

1 only as a place of menace, as a place of danger, as a  
2 place to stay out of, which is why so many businesses are  
3 fleeing the inner city, as a place that can be addressed,  
4 a place in crisis that can be addressed -- how? To be  
5 addressed by building more jails, or urging harsher  
6 justice, and by allocating capital punishment, medieval  
7 barbarianism in addition to being racially skewed,  
8 medieval barbarianism that in other democratic countries  
9 wouldn't consider or even believe that we continue.

10           What drives the acceptability of this  
11 invidious sense of projection of power is not popularity.  
12 We are told that these images that we see is what we  
13 like, is what we want. That basically broadcasters are  
14 providing the entertainment and the news, and they are  
15 essentially part of the symptomatology, same structure,  
16 that they are providing it to us because we are in favor  
17 of it, we are entertained by it, we like it, we buy it,  
18 and we want it.

19           Let me tell you, in case you hear it now for  
20 the first time, that it is simply not true. Let me begin  
21 by asking you: If you are a producer in Hollywood and

1 you know that you are producing programs, a series of  
2 entertainment, dramatic programs, which is primarily an  
3 audience builder, and you know that you just about break  
4 even on the domestic market, that your profit comes from  
5 the world market, that most of the stories that children  
6 grow up on, they are produced by a homogenized,  
7 standardized, formula-driven world market product.

8           Now, you are asking yourself: What is it that  
9 needs no translation; therefore, travels best around the  
10 world? What is it that is essentially image-driven? And  
11 what is it that fits in a culture? And the answer by far  
12 is violence. The frequency of violence can be explained  
13 by the imperatives of global marketing, not by  
14 popularity.

15           The Nielsen ratings, a representative sample  
16 of programs with violence and compared it to a comparable  
17 sample of nonviolence programs, and for each of the five  
18 years that we did that, the nonviolence sample had a  
19 higher Nielsen rating than the violent sample, so then  
20 you ask: Why, if ratings drive the programming, why is  
21 there a lower-rated, the lower-rated violence sample, why

1 is that so much more pervasive than the higher-rated  
2 nonviolence programming?

3           And the answer is: global marketing. In  
4 other words, what our producers lose in each country they  
5 make up by global marketing that ignores what any country  
6 prefers. They make it by imposing a formula, including  
7 violence, and driven by violence on the producers in  
8 places who don't like it. To cut out this dialogue, it  
9 is too hard to translate; it doesn't carry in the global  
10 market as well.

11           Put in more action. Action is the code word  
12 for violence in the business. And so the frequency can  
13 be accounted for by something that I call a perversion of  
14 the public responsibility of the licensee, who broadcasts  
15 in a public, on the public airwaves.

16           In addition to that, the question is: What  
17 kind of violence -- violence, after all, is not a simple  
18 scenario. Violence is a social relationship. The real  
19 question about violence, which I think is the key to this  
20 whole cultural environment into which our community grew  
21 up, the meaning of violence is a demonstration of power.

1 It is a powerful driving force that establishes a  
2 structural power according to who is most likely to win  
3 and who is most likely to become a victim in a violent  
4 encounter.

5 It establishes a structural power in which  
6 different groups, as they grew up, become socialized to  
7 fit in.

8 For example, for every white male who commits  
9 an act of violence -- ten white males, there are ten  
10 white male victims. But for every ten women who are  
11 written into scripts to enforce their will on somebody  
12 else who is willing to accept it, which is a pretty good  
13 definition of violence, there are 19 females who become  
14 victimized. So the price for that kind of projection of  
15 power goes up as power status goes down.  
16 For every ten women of color who are written into scripts  
17 to project or express that kind of power, there are 22  
18 women of color who become victimized.

19 This does not change. This is what sets up  
20 the power structure that we are coping with. This is  
21 what is behind this or is a consequence of the invidious

1 system of ownership of employment, and of representation.  
2 It is not employment and ownership that touches the lives  
3 of people, it is content that touches the lives of  
4 people, and I ask you to also consider the outcome of the  
5 kind of structure that Reverend Jackson and David Honig  
6 and others who have studied this, what they are talking  
7 about, that structure is represented in the lives of  
8 every American child and increasing of more than half of  
9 the children around the world.

10           There is the casting of faith, and one key  
11 element of this casting of faith is who is doing what to  
12 whom in a conflict situation? This is a challenge that I  
13 think we face, and I would like to present to you as part  
14 of the overall challenge of working for -- what the  
15 RAINBOW/PUSH Coalition is working for, which is to create  
16 or to go from where we are now which is an increasing  
17 monopolized, globe-based, standardized system of  
18 socialization of children through the stories that we  
19 have accepted and through the manufacturing of stories we  
20 tell, to move from that to a position of diversity of

1 ownership, of employment, and therefore, also  
2 representation.

