PART IV:
CONCERNS ABOUT THE IMPACT OF NEWSPAPER-TV COMBINATIONS ON PRINT JOURNALISM

STUDY 9:
LOCAL MEDIA AND THE FAILURE OF BIG MEDIA'S CONGLOMERATE MODEL

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ABSTRACT

The economics of cross-ownership between media and consolidation within media has played a central role in the debate over limits on media ownership. Although the courts have clearly stated that the pursuit of the goal of "the widest possible dissemination of information from diverse and antagonistic sources" is about much more than economics, media owners have argued that consolidation and conglomeration promote economic efficiency and by doing so a more vibrant media marketplace. However, because the public policy presumption is in favor of more independent voices, and consolidation and conglomeration reduce the number of owners in local media markets, such claims bear a heavy burden of proving that, absent such mergers, a media outlet would be seriously weakened or unable to survive.

While the Federal Communications Commission (FCC) has given great weight to the efficiency claim, this paper shows that in the three years since the FCC sought to relax the limits on media ownership the premise that consolidation and conglomeration promotes economic health has been challenged by reality.

This paper demonstrates this new reality by examining the recent sale of newspapers – particularly the McClatchy purchase of Knight Ridder – and television stations. It reviews the trade and academic literatures, as well as the popular press.

Newspaper and television properties are selling at healthy prices. The cash flow multiples at which numerous properties have been sold over the past couple of years are consistent with, even higher than, is typical in these sectors. Newspapers have profit margins of 20% and sell at multiples of 10-12 times cash flow. TV stations have profit margins of 30% to 50% and sell at multiples of 13-16.

- This year, when McClatchy purchased the Knight Ridder chain, it immediately sold off a dozen of the 'least attractive' properties at 12 times cash flow, a 25 percent premium to its purchase price. Media General sold four television properties in mid-sized markets are 15 times cash flow.
- In investing in quality news and emphasizing localism pay-off. The large conglomerates and chains, who emphasized centralization, synergies and staff cuts, have been having trouble, while the smaller chains and stand alone entities that focus on specialized media businesses have been thriving.
- The problem facing traditional media is to develop models to distribute their content online and the solution does not involve consolidation of traditional outlets. The evidence on conglomeration of television stations and newspapers (as opposed to convergence of digital and analog distribution) shows no clear pattern of economic or journalistic benefits.
- Conglomeration in physical space is not the solution to competition in cyberspace. Indeed, the growing possibility of head-to-head competition on the web between local TV stations

and daily newspapers is a rare opportunity to enrich local media markets. Cross ownership would nip this competition in the bud.

SETTING THE STAGE

In the upcoming media ownership proceedings at the Federal Communications Commission (FCC), Big Media will sing a song of gloom and doom about the economics of the media business. As they have done in the past, they are likely to insist that consolidation between outlets and conglomeration across media sectors are necessary to save the media industry from ruin.

Even though mergers reduce diversity of ownership, Big Media often claims that mergers preserve outlets or improve their quality, which is better than losing the independent voice altogether or having it be weak. They will demand that rules limiting their ability to buy up media properties be eliminated or dramatically curtailed.

Recent trends in media markets suggest that they cannot make this case. Local TV stations and newspapers are still very healthy businesses. While they may not generate the kinds of returns that oil companies enjoy or hedge funds seek, they are, in fact, quite profitable compared to typical businesses in America and buyers have been proving that by paying handsome prides for these properties.

The most "startling" aspect of the recent events in the newspaper and TV sectors is the message being sent by the prices recently paid to acquire newspaper and TV station properties.

> There is some good news in the unrest... If the sale price of Knight Ridder – $4.5 billion – was a referendum on the health of the industry, the answer was positive. The price was higher than most expected and acknowledges the fact that many newspapers still enjoy profit margins of about 20 percent – higher than that of most businesses.[270]

[270] Ahrens, Frank. "A Push Toward Private Control of Newspapers." *Washington Post 17* June 2006, D3.

> Despite weak station-group stocks, broadcast properties themselves are fetching surprisingly high prices. Deals for many of Emmis Broadcasting's stations closed recently at startling values. The planned sale of broadcaster Liberty Corps. to Raycom is only slightly less impressive. [271]

A June 17, 2006 article by Frank Ahrens in the *Washington Post* goes even farther to draw a dramatic lesson from recent events. "The recent breakup of the Knight Ridder Inc. newspaper chain has helped to spark interest around the country in returning papers to local or private ownership after decades of expansion by corporate media conglomerates."[272] The issues Ahrens sees raised by these recent trends in the newspaper business feed directly into the issues that are at the core of the media ownership proceeding:

> Now after two decades of circulation decline that have led to strife in boardrooms, some of the very precepts that stabilized the business – newspapers should be publicly held companies, local ownership is limiting, and bigger is better – are being repudiated.[273]

The failure of the consolidation/conglomeration strategy should certainly not be taken to mean that the local media industries do not have problems; it just means that consolidation/conglomeration is not a solution to the problems it faces. The real challenge facing traditional media outlets like newspapers and local broadcast stations is that audiences are migrating to the web and advertising dollars are following them there. Consolidation of the traditional, physical, push media does not address this issue. Rather, the business of journalism, print and video, must develop strategies for online distribution. Physical world consolidation is neither a sufficient condition, nor even a helpful step in meeting this larger long term challenge. One part of the solution highlighted by recent developments is a change

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[271] Higgins, John M. "Nice Price: Despite Recent Deal Snags, the Station Market is Still Relatively Strong." *Broadcasting and Cable,* 20 February 2006, p. 6.
[272] Ahrens, 2006, p. D1.
[273] Id.

in ownership – "With private ownership, shareholders are off your back. A helpful thing as newspapers take risks to follow their readers to the Internet and beyond."[274]

Demonstrating that the economic conditions do not call for consolidation or conglomeration is critically important in the ownership proceeding because the public policy of promoting diversity and localism in the media sets a presumption against consolidation and conglomeration. As a nation, we prefer a less concentrated, more institutionally diverse media for the sake of healthy democratic discourse. This preference has been enacted into law by the Congress, implemented by the FCC and found constitutional by the Supreme Court. It now appears that policies to promote diversity and localism are not in conflict with the fundamental economics of the industry. As a result, restrictions and bans on consolidation and conglomeration make perfect public policy sense.

NEWSPAPERS

Two factors seem to be fueling the ongoing turmoil in the newspaper industry. On one side is the failure of the consolidation/conglomeration approach of the past couple of decades to produce the returns that *Wall Street* seems to demand. In the case of Knight Ridder, "the upheaval started last fall, when a major shareholder of the venerable Knight Ridder chain began urging the board to breakup the company, saying shareholders were not getting the best value for their stock."[275] After Knight Ridder was successfully sold, turmoil broke out at an even larger conglomerate, The Tribune, when the second largest shareholder "accused management of pursuing a failed strategy of melding local TV stations and

[274] Id.
[275] Id.

newspapers and failing to keep pace with the industry."[276] The financially successful sale of the Knight Ridder papers and the boardroom melodrama at the Tribune have put the issue in the headlines. The Tribune's "content conglomerate" strategy has failed, not because the individual businesses are unhealthy, but because conglomeration is not a solution to the problem the industry faces.

Thus, on the other side is the continuing strong performance of many of the basic newspaper assets. The sale of the Knight Ridder chain to McClatchy, which surprised some, and the immediate resale of twelve papers to small or mid-sized chains and individuals suggest that the newspaper business is moving away from the conglomerate "content" model that seemed fashionable a few years ago. What we observe is that people who want to be in the newspaper business are finding that they can make money in the newspaper business, especially if they figure out how to effectively distribute the product online. Circulation is down, but readership may not be[277], and advertisers are beginning to figure out about the new opportunities being presented online by local newspapers.

McClatchy sold its recently acquired Knight Ridder papers in markets it did not choose to enter for between 9.5 and 11.1 times cash flow.[278] Those are considered healthy

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[276] Siklos, Richard and Katherine Q. Seelye. "At Tribune a Call for a Split." *New York Times, 15* June 2006, C1.

[277] The *Philadelphia Inquirer* and *The Wall Street Journal* both claim increasing readership due to online readers. (See von Hoffman, Nicholas. "Anybody Want to Buy a Newspaper?" *The Nation,* 2 December 2005.)

[278] Dirks, Van Essent & Murray. "McClatchy will be #2 – Acquisition is Largest in Total Circulation." 1st Quarter Update. 31 March 2006; Saba, Jennifer. "It's Official: McClatchy Sells 5 KR Papers – to 4 Companies." *Editor & Publisher,* 7 June 2006; Theses numbers were a little lower than other deals as noted in Levingston, Steven and Terence O'Hara. "McClatchy's Paper Chase." *Washington Post,* 14 March 2006, p. D1, "Knight Ridder Sold for 9.5 times free cash flow, making the purchase price, on a cash-flow basis, cheaper than any other major newspaper deal of the past five years. Recent deals have priced newspapers at 12 to 14 times their free cash flow."

numbers in the industry. Indeed, they are the very same numbers that we observe in cable systems and no one suggests that the cable business is on the brink of ruin.

Even at the troubled Tribune Company, the newspaper business is quite profitable.

> While the company does not break out the margin for individual papers, analysts estimate that the profit margin at the Times could have been as high as 20 percent last year. That is lower than those at other Tribune properties but higher than those of many Fortune 500 companies.[279]

The Project on Excellence in Journalism hypothesized in *The State of the News Media: 2005* that "the species of newspaper that may be most threatened is the big-city metro paper that came to dominate in the latter part of the 20th century."[280] The problem is what I have called the wheelbarrow problem.[281] Trying to cover a large geographic area, the physical paper simply becomes too large to give enough detail – either in reporting or advertising – to meet the needs of individuals at different ends of the region. There is so much to cover that consumers would have to carry their papers around in wheelbarrows. As the Project on Excellence in Journalism put it:

> The top three national newspapers in the U.S. suffered no circulation losses in 2005. The losses at small newspapers, in turn, appeared to be modest. It was the big-city metros that suffered the biggest circulation drops and imposed the largest cutback in staff. Those big papers are trying to cover far-flung suburbs and national and regional news all at the same time – trying to be one-stop news outlets for large audiences.[282]

Ahrens recently noted this pattern of turmoil in the industry as well.

> And even though big-city newspapers are losing circulations, many small and mid-size newspapers are growing. It was those Knight Ridder papers that caught McClatchy's eye…

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[279] Siklos, Richard and Katharine Q. Seelye. "Fitfully Blending Papers and TV." *New York Times,* 19 June 2006, p. C4.
[280] Project on Excellence in Journalism. 2006. "Overview." *The State of the News Media: 2005*, p. 3.
[281] Cooper, Mark N. *Media Ownership and Democracy in the Digital Information Age.* Palo Alto: Center for Internet and Society, 2003, pp. 127-129 (hereafter PEJ).
[282] PEJ, 2006, p. 3.

