variety*; Thomas Walsh, "Gotham Goes to Kids," *Variety*, 20-26 February 1995, 193, 198. From 1992 on, NBC focused on targeting teenagers on Saturday mornings with its "T-NBC" line-up. Shows included *California Dreams* and *Saved by the Bell*, *Running the Halls* and *Hang Time*.
[1072] Coe, "Network Battle for Kids is Joined by UPN and WB," *Broadcasting & Cable*, 24 July 1995, 47-50.
[1073] McClellan, "U.S. Boosts News Corp. Profits," *Broadcasting & Cable*, 8 May 1995, 78.
[1074] "Fox Corrals Kids in November," *Broadcasting & Cable*, 12 December 1994, 30.

Mighty Morphin Power Rangers was a pop culture phenomenon.[1075] Further, Fox was preparing to disperse revenues to its affiliates for the first time.[1076] With such outstanding results, it might seem illogical that Fox would be thinking of exiting the kids' business. However, a few important developments made FCN a less viable enterprise. First, when Fox modified its prime time demographic profile, it lost many of the cross-promotional opportunities it had with FCN. Second, following the affiliate shake-ups in 1994, many former Fox stations felt little desire to keep FCN. Further, several of the new Fox affiliates were already committed to other syndicated programs.[1077] Third, Fox anticipated losing not only the WB as a supplier but also the producer of *Mighty Morphin Power Rangers*, Saban Entertainment. This was because Saban had struck a deal to provide programming to UPN, which was also preparing to enter the children's business with a one hour programming block on Sundays.[1078] Though FCN depended less on the WB by 1995 and only had a couple of series with Saban, the prospect of more competition couldn't have been attractive.

There was additional competition coming from another place: cable. Original cable programming was generally on the rise, and children's programming was one of the primary growth areas. A couple of statistics reveal the extent to which cable was in an expansion period: Cable programmers had increased their spending on first-run and off-network programming from $985

[1075] Tobenkin, "Sea Changes for Syndicated Fare; Battle for Young Viewers Heats Up Among Fox, Warner Bros. and Disney," *Broadcasting & Cable*, 25 July 1994, 52-54.
[1076] Flint, "High Hopes for Fox Affiliates," *Variety*, 19-25 July 1995, 96.
[1077] 'Syndicators in Fear of NW Daytime Block," *Variety*.
[1078] Coe, "Network Battle for Kids is Joined by UPN and WB," *Broadcasting & Cable*, 24 July 1995, 47-50.

million for the entire 1980-1989 period to more than $3 billion dollars for a single year.[1079] With subscriber growth now fairly stable, original programming was perceived as a key means by which to gain additional viewers. By 1995, there were several program services providing fresh children's fare with production values on par with the networks. The Disney Channel (*Timon and Pumbaa*), Nickelodeon (*All That*) and starting in late 1992, Turner's Cartoon Network (*Space Ghost Coast to Coast*) were among the most widely distributed of these services.

Fox's own long-in-the-works cable service, FX, finally went on the air on June 1, 1994. It too had several original series – though their quality was much lower than had been anticipated based on Murdoch's promises for the service.[1080] Described by *Variety* as "public access on a huge budget," FX's original series were mostly inexpensive variety and reality shows. *The Collectibles Show*, *Pet Department* and *Breakfast Time* were among the first programs to air.[1081] The rest of the schedule was filled with re-runs of old network series. As might be expected, many of these programs were from the Fox library, including *Vegas*, *Batman* and *Dynasty*. Four months later, Fox launched another cable service, FXM. This channel was dedicated exclusively to the screening of films from Fox's motion picture library.[1082]

[1079] Dempsey, "Cable Biz Expands in Shadow of Regs," *Variety*, 31 August 1992, 35.
[1080] See "Broadcast Networks Closing in on Cable," where Murdoch is reported as saying that FX would "not be another re-run" channel. Stern and McClellan, *Broadcasting & Cable*, 6 September 1993, 12-13.
[1081] Other programs included *Under Scrutiny with Jane Wallace*, *Back Chat*, and *Breakfast Time.* Review from Todd Everett, "FX: Channel Premiere," 6-12 June 1994, 29.
[1082] 'Fox at the Movies," *Broadcasting & Cable*, 3 October 1994, 24.

Though FX may have been a long way away from making a profit, the Fox network was in its best shape ever. The increased national coverage did indeed result in more income for Fox; operating income for the television division rose 65% to $144 million for the six months of News Corp.'s fiscal year ending December 31, 1994.[1083] Affiliates were benefiting as well; Murdoch estimated they had increased in value more than $3 billion dollars since Fox began broadcasting in 1986.[1084] In one more sign that the company had reached parity with the other networks, Fox officially became part of the "Big Four" Emmy rotation.[1085] Nine years earlier, the other networks had protested the decision by the Academy of Television Arts and Sciences to license the show to Fox. They had said Fox would cheapen the value of the awards. Yet for the 1995 Emmys, Fox made tens of thousands of dollars more for the sale of its 30-second awards spots than ABC had made for the sale of its spots the year before.[1086]

The Fox entertainment division's benefits to News Corp. were likewise unquestioned by now. Nearly all short-term debt which had plagued News Corp. a few years prior had been eliminated. As such, Murdoch could continue looking for new growth opportunities for News Corp. During the mid-'90s, this took the form of financing the creation of several additional divisions at Fox Filmed Entertainment. Among the new labels to be launched were Fox Family Films, Fox

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[1083] "News Corp. Offsets NFL Loss," *Broadcasting & Cable*.
[1084] Coe, "Murdoch Puts Fox on the Offensive: News Corp. Chairman Tells Affiliates Aggressiveness is Key to Success," *Broadcasting & Cable*, 30 January 1995, 24.
[1085] Gary Levin, "Fox Expecting a Sellout of Emmycast Advertising," Variety, 4-10 September 1995, 26.
[1086] Ibid. Fox sold spots for between $250,000 and $270,000 in 1995, vs. ABC's sale of spots for approximately $200,000 in 1994.

Searchlight, Fox 2000, Fox Animation and Fox Interactive.[1087] These investments reaffirmed both his confidence and increasing dependence on Twentieth Century Fox. As one journalist explained, he had reason to: "In the past five years, most of News' earnings growth has come from the electronic media side of the company. In 1990, more than 90% of the company's profits came from print products. In 1994, almost 50% of the company's $1.2 billion in income is derived from electronic media."[1088] As electronic media became a larger part of the overall company, News Corp. declared its financial condition had "never been healthier."[1089] The company's stock price was not even affected by the FCC's investigation into its foreign ownership status. Perhaps Wall Street knew that the commission ultimately would back down. As will be described in more detail more shortly, this did in fact prove to be the case.

At the same time News Corp. once again found itself home free in the regulatory arena, other companies started to take advantage of the greater regulatory freedom offered as a result of the repeal of fin-syn and PTAR. Among the first two companies to do so were Disney and CBS. Their actions in July of 1995 set off a wave of mergers and acquisitions in the media industries, the magnitude and frequency of which had not been seen for nearly a decade. One key consequence of these deals was that several companies began to look more like what News Corp./Fox had looked like for nearly a decade. The first signs of

[1087] Beth Laski, "New Fox Creed is Speed: Studio Gets Believers, But 'Miracles' Can Happen," Variety, 28 November – 4 December 1994, 1, 107.
[1088] This is according to William Sorenson, News Corp. finance vice president, who is quoted in "Turning up the Heat on Fox," Broadcasting & Cable.
[1089] Statement of News Corp.'s health from Stern, "FCC Staff Proposes Fox Restructuring: Recommends Foreign Ownership of Stations Be Limited to 25%; Issue Now Goes to Commissioners," Broadcasting & Cable, 24 April 1995, 9.

this impending storm came during 1994, when executive shake-ups occurred at the highest levels of several different media companies. As the next section discusses, what started as turmoil in the executive ranks developed into a transformation of the media industries at large.