3           And in order to do that, in order to have a  
4 greater diversity of ownership putting out the same  
5 product, you also have to reexamine the idea that the  
6 culture in which we live has to be a product of  
7 marketing. The idea that we cannot collectively, through  
8 our organization and/or through our government create  
9 airwaves that are diverse, and as we do our cross-  
10 cultural international studies, we find that basically  
11 wherever government has a decisive say in the allocation  
12 of the airwaves, if it is a democratic government, it  
13 guarantees diversity, it finances diversity, it doesn't  
14 really get the most precious resource of our children in  
15 the airwaves to a marketing opposition.

16           I ask you to join the RAINBOW/PUSH Coalition  
17 on which our organization of cultural environment  
18 movement, which is a coalition of 150 groups in some 12  
19 countries is a part, is an affiliate to work towards  
20 this, to work for the day when our children and perhaps  
21 even we will live in a cultural environment which is more

1 diverse, which is more fair, which is more equitable, and  
2 much less violent than what we have now.

3 Thank you very much.

4 (Loud applause.)

5 CONGRESSMAN RUSH: Next we will have comments  
6 from Catherine J. Sandoval, Director, FCC Office of  
7 Communications and Business Opportunities. Since August  
8 of 1995 she has served as the Chief Advisor to the FCC  
9 commissioners regarding initiatives to create opportunity  
10 for small communications businesses, including those  
11 owned by minorities and women.

12 Ms. Sandoval served on the FCC Auctions Task  
13 Force designing rules, designing rules to auction  
14 spectrums for new communication services.

15 Through the Education Task Force of the FCC,  
16 she promotes children's access to information  
17 superhighways. She received the FCC's Chairman's Special  
18 Achievement Award in 1997, September of 1997, recognizing  
19 her work and fosters opportunity and service to all  
20 communities.

1           Before joining the FCC, Ms. Sandoval was a  
2 business litigator with the Law Firm of Longo, Toles &  
3 Olson in Los Angeles. She also served as a law clerk to  
4 Judge Dorothy W. Nelson of the United States Court of  
5 Appeals for the Ninth District.

6           Ms. Sandoval graduated magna cum laude from  
7 Yale University, where she had majored in Latin American  
8 studies. She is a Rhodes Scholar. Ms. Sandoval earned a  
9 master's degree in politics at Oxford University in  
10 Oxford, England. She was the first Hispanic woman to win  
11 a Rhodes scholarship. She received her J.D. from the  
12 Stanford Law School in which she was a member of the  
13 Stanford Law Review.

14           Please welcome Ms. Catherine Sandoval.

15                           (Loud applause.)

16                           STATEMENT OF

17                           CATHERINE J. K. SANDOVAL, Director

18           FCC Office of Communications & Business Opportunities

19                           MS. SANDOVAL: Thank you very much,

20           Congressman Rush, for that kind introduction. Thanks so

21           much to all of you.

1           It really is a pleasure for all of us to be  
2 here, to be here before such a direct audience. It was  
3 wonderful hearing about all the great things that all of  
4 you are doing, and to be here with the Reverend Jackson  
5 and the RAINBOW/PUSH Coalition. And we would like to  
6 thank you, Reverend, and to thank all the staff of the  
7 RAINBOW/PUSH Coalition for all of you working, and to my  
8 good friend Dave Honig, who I have worked with in the  
9 last several years in Washington, D.C.; Maceo Sloan, it  
10 is great to see you again, and Dr. George Gerbner, this  
11 is wonderful.

12           It is a little bit of a daunting task to  
13 follow Congressman Rush, Reverend Jackson and Dr.  
14 Gerbner.

15           When we were talking beforehand I asked Dr.  
16 Gerbner what he was going to be speaking about, and he  
17 said, "Oh, the history of western civilization, about 20  
18 minutes."

19           So, I said my focus would be a little bit more  
20 detailed than that. But I think he really did set the  
21 stage well for what we are talking about, which is a

1 civilization in which we can all participate. Because  
2 ultimately this is about democracy, this is about  
3 culture, this is about economy, this is about power as  
4 Rev. Jackson mentioned.

5           What I wanted to talk about a little bit today  
6 is the telecommunications industry, and what are the  
7 opportunities for minorities, women in the  
8 telecommunications industry? And how we can become a  
9 part of that which is becoming the largest growing  
10 segment of the American economy, and the segment of the  
11 American economy which is really dominating the economy,  
12 dominating the movement, and is the reason for so much  
13 economic growth, and that is the telecommunications  
14 industry.

15           What we can look at are the last several years  
16 we see some positive trends. In the long distance,  
17 market prices have come down. We are now seeing five-  
18 cent Sundays, and other such deals.

19           In the wireless telephone market, also, this  
20 is another place where prices have come down.

1           If you look at only about four years ago there  
2 were only two cellular carriers in every single region of  
3 the country. Now, we have a number of PCS companies who  
4 also are offering services. There are a number of small  
5 PCS companies that are coming on. You have more  
6 companies. Four or five years ago, you could not get  
7 packaged deals that included free weekend air time. You  
8 couldn't get packaged deals for \$19 a month.