> The smaller papers are growing because, unlike in large media markets, they are either the only or the dominant advertising vehicle in town. It is an advantage that large papers, such as the Philadelphia Inquirer, cannot match, as advertisers have more ways to reach consumers there.[283]

For the big-city papers, the challenges come from "niche publications serving smaller communities and targeted audiences,"[284] as well as online revenues. The Tribune's flagship paper – the Los Angeles Times – exhibits the problem in the extreme. "Los Angeles County is made up of 88 independent cities, a sprawling region that is difficult for any one news organization to cover in depth. It has also absorbed a huge influx of people who do not speak English."[285]

Yet, McClatchy held onto four large newspapers and the price fetched by the Philadelphia newspapers it flipped was about $1,000 per subscriber, a figure equal to that which Fox paid for DirectTV. When the subject of breaking up the Tribune Company comes up, the price mentioned for the L.A. Times is about the same. In short, the stand alone newspaper business model appears to be making a comeback.

William Dean Singleton, CEO of privately held MediaNews Group Inc., which bought four of the papers McClatchy flipped to become the fourth largest newspaper chain in the country, wadded into the middle of the Tribune turmoil by comparing the price he was paying for newspapers to the cost of Tribune's plans to buy back its stock--an effort to pump up its stock price.

> They're buying back their stock for 7.9 times cash flow or something? That's a good buy. I'm out paying 12 times [cash flow] to buy newspaper assets. I wish I could buy them for 7.9, but I can't."

[283] Ahrens, 2006, p. D3.
[284] Id.
[285] Siklos and Seelye, 2006, p. C4.

> Singleton's perfectly happy to keep buying papers on the cheap while others disparage the future of print. It's "still a very, very, very profitable piece of what we do and will be doing for a long time," he said, citing the installation of new presses at four of his papers as testimonial to his confidence[286].

Singleton's lament about having to pay higher prices for newspaper properties actually extends to the whole Knight Ridder deal. As an article in the Washington Post pointed out when the sale to McClatchy was concluded,

> Knight Ridder sold for 9.5 times free cash flow, making the purchase price, on a cash flow basis, cheaper than any other major newspaper deal of the past five years. Recent deals have priced newspapers at 12 to 14 times their free cash flow.[287]

The ability of McClatchy to flip the papers at prices much closer to the industry average suggests that it was either the size of the chain that was put up for sale that was the problem or the quality of management at the Knight Ridder chain.[288] The industry in general commands higher multiples.

Importantly, it is not only the economic benefits of conglomeration that have not panned out; the claims of journalistic benefits have also proven elusive. John Morgan is cited in the Ahrens article as a "newspaper analyst," who

> has become converted to the return-to-private thinking, which he said has its journalistic benefits.
>
> The fact is, Wall Street is so short-nosed and so dedicated to maximizing return on investment to the exclusion of almost everything else, you're going to have situations where, basically, you have a lot of public shareholders who have interests that are inimical to good journalism.[289]

Ahren's warns that the impact of the shift will be complex.

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[286] Rosenthal, Phil. 'Singleton Sold on Newspapers." *Chicago Tribune,* 21 June 2006.
[287] Levingston, Steven and Terence O'Hara. "McClatchy's Paper Chase: Family Owned Chain to By Knight, Plans to Sell off 12 Dailies." *Washington Post,* 14 March 2006, D1.
[288] Id.
[289] Ahrens, 2006, p. D3.

> But lest a generation of newspaper journalists – who have watched corporate parents slash costs through layoffs, budget cuts, bureau closings and the like – gets dewy-eyed over the prospect of local, private ownership, Singleton warned: I don't think there's a lot of difference between performing well to please your shareholders or performing well to please your bankers.[290]

The theme is clear. Consolidation and conglomeration bring sharp reductions in staff but fail to produce economic benefits. This opens the door for smaller chains and those dedicated to print journalism to move the industry in a different direction, a vision they are backing up by purchasing assets at healthy prices. The bottom line for the Knight Ridder-McClatchy deal is striking. McClatchy bought Knight Ridder for 9.5 times cash flow and sold a dozen papers, considered to be the least attractive properties from McClatchy's point of view for 11 times cash flow to more than half a dozen owners.

LOCAL TELEVISION

The television sector exhibits a set of characteristics that parallel the developments in the newspaper business to a remarkable degree. The range of prices for newspapers given above suggests a healthy economic situation while the local broadcast market is in even better shape. As an article in *Editor and Publisher* quoting Tom Buono of BIA Financial Network noted just prior to the release of the proposed ownership rules in May 2003, "The reality is, broadcasting in general is selling for a few multiples [of cash flow] higher than newspapers… If newspapers are going for multiples of 8 to 12, it's more like 10 to 14 for TV, and radio is even higher."[291]

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[290] Id.

[291] Fitzgerald, Mark and Todd Shields. "After June 2, Papers May Make Broadcast News." *Editor and Publisher,* 27 May 2003, p. 4.

At exactly the time that McClatchy's purchase and resale of the Knight Ridder papers caught the attention of the newspaper trade press, a similar series of events startled the TV market. In an article headlined "Nice Price," *Broadcasting and Cable* recounted a series of TV station sales:

> One media investment banker pegs the $987 million Liberty Corp. sale at 13 times cash flow. Emmis has cut four deals totaling $859 million for stations at 13-16 times annual cash flow…
>
> And the high-priced deals were generally not troubled situations where the buyer was betting on a significant turnaround. [292]
>
> Underlying these high prices is a highly profitable business.
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> So how do buyers justify their high prices? The first attraction is that stations generate lots of cash flow, with margins often hitting 40%-50% (By comparison, strong newspapers generate 20% margins). Those earnings are relatively predictable, so lenders allow high leverage. That helps enhance return on investment.

Drama was not lacking in the TV sector. While the drama was playing out in the boardroom of the Tribune Company, Univision, the number one Spanish language broadcaster and the fifth largest broadcast network in the U.S., was up for sale by its private owners. The owners had set a high target price and only two groups of bidders came forward, one of which had trouble holding its team together, which garnered headlines. In the end, the price settled at a very handsome $12 billion.

> At $11 billion or $36 a share, Univision is not getting the $40 a share it had originally signaled that it was hoping for when it put itself up for sale in February. But the price remains one of the highest multiples paid for a media company in recent memory.[293]

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[292] Higgins, 2006, p. 6.

[293] Sorkin, Andrew Ross. "Univision Considering Better Bid." *New York Times,* 27 June 2006, p. C11.

> Univision yesterday confirmed its planned sale to a consortium of private-equity investors who will pay $12.3 billion and assume $1.4 billion in debt.[294]

The basic profitability analysis and the challenges noted for newspapers are similar in the local TV business. The Project on Excellence in Journalism describes local TV broadcasting as follows: "The industry is still enormously profitable. Pre-tax profit margins of 40% to 50% are not uncommon."[295] A recent article in the *Wall Street Journal* noted that "it is still not unusual for a big-city station to have profit margins of more than 40%. Even stations in mid-size markets can achieve margins that exceed 30%." [296] In fact, small market prices were strong. For example, Disney CEO Bob Iger, when asked about beefing up its small station group, responded, "Every time we've looked at potential acquisitions in that space, we felt that the prices being paid were just a little bit too high."[297] The strong value of these TV properties was affirmed when Media General sold four properties in mid-sized markets for an average of 15 times cash flow.[298]

The *Wall Street Journal* does note that "Local Stations Struggle to Adapt as Web Grabs Viewers."[299] The trigger to the challenge is largely a failure of national networks not local stations. It is a combination of cable and satellite fragmenting the big national audiences, national networks failing to produce hits that attract eyeballs, and advertisers moving online. The successful response, suggested by the case study of WOOD in Grand

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[294] Jordan, Miriam, Dennis K. Berman and John Lyons. "Investor Group Snags Univision: Televisa Fumes." *Wall Street Journal,* 28 June 2006, p. B1.

[295] Project on Excellence in Journalism. 2006. "Local TV." *The State of the News Media: 2005*, p. 1.

[296] Barnes, Brooks. "Local TV Stations Struggle to Adapt as Web Grabs Viewers, Revenue." *Wall Street Journal, 12* June 2006, p. A11.

[297] Higgins, 2006, p. 6.

[298] Romano, Allison. "Media General Wraps Sales." *Broadcasting and Cable,* 1 August 2006. The markets rank an average of 105 in a total 210 Designated Market Areas.

[299] Barnes, 2006, p. A11.

Rapids Michigan, involves the same elements suggested by the newspaper business – a focus on journalism and the development of effective online models.[300]

Interestingly, although advertising revenues at local stations are down, the production and distribution of local news remains an extremely profitable undertaking. The claim that entertainment had to save the news, which was the mantra in the past media ownership proceeding, has been turned on its head. News is now leading entertainment as a profit center for local TV stations.

Developing online news distribution channels that generate revenue appears to be the way to go. As the Wall *Street Journal* noted: "News represents 50% of income at WOOD, which is typical in the industry. (Local prime-time ad sales make up another 40%, with daytime sales accounting for the balance)." "Most important, according to Ms. Kniowski, has been a shift in emphasis from feature-type stories to harder news. The station has largely abandoned what she calls "touchy feely" stories – such as local firefighters saving a cute kitten from a rooftop."[301]

The attractiveness of local news has penetrated through the industry, with expanding coverage. "News is typically good business. Unlike syndication, where stations often split ad time with the distributor, affiliates keep all the ad time in news. And some advertisers, such as political campaigns, are most interested in buying time during the news."[302]

Paralleling the Tribune's difficulty making cross-media conglomeration pay off are Sinclair's troubles with centralized, chain TV news.

[300] Id.
[301] Id.
[302] Romano, Allison. "Late News Get Earlier." *Broadcasting and Cable,* 12 June 2006.

> Four years ago, Sinclair Broadcasting Group launched a highly controversial centralized news operation that it said would allow its stations to affordably broadcast local news. Today, the station owner is giving the experiment a vote of no confidence, shutting down half a dozen newscasts at various stations and overhauling its News Central service.[303]

Sinclair's problem was simple: TV news is local and "using centralized news, critics say, stripped stations of their localism…Too much of the news came from a place where none of the viewers lived… Viewers were told these were local newscasts, but it did not pass the small test."[304] Ironically, "Sinclair says it will continue to supply its stations with its controversial editorials, called "*The Point*…" The segments have been another flashpoint in local markets, derided by media activists as ultra-conservative and not reflective of local issues and sensibilities. "We will continue to provide a point of view… It's very important to our company." [305]

While local stations have discovered that sticking to the news business is good business, the national networks seem to be heading in a different direction – "to adopt the formula that worked so well in prime time: not too many negative stories, with attractive people delivering the news in a more compelling way." [306] This raises concerns among some, who see the TV news business better supported by focusing on the news.