THE DAWNING OF MEGAMEDIA?[1090]

> Rupert Murdoch has done as much or more than any other individual in recent history to advance the causes of the medium and the public interest. To laud his accomplishments at this point is to gild the lily; not to recognize them would be myopic. If Murdoch was ahead of the curve in 1985 we wouldn't be a bit surprised; he's been out in front most of the time during his exceptional career, generally to the benefit of the common weal…
>
> *Broadcasting & Cable*, March 1995[1091]

> Last week was more than the week that was. It was the week that foreshadowed how the future will be - in broadcasting and in telecommunications as a whole. It was the beginning of the Megamedia Age...
>
> *Broadcasting & Cable*, August 1995[1092]

The turnover in the executive ranks began in April 1994, when Disney COO and second-in-command Frank Wells died in a plane crash.[1093] This event set off a chain reaction which would affect the entire media business.[1094] Disney

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[1090] Partial title of West, "The Dawning of Megamedia: Broadcasting's $25 Billion Week," *Broadcasting & Cable*, 7 August 1995, 4-7.
[1091] "Fixing Fox: Editorial," *Broadcasting and Cable*, 13 March 1995, 90.
[1092] "The Dawning of Megamedia."
[1093] Brodie, "H'wood Mourns Death of Disney Honcho Wells," *Variety*, 11-17 April 1994, 28.
[1094] This chain reaction is discussed by Brodie in "Ten Days that Shook the Biz," *Premiere*, October 1997, 30, 32, 34, 36. The rapid turnover at the networks is discussed in Robins, "Broken or Not, Fall Shows Get Quick Fix," *Variety*, 1-7 August 1994, 1, 55.

president of production Jeffrey Katzenberg long had expected to be promoted to Wells' position at Disney. Upon being denied this promotion, he left. Joe Roth quickly took over Katzenberg's former post, while Eisner set about searching for Wells' replacement. Less than two months later, Katzenberg joined with Steven Spielberg and David Geffen to create Dream Works SKG.[1095] The implications of this union did not go unnoticed. Bernard Weinraub of the *New York Times*, for example, labeled the venture as "the biggest merger of talent since Charlie Chaplin, Mary Pickford, Douglas Fairbanks and D.W. Griffith founded the United Artists movie empire in 1919."[1096] Meanwhile, after a rocky few years as chief executive officer at Sony, Peter Guber resigned to return to producing.[1097]

Fox also had its fair share of churn. In July 1994, Fox Inc. was split into two divisions. Peter Chernin was appointed head of the television and feature film production division; Chase Carey was chosen to oversee all other television-related businesses including the network, cable channels and O&Os.[1098] With the arrival of 1995, Murdoch decided to take yet another stab at news, appointing former CBS executive Joe Peyronnin as head of the latest incarnation of this division.[1099] This appointment, along with a recent partnership formed between Fox and Reuters, seemed clear indications that a news service would actually

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1095 Coe, "'Dream Team' Plans TV, Film Mega-Merger," *Broadcasting & Cable*, 17 October 1994, 6-7.
1096 "3 Hollywood Giants Team Up to Create Major Movie Studio," *New York Times*, 13 October 1994, A1.
1097 Anita M. Busch and Dan Cox," Who's Minding the Store? Sony Seeks Hits as Guber Splits," *Variety*, 3-9 October 1994, 1, 27.
1098 Lowry, "Fox TV Cuts to Chase; Web Confirms Org Split, Chernin Rise," *Daily Variety*, 8 July 1994, 1.
1099 Robins, "Fox Picks Peyronnin News Prexy," *Variety*, 3-9 April 1995, 58.

come to fruition this time.[1100] Peyronnin's departure from CBS came during a restructuring at that network. For example, in 1994, Peter Tortorici replaced outgoing CBS entertainment president Jeff Sagansky; Sagansky promptly took over Guber's former slot at Sony.[1101] Tortorici was not at the company for long before he too resigned, to be replaced by former Warner Bros. Television president Leslie Moonves.[1102]

More shuffling of executives would come during the summer of 1995 as the result of a wave of mergers and acquisitions throughout the media industries. The first sign of things to come came in March 1995, when Seagram purchased MCA-Universal.[1103] This deal led to the ouster of chairman Lew Wasserman and president Sidney Sheinberg, two executives who had been in charge of the company for decades.[1104] Then, in the final week of July 1995, the flurry began. It started on July 31, 1995, when Disney announced its purchase of Cap Cities-ABC for $18.5 billion, thereby creating the country's largest entertainment company.[1105] The Disney-ABC merger came as a surprise to many journalists and industry executives. Both CBS and NBC long had been rumored to be for sale if "the price [was] right."[1106] But few expected ABC to be on the market – or if it

[1100] Flint, "Fox Trots Sunday News," *Variety*, 1-7 May 1995, 148.
[1101] Kevin Goldman, "Who's News: CBS Entertainment President Resigns; Sagansky Led Network to No. 1 Position," *Wall Street Journal*, 15 April 1994, B14. CBS Broadcast Group president Howard Stringer left a couple of months later, continuing the shake-up at CBS. See Mike McDaniel," Top CBS Executive Stringer Resigns," *Houston Chronicle*, 24 February 1995, 4.
[1102] Elizabeth Jensen and John Lippman, "CBS Appoints Moonves to Oversee Its Programming," *Wall Street Journal*, 8 June 1995, B8.
[1103] Robins, "Seagram Swigs on the Hard Stuff: With MCA Spree Comes the Morning After," *Variety*, 10-16 April 1995, 1, 62.
[1104] Bart, "MCA Deal Meyered in Plot Twists," *Variety*, 17-23 July 1995, 1, 7.
[1105] McClellan, "Megamedia's Megadeal," *Broadcasting & Cable*, 7 August 1995, 14-16.
[1106] Jessell, "Network Gleam in Studios' Eye," *Broadcasting & Cable*, 5 September 1994, 6-7.

was, that anyone would pay the price being sought. Certainly no one thought notoriously penny-pinching Disney would ante up the necessary sum.[1107]

Less than a week after Disney announced its purchase of ABC, Westinghouse confirmed its long-in-the-works purchase of CBS for $5.4 billion.[1108] What at any other moment would have been an enormous transaction was eclipsed by the Disney-ABC merger. The announcement of these two deals in less than a week propelled the already elevated price of media stocks even higher. Rapidly rising prices seemed to matter little to buyers looking to expand quickly. Among the other major deals which took place during the summer of 1995 were: the purchase of Outlet Communications by NBC, the acquisition of the Silver King station group by a TCI-Barry Diller union, and the merger of Time Warner with Turner Entertainment.[1109] The Time Warner-Turner merger was a particularly significant deal, creating a media company second in size only to Disney-ABC.