9           I remember when my sister bought a cellular  
10 phone five years ago; she had to pay \$350 for the phone  
11 and \$50 a month, in addition to access fees. But with  
12 the advent of competition, the cellular companies started  
13 to offer more package deals because they knew that  
14 consumers would now have a choice, and they could not  
15 continue to do business the same old way.

16           And I really look forward to what is going to  
17 happen as things open up more to competition.

18           People like Mateo Camarillo and Steve Bradley  
19 who won several PCS licenses in the FCC auction, and also  
20 people who were actively marketing cellular service, are  
21 really transforming service for our community.

1           And I talk about them because I am very proud  
2 of the example these gentlemen are setting. They are the  
3 head of an integrated resources group company, and they  
4 are based in Los Angeles. And right now in Los Angeles,  
5 what you see on the TV, on the TV, on the TV everyone in  
6 Los Angeles seems to have a cell phone and I am from Los  
7 Angeles and I can tell you everybody does not have a cell  
8 phone.

9           They tell me only 12 percent of the people in  
10 Los Angeles have a cell phone. But when you look at  
11 Hispanic people in Los Angeles, only 2.9 percent of the  
12 Latinos have cell phones.

13           This is because we are not on the move. We  
14 are not in cars, we don't want to communicate, because we  
15 don't have money, their research shows, because nobody  
16 was marketing in Spanish, nobody was providing customer  
17 service in Spanish, nobody was providing billing in  
18 Spanish, so they started doing that. And they have a  
19 very successful company.

20           I was speaking to one of their other partners  
21 on Thursday, and he told me that 90 percent of their

1 customers are first time wireless users who have never  
2 had any other wireless service before, and many of their  
3 customers are people who do not have telephones in the  
4 home. They don't have wireline telephones. But because  
5 of the free weekend minutes, they are able to use this to  
6 stay in touch with their families, to get messages from  
7 their schools, to stay in touch with the economy and with  
8 their jobs.

9           So, there are tremendous opportunities out  
10 there for people who are willing to take a look at those  
11 opportunities and go after the market, even in the face  
12 of people telling you that those markets are not  
13 worthwhile.

14           You know, jumping ahead a little bit, one of  
15 the speakers who is going to be talking to you tomorrow,  
16 Kofi Ofori, who is with the Civil Rights Project, and he  
17 is doing a couple of studies for us at the FCC.

18           I see people here like Ro-Nita Saunders, Joe  
19 Stroud and Mrs. Stroud who are broadcasters, and one of  
20 the things that we heard from broadcasters in meeting  
21 with them over the years was about the stereotypes that

1 they were confronted with and the discrimination that  
2 they confronted and how this affected their ability to  
3 operate a business and to grow.

4 One practice in the advertising industry is  
5 that there is a longstanding practice of paying a  
6 minority discount. So, if you target audiences, if you  
7 focus on an audience, the African-American market or the  
8 Spanish speaking market, they automatically pay you 15  
9 percent less than you deserve based on your market share.

10 You know, where you would get, you know, let's  
11 say \$100 a minute, you would be paid, you know, \$85 a  
12 minute simply because you are serving minorities.

13 Now, I tell you when they are serving West  
14 Virginia people, they don't do a low income discount  
15 because people make less money in West Virginia, but they  
16 demand a minority discount.

17 And we also found that what happened was that  
18 a lot of the advertisers have stereotypes about the  
19 minority community.

20 When we met with the National Association of  
21 Black Owned Broadcasters, people tell stories about

1 meeting with the Beef Council, and saying to the Beef  
2 Council, "I have the number one radio station in New  
3 York, this is my share of the listenership, you should  
4 advertise on my station because it is a great way to  
5 reach people." And the people from the Beef Council  
6 actually said, "Well, we are not interested in  
7 advertising with your station because African-Americans  
8 don't eat beef."

9 And the person said, "Excuse me?"

10 And so they had a long discussion about the  
11 lack of basis of this person's fact; and then the person  
12 representing the African-American radio station went and  
13 got a whole bunch of research and came back with a ton of  
14 research saying that African-Americans do eat beef at the  
15 same rate as the rest of the country, and are very  
16 interested in hearing about beef advertising.

17 Then, the person said, "Well, if that is the  
18 case, if African-Americans do eat beef, we are not  
19 interested because we are not going to target first time  
20 beef eaters or potential beef eaters."

1           So, you couldn't win either way. There was  
2 nothing they could do to fit. This happened over and  
3 over again.

4           People went to meet with Hellman's Mayonnaise.  
5 They said, "Black people don't eat mayonnaise." All of  
6 these other different stereotypes. Lucky those don't  
7 drive Continentals, although these other products that  
8 people assumed that our communities would never buy.