> But if their news operations push the entertainment element too far, they will chase away a blue-chip audience that values substance more than style. While the audience for the evening news cast is aging and declining in size, it's still substantial, and the shows all generate tens of million in revenues….

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303 Romano, Allison. "Sinclair Rethinks News Mission." *Broadcasting and Cable,* 20 March 2005, p. 16.

304 Id.

305 Id.

306 Robins, J. Max. "News Investment Pays Off." *Broadcasting and Cable,* 12 September 2005, p. 8.

> The takeaway from all this: Successful news organizations know clearly who they are and what their mission is – and they execute it, especially when it matters most.[307]

THE BOTTOM LINE

Thus, in both the TV and newspaper sectors, companies "generally continue to enjoy fat, if flat profit margins."[308] Exhibit 1 summarizes the financial numbers that have been cited in recent press accounts of acquisitions.

Exhibit 1:
Financial Ratios in the Major Mass Media

	Cash Flow Multiples in Recent M& A Activity	**Stock Market Prices as a Cash Flow Multiple**
Newspapers	**9.5 - 14**	**7.9**
Local TV Stations	**10.6 - 16.1**	**7 – 8**
Cable Systems	**9.4 - 11.1**	**8.5**

Sources: Levingston, Steven and Terence O'Hara. "McClatchy's Paper Chase: Family Owned Chain to By Knight, Plans to Sell off 12 Dailies." *Washington Post,* 14 March 2006, p. D1.

While there is some consternation in the trade press over the divergence between the cash flow multiples paid in mergers and acquisitions and the cash flow multiples implicit in stock price, this appears to be a routine feature of the market for these types of assets. Consider the following discussion from an extremely popular text, Harold Vogel's *Entertainment Industry Economics,* dealing with the economics of these industries. Taken together, these articles give a comprehensive picture of the media markets.

[307] Id.
[308] Levingston and O'Hara, 2006, p. D1.

> We can approximate the value of a broadcast (and similarly… a cable) property in the following manner: Assign a multiple of cash flow, say in the range of eight to twelve times, a higher or lower figure depending on prevailing interest rates and similar recent transaction prices. Then subtract from the product of the assumed multiple times the cash flow an amount representing "net debt…" To then arrive at a per share estimate, divide the resulting difference by the number of shares outstanding…Such calculations focus attention on the difference in the value of broadcast and cable properties as measured by the going multiple of cash flow (i.e., the so-called private market value) and the value of the underlying publicly traded shares. A wide divergence will, of course, enhance takeover prospects.
>
> Just as in broadcasting properties, however, private market values, which include an implicit control premium, are normally much higher than are seen in public market trading of shares…
>
> Publishing companies, like those in other media-related industries, are valued primarily on comparisons of cash-flow generation capabilities. As in broadcasting or cable, a multiple of projected cash-flow… is determined by taking into consideration the multiples of similar, recently traded properties…
>
> The value thus derived would then (as described for cable…) be further adjusted for net debt and for the estimated worth of off balance sheet items to arrive at the private market value of the property. This is the price that a rational investor might pay to take control of the property and its cash flows. But, in addition, this price estimate may also be used as a basis for measuring the relative investment attractiveness of publicly traded shares, which normally sell at a significant discount to the private market value estimate.[a/]
>
> [a/] Discounts to private value might be as much as 40%, and EBDITA multiples will, in publishing, typically range from six to ten times projections – with the long run historical average ratio of total market value to EBITDA for newspaper publishers at approximately 8.2.[309]

These quotes capture all of the key elements in the financial terrain of the newspaper and TV (as well as the cable) markets described in the trade press in recent months. The multiples observed are in the higher range of those used, as demonstrated by Vogel. The discounts of publicly traded stocks to private market valuations are at the levels identified.

[309] Vogel, Harold. *Entertainment Industry Economics: A Guide for Financial Analysis, 6th Edition.* Cambridge: Cambridge University Press, 2004, pp. 252…285…324…327.

In short, these media properties are profitable properties that command "nice prices" when they are sold.

THE REVENUE CHALLENGE

"Fat but flat" is not enough for the analysts. So, they ask the television business, 'Where does earnings growth come from?" insisting that four revenue streams are necessary. In addition to advertising, there are retransmission consent, digital channels and the Internet.[310]

In the newspaper business, "The central economic question in journalism continues to be how long it will take online journalism to become a major economic engine, and if it will ever be as big as print or television."[311] The attention is now focused on Internet distribution of content produced in the newsrooms of the traditional media.

> Finally, newspapers are starting to see the Internet as central to their future. In 2005, newspaper Internet advertising revenue topped $2 billion for the first time, a 31 percent increase over 2004….
>
> Although "convergence" across newspapers, TV and radio has been a cherished industry buzzword for years, the portfolio approach focuses primarily on the Internet and print rather than on traditional radio and television… Federal Communications Commission rules bar newspapers from owning broadcast stations in the same market… and even if they could, TV and radio face the same competitive pressures and declining audiences that newspapers do. Instead, many newspapers are enthusiastically adding new audio and video options to their web sites, from newscasts to stories to commentary.[312]
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> Ms. Kniowski is going after classified clients of the areas dominant newspaper, the Grand Rapids Press, which is owned by Advance Publications Inc. "We've got to figure out how to take money away from them," she says. With the

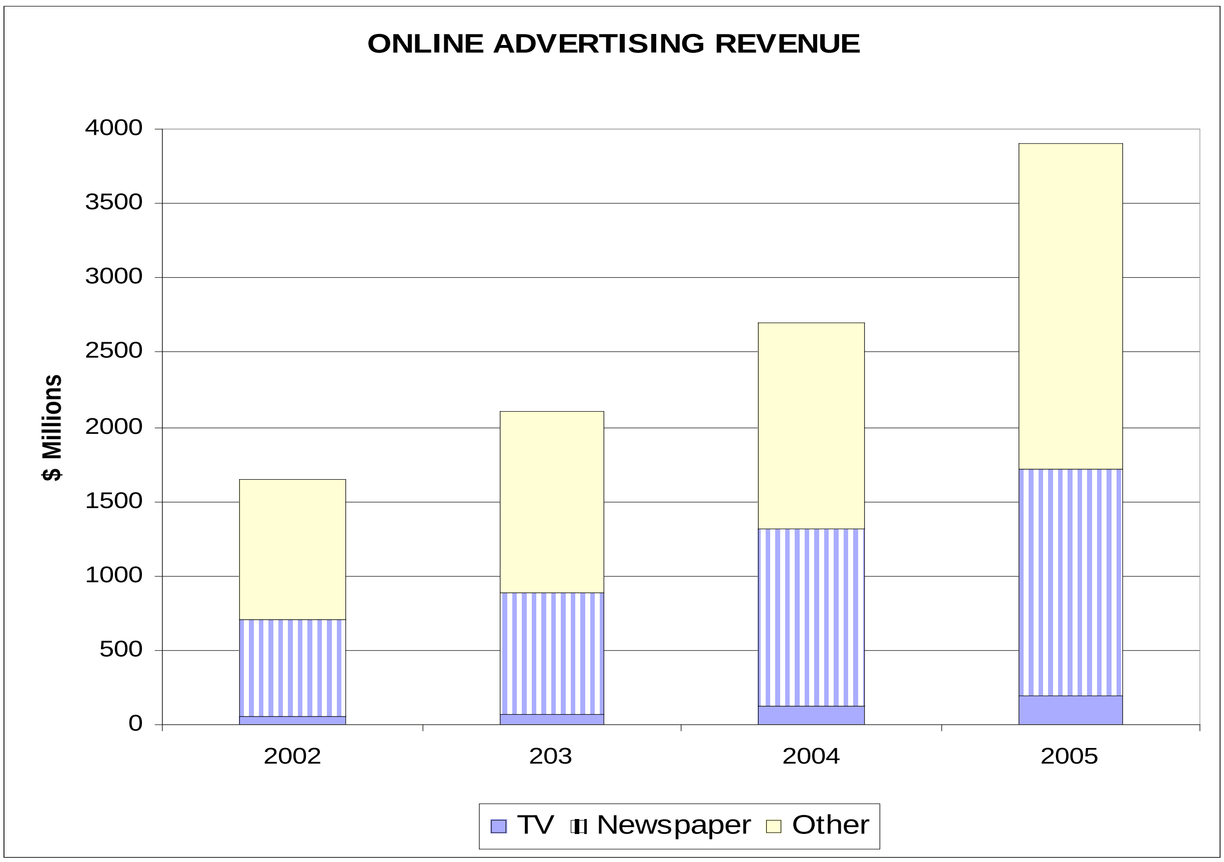
[310] Higgins, 2006, p. 6.
[311] PEJ, 2006, Overview, p. 4.
[312] Smolkin, Rachel. 2006. "Adapt or Die." *American Journalism Review* June/July, p. 2.

emergence of low-cost digital video, she hopes the station's Web site might someday sell video ads for something as mundane as pedigreed puppies.

"That ad in their newspaper or on their Web site? That should be video and it should be bought from us."[313]

Exhibit 2 shows a recent estimate of online advertising revenues, growing at over 30 percent per year. In the battle between newspapers and TV stations, newspapers have gotten out to a huge lead. Expectations are for these numbers to continue to grow at very high rates.

Exhibit 2:
Online Advertising Revenue



Source: Romano, Allison. "Bring it Online." *Broadcasting and Cable,* 12 December 2005, p. 9, citing Bollen & Associates.

[313] Barnes, 2006, p. A11.

While convergence of offline and online distribution of content receives a great deal of attention, cross-ownership of traditional TV and newspaper properties has receded. Even in 2003, as the lifting of the ban loomed, two fundamental concerns were being raised, which presaged the developments of recent months – the economic performance of converged properties was not stellar and the core competences of the media are quite different.

> Perhaps the biggest impediment, however, is the perception that the results that grand fathered newspapers are getting from broadcast convergence have so far been, if not a bust, then underwhelming.[314]

> Newspapers are fundamentally about news while radio makes money "by playing music, which has nothing to do with the business of the newspaper."[315]

Moreover, some fear development of "a kind of 'cross-ownership compulsion' that pressures pure-play newspaper companies to get into broadcast convergence, whether they want to or not."[316] How this pressure would play out, is uncertain. Some who have experience with cross-ownership, such as Gil Thelen, publisher of the *Tampa Tribune*, suggest "if there is pressure it will be on non-converge media that will find it harder to retain employees who want to learn multimedia." Ultimately, a fundamental problem arises because in many of these markets there is only one newspaper. The result can be a very distorted market. "More often, the obstacle is that the major newspaper is aligned with a rival TV affiliate."[317] In short, the economic gain of complementaries is uncertain, at best, while the public policy costs are clear.

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[314] Fitzgerald and Moses, 2003, pp. 11, 17.
[315] Moses, Lucia. "Radio Reception May Be Fading." *Editor and Publisher,* 23 June 2003, p. 12.
[316] Fitzgerald, Mark and Lucia Moses. "At the Crossroads." *Editor and Publisher,* 23 June 2003, p. 11.
[317] Romano, Allison. "Newspapers and Stations try Cross-Pollination." *Broadcasting and Cable,* 25 July 2005, p. 16.

