Keeping the Local Lines Open

By Eli M. Noam

The merger of Nynex and Bell Atlantic is raising new worries about where deregulation is taking us, when media mega-mergers are common and the Telecommunications Act of 1996 gives companies more latitude to team up and enter new markets. Are we moving toward a new national monopoly — like the old Bell system, before it was broken up — with control over cable TV and other media?

That is the wrong question. Nationally, there is now more choice in the communications field. In the early 1980's, AT&T controlled 80 percent of local telephone service and almost all long-distance service. Today, it has about 55 percent of the long-distance market and that will erode more as the Baby Bells compete. The big three TV networks have also had their grip loosened by the cable companies and other new players.

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The real threat in the Nynex-Bell Atlantic merger.

But lack of choice is a problem in one crucial area: local markets.

These markets remain concentrated because economies of scale make it difficult for additional telephone carriers, cable companies, broadcasters and newspapers to enter the market.

The result: Some 98 percent of towns have only one newspaper. About the same percentage of homes have no choice in cable systems, with some big providers favoring their own channels in deciding which programs to carry. Rivalry in local phone service is still rare. In radio, the 1996 telecommunications law permits the same company to own eight stations in large markets, up from four.

Paradoxically, adding competing communications-transmission systems only aggravates the problem of threatened local programming. Satellite broadcasting to home dishes is a logical rival to cable and local broadcasting. But satellites are most efficiently used to beam programs to a large population — all of North America, say. Adding hundreds of channels on cable (and, soon, phone networks) leads to wonderful diversity, but the audiences needed to support the programs have to be huge, further discouraging local content.

Computer-based media like the World Wide Web can be vital conduits for local groups, but they may only weaken local newspapers' advertising revenues without replicating their daily news coverage of the community.

All this does not mean we should prohibit every new merger or technology that threatens local communications. But, at a minimum, we should reject any deal that significantly narrows choices in local media.

We know how to prevent national communication monopolies. What we need to learn is how to preserve local content in an age of global communications. □