9           We commissioned a study on these attitudes and  
10 what impact they are having on minority broadcasters, and  
11 what they found is that not only is there this type of  
12 stereotyping based on the audience that you serve, but  
13 what they found was that the stereotyping is greater when  
14 the station is owned by a minority than when the station  
15 is owned by a white person.

16           So, if a white person is serving minorities,  
17 they are better able to overcome those stereotypes, and  
18 to actually get by them than if a minority owned the  
19 station. So we are hoping to come out with this study in  
20 about three or four months. This is an area that, an  
21 issue that has been plaguing broadcasters for years, but

1 for a variety of reasons nobody has ever made a study  
2 before.

3 I think what it uncovers is what we all know:  
4 That is our noncommunication fosters tremendous  
5 stereotypes, and those stereotypes keep our communities  
6 from being served.

7 When I look at the patterns in telecommunica-  
8 tions, the minority communities watch more television  
9 than the white communities. The African-American  
10 community watches more television and overall in America  
11 watching seven hours of television a day. Latinos spend  
12 more on long distance bills than the Anglo communities.  
13 But yet there are gaps, and people are not marketing to  
14 us.

15 Now, some people are beginning to perceive  
16 those gaps and I noticed last week that MCI and WorldCom,  
17 one area that they targeted is the Spanish market. We  
18 need to be in the forefront of perceiving those market  
19 opportunities and going after them. And whether you do  
20 it in a business, whether you do it as a shareholder,  
21 whether you do it as part of a large corporation, whether

1 you do it as part of your corporation, whether you do it  
2 as going to the corporations and saying, "Why are you not  
3 serving us?" it is important that all of our communities  
4 have access to these services.

5 I wanted to talk just a little bit about some  
6 of the opportunities that are coming up through the FCC  
7 that will hopefully inspire other great businesspeople in  
8 this room to think about ways to serve those  
9 communities.

10 There are great opportunities in wireless.  
11 People like Maceo Sloan, Mateo and Steve, who are owning  
12 part of the telecommunications network.

13 We will continue to have auctions and the  
14 rules for these services as flexible as possible so it is  
15 really up to you to decide what types of services the  
16 community will need.

17 We have also proposed for later on this year  
18 to have auctions for broadcast property, and it will be  
19 the first time that radio and TV properties have been  
20 available at the FCC for many, many years.

1           There are a few cases that were put in  
2           abeyance called the Bechtel case, and we have proposed a  
3           way to resolve these cases, and for the first time to put  
4           some broadcast property up for auction later this year.

5           So, there are tremendous opportunities, and I  
6           hope those of you who are interested in broadcasting have  
7           commented on that rulemaking at the FCC, because this is  
8           your opportunity to help shape those rules, and that you  
9           meet with the people who have the capital, first of all  
10          the people in this room with each other, to make your  
11          plans for how you are going to get a piece of those  
12          licenses through the upcoming auctions.

13          I have already mentioned opportunity in  
14          resale. We have licensed many, many new wireless areas  
15          as those areas are building out through networks. They  
16          are going to need people also to market to that  
17          community. They are going to need people to help them  
18          build towers so that their signals can be carried, and  
19          all of you who have relationships with state and local  
20          government officials, they need your help in order to get  
21          the authorization.

1           I was speaking with somebody from a large  
2 telecommunications company who was saying in places like  
3 Arizona that they are building towers that look like  
4 cactus. Luckily a cactus is shaped like this because it  
5 is conducive of being a tower. But it is our power to  
6 build these towers to carry the signals in a way that is  
7 no eyesore for communities. And some communities are  
8 building towers on top of city halls, on top of community  
9 property, and in other areas where they can get an income  
10 stream and a revenue stream to help support the  
11 community, well, at the same time balancing out the  
12 aesthetics of our community so that is not just another  
13 instance of freeways going through our communities once  
14 again.

15           As the Reverend mentioned, there are also lots  
16 of opportunities for Internet service providers, and we  
17 are in the midst of really a tremendous opportunity with  
18 the hooking up of schools and libraries to the informa-  
19 tion cyber highway.

1           I wanted to take this opportunity to commend  
2 Congressman Bobby Rush, and also Susan Rosenblum for  
3 their foresight and leadership in this area.

4           I had the privilege last July of visiting  
5 Congressman Rush on the south side of Chicago and  
6 visiting with some of his constituents to talk about the  
7 FCC's program, to connect the schools and libraries to  
8 the information superhighway.

9           Through this program we are making available  
10 \$2.2 billion a year to connect schools and libraries to  
11 the information superhighway, and Congressman Rush had  
12 the foresight to have me in his District in July in order  
13 to explain to his constituents what the program was, and  
14 how they could be preparing for it. And we went in July,  
15 even though the application window did not open until  
16 January.