ACADEMIC RESEARCH CONFIRMS THE REALITY

While the realization that huge conglomerates may not be the answer has recently burst into the popular press, the academic press has long charted the two elements that seem to be roiling the media industries.

On the one hand, the failure of conglomerates to generate positive results was noted in a broad comparison of various types of cross media mergers under the title "Mergers and Acquisitions in the Media Industries: Were Failures Really Unforeseeable?"

> Over the last two decades, mergers and acquisitions (M&A) have become the most preferred strategic tool of firms in the media industry. As still claimed by analysts and managers, M&A deals are expected to generate economic efficiency, especially through size effects (economies of scale and scope and other synergies). However, it seems that the hopes placed in these synergies are generally disappointed. Indeed, among a sample of 11 media firms for fiscal years 1998 and 1999, it appears a firm's size and a simultaneous presence in many businesses of the media industries do not improve economic performance, nor does the possession of complementary assets. The existence of economies of scale and scope, or at least the ability of firms to implement them, has still to be proved.[318]

A half a dozen years later, the benefits of consolidation and conglomeration remain unproven. Stockholders seeking short term gains have run out of patience, triggering turmoil in the industry.

On the other hand, the unique type of profitability that typifies the newspaper business has been noted in the academic literature as well. As a recent study titled "Ownership Structure of Publicly Traded Newspaper Companies and Their Financial Performance" concluded

> There are characteristics of the newspaper industry that may make it more appealing to these relatively passive institutional investors. In general, the financial performance of newspapers is less volatile than is true of many other

[318] Peltier, Stephanie, "Mergers and Acquisitions in the Media Industries: Were Failures Predictable," *Journal of Media Economics,* 17(4), 2004, p. 261.

> industries. Profit margins are high, and the ability to ride out economic downturns is good. Investment in the newspaper product itself has resulted in solid long-term revenue growth, which may serve to reduce pressures of short-term results regardless of the type of investors in the firm.[319]

Questions about the investor style and the complexity of motives have also been identified in the academic literature. Whether or not one thinks that "Wall Street Made Me Do It,"[320] as one article put it, there would appear to be opportunities to match investors and journalistic values, as McClatchy seems to have done.

> Furthermore, it appears that it may be possible to identify institutional investors who have longer time horizons than others, suggesting it is possible for newspaper companies to attempt to modify their shareholder base in a way that would allow more room for maneuver in pursuing a public service agenda. At the same time, however, newspaper companies should be mindful that a stated objective of long-term investing does not necessarily signify that an institutional investor will adopt a hands-off approach or be willing to subordinate financial objectives to journalistic ones.[321]

The Knight Ridder chain "modified its shareholder base," while the debate at the Tribune Company is about a similarly radical change. Indeed, there are apparently numerous individuals and groups that are "Yearning to Put Papers Back in Local Hands."[322]

The academic literature not only supports the notion of the profitability of the newspaper business, it also finds that investment in the newsroom increases circulation[323] and profits[324] in part by improving the quality of journalism.[325]

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[319] An, Soontae, Hyun Seung Jin and Todd Simon. 2006. Ownership Structure of Public Traded Newspaper Companies and Their Financial Performance. *Journal of Media Economics* 19:2: 131, citing Soloski, John. "Taking Stock Redux: Corporate Ownership and Journalism of Publicly Traded Newspaper Companies." In Robert Picard (eds.), *Corporate Governance of Media Companies* Jonkoping, Sweden: Jonkoping International Business Press, 2005.

[320] Maguire, Miles. 2003. "Wall Street Made Me Do It: A Preliminary Analysis of the Major Institutional Investors in U.S. Newspaper Companies." *Journal of Media Economics* 16:4.

[321] Id., p. 262

[322] Holson, Laura M. "Yearning to Put Papers Back in Local Hands: In Several Cities, a Push for Dailies Free of Absentee Corporate Owners." *New York Times,* 1 July 2006, p. B1.

> These data indicate that newsroom investment would have been good business for these 1450 dailies. Newspaper managers who continue to cut newsroom investment to preserve higher profits might indeed be eating their seed corn… If the results of this study were found to be applicable to the newspaper industry, the failure to invest in the newsroom could be a form of slow-motion suicide, where a company's disinvestment gradually alienates core readers and reduces the attractiveness of newspapers as advertising outlets. This scenario would explain studies that indicate Thomson newspapers ran themselves out of business and that public newspapers tend to draw more weekly competition.[326]

The literature also suggests a strong conclusion about competition. Competition drives investment, improves quality and lowers costs.

> Economic theory and research provide evidence that intense competition among newspapers will result in increased newsroom budgets, changes in content and decreases in advertising cost per thousand… It appears that competition helps newspapers in the long run. The response to competitors helps to maintain content quality and keep prices down."[327]

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[323] Choo, Sooyoung, Esther Thorson and Stephen Lacy. 2004. The Relationship Between Newspaper Newsroom Investment and Circulation: A study of 27 'Quality' Dailies. *Newspaper Research Journal* 25, Fall; St. Cyr, Charles, Stephen Lacy and Susana Guzman-Ortega. 2005. Circulation Increases Follow Investment in Newsrooms. *Newspaper Research Journal* 26, Fall.

[324] Rosensteil, Tom and Amy Mitchell. 2004. The Impact of Investing in Newsroom Resources. *Newspaper Research Journal* 25, Winter.

[325] Moses, Lucia. "Profiting From Experience." *Editor and Publisher,* 3 February 2003. Meyer, Philip. 2004. "The Influence Model and Newspaper Business." *Newspaper Research Journal* 25, Winter; Overholser, Geneva. 2004. "Good Journalism and Business: An Industry Perspective." *Newspaper Research Journal* 25, Winter.

[326] Chen, Rene, Esther Thorson and Stephen Lacy. 2005. The Impact of Newsroom Investment on Newspaper Revenues and Profits: Small and Medium Newspapers, 1998-2002. *Journalism and Mass Communications Quarterly* 82:3: Autumn, p. 627. The reference to Morton is Morton, John, "When Newspapers Eat their Seed Corn," *American Journalism Review,* November 1995. The reference to Thomson is Lacy, Stephan and Hugh J. Martin. 1998. Profits Up, Circulation Down for Thomson Papers in the 80s. *Newspaper Research Journal* 19, Fall. The reference to inviting competition is Lacy, Stephen, David C. Coulson and Hugh J. Martin. 2004. Ownership Barriers to Entry in Non-metropolitan Daily Newspaper Markets. *Journalism & Mass Communications Quarterly* 81, Summer.

[327] Lacy Stephen and Hugh J. Martin. 2004. Competition, Circulation and Advertising. *Newspaper Research Journal* 25, Winter, pp. 32-33.

Moreover, although Dean Singleton surmises that there is little difference in the behavior of privately and publicly held newspapers, the academic literature suggests otherwise. Privately held papers invest more in quality to achieve higher circulation.

> Research indicates that privately owned dailies are likely to spend more on their newsrooms than are publicly held dailies with large profit margins. This results from the need for high-profit publicly held companies to produce high short-run profit margins that satisfy the demands of the stock market. This higher spending suggests that privately owned dailies are more likely to have higher quality than high profit public papers, which helps to keep more readers satisfied and reduces the likelihood that readers will turn to weeklies to get their news.[328]

Given recent developments in the industry and the long standing academic research on investment, competition and quality, we would not expect to see research results that show significant benefits to journalism from cross-media ownership. In fact, the literature is all over the map, reflecting the uncertainties about cross-media operations.

First, much analysis confuses multimedia journalism, the effort to distribute stories on more than one medium; conglomeration, the merger of two traditional media types such as TV and newspapers; and coordinated joint production of news for distribution across media outlets of various types. Definitions are all over the map, too.[329]

Second, much of the research is qualitative, focusing on how journalists and editors feel about convergence,[330] rather than measuring what it actually does to or for the production of news.

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[328] Lacy, Coulson, Martin, 2004, p. 332.

[329] Gordon, Richard. "Convergence Defined." *USC Annenberg Online Journalism Review* posted 13 Nov. 2003; Dailey, Larry, Lori Demo and Mary Spillman. 2005. Most TV/Newspapers Partners At Cross-Promotion Stage. *Newspaper Research Journal* 26, Fall; Dueze, Mark. 2004. "What is Multimedia Journalism." *Journalism Studies* 3:2.

[330] Lowrey, Wilson. 2005. "Commitment to Newspaper-TV Partnering: A Test of the Impact of Institutional Isomorphism." *Journalism and Mass Communications Quarterly* 82: Autumn; Dupagne, Michel and Bruce Garrison. 2006. The Meaning and Influence of Convergence:

Third, partnerships have not advanced very far[331] or yielded clear benefits in terms of either financial improvement[332] or journalism quality.[333] Two trends that are clear are that cross promotion takes up a significant amount of air time and television seems to be the larger beneficiary.

THE CONTINUING SOAP OPERA AT THE TRIBUNE COMPANY

The drama surrounding the Tribune Company has not reached its conclusion, but the soap opera offers lessons.

The newspaper business is a profitable business. "Across the industry, profits are actually better than the bad headlines suggest."[334] Even the *Los Angeles Times,* the focal point of mush of the drama at the Tribune Company "enjoys a profit margin of about 20%, lower than that of its parent's flagship Chicago Tribune, but higher than many metro papers."[335] To put this in perspective, the Scripps Newspapers "cash-flow margins – 28.9 percent in the second quarter – were among the highest in the industry."[336]

A Qualitative Case Study of Newsroom Work at the Tampa News Center. *Journalism Studies* 7:2. Singer, Jane B. 2004. "Strange Bedfellows: The Diffusion of Convergence in Four News Organizations." *Journalism Studies* 5:1.

331 Dailey, Larry, Lori Demo and Mary Spillman, "Most TV/Newspapers Partners At Cross-Promotion Stage," *Newspaper Research Journal,* 26: Fall, 2005.

332 Glasser, Mark, "Business Side of Convergence Has Myths, Some Real Benefits," *USC Annenberg Online Journalism Review,* May 19, 2005.

333 Ketterer, Stan, Tom Weir, J. Stevens Smethers and James Back, "Case Study Shows Limited Benefits of Convergence," *Newspaper Research Journal,* 25: Summer, 2004; "Partnerships and Public Service: Normative Issues for Journalists in Converged Newsrooms," *Journal of Mass Media Ethics,* 21:1, 2006.

334 Siklos, Richard. 2005. "How Did Newspapers Land in This Mess?" *New York Times,* October 1, p. BU4.

335 Ellison, Sara. 2006. "Tribune Faces Pressure to Sell Los Angeles Paper," *Wall Street Journal,* September 18, p. A10.