According to one journalist reporting at the time of the announcement of the Disney-ABC deal, the "beginning of the Megamedia Age" was afoot.[1110] The Disney-ABC deal, in particular, was seen as signaling a new era for media conglomerates. In one sense this was true. The size and scope of this merger was

[1107] It was widely known that Disney was on the market for a network. GE had turned down an offer for NBC only a few months prior. See McClellan, "Aggressive Disney Goes After NBC," *Broadcasting & Cable*, 31 October 1994, 6-7.
[1108] "The Dawning of Megamedia," *Broadcasting & Cable*.
[1109] For details on Outlet deal, see Jessell, "Where Do We Go From Here?," *Broadcasting & Cable*, 7 August 1995, 8. For more on the Silver King deal, see Stern, "TCI, Diller Make TV Play; Two Take Control of Silver King Station Group; Stock Jumps 79% on News," *Broadcasting & Cable*, 28 August 1995, 6-7.For more on the Time Warner-Turner deal, see McClellan, "Time Warner, Turner Join Mega-Merger Bandwagon; Handshake on Deal Said to Be Done, But Observers Caution There are Pitfalls," *Broadcasting & Cable*, 4 September 1995, 10-11.
[1110] "The Dawning of Megamedia," *Broadcasting & Cable*.

unparalleled. However, what resulted from this merger – namely, the creation of one entity in possession of both a motion picture studio and a network – was nothing new. Over the previous ten years, News Corp. had put together precisely such a corporate structure from scratch. Because this structure was built gradually, and often without much publicity, the magnitude of the effort often had gone unnoticed and uncommented upon by the press. Journalistic coverage had been confined mainly to reports of immediate events – purchases, executive changes and earnings statements, for example. Larger analyses had rarely taken place.

One of the most striking things about the Disney-ABC merger was the extent to which journalists framed this event as the first of its kind. Disney-ABC executives did little to challenge such assertions. Certainly their stock prices could only be helped by such publicity. In addition, these specific companies had little fear in terms of negative repercussions in Washington. With a newly-elected Republican Congress at work rewriting a strongly deregulatory Communications Act, Disney and ABC executives likely had little doubt the merger would proceed smoothly. In contrast, News Corp., which was only finally starting to come out from under the shadow of a long, expensive investigation by the FCC, was not about to draw attention to its prior accomplishments. Thus, while the press portrayed other companies as in a mad rush to catch up with Disney-ABC, in fact they were trying to catch up with News Corp./Fox. This wave of mergers and acquisitions would continue into the next decade. By the mid-2000s, every network would have a studio sibling.

Though the Disney-ABC deal attracted the majority of the press, there were important issues to consider in regards to the Westinghouse-CBS deal as well. These issues were more extensively remarked upon by journalists. Most significantly, the Westinghouse-CBS transaction reaffirmed the importance of diversification. During most of his time in charge, CBS majority shareholder and CEO Larry Tisch had remained steadfast in his determination to keep CBS a "pure play broadcaster."[1111] He had sold off CBS's stake in other assets such as CBS Records years earlier. While CBS remained on the sidelines, NBC, ABC, and Fox had all expanded into cable. As previously discussed, like the other networks, CBS had been given the opportunity to create a new cable channel through its retransmission consent negotiations. Unlike the other networks, CBS failed to create one. The purchase of CBS by Westinghouse seemed a repudiation of this broadcast-only strategy.[1112] It became clear through this latest wave of mergers that being confined to only one sector of the media business was a short-sighted move which placed a company far behind its competitors and made it vulnerable to takeover.

Those companies which did remain confined to one sector of the marketplace – whether due to choice or limited resources – had faced difficult times even before this latest round of mergers and acquisitions. I already discussed the state of independent producers in some detail above. They were not the only ones struggling during the mid-1990s. The emergence of UPN and the

[1111] From Robins, "Pure Play B'caster Outfoxed by Rupert," *Variety*, 30 May – 5 June 1994, 1, 61.
[1112] Ibid.

WB all but destroyed what was left of the independent station business.[1113] Few stations remained unallied with a network by 1995. As UPN and the WB programmed more hours of the day, smaller syndicators found themselves with fewer available outlets for their product. The situation was made worse because many of the larger station groups were increasingly developing much of their programming internally.[1114] Cable services were often not a viable option either, as they either developed their own programming in-house or turned to the largest suppliers for their programming.

The status of talent in this changing environment remained uncertain as well, though there were some ominous signs of what was in store for individual actors, producers, directors, writers and the like. For example, in May 1995, FX, in its bid to elevate its profile, purchased the syndication rights to *NYPD Blue* from sister company Twentieth Television.[1115] Fox executive Greg Meidel promised this was "not a sweetheart deal."[1116] Their claims seemed to be borne out by the high price paid by FX, estimated to be in excess of $30 million dollars for 100 episodes.[1117] However, the series' co-creator and executive producer Steven Bochco didn't think so. In 1999, he filed a suit against Fox, accusing the company of self-dealing.[1118] He alleged that by failing to shop the program

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[1113] This sector of the broadcasting industry had already lost a lot of lobbying power due to the departure of Fox affiliates from INTV. In 1993, INTV discontinued holding a separate annual convention and merged with NATPE – see Flint, "Eye on INTV: Hedlund on Ups, Downs in '92," *Broadcasting*, 18 January 1993, 35-37.

[1114] "Station Groups Bite Hand That Needs 'Em," *Variety*.

[1115] Flint, "Fox's FX Puts Collar on 'NYPD Blue,'" *Variety*, 15-21 May 1995, 248.

[1116] Ibid.

[1117] Ibid. This meant Fox paid between $300,000 and $350,000 per episode. Twentieth planned to separately sell a syndication package of the series to broadcast outlets for weekend play.

[1118] Lynette Rice, "Bochco Sues, Feels 'Blue' Over Alleged Self-Dealing: He Claims Fox Sold Cop Show Cheap to FX," *Hollywood Reporter*, 14 September 1999.

around to other interested buyers, Fox prevented *NYPD Blue* from earning as much as it might have. This would be only one of many lawsuits to arise between talent and media conglomerates as consolidation continued and such practices became more widespread.[1119]

To an extent, this in-dealing made sense given the ever-mounting costs incurred in producing and marketing series. At the time FX purchase *NYPD Blue*, the average price for an hour-long drama was between $1.2 and $1.5 million; the average price of a sitcom was between $600,000 and $800,000.[1120] Assuming the production company and distributor of this programming was not owned by the same entity and thus could not pass money from one part of the company to another, a producer could expect to take a loss of between $400,000 and $750,000 for dramas and between $200,000 and $400,000 for sitcoms.[1121] With such large figures at stake, it was logical companies would want to vertically integrate and exploit the benefits of such a structure.

One side effect of this, though, was that the smaller fish suffered. Media analyst Neil Gabler argues that talent agents were among the first people to see the extent to which the tide was turning against individual talent and smaller operations in favor of the studios.[1122] He sees this as a primary reason why two of Hollywood's most powerful and influential talent agents – CAA's Ron Meyer and

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[1119] For example, similar allegations were made against Fox by Alan Alda (*M*A*S*H*) and David Duchovny (*The X-Files*).

[1120] Robins, "Top-Drawer Talent Taps Web Wallets," *Variety*, 22-28 May 1995, 1, 110. Rising costs were similarly plaguing the motion picture business. In 1994, motion pictures reached their highest cost yet. The average budget for films financed by MPAA members was $34.3 million; the average P&A cost was another $16.1 million according to Leonard Klady, "H'Wood: Land of the Rising Sum," *Variety*, 12-19 March 1995, 14.

[1121] Ibid.

[1122] "The Revenge of the Studio System,' *New York Times*.