17           And Susan was just telling me that they had a  
18 downlink of teleconferences with schools and libraries  
19 last month, and a lot of people said, "Well, Cathy told  
20 us all this stuff in July, and we were ready for it."  
21 But that was our intention, that for once we would not be

1 there when the deadline was about to close going, "Oh, my  
2 God, the deadline is about to close, can we make it?"  
3 But that we were preparing months and months ahead saying  
4 that this opportunity is coming down the road.

5 So, for those auctions that are coming up,  
6 those licensing opportunities that are coming up, we need  
7 to be preparing now, because our communities need that  
8 information now. And I tell you I have struggled in  
9 getting this information out to communities because not  
10 everyone has the foresight that Congressman Jackson has,  
11 that the Reverend Jackson has, that Congressman Rush has.

12 I went to my home town, to Los Angeles, and  
13 asked to meet with the Los Angeles city school board, and  
14 with their staff about telecommunications issues, and my  
15 good friend, [unintelligible], who is head of the  
16 Hispanic Caucus, set up the meeting. And when they  
17 called over to the Los Angeles school district they said,  
18 "There is this new program, \$25 billion, you need to get  
19 hooked up," they said, "We don't need to meet with her,  
20 thank you, we are already connected."

1           So I am from Los Angeles, so I know that  
2 wasn't true. So we had to go through back doors and get  
3 friends who had friends on the board to pressure the  
4 staff to finally meet with us, and when we met with the  
5 staff we found out that out of the 650 K-12 schools in  
6 Los Angeles, only 200 of them had any access to the  
7 Internet at all. And most of them had it in only one  
8 classroom, and they didn't want to meet with me because  
9 they were hooked up already.

10           I went to a school, an elementary school in  
11 Los Angeles where I was classified as mentally retarded,  
12 along with all of my other schoolmates, because we were  
13 Mexican Americans. Oh, yes, it is easier to do things  
14 that way. But thank God that we had parents who fought  
15 for us to be tested, and fought for those labels to be  
16 removed from us.

17           You know, I became a Rhodes Scholar not  
18 because my intelligence changed, because that label was  
19 removed from me, and because I had those opportunities.  
20 But unfortunately people who are supposed to be working  
21 for us are still labeling us and saying, "We don't need

1 this." And I had the same experience when I was asked to  
2 meet with the Los Angeles public library, and the  
3 librarian said, "Oh, no, we don't need to meet with her.  
4 We are hooked up already."

5 I said to the Congressman's assistant, "Why  
6 don't we ask for a tour of the libraries in your district  
7 and then we will see exactly how hooked up you are." And  
8 that scared them into giving us a meeting.

9 So, we had the meeting, and they said that  
10 they had a wide range of telecommunications access in the  
11 libraries, and some of the public libraries had up to 20  
12 terminals and they had classes on using the Internet.  
13 Most libraries had about five terminals, although there  
14 were some libraries that only had one computer with an  
15 amber screen and no access to the Web.

16 Where do you think those libraries were  
17 located? And what I said to this woman was, "If you  
18 apply for this program, you can get your entire net  
19 access subsidized that you are paying for now. You can  
20 pay for your hardware, you can help to pay for the  
21 installation of the communications network to bring the

1 communications into these other systems. And with the  
2 money that you save, you can put computers in the other  
3 places that only have those dumb amber screens now, and  
4 you can get training classes to the schools, to the  
5 libraries that don't have training classes." And she  
6 said, "Oh, that is a great idea."

7 But you know, you have to get at people over  
8 and over again, and unfortunately there are people who  
9 are not as enlightened as Congressman Rush, who are  
10 criticizing this program on the Hill, who are saying  
11 that, "Your communities don't need this program," that we  
12 should be raising taxes in order to pay the connected  
13 schools and libraries, that we should be looking at other  
14 assessments and other opportunities.

15 But I have been all over this country and I  
16 can tell you communities want this. Our children want  
17 this. There is nothing more exciting than watching a  
18 five-year-old child getting on the Web, and watching him  
19 wander in excitement.

20 What is happening is that our kids today don't  
21 have the opportunities to have that training, and when

1 you look at the income gaps, it is astounding. For  
2 people who make over \$70,000 a year, 75 percent of those  
3 have computers in their homes for children. But for  
4 people who make under \$20,000 a year, the number is more  
5 like 15 percent. That gap is huge. And for kids who  
6 don't have computers at home, they are having to beg,  
7 borrow and steal to get computer access in order to  
8 compete with their peers who have that access.

9 Our Chairman, Bill Kennard, is going to be  
10 here tomorrow, and when he visited the Silicon Valley in  
11 January, he talked to CEO after CEO of computer companies  
12 and software companies and they said, "We have thousands  
13 of \$70,000 a year jobs that we cannot fill because there  
14 aren't enough qualified workers in the United States to  
15 perform this work."