336 Fabrikant, Gerldine. 2006. "Successful Scripps Seeks Next Food Network," *New York Times,* August 14, 2006, p. C3.

The public and private valuations of the newspaper assets differ sharply, as has frequently been the case in the industry. As one major investor in the Tribune put it "the fact that the value of the assets exceeds the current stock price is indisputable."[337]

There are many who believe that eating your seed corn by cutting staff is not the way to proceed. The Chandler's had raised this point in their initial call for a break up of the company. In an open letter to the board, the family invoked the tradition of the newspaper and said further cost cuts would damage its quality."[338] The editor and the publisher of the Tribune took this position in resisting the demand from corporate headquarters to make more cuts at the *Los Angeles Times.* Their sentiment was expressed in an article that reported on a letter from civic leaders.

> The Los Angeles Times quoted Mr. Baquet [the Editor of the paper] on the possibility of making further job cuts. "I am no averse to making further job cuts," he told the paper. "But you can go too far, and I don't plan to do that. I just have a difference of opinion with the owners Tribune about what the size of the staff should be. To make substantial reductions would significantly damage the quality of the paper."
>
> For an editor to public defy management over budget cuts isn't unheard of. More remarkable was that Mr. Baquet's publisher, Mr. Johnson, joined him in resisting the push for cuts. The article quoted Mr. Johnson saying he agreed with Mr. Baquet that "newspapers can't cut their way into the future. We have to carefully balance economic reality with serving our readers."[339]

The idea was expressed by others as well. "An Editor at the paper said the article was prompted by a letter on Tuesday from 20 civic leaders, who called on Tribune to put more

[337] Seelye, Katherine Q. and Jennifer Steinhaur. 2006. "At Los Angeles Times, A Civil Executive Rebellion," *The New York Times,* September 21, p. C12.
[338] Id., p. A10.
[339] Id., p. A10.

money into the paper or consider selling it".[340] The publisher was ultimately forced to resign, although the editor stayed on.[341]

The civic leaders point to the important local role of the newspaper as their motivation for writing.

> "People don't like policy issues here," said Brendan Huffman, president of the Valley Industry and Commerce Association. "But the fact is that we are the world's 17th largest economy and it is very important to cover these stories and educate the population."[342]

There were a number of people and groups who stepped forward with offers to buy the paper, affirming the interest in stand alone newspaper businesses.

> While those who seek to buy the paper outright agree with the business leaders about the paper's coverage, they see themselves as the solution. The potential buyers include three billionaires: David Geffen, the music mogul, Eli Board, the philanthropist, and Ronald Burkle, the supermarket tycoon.[343]

Interestingly, there are both commercial and non-commercial models on the table, all of which emphasize that "the paper needs to be locally owned."[344]

Obviously, conglomeration is no panacea for the newspaper business. In fact, the challenge repeatedly identified in the analysis of the Tribune situation is the Internet. "But revenue growth is difficult to come by amid a bumpy transition to the Internet, where there are myriad rivals for information and advertising that were once chiefly the purview of print newspapers."[345]

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[340] Seelye, Katherine Q. 2006. "Los Angeles times Editor Openly Defies Owner's Call for Job Cuts," *New York Times,* September 15, p. C3.
[341] Kurtz, Howard, 2006, "Tribune Co. Ousts Publisher at L.A. Times: Jeffrey Johnson Had Fought Budget Cuts," *Washington Post,* October 6.
[342] Seelye, Katherine Q. and Jennifer Steinhaur. 2006. "At Los Angeles Times, A Civil Executive Rebellion," *The New York Times,* September 21, p. C12.
[343] Id., p. C12.
[344] Id., p. C12.
[345] Siklos, 2005, p. BU4.

> For nearly a century, newspapers were unrivaled in their ability to deliver news and advertising. News staffs grew fat as hiring decision were made on coverage needs rather than bottom lines.
>
> Now, as newspapers lose readers and advertising to other media and struggle to transition to Internet and other digital forms of delivery, while attempting to maintain profit margins of more than 20 percent and mollify Wall Street's need for growth, cuts in jobs and newsroom budgets are coming fast and deep.[346]

The "bumpy transition" to the Internet is different at different newspapers (see Exhibit 3). Studies 7 and 8 show that people who go online visit the web sites of traditional sources. Efforts to measure online newspaper readership are blossoming and the results are most interesting from the point of view of the troubled chains (Knight Ridder and Tribune) identified in this analysis. Scarborough Research analyzed online readership in the top 25 markets. The 26 dailies in those markets account for around four-fifths of the average circulation of all dailies in America. The study includes the flagship papers of the two troubled chains. It also includes the largest cross-owned papers in the country.

On average, the online readership (exclusive and duplicative) equals 20 percent of the total readership of the paper. In other words, for every four subscribers to the physical paper, there is one online reader. The flagship papers of the troubled chains are all below the average. The Los Angeles Times ranks dead last. If the L.A. Times were performing as well online as the two leaders (the Cleveland Plain Dealer and the Tampa Tribune) it would have 750,000 more online readers. Even at the national average, it would have over a quarter of a million more online readers.

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[346] Ahrens, Frank. "Tribune Empire Could Crumble." *Washington Post,* 26 September 2006, p. D5.

Exhibit 3:
Internet Performance of Major Newspapers

PAPER	CIRCULATION	ONLINE READERS			PERCENT OF TOTAL READERS			CROSS-OWNED	TROUBLED CHAIN
		Unique	Duplicate	Total	Unique	Duplicate	Total		
Cleveland Plain Dealer	1297880	449958	165892	615850	23.5	8.7	32.2		
Tampa Tribune	749087	162747	192069	354816	14.7	17.4	32.1	Y	
New York Times	3060475	366540	981043	1347583	8.3	22.3	30.6		
Boston Globe	1541869	197453	469175	666628	8.9	21.2	30.2		
Washington Post	2174630	140521	778502	919023	4.5	25.2	29.7		
Atlanta Constitution	1647410	224484	428687	653171	9.8	18.6	28.4	Y	
San Diego Union-Tribune	1078469	80882	260447	341329	5.7	18.0	24.0		
Arizona Republic	1485880	119501	324920	444421	6.2	16.8	23.0		
San Francisco Chronicle	1513260	147692	297111	444803	7.5	15.2	22.7		
Seattle Times	1225545	114814	236077	350891	7.3	15.0	22.3		
Sacramento Bee	966296	42508	204399	246907	3.5	16.8	20.4		
Star Tribune	1605472	85929	303891	389820	4.3	15.2	19.5		
Houston Chronicle	1897254	100408	282312	382720	4.4	12.4	16.8		
Orlando Sentinel	1053952	46920	164069	210989	3.7	13.0	16.7		
Baltimore Sun	1064219	45138	157881	203019	3.6	12.5	16.0		Y
Oregonian	1137490	38696	176242	214938	2.9	13.0	15.9		
Chicago Tribune	2820701	135070	397766	532836	4.0	11.9	15.9	Y	Y
Detroit News	1858169	99212	247274	346486	4.5	11.2	15.7		
Pittsburgh Post	943544	28826	143248	172074	2.6	12.8	15.4		
St. Louis Post Dispatch	1255472	62615	163358	225973	4.2	11.0	15.3		
Miami Herald	1162424	45320	162522	207842	3.3	11.9	15.2	Y	Y
Dallas Morning News	1798163	71730	249410	321140	3.4	11.8	15.2	Y	
Philadelphia Enquirer	1968063	108511	196606	305117	4.8	8.6	13.4		Y
Denver Post	1465403	39911	180385	220296	2.4	10.7	13.1		
St. Petersburg Times	1016950	40309	101911	142220	3.5	8.8	12.3		
Los Angeles Times	4257507	163941	429786	593727	3.4	8.6	12.3	Y	Y
Total	42045584	3159636	7694983	10854619	6.0	14.5	20.5		
Non-Cross-Owned	28124412	2236843	5509823	7746666	6.2	15.4	21.6		
Cross-owned	13921172	922793	2185160	3107953	5.4	12.8	18.3		
Troubled Chains	11272914	497980	1344561	1842541	3.8	10.3	14.0		

Source: Scarborough Research, A *New Story Lead for the Newspaper Industry,* August 2006.

That cross-ownership is no panacea for the Internet problem is also clear in these estimates. On average, the cross-owned papers in these markets are not performing as well as the other papers. While there are a couple papers among the leaders, more are at the bottom of the list.

CONCLUSION

Given the failure of conglomeration/consolidation and the shift in focus to the Internet, Frank Ahrens writes that "As FCC Digs Into Ownership, Big Media No Longer Cares,"

> Since 2003, the media giants have greatly expanded their presence on the Internet, buying successful web sites or redoubling their own efforts. The continued roll out of high-speed Internet, the improvement in online content and an explosion of handheld devices have combined to give Big Media much greater reach and potentially greater influence than it would have had, were companies allowed to buy a few more television stations each.[347]

But, if Big Media no longer cares, should public policy? The answer is an emphatic Yes. For the first time in a generation, the prospect of increasing competition in local news is real; allowing cross-ownership mergers would invariably stifle and mute that competition. The typical media market in America (the middle decile for example) has one dominant newspaper with a market share of about two-thirds of the market. The leading TV station has a market share close to one-third of the TV market. A merger between the two creates a dominant media first that overshadows any other rivals in the market. Moreover, the local news websites to which individuals go for local news and information are overwhelmingly the

[347] Ahrens, Frank. "As FCC Digs Into Ownership, Big Media No Longer Cares." *Washington Post*, 29 June 2006, D1.

sites of the local newspapers and the local TV stations.[348] A merger between the two would extend the concentration of local sources to the Internet.

The most interesting development flowing from digital convergence has been an outbreak of competition in local news markets between newspapers and television stations. Although both television and newspapers produce news, the form and format of production and the manner in which they are consumed are so different that they are not generally seen as competing products, either by antitrust authorities or by consumers. The cross elasticity of demand is low.[349] With both sets of entities now targeting online distribution as a growth area, they may lock horns in a manner they have not in the past.

> For now the power of a hometown newspaper's brand is a big draw online. "The newspapers have a little leg up, but we are extremely competitive," says Rich Harris, executive VP/general Manager of digital media and strategic marketing for NBC Universal's TV-station group."[350]

The failure of conglomeration to produce results, the shift toward private ownership and smaller newspaper chains, and the growing focus on online distribution challenge the notion that newspaper-TV cross-ownership is necessary to save either industry from economic ruin. In light of this, the policy that prefers a larger number of owners, in general, and the independence of the two most important sources of local news and information, in particular, cannot be said to impose a burden on either industry.

More importantly, the evidence suggests that local newspapers and TV stations are about to come into competition through their Internet web sites in a manner that has not

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[348] Pew Internet and American Life Project. 2005. RDD Tracking Study, Nov/Dec.

[349] Cooper, Mark N. *Media Ownership and Democracy in the Digital Information Age.* Palo Alto: Center for Internet and Society, 2003, pp. 124-126.