Michael Ovitz – left the company in the summer of 1995 to become top executives at MCA and Disney, respectively.[1123]

While many in the industry and the press may have expressed some concerns about the possibly detrimental consequences of the continued move toward media consolidation, politicians did not seem to share such apprehensions. The same week the Disney-ABC and Westinghouse-CBS mergers were announced, the FCC repealed PTAR in a 5-0 vote.[1124] Also in this same eventful week, the House voted 305-117 in favor of a telecommunications reform bill approving the reform of the Communications Act of 1934.[1125] One part of this bill raised the television station ownership cap from 25 to 35%. The FCC and the Senate had already signed off on this change; it was only a matter of time before it would be enacted.[1126]

This news had little effect on the station sales business, which was already booming. Excluding major deals such as Westinghouse-CBS and Disney-ABC, 1995 was already the best year for station deals since 1985.[1127] Stations were

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[1123] Ibid. Also see, "MCA Deal Meyered in Plot Twists," *Variety*; Robins and Peers, "Goliaths Reel at Disney Deal: Mega-Mouse Merger Triggers Takeover Fever," *Variety*, 21-27 August 1995, 1, 78-79.
[1124] The repeal was effective August 30, 1996, with a transition period to occur in-between. Flint and Wharton, "The Last PTAR Story You'll Ever Read!," *Variety*, 31 July – 6 August 1995, 1, 46.
[1125] Stern, "House Advances Telcom Reform," *Broadcasting & Cable*, 7 August 1995, 10-11.
[1126] The FCC approved the change in December 1994. See "FCC Raises Roof on TV Ownership," *Broadcasting & Cable*. The Senate approved it in June. See Stern, "Dereg Rolls in Senate: 81-18," *Broadcasting & Cable*, 19 June 1995, 6-7. This became official when President Clinton signed the Telecommunications Act into law on February 8, 1996. For more details on the Act, see Patricia Aufderheide, *Communications Policy in the Public Interest: The Telecommunications Act of 1996* (New York: The Guilford Press, 1999).
[1127] Donna Petrozello, "$4.4 Billion and Counting: Even Without Mega-Deals, Year-to-Date Station Trading Total is Billion Higher Than 1994's," *Broadcasting & Cable*, 4 September 1995, 6-7.

selling for twelve to fourteen times cash flow – numbers which only a few years earlier media analysts thought would never be seen again.[1128]

News Corp. also had its own cause for celebration during this last week of July 1995. After months of wrestling with the FCC over how to deal with Fox's status as a foreign owned company, the commission let News Corp. off the hook. In the same meeting in which they repealed PTAR, the commission unanimously ruled that, although technically Fox had been in violation of the law, it had not acted deceptively but rather in the public interest.[1129] The commission said it would be "inequitable" to require Fox to be restructured since the agency's rules in 1985 were unclear. As such, Fox was provided with a permanent waiver.[1130] In evaluating the outcome of this issue, one journalist labeled the commission "the new, huggable FCC."[1131] Another observed with some cynicism that

> Suddenly, an investigation that had imperiled Murdoch's ownership of the Fox network - a probe he once dubbed a "witch-hunt" - had become a family affair. And the five commissioners did nothing to change the mood, voting unanimously to endorse a resolution that could soon free Murdoch to resume terrorizing the established American networks, as he has done for the past two years.[1132]

The FCC's decision was unsurprising considering the extent to which the political winds had been moving in News Corp.'s favor during the previous

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1128 Ibid.

1129 The FCC had previously ruled (in May 1995) about Fox's technical violation; the July 1995 meeting took place for Fox to make the case for a retroactive waiver, which it received. See Doug Halonen, "FCC's Ruling a Huge Lift for Fox, Murdoch," *Advertising Age*, 8 May 1995, 2. News Corp. had made minimal restructuring efforts prior to the July meeting according to West, "Fox Moves to Put Its FCC House in Order," *Broadcasting & Cable*, 15 May 1995, 8.

1130 Halonen and Keith J. Kelly, "Fox Triumphs in FCC Ruling," *Advertising Age*, 31 July 1995, 2.

1131 Erik Larson, "The New, Huggable FCC: The Federal Communications Commission Finds Murdoch Violated Federal Law – Then Gives Him a 'Kiss,'" *Time*, 15 May 1995, 65.

1132 Ibid.

several months. In December 1994, in response to the FCC's investigation, several Republicans in Congress "sent signals" that foreign ownership restrictions of television stations should be relaxed.[1133] Not only was this an indication of News Corp.'s influence, but also a sign of how dramatically times had changed from the early 1990s, when widespread paranoia had run rampant in the industry due to the investment of several Japanese and European companies in Hollywood. This paranoia had gradually declined largely due to the difficulties which these "foreign" companies were reported as having with their newly purchased studios. As it turned out, companies such as Sony and Matsushita found it much harder to realize their envisioned synergies between hardware. These Japanese owners found themselves faced with unfamiliar corporate cultures and conflicting business practices. Sony stuck with Columbia-TriStar, incurring extensive losses in the process. However, Matsushita cut its losses and sold Universal to Seagram in 1995.

In addition to gaining congressional support on the foreign ownership issue, News Corp. soon received backing from one of its primary competitors. In early 1995, NBC dropped its opposition to News Corp.'s expansion efforts. Skeptics argued that NBC's abrupt reversal was due to its need for access to News Corp.'s satellite services in Asia. Initially NBC had planned to have CNBC and NBC Super Channel carried on the Apstar 2 satellite.[1134] However, when the satellite exploded upon launch in late January, NBC was forced to turn to the only

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[1133] Wharton and Flint, "FCC Unlikely to Revoke Fox TV Licenses," *Variety*, 12-18 December 1994, 31, 36.
[1134] "Peacock Backs Off from Fox," *Variety*.

other satellite provider – Star TV. No journalists reported a direct causal link between the Apstar 2 explosion and the resolution of NBC's difficulties with News Corp. Yet many noted the close timing between when the satellite blew up (the end of January) and when NBC and News Corp. resolved their differences (mid-February).[1135] At the same time NBC obtained carriage of its services on Star TV, the company also pledged to work with Fox on campaigning for telecommunications reform.[1136]

The détente reached between NBC and News Corp. underscores the growing interdependency between major media companies as they continued to expand their investments and increase their reach around the globe. As the 1990s wore on and overseas markets became ever more vital for their bottom lines, conglomerates increasingly recognized the importance of finding ways to cooperate with each other. Currying favor with News Corp. became particularly important, as Murdoch's company was well ahead of the curve in terms of its investments in Europe, Asia and Latin America. Yet as of 1995, even News Corp. had only started to figure out how to penetrate these markets. The primary method the company was using to gain further entrée abroad was simple: Exploit its Hollywood product – especially its niche-oriented television programming – on cable and satellite systems around the world. This product would be a primary means by which Fox established its identity overseas. Even as News Corp. moved into this next phase of its development, other companies continued to remain a

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[1135] See Stern, "NBC Drops Opposition to Fox," *Broadcasting & Cable*, 20 February 1995, 7; "Peacock Backs Off from Fox," *Variety*; Janine Stein, "NBC's Asian Channels Get Big Boost on Star TV," *Electronic Media*, 27 February 1995, 53.
[1136] Stern, "NBC, Fox Make Peace," *Broadcasting & Cable*, 27 February 1995, 60.

couple of steps behind. Their energy for the remainder of the 1990s would be focused on integrating newly created or recently purchased networks into their other media holdings.

Chapter Eight: Conclusion

> Now that we know the information superhighway won't be all smooth sailing, guess who may be around for a while? Yes, the television networks. For 1994, ABC, CBS and NBC are headed toward posting their highest collective operating profit in at least five years - perhaps in more than 20 years. And this prosperity appears to be based not on one-time events or accounting gimmicks, but on their steady improvement in business fundamentals…
>
> *Broadcasting & Cable*, March 1994[1137]

> Five years ago the nets thought this was a mature, dying business…We're the ones who saw it as a growth business and contributed predominantly to turning it back into a growth business…
>
> Fox Inc. president Chase Carey, January 1995[1138]

From 1985 to 1995, the definition of what constituted a network changed from an economic, regulatory, technological and programming perspective. Early in this time frame, doubts about the long-term viability of the broadcast networks were rampant. However, by the time "merger mania" hit in the summer of 1995, the broadcast business was in as good a shape as it had been in years. Prospects were so promising that media conglomerates were rushing to purchase or create their own networks. The result was that where once there had been three broadcast networks, there were now six. However, the business practices and media products of these networks differed substantially from those which had existed during the three-network era of the 1950s through the 1980s.