16 So, you know what they do? Every week they go  
17 to the Department of Justice and they go to the  
18 Immigration and Naturalization Service and they beg for  
19 more visas to bring in foreign workers. They are  
20 bringing in planeloads of foreign workers every week, and  
21 I say U.S. workers can do this work, and we need to be

1 asking the corporations why they are not training U.S.  
2 workers to do this work. "Why are you not investing in  
3 Jackson, Mississippi? Why are you not investing in Los  
4 Angeles, California? Why are you not investing in the  
5 south side of Chicago, to make sure that our kids have  
6 the ability to do this work because we can?"

7 (Loud applause.)

8 Our previous FCC Chairman had the opportunity  
9 to meet with Bill Gates, the Chairman of Microsoft, and  
10 he asked Bill Gates, "Bill, what made you you? If you  
11 had to say there was one thing that really shaped your  
12 life and made you you, what was it?"

13 And he said, "Well, I went to an experimental  
14 school that was really into computers, and they had  
15 computers in this school since the 1950's, and they had  
16 every kind of computer that there was, and they just let  
17 us loose with these things and let us play with these  
18 things to our hearts' content," and that is the single  
19 thing that led Bill Gates to become Bill Gates.

20 And I hope that as we put our computers in  
21 these schools, we are not just teaching our kids how to

1 do word processing, but we are going to allow them to let  
2 their imaginations run loose and also we are going to  
3 develop the partnerships with the corporations so that we  
4 know what sort of skills the kids need in order to  
5 compete, to be the \$70,000 a year job takers, and the  
6 CEO's in the companies so that we can train our kids  
7 adequately for the future.

8 I think there are also a lot of opportunities  
9 in the software market. We are about to explode the  
10 telecommunications network by putting telecommunications  
11 in the schools and giving kids unprecedented  
12 opportunities. But right now there is not enough  
13 educational software for any subject, there are not  
14 enough educational web sites, but there is definitely not  
15 enough educational software that is out that is relevant  
16 to minority children and to women, and this is an area  
17 like Dr. Gerbner said, those stories you heard early in  
18 life are powerful images and for those of you who are in  
19 business there are tremendous opportunities to develop  
20 software and to market them to the schools and to the  
21 libraries.

1           There is also going to be another huge  
2 opportunity which we see coming into fruition this year.  
3 The train has already left the station, but there is  
4 still a lot of cars that are going along, and that is  
5 with the opportunity of digital television.

6           About a year ago all of the existing full  
7 power broadcast stations in the United States were at the  
8 direction of Congress, given additional stations on which  
9 they could develop digital television.

10           With this additional spectrum they will have  
11 the capacity to give high-definition television which has  
12 an incredible picture, incredible clarity and incredible  
13 sound, or they will have the ability to do multimixing,  
14 so where they have one channel now, they will be able to  
15 do several channels, four, five, perhaps six channels.

16           This is technically compatible. So there is  
17 going to be an explosion of programming outlets. And  
18 once again I think there is an opportunity for  
19 programming outlets to try to improve on the quality of  
20 programming, to try to make sure that that new  
21 programming grows more diverse, and Congressman, if this

1 is an area that the Wall Street Project, Reverend Jackson  
2 is looking to buy stock in, you might want to be talking  
3 to the television companies and asking them what they are  
4 planning to produce with all the additional spectrum that  
5 has been given by the American public.

6 So in closing I would just like to say that we  
7 at the FCC are very interested in promoting opportunities  
8 in the telecommunication industry. One way that you can  
9 find out about the things which are coming down the road  
10 is that my office, the Office of Communications Business  
11 Opportunities has a mailing list. We are still using  
12 physical mail, although you can also visit us at our Web  
13 site.

14 But if any of you would like to be on my  
15 mailing list, we send out information about once every  
16 four to six weeks of what is happening in the FCC that is  
17 relevant to small businesses and minority businesses and  
18 public interest organizations, and those of you who are  
19 on my list like Ro-Nita can tell you that I will send an  
20 entire filing cabinet worth of information. But your job  
21 is with that filing cabinet of information that I send

1 you to look at this, and say to yourself, "What  
2 opportunity is there for me in this? What opportunity is  
3 there for my friends in this? What opportunity is there  
4 for my community in this?" And to take that information  
5 and pass it along to somebody else who can use it.

6           You know, a lot of times when I have gone out  
7 to the schools I have asked the people who come to these  
8 forums to please tell their colleagues about the programs  
9 so that their schools can get prepared to apply for the  
10 program.

11           We only have 2,000 employees at the FCC.  
12 There are fewer people who work at the FCC than who went  
13 to my old high school. So we need you all to be our  
14 emissaries, to tell people about the opportunities that  
15 are out there, and to share that information so that we  
16 can all serve our communities well.

17           And one last thing that I wanted to address  
18 is: We are also looking at a number of regulatory  
19 initiatives, and we are very interested in your ideas.  
20 We are interested in gathering information on access for

1 different communities and what are the structural  
2 barriers to access.