[350] Romano, Allison. "Bring it Online." *Broadcasting and Cable,* 12 December 2005, p. 8.

typified the local news market in the past. It would be utter folly to allow this burgeoning competition to be squelched by cross-media mergers.

Structural rules, like the ban on cross-ownership, are intended to alter behavior, precisely because it constrains the conduct of market participants. As practiced in antitrust cases and industrial policy, the goal of structural limitations is to promote economic efficiency. In the case of the cross ownership ban, the goal is to promote a more diverse forum for democratic discourse and to promote localism in the media. What this analysis shows is that the economic costs of achieving this goal through a ban on cross-ownership are small, if any at all, while the benefits in promoting diversity and competition are large. .

STUDY 10
CONCERNS ABOUT PRINT JOURNALISM AND CROSS-OWNERSHIP

MARK COOPER AND STEVE COOPER

ABSTRACT

The unique "market failures" discussed in the previous chapter provide the basis for public policy intervention to ensure robust civic discourse. That is, if we were only concerned about the traditional market failures described in the previous section, we might rely on antitrust policy, perhaps with a more rigorous set of structural screens and a heightened concern for vertical/conglomerate issues. However, the unique market failures demand much more public policy intervention to promote such civic discourse.

When entities merge, everyone in the market loses an independent voice, while a small segment of the market gains better coverage. In fact, depending on the distribution of preferences, the least well-served in the market may become even less well-served, if the merged entity drives out sources that are targeted to the needs of minorities and atypical groups. This is particularly true when a national entity buys out a local entity. When the merger crosses institutional lines, it may result in an equally severe loss of institutional diversity.

This study investigates the impact of current TV-newspaper cross-owned combinations on the output and quality of print and video journalism, as well as the impact on journalistic values. Using numerous real world examples, we find that cross-ownership and consolidation in general lessens the amount of diverse and antagonistic media voices to the detriment of the public good. Given the finding that the economic benefits from the formation of these combinations is in doubt, the demonstration that these relationships run counter to the goals of the Communications Act should give the FCC pause as it considers removing rules barring newspaper-television cross-owned combinations.

THE STRUGGLE OVER THE ESSENCE OF PRINT JOURNALISM

The collapse of the conglomerate model, the tension between Wall Street's and Main Street's concerns, and the public versus private ownership debate underscore a long standing debate over the media in general and newspapers in particular.

> The underlying theme in Tribune's unraveling is that in a time of technological transition, the two publics that are served by many of the nation's newspapers are no longer getting along so well. One is the public market – that is, Wall Street – which cares only about an attractive return on its investment. The other is the so-called public good that newspapers serve by professionally gathering and reporting for their communities.[351]

Some argue that the tensions can be handled, with distant management that appreciates the local roots of the business.

> While journalists measure the success of newspapers by Pulitzer Prizes, investors usually do not. That said, one of the company's 21 newspapers, the Rocky Mountain News, has won four Pulitzer prizes since 2000; the company's papers won five Pulitzers between 1980 and 1999.
>
> John Temple, the editor and publisher of the Rocky Mountain News and director of content for Scripps's newspapers, said the company supported the role of the local newspaper. "Ken Lowe gives individuals like me the independence and authority to do the right thing," he said. "Our mantra has been to do what is right for our community.[352]

Others suggest that it is a business that requires a different point of view, but to the same effect.

> Mr. Geffen has told friends the paper could be expensive but that he was prepared to to pour hundreds of millions of dollars into it. He has said he would buy the paper with his own money and would be happy with a 5 percent

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[351] Siklos, Richard.. "How Did Newspapers Land in This Mess?" *New York Times, 1* October 2005, p. BU4.

[352] Fabrikant, Geraldine. "Successful Scripps Seeks Next Food Network." *New York Times,* 14 August 2006, p. C3.

> return on investment; far below what the Los Angeles Times has said is a 20 percent profit margin now.
>
> Mr. Geffen's principle goal, he has said, is increasing the size of the staff, greatly improving the paper's electronic operations and increasing the coverage of real estate and automobiles, areas of great interest to Angelenos.[353]

While the latter may seem "Quiixotic," there is clearly a theme in the current debate and in the literature that sees this as a way to go. The question becomes how public policy can promote the outcome.

The FCC does not regulate newspapers, but it certainly can consider the impact of newspaper-TV combinations on the overall media environment, which includes newspapers. The cross ownership situations will almost certainly not involve local owners. They will most likely be the largest of the corporate entities, certainly in the newspaper space. This will reinforce or preserve tendencies that have been harmful to democratic discourse. There are also unique impacts that cross-ownership situations have on print journalism.

THE UNIQUE IMPACT OF NEWSPAPER-TELEVISION MERGERS

There is a complex relationship between newspapers and TV. On the supply-side, the antagonism between TV and newspapers is an important element of promoting civic discourse. At the same time, the operation of newspaper newsrooms produces many stories, especially local, that become an input for TV news. Without the much more intensive and in-depth news gathering of papers, the news product space will be reduced. On the demand side, we observe that newspapers and television are complements. Consumers seek in-depth

[353] Seelye, Katherine Q. and Jennifer Steinhaur. 2006. "At Los Angeles Times, A Civil Executive Rebellion." *The New York Times,* 21 September 2006, p. C12.

follow-up of the news headlines that they encounter in broadcast. We want to preserve the antagonism and independent resources that newspapers bring.

To the extent that FCC regulation of the media subject to its authority has the consequence of deconcentrating the production of local news and preserving the antagonism between the print and broadcast media, it should do so. An avenue of integration that would be particularly destructive of the journalistic values in our society or destructive of the competitive and symbiotic relationship between newspapers and broadcast that disciplines the broadcast media should be a source of serious concern to the Commission.

Thus the Commission can legitimately enquire into the impact on civic discourse of conglomeration, concentration and integration in each of the media. Several recent books about newspapers paint an extremely troubling picture. Many analysts believe that the health of both American journalism and the newspaper industry will depend on their ability to successfully achieve three things: diluting what has become an increasingly over-concentrated marketplace; better managing the balance between providing informative, influential news coverage and sustaining a profitable newspaper; and recommitting ourselves to, as Leonard Downie, Jr. and Robert G. Kaiser of *The Washington Post* put it, "independent, aggressive journalism [which] strengthens American democracy, improves the lives of its citizens, checks the abuses of powerful people, supports the weakest members of society," and, ultimately, "connects us all to one another."[354] Put more simply by Bartholomew Sparrow, quoting former journalist Harold Evans, "[T]he challenge before the American media 'is not

[354] Downie Jr., Leonard and Robert G. Kaiser. *The News About the News*. New York: Alfred A. Knopf, 2002, p. 13.

to stay in business – it is to stay in journalism'."[355] The suggestion here is that the challenge for newspapers that are drawn into cross ownership situations in which democracy has an important stake is to stay in print journalism.

There are three direct ways in which removal of the ban on cross-ownership would affect print journalism. There is also the concern that the pattern of conglomeration and cross-media ownership in the newspaper industry and the potential for a substantial increase in these developments will result in a qualitatively new type of problem: the potential for fundamental, institutional conflicts of interest.

> The flurry of debate over media consolidation masks an equally, if not more disturbing trend: the conflict of interest inherent in diversified cross-ownership of newsgathering institutions by multinational concerns. A media market in which *The Washington Post* and *Newsweek* join in "strategic alliances" with NBC, Microsoft Corp. helps underwrite the salaries of reporters for MSNBC, and America Online helps capitalize CNN expands the potential for conflict of interest far beyond the individual to the institutional level. Indeed, the cross-ownership and content sharing that typifies American mass media today raises legitimate questions about whether journalists working on such far-flung conglomerates can avoid conflicts of interest on the institutional level, and about what such conflicts do to the notion of an independent press…
>
> Institutional conflict of interest extends the conflict inherent in a commercial press… beyond the immediate concerns of the journalist or even the news organization for which he or she works.[356]

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[355] Sparrow, Bartholomew H. *Uncertain Guardians: The News Media as A Political Institution.* Baltimore: Johns Hopkins University Press, 1999, p. 103.

[356] Davis, Charles and Stephanie Craft. 2000. New Media Synergy: Emergence of Institutional Conflict of Interest. *Journal of Mass Media Ethics* 15, pp. 222-223.

PRESSURE FROM CONCENTRATION, VERTICAL INTEGRATION AND CONGLOMERATION ON JOURNALISTIC VALUES

The prospect of mergers between TV stations and newspapers raises concerns about vertical integration conglomeration and horizontal concentration (see Figure III-1).[357] Such a merger is said to be vertical if the news production output of the newspaper operation would become input for the TV distribution activity. It is a conglomerate merger if the new entity spans two separate markets: the print news and the video news market. Both of these changes would have negative effects on the journalistic endeavor of the newspaper.

- The dictates of video delivery would alter the nature of reporting and commitments to investigative journalism.
- The conglomeration in larger enterprises would reduce the journalistic activity to a profit center that is driven by the larger economic goals of the parent.
- Combining the two activities within one entity diminishes the antagonism between print and video media.

The purely horizontal aspect of these mergers also poses a problem. The basic activity of gathering news as an input for distribution is very similar in the print and television media. To the extent large entities control a substantial part of the production of news in an area, these mergers can create market power.

Diminishing Journalistic Values

Consider the contrast between journalistic values and the image presented by Tribune Company executives describing how the Chicago Tribune and Chicago television station WGN, among other media properties, view their business:

[357] See Consumers Union, et al. 2002. "Reply Comments of Consumers Union, Consumer Federation of America, Media Access Project and Center For Digital Democracy." *In the Matter of Cross-Ownership of Broadcast Stations and Newspaper Newspaper/Radio Cross-Ownership Waiver Policy*, MM Dockets No. 01-235, 96-197, February 15, 2003.

> Tribune had a story to tell – and it was just the story Wall Street wanted to hear.
>
> In charts and appendices, they showed a company that owns four newspapers—and 16 TV stations (with shared ownership of two others); four radio stations; three local cable news channels; a lucrative educational book division; a producer and syndicator of TV programming, including Geraldo Rivera's daytime talk show; a partnership in the new WB television network; the Chicago Cubs; and new-media investments worth more than $600 million, including a $10 million investment in Baring Communications Equity Fund, with dozens of Asian offices hunting out media investments.
>
> …There was an internal logic and consistent language to their talk: Tribune, said the four men, was a "content company" with a powerful "brand." Among and between its divisions, there was a "synergy."
>
> …It was a well-scripted, well-rehearsed performance, thorough and thoroughly upbeat. And the word "journalism" was never uttered, once.
>
> …Even apart from TV and new media—at the Tribune papers themselves—the editor in chief rarely presides at the daily page one meeting. The editor's gaze is fixed on the future, on new-zoned sections, multimedia desks, meetings with the business side, focus group research on extending the brand, or opening new beachheads in affluent suburbs. "I am not the editor of a newspaper," says Howard Tyner, 54, whose official resume identifies him as vice president and editor of the Chicago Tribune. "I am the manager of a content company. That's what I do. I don't do newspapers alone. We gather content."[358]

We have seen that the economic synergies are elusive, at best. When the two largest sources of news and information – television and newspaper – come under the same ownership roof, there is special cause for concern about business pressures that could undermine the forum for democratic discourse.