[1137] Foisie, "Reports of Network Deaths Exaggerated," 14 March 1992, 6-7.
[1138] "No Dearth of Challenges as Fox Eyes Wider Base," *Hollywood Reporter*.

Over the course of this study, I have argued that Fox, along with its parent company, News Corp., had a leading role in defining the shape of this new media landscape. Under the guidance of such individuals as Rupert Murdoch, Barry Diller and Jamie Kellner, News Corp. and Fox recognized changing regulatory, technological and economic conditions and adapted to them. For example, News Corp. effectively exploited the deregulatory direction being taken by the FCC when it purchased the Fox studio and the Metromedia television stations. Fox readily worked with cable services and MSOs to further its own programming and distribution objectives. This latter tactic was indicative of the company's decision to view media fragmentation not as a threat but rather as an opportunity. News Corp./Fox further took advantage of this fragmentation by expanding vertically and horizontally. This integrated structure enabled it to profit by financing and circulating programming through its many cable, satellite, network and home video divisions around the world.

Cumulatively, Fox and News Corp.'s influence was significant, ranging from questioning long-standing government policies to providing a model for how to integrate broadcast networks and motion picture studios, to demonstrating the economic and marketing value of niche-oriented television programming for media conglomerates. Throughout this ten-year time frame, the Fox network played a major part in heralding the neo-network era. In this era, broadcast networks served a completely different but equally important set of industrial and programming functions.

From the emergence of the television networks to the launch of Fox Broadcasting in 1986, a network could be defined according to a specific set of regulatory, technological, economic and programming criteria. From a regulatory standpoint, a network offered more than fifteen hours of programming via at least twenty-five stations across a minimum of ten states. If the program service qualified as a network according to these terms, its ownership of programming was severely limited and its ability to participate in syndication was restricted. These regulations required broadcast networks and motion picture studios to remain in the hands of two different sets of media companies. Though the Big Three networks faced certain regulatory restrictions, they also benefited from government policies. The FCC's policy of localism combined with technological limitations perpetuated the status quo. The slow distribution of UHF-equipped television sets, combined with the sluggish pace at which cabling took place, helped the networks retain their dominant position. Meanwhile, a combination of economic and technological constraints further benefited the networks. Most significant on this count was the monopoly of AT&T over the network interconnection process. AT&T's pricing system ensured that the networks would remain the only viable broadcast services for decades.

With these technological, regulatory and economic conditions in place for nearly thirty years, a system persisted in which the networks thrived. The income they generated from their seven O&Os and the sale of national advertising proved satisfactory to their shareholders. Meanwhile, syndication profits went to the studios and a select number of independent production companies. With so few program services available, the networks had to exert minimal effort in building brand identities. The networks' stranglehold over television distribution allowed them to operate as America's "mass" medium.

In most instances, programming was pitched as being for "everyone." There were exceptions, of course. Fox's demographic orientation was foreshadowed, for example, by CBS's cancellation of its "rural sitcoms" such as *Green Acres* and *The Beverly Hillbillies* in the early 1970s. At this point, the network turned to more "relevant" and "quality" fare such as *All in the Family* and *The Mary Tyler Moore Show*.[1139] Similarly, ABC decided to schedule "jiggle" programming such as *Three's Company* and *Charlie's Angel*s in order to build its younger audience. However, though there were occasions during which the Big Three developed and scheduled demographically-targeted programming, this strategy was selectively used for particular time slots on a limited number of evenings. Only in a handful of circumstances was prime time programming aimed at certain demographic groups such as teenagers or African-Americans. A systematic, schedule-wide pursuit of niche audiences did not take place on network television prior to the emergence of Fox.

Network television was defined in these ways until the mid-1980s, when Fox along with cable, home video and a deregulatory FCC affected this environment. As of the mid-1980s, it became more and more difficult to define a network. From a regulatory standpoint, the meaning was repeatedly modified, especially with regard to the fin-syn rules. While at first the FCC defined a

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[1139] Jane Feuer, "MTM Enterprises: An Overview," *MTM 'Quality Television,'* eds. Feuer, Paul Kerr and Tise Vahimagi (London: BFI Publishing, 1984), 1-31.

network as an entity broadcasting more than fifteen hours of prime time programming, later the definition was adjusted to refer solely to "established" networks, thereby exempting Fox. Ultimately the fifteen-hour rule was thrown out altogether and with it went this definition of a network. This was followed soon after by the repeal of both fin-syn and the consent decrees which governed network behavior. With the elimination of these legislative and judicial restraints went the last limitations on network-studio integration.

Yet even before vertical integration was feasible from a regulatory perspective, Fox and later, the WB and UPN, were already engaging in such strategies with the help of several recent technological developments including cable and satellite. Fox bypassed the AT&T feed by using satellite technology. The company further enhanced its distribution by signing deals with MSOs in smaller markets. Because most of the program service's early affiliates were UHF-based stations, Fox also depended heavily on the diffusion of UHF-equipped television sets.

At the same time that Fox exploited opportunities in the technological and regulatory contexts by which a network was defined, the company also affected the long-extant network business model. Years before the other networks, Fox received income from its role as a producer of prime time programs. Hit shows such as *The Simpsons* and *In Living Color* started their syndicated run and brought Fox hundreds of millions of dollars long before the Big Three had permission from the FCC and the judiciary to enter into the syndication business. By operating as both a producer and a distributor, Fox pushed the media industries toward greater consolidation. With more Fox programming available for syndication, smaller syndicators were squeezed out. In addition, as Fox – and later, the networks – developed their own in-house production divisions, independent producers were increasingly marginalized.

By having control over both program production and network distribution before its broadcast and studio competitors were able to, Fox/News Corp. showed how niche-oriented television franchises could be every bit as profitable as big-budget studio event films. As Hollywood budgets continued to spiral even further out of control – a fact well publicized during the summer of 1995 due to the release of Universal's budgetary nightmare, *Waterworld* – television seemed like a safer investment. This was especially true as television networks increased their presence in cable and explored the synergies available between cable and broadcast outlets. The growing popularity of television series on home video and DVD during the late 1990s further demonstrated the extensive economic potential of successful network series.

Fox may have profited from its investment in television programming prior to CBS, NBC and ABC, but it did not neglect the traditional sources of network revenue in the process. Rather, the company simultaneously generated revenues from its station group and from the sale of commercial spots during prime time. Again, however, in these areas as well, Fox altered the standard means by which the networks operated. The company evaded foreign ownership regulations and also circumvented ownership limits by keeping its investment in several television stations below what the FCC defined as attributable interests.

For example, by having less than a 25% stake in the New World and SF Broadcasting stations, Fox was able to add to its station group holdings while evading FCC regulations. Such tactics, combined with the company's extensive expenditures on sports games, contributed to a booming station business and set off a war with the other networks for affiliates.

Fox's influence could be seen in other areas as well. Through its alliance with affiliates in creating the Fox Children's Network, Fox showed additional cross-promotional opportunities available to broadcasters. FCN also demonstrated the economic value of turning to younger viewers to launch a new program service. Through its use of its station group as a laboratory for testing new programming, Fox played a key role in stimulating a new era in low-cost, high-rated reality television. In addition, by turning to its station group for programming, Fox cut into the market for syndicated programming, thereby causing a shift in the off-network marketplace. Through its allocation of a two-hour block of time for affiliates on the FX cable channel, Fox found a relatively inexpensive means of moving more extensively into cable while retaining a strong relationship with its affiliates. Through its more limited prime time schedule of fifteen hours versus the networks' twenty-two hours of programming, Fox spent less on programming than its network competitors. As a consequence, Fox had to deal with fewer program failures overall, and thus could better limit its losses in prime time.