3 We are also interested in gathering informa-  
4 tion on the tax certificates: what impact that has had.

5 I know that I have heard from a number of  
6 businesses that they are interested in the tax  
7 certificates. As some of the broadcasters here can tell  
8 you, one unfortunate consequence of the repeal of the tax  
9 certificate has been that the repeal has actually created  
10 a very lopsided playing field. What the tax certificate  
11 did, in brief, was give an incentive for owners of radio  
12 stations to sell their stations to minority buyers, and  
13 allowing them to defer the taxes on the capital gains as  
14 long as they sold it to a minority buyer; the minority  
15 buyer held it for a certain period of time, then they  
16 could take the capital and roll it over into another  
17 communications property, and they created an incentive to  
18 sell.

19 And when we looked at the tax certificate we  
20 found that even under the old rules the minority buyers  
21 were all required to hold the station for a year. Most

1 of them held the station for four or five years. There  
2 were people who had held the stations for 13, because  
3 they were committed to serve the community.

4           Since the tax certificate was repealed, there  
5 has also become another imbalance that was already added  
6 onto the capital imbalance, and that is especially true  
7 with the ability to purchase multiple stations in a  
8 market, that now if you have two buying companies who are  
9 trading with each other, you know, "I am buying Company X  
10 and you are buying Company Y and I want to buy your radio  
11 station," what they do often is they simply do a stock  
12 swap, and a stock swap is not a cash transaction, so  
13 there is no capital gains tax to be recognized.

14           But what would happen, though, if buying  
15 Company Y instead wanted to sell to David Honig small  
16 company and now David Honig is paying cash, that would be  
17 a cash transaction that would create a taxable event. So  
18 they have no incentive to sell to David, and have to  
19 suffer tax consequences when they can do a stock swap  
20 with somebody else and have no tax consequences.

1           So in fact our tax code is biased against  
2 deals for small businesses. We are very concerned about  
3 this. We are looking into it.

4           There are a number of members of Congress  
5 looking into it, but we need to hear from you how the  
6 absence of the tax certificate has affected you, and  
7 ideas how we can work together in partnership to try to  
8 create this access to our community for all of us.

9           In closing, I would just like to say two  
10 things:

11           1. I would like to thank the Court Reporter.  
12 My father is a court reporter, and I watched him work,  
13 but I never had to speak in front of him. So, I am sorry  
14 if I am speaking too quickly, I have a bad habit of doing  
15 that.

16           2. And I also wanted to share with you a  
17 quotation; I keep a list of quotations here in the back  
18 of my book. I have heard a lot of wonderful thoughts  
19 from previous speakers, but I wanted to share with you  
20 this thought.

1           It is practically a law of life that when one  
2 door closes another one opens. The trouble is that we  
3 often look with so much regret and longing upon the  
4 closed door that we do not see the one which is open for  
5 us.

6           And I am really awed to be in this room in the  
7 presence of people who have opened doors that other  
8 people have thought were closed, or that they opened them  
9 for negotiations or by kicking them down. And I am also  
10 awed to be in the presence of so many entrepreneurs who,  
11 in addition to trying to open those doors, turn around  
12 and look at all the other doors that are open and walk  
13 through with all of us.

14           Thank you very much.

15                           (Loud applause.)

16           CONGRESSMAN RUSH: Thank you, Cathy.

17           I just got a note from my next speaker,  
18 "Please don't give me a long introduction. I am staff.  
19 Just say I am Special Counsel of the RAINBOW/PUSH  
20 Coalition since January of 1998."

21           Thanks, David.

1                   Here is David.

2                                   (Loud applause.)

3                                   STATEMENT OF DAVID EARL HONIG

4                                   Special Counsel, RAINBOW/PUSH Coalition

5                                   MR. HONIG: Thank you. And I am going to be  
6 very brief.

7                                   It is a privilege to be here and it is  
8 especially a privilege to be able to work for an  
9 organization and a man who have been the conscience of  
10 this country and who are now the conscience of this  
11 industry.

12                                   I want to speak very briefly about one  
13 question, and then we would like to open it up to  
14 questions from the audience. And that is: We all know  
15 how grave the disparities in ownership are. We will have  
16 experts speaking about that tomorrow.

17                                   I want to very briefly remind us how that  
18 happened. Was it an accident? Was it based on lack of  
19 talent? Was it based on lack of capital? Or did the  
20 government have a role in it?

1           The radiofrequency spectrum belongs to all of  
2 us. It is our property. It is really true that the  
3 airwaves belong to the people. They are simply held in  
4 trust for us by the government. And clearly if the FCC  
5 had taken the position over the last 50 or 60 years that  
6 it deliberately and openly would deny ownership of any of  
7 those assets based upon race, clearly remedial programs  
8 would be justified. Actually, this may come as a  
9 surprise to many of us, but that is basically what they  
10 did without saying so explicitly.