Reducing Antagonism and the Watchdog Role

Except where there is meaningful competition between local newspapers, I believe that lifting the newspaper/broadcast cross-ownership ban would significantly undercut the watchdog role that newspapers play over broadcasters and thereby undermine, particularly in the realm of political speech, Congress' goal of ensuring a vigorous exchange of views.

[358] Auletta, Ken. 1998. "The State of the American Newspaper." *American Journalism Review* June.

Industry commenters in FCC proceedings have made an important aspect of the case for us. Their repeated statements that joint ventures are not effective means for capturing economic efficiencies underscore the important role of antagonism. In other words, they claim that independent entities in joint ventures are too difficult to keep in line.

> Tash sees advantages to partnering, including the ability for both companies to maintain separate and independent voices.
>
> "Anything you do ends up being in partners' interest rather than being forced through common ownership," Tash says. "If it's common ownership, you might add up the pluses and minuses and decide it's a net-plus, even if it's a net-minus for one partner. In this relationship, it has to be a net plus for both.
>
> Tash admits that partnerships with other media companies can be tricky. "You can't rely on orders from a common owner to work through issues that arise."[359]

It is exactly that antagonism that the forum for civic discourse needs, but would lose with cross-ownership. In Tampa, Florida, Media General, Inc. owns both the *Tampa Tribune* newspaper and WFLA-TV. The decision to co-locate the two media outlets led to a loss of editorial and journalistic integrity even before the actual move:

> Others wonder how the cozy, inbred relationship between the newsrooms might affect their coverage of each other. *Tribune* TV writer Walter Belcher offered a chilling example, saying editors forced him to lay off criticism of WFLA for nearly a year prior to the opening of the News Center [which housed the *Tribune* and WFLA news operations in the same space to facilitate their integration], supposedly to avoid ill will between the staffs. "I told them that maybe I should just stop writing about TV altogether," Belcher says with a laugh. "I eventually went back to [covering WFLA] in February, but I still felt like I had to be careful and explain some things more clearly."[360]

Unfortunately, such chilling of free speech in a newsroom is no laughing matter. Nor is it the only example in which Belcher's coverage of WFLA came under scrutiny from joint management. Belcher's coverage was compromised further when managers at WFLA

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[359] Rabasca, Lisa. 2001. "Benefits, Costs and Convergence." *Presstime* June, p. 3.
[360] Strupp, Joe. "Three Point Play." *Editor and Publisher*, 21 August 2000, p. 23.

requested that he not write about speculation that a reporter would be leaving the station to follow her husband, a former WFLA reporter who moved to another station in Alabama.

A. H. Belo Corporation (Belo), owner of the *Dallas Morning News* and WFAA-TV, had a similar experience, with a decision that the *Morning News* should cease any TV criticism in order to stay away from critical reporting about its sister station.

> Then there is a question of how the *Morning News* would cover the station. Because the two share Belo as a parent, the newspaper has often been criticized as being too soft on its sibling. But now that the two were officially partners, the News decided it could no longer cover WFAA objectively. Rather than exclude the one station from its coverage, the *News* halted all TV criticism.[361]

Not only was the *Morning News*'s coverage of WFAA-TV stifled because of the co-ownership, an important media critic for the entire market was also lost. If joint corporate ownership of a newspaper and television station can lead to coverage being dropped to maintain positive internal relations, what other types of coverage could be jettisoned to protect corporate interests?

Consolidating News Production

The driving force behind the push for cross ownership demonstrates that the supply of news involves the production of a single product. A substantial part of the economies that are sought is driven by a desire to use reporters in both activities, to repurpose or repackage their output. It is the reporter producing copy that is the central activity of both TV and newspaper newsrooms. On the supply side it starts as one product.

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[361] Moses, Lucia. "TV or not TV? Few Newspapers are Camera Shy, But Sometimes Two Into One Just Doesn't Go." *Editor and Publisher,* 21 August 2000, p. 22.

Media giants like Gannett Co.,[362] Times Mirror Co.,[363] and Hearst[364] that are pushing hard for cross-ownership would find another vehicle to consolidate dailies and weeklies and to slash staffs and pages. Now the TV station would be pulled into this process. In the interest of monopolizing a region or cutting costs, the newspaper goliaths ignore the needs of the local people – intense, focused coverage of local schools, community activities, and community concerns such as crime and local development.

Tampa again provides a case in point. There is no doubt that the economic goal is to combine the production of news. Economic convergence just needs to overcome the cultural and professional differences that characterize the newsrooms. As a key player in the most vigorous effort to create convergence put it "The single greatest challenge we have is to overcome our [work] cultural differences."[365]

Those pushing convergence from the newspaper side are even more adamant about ridding the operation of the journalistic ethic.

> "An ongoing concern is how to integrate the entrepreneur into a traditional culture," Thelen [the Tampa Tribune's executive editor and vice chairman] says. "This will be a challenge for the company to adjust to. We want to place a high value on experimental risk taking, rather than on the tried and true journalism story."[366]

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362 Roberts, Gene, Thomas Kunkel, and Charles Clayton. "Leaving Readers Behind." In Roberts, Gene, Thomas Kunkel, and Charles Clayton (eds.), *Leaving Readers Behind.* Fayetteville: University of Arkansas Press, 2001, p. 5.

363 Roberts, Kunkel and Layton, 2001, p. 9; Rowse, Arthur E. *Drive-By Journalism.* Monroe, ME: Common Courage Press, 2000*,* pp. 24-25.

364 Bass, Jack. "Newspaper Monopoly" in Gene Roberts, Thomas Kunkel, and Charles Clayton (eds.), *Leaving Readers Behind.* Fayetteville: University of Arkansas Press, 2001, pp. 113, 116.

365 Tompkins, Al and Aly Colon. "NAB 200: The Convergence Marketplace." *Broadcasting and Cable,* 10 April 2000, p. 48, quoting WFLA News Director Bradley.

366 Colon, Aly. "The Multimedia Newsroom." *Columbia Journalism Review*, June 2000, p. 26.

Reporters caught in the convergence frenzy clearly bristle under the heavy-handed efforts to merge the media.

> But Kathleen Gallagher, a Milwaukee Journal Sentinel investment writer, who often does live 45-second interviews from the newsroom, finds the TV piece "disconcerting." [TV anchors] spend all this time thinking about their product and how they present themselves, and you're interrupting the writing of your story to do [the interview] quickly.[367]
>
> "The last newspaper story I wrote, I wrote on my own time," says veteran WFLA reporter Lance Williams. "But the fun part of it is there are no restrictions on my story. It is hard to write a minute and thirty-second story. But writing for the newspaper is freeing.
>
> "My brain was mush by the end," says Barron, who normally runs WFLA's Sarasota bureau. "There were times when I sat down to write a script for TV and would start putting in attribution like it was a newspaper story."[368]
>
> With a 110,000-daily-circulation lead over the competition, Brown says the *Times* still beats the *Tribune* with basic, hard-core journalism. "I think [convergence] creates a serious distraction, potentially, in how they cover the news," he says. "There is a risk of dilution."[369]
>
> However, whatever happens, the Tampa convergence experience raises at least two concerns. If journalists spend time contributing to each other's media, when will they have time to gather the news? And more important, will similar media convergence mean that fewer voices produce the news or perhaps, some voices will be lost.[370]

The problem is not limited to Tampa or Milwaukee. Lewis Friedland outlines several processes that have starved local news reporting of resources and cautions that

> To allow further linkages between these two, already powerful movements towards concentration would further damage the already fragile environments of local news.
>
> What would be the almost certain, immediate effect of allowing newspaper-television cross ownership? The most obvious effect would be a constriction

[367] Rabasca, 2001, p. 2.
[368] Strupp, 2000, p. 21.
[369] Id., p. 22.
[370] Tompkins and Colon, 2000, p. 53.

> of the supply of local news and a concomitant restriction in the supply of local news sources.[371]

While the general impact of triggering a merger trend will have negative impacts on journalistic values, it is important to note that there are ways in which combinations pose special threats to the preservation of journalistic principles. While mergers tend to starve the journalistic values of the enterprise of resources, in the drive to produce profits for the merged entity, the multitasking[372] and cross selling[373] that typifies combination mergers pose a special threat. They are intended specifically to homogenize the media.

Moreover, because professional lines are breached, it is quite problematic to define activities and preserve professional ethics.

> The alliance between the *Chicago Tribune* and Tribune-owned WGN channel 9 led the American Federation of Television and Radio Artists (AFTRA) to file a grievance against the station after a WGN reporter (an AFTRA member) was asked to write for the newspaper without additional compensation. "I think that with the consolidation of the media, it's a real danger," says Eileen Willenborg, executive director of AFTRA's Chicago chapter. She raises another issue as well. 'You can't spread professionals so thin and still have a professional product." *Tribune* executives declined comment.[374]

> As staff began to work more closely, they discovered a disparity in the pay levels between television reporters and newspaper reporters. Religion writer Bearden used to get extra pay for filing TV stories in addition to her newspaper stories. With convergence, the extra pay will dry up. *Tribune* managers say they know they will have to address the pay issue if newspaper staffers routinely appear on television.

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[371] Friedland, Lewis. "Statement" Attached to "Reply Comments of Consumer Federation, et al." *Cross Ownership of Broadcast Stations and Newspapers*, MM Docket No. 01-235, 15 February 2002.

[372] Rabasca, 2001, p. 4.

[373] Id., p. 4; Tompkins and Colon, 2000, p. 50; Mitchell, Bill. "Media Collaborations." *Broadcasting and Cable*, 10 April 2000.

[374] Moses, 2000, p. 23.

> And then there is the issue of workload. Reporters and photojournalists worry the marriage will mean more work without more money.[375]

> Along with concerns about journalistic quality and time management come the question of compensation of reporters who perform crossover work, as well as redefining job descriptions and hiring rules for incoming reporters. So far, no staffers have received extra pay for going beyond their regular workload, and many say they would like to see the issue settled before convergence becomes more routine.[376]

These pressures and problems emerge in all mergers. They are heightened because the "fear is that corporate bean counters see convergence simply as a way to 'thin the herd' of reporters rather than using the huge reporting teams fielded by papers to greatly broaden the scope of broadcast stories."[377]

TRENDS WITHIN PRINT JOURNALISM

The FCC also should recognize that cross-ownership may reinforce disturbing trends in the newspaper market. The economic "logic" of pursuing profits through conglomeration, concentration and national integration is potent, but the Commission's job is to consider the impact of those economic trends on the quality of civic discourse. It cannot pay homage to pure economics but ignore the end point to which reliance on pure economics will drive civic discourse.

