



Highlights of [GAO-07-275](#), a report to the Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

In March 2006, the Smithsonian Institution (Smithsonian) announced that it had entered into a 30-year contract with Showtime Networks Inc., (Showtime) to create a digital on-demand television channel. Members of Congress and other interested parties, particularly filmmakers, raised issues about the contract's potential effects on public access to and use of the Smithsonian's collections, its confidential nature, and the process by which the Smithsonian negotiated it. This report discusses (1) the extent to which the Smithsonian followed its internal contracting guidelines, (2) what the Smithsonian gave up and received in return under the contract, (3) the Smithsonian's implementation of the contract, and (4) the contract's potential impact on outside parties. GAO reviewed the contract and pertinent documents, and interviewed Smithsonian and Showtime officials.

## What GAO Recommends

GAO recommends that the Smithsonian better document its key decisions regarding filming applications and that it update the "Frequently Asked Questions about Filming at the Smithsonian Institution" on its Web site to better describe what the contract means for filmmakers.

The Smithsonian generally agreed with GAO's findings and recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-275](http://www.gao.gov/cgi-bin/getrpt?GAO-07-275).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robin M. Nazzaro at (202) 512-3841 or [nazzaror@gao.gov](mailto:nazzaror@gao.gov).

## SMITHSONIAN INSTITUTION

# Additional Information Should Be Developed and Provided to Filmmakers on the Impact of the Showtime Contract

## What GAO Found

The Smithsonian followed its internal contracting guidelines regarding competition, oversight, and conflicts of interest. When it began exploring a television venture in 2002, it approached 18 major media companies and negotiated with two before reaching a deal with Showtime. The process was overseen by Smithsonian Business Ventures' (SBV) Board of Directors and the Smithsonian's Board of Regents, who approved the contract in November 2005. When SBV's Chief Executive Officer disclosed a potential conflict of interest, the Smithsonian's Ethics Officer reviewed the disclosure in accordance with Smithsonian policies and concluded that no conflict existed. GAO's Ethics Officer concurred with the Smithsonian's decision.

The Smithsonian granted the new venture a 30-year, semiexclusive right to produce and commercially distribute audiovisual programs using Smithsonian trademarks and/or content in exchange for national television exposure and new revenue. The Smithsonian projects that the new channel will reach more than 31 million households by 2010 and will have a total value of over \$150 million after 10 years. The Smithsonian's major concession is a noncompete clause that generally prohibits it from engaging in activities that would compete with the new venture. The Smithsonian negotiated exceptions for various news and educational programs.

The Smithsonian has been working to implement policies and procedures necessary under the contract since it became effective in January 2006, but the information that it has provided to interested parties has been insufficient. The Smithsonian and Showtime waited until March 2006 to publicly announce the new venture and did not implement internal processes to review filming requests for compliance with the contract until after the public announcement. The Smithsonian has created a committee to review filming requests, but does not document in detail its rationale for key decisions or attempt to synthesize these decisions over time. Also, the "Frequently Asked Questions" on the Smithsonian's Web site provides little information for filmmakers about the new contract.

It is too early to determine the long-term impact of the contract. Access to the Smithsonian's collections and staff for research purposes remains unchanged, but the direct impact on filmmakers will depend largely on how many request permission to use a substantial amount of Smithsonian content. So far, 6 of 117 filming requests have involved a substantial amount of Smithsonian content—2 were denied and 4 were approved as exceptions. The Smithsonian contends that it will be able to accommodate the same level of filming activity as it has in the past based on its historical analysis of filming contracts. GAO found that this analysis was unreliable because it was based on incomplete data and oversimplified criteria. In addition, concerns have been raised about damage to the Smithsonian's image and the appropriateness of limiting the use of the collections held in trust for the American public.