11           I have remarks I am going to submit for the  
12 record. Let me point out a couple of things just to keep  
13 in mind as we begin to take questions.

14           Applicants for new broadcast licensing had to  
15 obtain bank financing on the same basis as others. Under  
16 an FCC rule formalized in 1965, that financing had to be  
17 sufficient to finance construction for a full year of  
18 operations with zero revenue. Everyone in the business  
19 knows that is ridiculous and unrealistic.

20           Of all people, the Reagan FCC repealed that  
21 rule in 1982 saying it conflicted with economic policies

1 favoring minority ownership and diversity because its  
2 stringency might inhibit potential applicants from  
3 seeking broadcast licenses.

4           Two other factors that were used were past  
5 broadcast experience and past broadcast record. How was  
6 it possible to get past broadcast experience and past  
7 broadcast records if many of the schools that have the  
8 training institutions, the public television and public  
9 radio facilities which are created for the training of  
10 the next generation of commercial broadcasters, were run  
11 by segregated institutions?

12           The government of the State of Alabama was the  
13 licensee of all the public television stations at a time  
14 when George Wallace was the governor. So there was no  
15 opportunity in Alabama to get broadcast experience or  
16 develop a past broadcast record.

17           The FCC knew or had to know from speaking to  
18 state broadcast associations how exclusionary the  
19 industry was. What they basically did was deliberately  
20 create an industry where they gave away virtually 100

1 percent of public land, public assets based on  
2 affirmative action programs for whites only.

3 In fact, in a case in 1955 the FCC openly said  
4 that it would license a segregationist who operated  
5 segregated movie theaters because it was consistent with  
6 the laws of the State of Louisiana that permitted  
7 segregation.

8 Interesting, since 1822, federal policy  
9 against discrimination or any federal policy was supposed  
10 to overcome a conflicting state policy. But the FCC knew  
11 what federalism is. They considered segregation to be  
12 federal policy. That is how it happened.

13 We are going to be talking a lot in the next  
14 few days, not just about how it happened, but what we can  
15 do about it.

16 What we are going to do now is open it up to  
17 questions, and I would encourage anyone that has any  
18 particular thoughts about what the FCC should do, this is  
19 the one chance that we will have where an FCC majority is  
20 not part of the problem, it is part of the solution.

1           The Chairman and one of the commissioners will  
2 be here.

3           Thank you for the privilege of being here.

4                           (Loud applause.)

5           At this time I'm going to ask Congressman Rush  
6 to lead us with some questions.

7           Thank you.

8           CONGRESSMAN RUSH: Before we go into the  
9 questions from the audience, we are going to ask for a  
10 five-minute break so that you can stretch and readjust.

11                           (Short recess.)

12           CONGRESSMAN RUSH: All right. Before we get  
13 started, David has a couple of announcements that he  
14 wants to make. Would you all bring that microphone up  
15 forward a little bit?

16                           (Here came miscellaneous discussions  
17 and announcements.)

18           CONGRESSMAN RUSH: Now, this is the most  
19 important part of this, questions from you. If you would  
20 like to ask a question, make yourself known and ask the  
21 question and designate who is the question directed to.

1 Will you please line up for questions?

2 MR. JORDAN: Frank Jordan. I am with  
3 Worldwide Multimedia.

4 As I told you earlier, I wanted to make  
5 several observations because some of the key speakers  
6 have hit on them.

7 The gentleman talked about the Nielsen ratings  
8 that governs what you see on TV. In Los Angeles, 43  
9 percent of all blacks that live in California live in Los  
10 Angeles County. Only 140 homes have a box. We are  
11 talking a million and a half people, but only 140 dictate  
12 the black community in Los Angeles.

13 In Chicago you might have less than that.

14 So, that is one way to change this psyche of  
15 not only ownership but viewership.

16 Number two, in America today ten companies  
17 owns or operates 80 percent of the best radio station  
18 frequencies in this country. The average corporation of  
19 these ten owns or operates roughly 200 stations each. So  
20 when they did this whole thing about deregulation, all  
21 you did was get us out of the game.

1           We have been working on the station trying to  
2 buy a license for ten years, and thanks for the help of  
3 David, we acquired our first license last year, and if it  
4 was not for his help and others', we would not have  
5 gotten that license. But getting that license out of a  
6 ten-year struggle, one thing came about. Through our  
7 research in applying for a license for the auction  
8 process, and the auction process for minorities is  
9 stacked against us, period. One thing that we found out  
10 during our research for the auction process is that there  
11 can be at least six to ten frequencies added in each city  
12 using modern technology.

13           I will give the Chairman a copy of that infor-  
14 mation tomorrow.

15           But in each city you can open up ten new  
16 frequencies using new technology, which those frequencies  
17 should go to the disenfranchised.

18           In a city like Los Angeles, only one radio  
19 station is owned by an African-American. That is what it  
20 is.