Fox may have offered fewer hours of prime time programming, but its impact on the evening schedule was extensive nonetheless. The company's aggressive targeting of such demographic groups as children, teenagers and African Americans aligned nicely with advertisers' interest in pursuing specific niche audiences. Even when Fox expanded beyond its initial 18-to-34-year-old audience, it remained focused on targeting specific demographics. By 1995, the broadest audience any of the "Big Four" pursued was generally the 18-to-49 demographic. No company made their number one priority the pursuit of the mass (or "household") audience. It was now about niches, and sometimes "niches within niches." This was the dominant philosophy in place as the two newest networks were assembled. Both the WB and UPN took up Fox's interest in pursuing narrower demographics even as Fox tried to attract a slightly broader audience of 18-to-49-year-olds. While the company remained as demographically oriented as ever, a somewhat wider viewer base offered Fox a chance of further enhancing advertising revenues and increasing its station values.

Along with the WB and UPN's pursuit of the core Fox audience of 18-34-year-olds, teenagers, children, and African Americans, these new weblets also relied heavily on Fox's strategy of developing a strong brand identity with viewers from the outset. As Fox – and many cable programmers – had long realized, in a multi-channel universe, a strong marketing strategy was as important as a workable programming schedule. It was crucial for viewers to be aware of what a program service offered in order for them to be able to find the channel and keep watching it.

As the WB and UPN launched, the question of "what was a network" surfaced with increasing frequency in the press. As discussed in chapter seven, using traditional regulatory, technological, economic and programming definitions, neither of these new entities was a network. One could as easily label MTV, Nickelodeon and USA as networks. This point was also made by USA president Kay Koplovitz in 1995. Koplovitz challenged assertions by WB and UPN executives that their services were fifth networks. She maintained that, given USA's national penetration of 70% as well as its increasing reliance on original programming, her cable channel was "the real fifth network."[1140]

To a large extent, this claim was legitimate. By the mid-1990s, many cable programmers had finally begun regularly producing original series. What's more, the money spent on this programming was reaching the level spent on network programming. This meant cable services were producing more "network-quality" programming – shows with production values and talent levels on par with their broadcast competitors. This fact, combined with the diffusion of cable to nearly three-fourths of U.S. households, meant that almost as many people were being exposed to programs on widely distributed cable services such as USA, TBS and ESPN as were being exposed to programs on UPN and the WB.

Such points certainly gave credence to Koplovitz's claims. Yet if USA was "the real fifth network," a few nagging questions arise. For example, if a cable program service was just as valuable as a broadcast network in this era, why did nearly every major motion picture studio spend the next several years acquiring their own broadcast network? Why did Viacom-Paramount and Warner Bros. spend hundreds of millions of dollars to launch new networks? Why did Disney

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1140 Dempsey, "Koplovitz Claims USA is the 'Real Fifth Network,'" Variety, 4-10 September 1995, 25, 27.

and Viacom-Paramount spend billions of dollars to purchase two of the Big Three broadcast networks? All of these entities had extensive cable holdings of their own. Why were these cable services not sufficient? What did broadcast networks offer that was not available from cable? Why in a fragmented media world did broadcast networks remain so important?

The answers to these questions can be derived from analyzing the history of the Fox network. Fox showed how and why owning a broadcast network was so vital to the operations of media conglomerates. The word "broadcast," like the word "network," meant something distinctive by 1995. And Fox had much to do with this changed meaning as well. A broadcast network was distinct from a cable network in a several important ways – ways which indicate why media conglomerates spent billions to purchase or create their own broadcast program services. First, broadcast networks continued to reach far more viewers than did cable networks. Cable penetration at its broadest was 70%. The Big Four reached, aggregately, more than 99% of the U.S. audience. UPN and the WB approached the reach of the Big Four by aligning with cable MSOs and borrowing a tactic used by syndicators in double running programs as needed. A greater reach meant the broadcast networks had a greater opportunity to attract more viewers. More viewers meant more ratings, which, in turn, meant broadcasters could charge advertisers more than cable could.

A second point working in the broadcast networks' favor was that they still had the best channel positioning. This was a point that, though rendered less important in the remote control era, was still an issue. When viewers turned on their cable boxes, the default starting point was channel one. Similarly, when viewers looked at their *TV Guides*, program listings began with the lowest channels. These factors meant the well-positioned broadcast networks had the best chance of attracting the most viewers.

The third way broadcast networks remained different from cable networks was due to their ability to attract larger numbers of viewers. This strength was largely a function of their greater reach and better channel positioning. It was also due to the networks' having been in business for several decades, a fact which provided them with well-established identities with viewers as reliable sources of entertainment, sports and news programming. While the broadcast networks may no longer have been a mass medium, they were still a "most" medium, seen by more people on a regular basis than any other audiovisual media. Though broadcasters were now more focused in their audience profiles, they were nonetheless much broader than most cable services. For example, Nickelodeon pursued children, MTV sought teenagers, and BET targeted African Americans. The broadcast networks thought more broadly than this, aspiring for 18-to-34-year-olds or 18-to-49-year-olds (and the larger advertising revenues associated with these wider demographics).

The fourth distinction between broadcast and cable networks resulted from how each group was depicted by the press. The media continued to represent the Big Four – and increasingly, the Big Six – as separate from cable services. This was partly due to tradition, partly due to technological and regulatory divergences, and partly due to variations in programming practices. In terms of programming practices, the Big Six scheduled different original entertainment series to run every night of the week. Though, as noted above, cable was increasing its output of original programming, new entertainment series only played on any specific cable service for one or two nights a week at most. Further, while the Big Six might re-run an episode of a show a few times, cable often re-ran any episode of its original series a dozen times or more.

All of these factors contributed to broadcast networks remaining distinctive from – and more valuable properties than – cable networks. On top of all of these advantages, broadcast networks pulled income from more revenue streams. While cable services made money from advertising sales and subscriber fees, broadcast services generated income from advertising sales, ownership of station properties, and increasingly, ownership of network-aired programming. The broadcast networks' ability to access to the largest possible audiences combined with their increased ability to own the rights to programming placed them in an advantageous position. More specifically, the broadcast networks were able to launch their entertainment programming on a size and scale unparalleled by their cable, satellite and video competitors. The result was that, in the same way a theatrical release served as a launching pad for big-budget motion pictures, a network television run served as a starting point for entertainment programming. A network run established a "brand name" with the public. This brand then continued to be funneled through the other holdings of the media conglomerate – its home video, cable, merchandising, publishing and interactive divisions.

These structural components facilitated the development of the television franchise. Fox's ability to vertically and horizontally integrate before the other networks and studios enabled it to explore the possibilities of the television franchise first. It first did so with *The Simpsons*, a show which it financed, co-produced and distributed. When The Simpsons became a hit both Fox as well as several divisions of News Corp. benefited. During its prime time run, Fox profited from the show via advertising sales on Fox Broadcasting, by licensing opportunities, and by the "halo effect" the show provided to its entire schedule. When it moved into syndication, the benefits of owning and distributing programming became even more apparent as other Fox divisions reaped millions more from syndication sales as well as home video and DVD sales. Meanwhile, Fox exploited cross-promotional opportunities between the show and the Fox Children's Network, BSkyB placed the program in key time slots on its program service, and the image of Bart Simpson was used to launch further News Corp. broadcasting and satellite ventures abroad.

During the mid-1990s, *The X-Files* took franchise television one step further. This show, like *The Simpsons*, was not only an economic boon to Fox in and of itself but also a means of promoting other Fox and News Corp. divisions. For example, News Corp.'s Harper Collins division published a series of *X-Files* books, the FX cable channel aired *The X-Files* in syndication (even as original episodes continued to air on Fox), and the Fox motion picture division released a spin-off of the series in theaters. Each of these ventures boosted awareness of the *X-Files* "brand" at the same time they helped the specific divisions involved. At the same time, the popularity of the *X-Files* helped Fox alter its image with viewers. No longer was it the "upstart" or "guerrilla" weblet, a program service focused mainly on teen dramas and raunchy sitcoms. Now it was a more respectable network, with more "serious" dramas as well as sports and Hallmark-produced movies of the week.

The success of shows such as *The Simpsons* and *The X-Files* reinforces the economic and marketing value which popular prime time television series could have for both a network as well as for entire media conglomerates. What became apparent as these programs began to be distributed through the various divisions of Fox and News Corp. was that broadcast network programming offered several advantages over big-budget motion pictures for media conglomerates. A hit series with 100-plus hours of material could gain a conglomerate entrée into overseas markets in a way that a two-hour motion picture could not. Whereas the revenues from a theatrically-released motion picture were split with an exhibitor, companies such as Fox kept all of the advertising revenue from their national sales along with all of the income from their owned-and-operated stations.

Into the 2000s, other media companies followed in Fox's footsteps and developed their own lucrative television franchises. These programs similarly were produced and distributed by the network and then circulated in other ways through the various divisions of their conglomerate parents. Touchstone-ABC's *Alias* and CBS's *CSI* were two such network franchises. The "franchise mentality" for television became more prominent as the networks and studios further integrated their holdings from 1995 to 2004. This process was further accelerated due to the repeal of fin-syn in the fall of 1995. Following Disney's purchase of ABC in 1995, Viacom acquired CBS in 1999. The WB and UPN expanded their schedules during the late 1990s until they had a full week's worth of prime time programming. Meanwhile, General Electric turned down numerous offers for NBC. As a sign of how dramatically the media environment had transformed, in 2003 GE-NBC became the first conglomerate to purchase a motion picture studio *after* a broadcast network when it acquired Universal, along with the USA and Sci-Fi cable channels, from Vivendi. With the completion of this deal in 2004, every broadcast network had a studio sibling. Thus concluded a process begun nearly twenty years earlier, when News Corp. became the first company to own both a motion picture studio and a broadcast network.

Part of the reason Universal became such a desirable property for GE was because it produced the lucrative *Law & Order* franchise. By purchasing Universal, GE-NBC avoided having to wrangle over ever-rising license fees for the program and its spin-offs. Now it could generate income from all possible revenue streams. By 2004, NBC-Universal truly seemed to be the house that *Law & Order* built. We can see the culmination of the "franchise" mentality being reached with this series: With four hours of *Law & Order* airing in prime time every week on NBC (the original *Law & Order*, *Criminal Intent*, *Crime & Punishment*, *Special Victims Unit*) and more than a dozen more hours airing on NBC's sister station, USA, occupied hundreds of hours of television time annually. As with Fox shows such as *The X-Files* and *The Simpsons*, it also generated numerous spin-offs, including a DVD series, a coffee table book of *Law & Order* crime scenes and several CD-Rom video games.

As the studios and networks integrated their assets, filmed entertainment holdings increasingly became the focal points of these new media conglomerates. Gradually these companies shed part or all of their investment in other divisions such as music (Universal), video retailers (Viacom), and consumer stores (Warner Bros.). In selling off such divisions, they repudiated the strategy of being integrated entertainment companies espoused during the late 1980s and early 1990s. Instead they elected to pursue the path taken by News Corp., a path that placed a priority on audiovisual media in general and network television in particular.

My study has focused on the initial steps taken by media conglomerates in pursuing the "News Corp./Fox model." However, much of this activity took place following the 1985-1995 time span that has been the focal point of my analysis. Additional work needs to be done in looking at how the business practices and media products of conglomerates continued to change from 1995 to 2004. As I suggested in chapter one, this 1995-2004 period marks a third phase of New Hollywood, a period distinct from the time under examination here. There has been even less scholarly discussion of this time period than there has been of the time under investigation in my study. In conducting such an analysis, there are several new developments which must be considered, including the impact of the information superhighway (as well as the rhetoric surrounding this growth); the increased investment by U.S.-based media companies into overseas markets, especially in Asia; the networks' continued redefinition as cable increased its output of original programming; and the rapid diffusion of the DVD.

The last decade also needs to be evaluated more extensively from a regulatory perspective. While there has been a fair amount of work on the impact of the Telecommunications Act of 1996, much less analysis has taken place in assessing the implications of the media consolidation which has occurred during the same time span. Yet there have been many significant economic and cultural consequences to this consolidation. Additional analysis could be undertaken in which the language and ideas of political economics are incorporated more explicitly into the discussion of these changes. In *The Political Economy of Communication*, Vincent Mosco identifies three "entry points" for discussion communication practices and processes: commodification, spatialization, and structuration.[1141]

Mosco, drawing from the work of Anthony Giddens, describes structuration as "a process by which structures are constituted out of human agency, even as they provide the very 'medium' of that constitution."[1142] Using this definition as a starting point, researchers could more extensively evaluate the relationship between individual agents and institutional agents in affecting change in the media industries as well as in larger social processes. The impact of specific individuals on the media industries could be better evaluated if research such as mine was supplemented with interviews with key industry players. Thus far, journalists have provided most of the discussions of the influence of individuals

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[1141] (London: Sage, 1996.)
[1142] Ibid, 212.

such as Rupert Murdoch and Barry Diller. With the exception of Todd Gitlin's *Inside Prime Time*, there have been few occasions in which scholars have interviewed industry figures in order to analyze the processes of media production.[1143] Such approaches could offer much in terms of better understanding the degree of authority which specific individuals exercise on the structure of particular media companies as well as the media industries at large.

One final area in which there could be additional research involves relating the developments in the media industries over the last twenty years to larger social, cultural and economic changes. It would be helpful to connect the rise of niche television programming to the growing popularity of niche products in general. Among the issues which could be explored more extensively are the impact which the proliferation of niche media has on social relations and the ways in which the fragmentation of media culture affects how different groups connect (or fail to connect).

Michael Curtin poses one way of relating the emergence of niche media to larger social and economic patterns. Incorporating and adapting work by David Harvey, Curtin argues that the changing organization of the culture industries is a function of a shift from a Fordist mode of mass production and mass consumption to a "neo-Fordist" era of "flexible accumulation."[1144] He maintains that Fordism did not disappear but rather exists "side-by-side" with such neo-Fordist traits as a physical reorganization of the workplace designed to speed up labor processes

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[1143] (New York: Pantheon Books, 1983.)
[1144] See "On Edge," 182, 186. For more by Harvey, see *The Condition of Postmodernity* (Oxford, Blackwell, 1990).

and enhance productivity; adjustments in labor markets, including the proliferation of subcontracting, part-time employment and casual labor; new modes of flexibility in the arena of state policy such as deregulation and privatization; and geographic mobility of financial capital, production processes and people.[1145] In addition to these traits, which he pulls from Harvey's work, he adds a fifth key characteristic of the neo-Fordist era: New modes of marketing and distribution.

Curtin asserts that these new modes of marketing and distribution draw attention to "the contested terrain of popular culture."[1146] This is the case because companies are now perpetually searching for "narrowly defined" and "underserved" markets.[1147] In other words, the oppositional becomes increasingly commercially viable. This can be seen, for example, in the growth of African-American sitcoms on Fox in the early 1990s. Such programs as *In Living Color*, *Roc* and *South Central* regularly dealt with issues relating to the struggles of the African-American working class.

These ideas pose several different ways to conduct additional research on Fox and the development of the media industries in the 1990s. First, more thought could be given to Fox's ability to appeal to particular subcultures or marginalized groups such as teenagers, the working class and African Americans. It is worth considering how much of Fox's success was due to its ability to tap into emerging trends in popular culture. Second, further research could be done on how the rise

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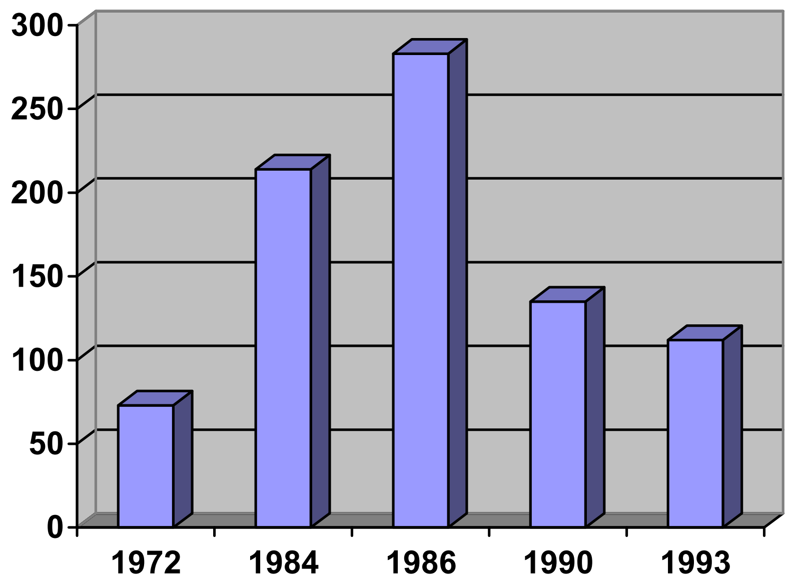
1145 Ibid, 186-187.
1146 Ibid, 187.
1147 Ibid, 190.

of niche television programming was similar to or different from the rise of other niche-targeted media products such as movies and music. Both alternative music and independent cinema were taking off at the same time that Fox was developing – a point which gives additional credence to Curtin's argument that a larger socioeconomic shift was underway.

Third, more thought could be given to how companies such as News Corp./Fox, Time Warner, and Viacom have continued to negotiate their roles as producers and distributors of both mass market and niche-oriented goods. From the mid-1980s through the mid-2000s, such media conglomerates have become more global in their reach at the same time they have become more diversified and fragmented in their development of media products. It is worth considering how much these processes are interrelated for such companies as well as the extent to which they are necessary for their continued survival and expansion. With these suggestions, I have only tapped the surface of what can be accomplished in contemporary media industry analyses. Clearly this is a fertile area for research, and one that has only begun to be explored.

Figure 1: The Rise and Fall of Independent Television Stations[1148]



*1990 and 1993 numbers do not include Fox affiliates.

*After 1993, the number of independent stations is not reported because the numbers are negligible. UPN and the WB snatched up most of the remaining independent stations as affiliates.

1148 Data compiled from "Land Fires Up Indie TV Stations," *Variety*; "Independent Television: The Good Gets Better," *Broadcasting*; "The 'Other' Independents: Sharing the Success of Fox," *Broadcasting*; Halonen, "INTV: All's Well 1 Year After Fox Exit," *Electronic Media*, 25 January 1993, 4.

Table 1: Top Companies in Electronic Communications, 1983[1149]

1983	Revenue (in millions)
1. General Electric	26.797
5. Westinghouse	9.533
8. Coca-Cola	6.829
10. Sony Corp.	4.748
12. CBS	4.540
14. Gulf + Western	4.243
16. Warner Communication	3.425
17. ABC	2.949
18. Time Inc.	2.717
24. MCA Inc.	1.585
28. Disney	1.339
39. Capital Cities	.762
50. Metromedia	.533
65. Tele-Communications	.347
67. Viacom	.316
72. Turner Broadcasting	.225

[1149] Adapted from *Broadcasting*'s annual Top 100 in Electronic Communications report. Includes only publicly owned companies. Numbers on left show overall ranking. See "Top 100," 16 April 1984, 58, 60.

TABLE 2: TOP COMPANIES IN ELECTRONIC COMMUNICATIONS, 1986[1150]

1986	Revenue (in millions)
1. General Electric	36.725
4. Westinghouse	10.731
5. Coca-Cola	8.669
7. Sony Corp.	8.180
9. CBS	4.754
11. Capital Cities/ABC	4.124
12. Gulf + Western	3.781
13. Time Inc.	3.762
15. News Corp.	**3.163**
19. Warner Communications	2.848
21. Disney	2.722
22. MCA	2.441
37. Viacom	.919
47. Tele-Communications Inc.	.645
52. Turner Broadcasting	.556
70. Tri-Star Pictures	.254

[1150] "Top 100," *Broadcasting*, 11 May 1987, 54, 58.

TABLE 3: TOP COMPANIES IN ELECTRONIC COMMUNICATIONS, 1989[1151]

1989	Revenue (in millions)
1. Capital Cities/ABC	4.957
2. General Electric	54.574
3. CBS	2.962
4. Time Warner	10.779
5. TCI	3.026
6. Sony	18.343
7. Viacom	1.436
8. News Corp.	**6.397**
9. Turner Broadcasting	1.065
12. MCA	3.382
16. Paramount	3.392
17. Westinghouse	12.844
22. Disney	4.594

[1151] "Top 100," Broadcasting, 4 June 1990, 48-49. Revenues include both entertainment and non-entertainment-related holdings for each company.

TABLE 4: TOP COMPANIES IN ELECTRONIC COMMUNICATIONS, 1992[1152]

1992	Revenue (in millions)[1153]
Broadcasting[1154]	
1. Capital Cities/ABC	4.266
2. CBS	3.503
3. General Electric	3.363
4. News Corp. [1155]	**1.480**
5. Westinghouse	.725
Programming	
1. Viacom	1.865
2. Turner Broadcasting	1.641
3. Paramount	1.216
6. Disney	.761

1152 "Top 100 Companies," *Broadcasting & Cable*, 21 June 1993, 37-39.
1153 Only entertainment-related revenues were listed in the charts this year.
1154 During this year, there was no single "top 100" list. Rather, *Broadcasting & Cable* separated companies into categories and then ranked them. The categories, in the order listed by *Broadcasting & Cable*, include: Broadcasting, Programing, Technology, and Cable.
1155 For the second year in a row, News Corp. had higher income from television-related activities than two of the three networks. The income rankings were: 1) Capital Cities/ABC ($619.3 million), 2) News Corp. ($291 million), 3) General Electric ($204 million), 4) CBS ($180.1 million). Ibid.

Technology

1. Sony	3.098
(Includes Columbia-TriStar)	
2. Matsushita	2.433
(Includes MCA-Universal)	

Cable

1. Time Warner	5.590
2. TCI	3.574

TABLE 5: TOP COMPANIES IN ELECTRONIC COMMUNICATIONS, 1995[1156]

1995	Revenue (in millions)[1157]
1. Disney	23.82
(Includes ABC/CapCities)	
2. Time Warner	18.71
(Includes Turner Broadcasting)	
3. Viacom	1.79
(Includes Paramount)	
4. News Corp.	**7.98**
5. Sony	7.66
6. TCI	4.94
7. Seagram Co.	7.66
(Includes MCA-Universal)	
8. Westinghouse	4.58
(Includes CBS)	
10. General Electric Co.	3.36

[1156] From McClellan, "Time Warner, Turner Join Mega-Merger Bandwagon," *Broadcasting & Cable*.

[1157] Ibid. This article was published immediately following the announcement of the Turner-Time Warner merger. The numbers are based on combined 1994 revenues of the recently merged companies. Revenues in this chart only pertain to entertainment-related assets.

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Vita

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