At the simplest and most general level, the extent to which newspapers have experienced the trends more in the past may be an indication of what will happen in other media. Indeed, given the developments in radio during the rapid acceleration of integration of

[375] Tompkins and Colon, 2000, p. 50.
[376] Strupp, 2000, p. 22.
[377] McConnell, Bill. "The National Acquirers: Whether Better for News or Fatter Profits, Media Companies Want in on TV/Newspaper Cross-Ownership." *Broadcasting and Cable*, 10 December 2001.

stations into national chains unleashed by the 1996 Telecommunications Act, the general impact of these trends on civic discourse seems clear and should be a major source of concern to the Commission.

Concentration Eliminates Diversity

In *Taking Stock,* Gilbert Cranberg, Randall Bezanson and John Soloski argue that if any one thing is to blame for the deterioration of American newspapers it is the over-concentration of the marketplace.[378] The efforts of the large newspaper corporations to monopolize regions and their respective voices has lead to an entirely profit-driven business model that has in turn de-prioritized product quality and debilitated most news operations' ability to fully serve a free press.[379] Companies like Gannett and Knight Ridder, two of seventeen dominant chains, have taken control of dozens of newspapers, buying out hundreds of competitors, and reducing citizens' access to probing, helpful information that is vital to daily life. Many of the public companies have begun to seek advantages from grouping papers into dominant metropolitan and regional chains and then combining many aspects of the news operations, sharing news among all of the nominally separate papers. This is a strategy of vertical integration through control over content.[380]

This has an immediate and negative impact on any given local news consumer, for he is fed a generic dose of coverage that does not likely inform him of what is going on in his neighborhood. In Wisconsin, for instance, Gannett purchased Thompson's central holdings

[378] Cranberg, Gilbert, Randall Bezanson, and John Soloski. *Taking Stock: Journalism and the Publicly Traded Newspaper Company.* Ames: Iowa State Press, 2001.

[379] Cranberg, Bezanson and Soloski, cite Roberts, Gene. 1996. "Corporatism vs. Journalism." *The Press-Enterprise Lecture Series* 31, 12 February; for recent discussions see also Dugger, Ronald. "The Corporate Domination of Journalism." in William Serrin (ed.), *The Business of Journalism.* New York: New Press, 2000; Sparrow, 1999, Chapter 4.

[380] Cranberg, Bezanson and Soloski, 2001, p. 11.

(eight dailies and six weeklies) to add to the two it already owned there, effectively monopolizing the area.[381] Suddenly, thousands of subscribers lost their essential local coverage.

Similar cases can be found all over the country.[382] CNHI bought eight Thompson dailies in Indiana, adding to the four it already owned there. CNHI and Gannett now account for 40% of Indiana's daily circulation. The consequences of this are clear: fewer voices and perspectives are provided and the ability of the people to "make judgments on the issues of the time," something central to the American Society of Newspaper Editors' *Statement of Purpose*, is hindered.[383]

The statistics at this point are staggering. Chains own 80 percent of America's newspapers and the aforementioned content-sharing has become one of the biggest hurdles.[384] In the Southeast, Knight Ridder shared content between three of its papers, *The Charlotte Observer, The State* (Columbia, SC) and *The Sun News* (Myrtle Beach, SC), which are at least one hundred miles away from each other and span two states. The likelihood of coverage being pertinent to individual readers in districts this far apart is virtually nil. In Baltimore, Times Mirror Co. bought a Patuxent chain of thirteen weeklies in the Baltimore suburbs even though it owns *The Baltimore Sun*. If any of those thirteen weeklies were offering opposing viewpoints to the *Baltimore Sun*, the purchase cut citizens' access to this competing dialogue. In monopolizing these local of ideas, the newspaper corporations demonstrate that they are

[381] Bass, 2001, p. 111.
[382] Id.
[383] Cranberg, Bezanson and Soloski, 2001, p. 86.
[384] Downie and Kaiser, 2002, p. 68.

not committed to upholding their position as *the* "broadly democratic and broadly representative source of information in our democratic society."[385]

Family operated papers are also being swallowed up by the corporate papers who toss fists full of money at them.[386] In Hartford, Times Mirror Co. bought *The Hartford Advocate*, a weekly created for the sole purpose of competing with the Times Mirror-owned *Hartford Courant*, the dominant daily.[387] In Montana, Lee Enterprises bought *The Hungry Horse Tribune* and *The Whitefish Pilot* and began running identical editorials as if the two communities had the same concerns.[388] In Westchester County, NY, Gannett combined ten papers it owned and created one, *The Journal News*, sacrificing successful, respected papers such as *The Tarrytown Daily News*.[389]

Profit at the Expense of Journalism

The frightening reality of this corporate expansion is that these companies, over the past few decades, have shown a declining interest in journalism and an overwhelming interest in profit-maximizing business practices. This 'business over news' attitude has countless drawbacks that have manifested themselves in various forms at hundreds of now-weakened newspapers.

Before identifying the specific ills, it is important to understand the corporate structures and mandates that have undermined America's newspapers' goals. Cranberg,

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385 Id., p. 13.

386 From this we can easily conclude that "the owners most likely to encourage their editors' ambitions, give them adequate resources and support aggressive, intelligent journalism are companies controlled by a single family" (Downie and Kaiser, 2002, p. 76).

387 Bissinger, Buzz. "The End of Innocence." in Roberts, Gene, Thomas Kunkel and Charles Layton (eds.), *Leaving Readers Behind.* Fayetteville: University of Arkansas Press: 2001, p. 83.

388 Bissinger, 2001, p. 103.

389 Roberts, Kunkel and Layton, 2001, p. 5.

Bezanson and Soloski note that "news has become secondary, even incidental, to markets and revenues and margins and advertisers and consumer preferences."[390] This list of motivating factors sums up where the newspaper chains' allegiances lie. This is due, in large part, to the make-up of the corporate boards that run the newspaper companies. "They draw heavily from industry, finance and law for outside directors."[391] *Taking Stock* research indicates that "of the 131 outside directors on the boards of the 17 dominant chains, only 17 (13 percent) have had experience on the editorial side of a news organization."[392] Furthermore, seven companies "have *no* outside directors with a newspaper background" and "a half-dozen only have one."[393] Without dedicated newspaper people involved in the highest level of management, the publicly owned (and traded) newspaper becomes a stock market entity like any other, and the product, news, becomes an expendable commodity that is "altered to fit tastes" and used to drive shareholder value up, without regard for journalistic integrity.[394]

While *Taking Stock* does concede that "some editors may still dominate corporate conversations about what constitutes news and how to deploy news gatherers," it cautions that "most no longer make such determinations singly or without elaborately justifying the effects on the bottom line."[395] In surveying CEOs of some of these companies, they find a common commitment to shareholders and stock value, not news and readers. William Burleigh of Scripps Howard points to a "suitable return" as his obligation, while Robert Jelenic of Journal Register Co. says his "mandate from the board is to produce longtime shareholder value."[396]

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[390] Id., p. 2.
[391] Cranberg, Bezanson and Soloski, 2001, p. 42.
[392] Id.
[393] Id.
[394] Id., p. 108.
[395] Id., p. 78.
[396] Id., p. 64.

The simple omission of news and readers as motivation speaks on how these papers are run, assembled and presented to the public – as money-making machines that subvert their "primary purpose of gathering and distributing news and opinion [in order] to serve the general welfare."[397]

Editors at papers big and small describe the stress caused by major newspaper corporations bearing down on their news operations, enforcing a bottom line principle, and, ultimately, infringing on their editorial role and the newspaper's output. *Taking Stock* cites an editor survey in which ninety percent of editors interviewed affirmed that they felt pressure from the bottom line, many adding that they felt "resignation" and "resentment" because of this pressure.[398] Geneva Overholser, former editor of *The Des Moines Register,* conducted a study for the American Journalism Review and found that "ownership by public corporations has fundamentally and permanently transformed the role of editor," noting that of the seventy-seven editors surveyed, "half of them said they spent a third or more of their time on "matters other than news."[399] *The News About the News* explains that editors who once "spent their days working with reporters…now spend more of their time in meetings with the paper's business-side executives, plotting marketing strategies or cost-cutting campaigns."[400]

The result of the 'business over news' attitude has been the deterioration of the American newspaper. *The Philadelphia Inquirer*, for example, became one of the nation's strongest papers while Gene Roberts was its editor. When Knight Ridder bought the daily, it began slashing staff and putting tremendous pressure on Roberts to increase profits. Roberts

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[397] Id., p. 86.
[398] Cranberg, Bezanson and Soloski, 2001, p. 89; Neiman Reports. 1999. *The Business of News, the News About Business,* Summer.
[399] Downie and Kaiser, 2002, p. 93.
[400] Id., p. 68; Neiman Reports, 1999.

soon had enough of the corporate newspaper model and retired with the *Inquirer's* daily circulation at 520,000 and its Sunday circulation at 978,000. Eleven years later, the paper's circulation had plummeted to 365,000 daily and 732,000 Sunday.[401] Surprisingly, Knight Ridder's profit margins rose to just under 20 percent during that time, epitomizing what has become an industry trend: "publicly traded newspaper companies have seen significant growth in their cash flow, despite modest growth in revenues."[402] Hence, although subscription rates are dropping because the quality of the papers is dropping, the chains are still profiting.

This pattern has been repeated at the L.A. Times, providing more fuel for the debate over whether cuts cause subscriber declines or *visa versa* "The size of the Times editorial staff has shrunk forom 1,200 five years ago to 940 now, and Times staffers say the executives in Chicago would like to reduce that to about 800. Times circulation has dropped from 1.1 million in 1999 to 852,000 this year."[403]

In order to accomplish this, the major corporations often hire analysts to determine how much of their newsroom staff and resources they can cut. At *The Winston-Salem Journal* in North Carolina, a newspaper owned by Richmond's Media General, a consulting firm (DeWolff, Boberg & Associates) was brought in to analyze how efficiently the paper's staff was operating. After making the reporters keep "precise diaries on how they spent their time over three weeks, DeWolff, Boberg produced a "grid" describing how much time various journalistic endeavors should take.[404] Based on the placement of a story within the paper, the

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[401] Downie and Kaiser, 2002, p. 81.
[402] Cranberg, Bezanson, Soloski, 2001, p. 38
[403] Kurtz, Howard. "Tribune Co. Ousts Publisher at L.A. Times: Jeffrey Johnson Had Fought Budget Cuts." *Washington Post,* 6 October 2006, p. C7.
[404] Downie and Kaiser, 2002, p. 97.

analysis suggested how much time should be spent working the story (down to the tenth of an hour), whether or not a press release should be used, how many and which types of sources should be used and, of course, how long the story should be. It took three months for the editors to convince the owners that "creative work like journalism cannot be governed by such arbitrary formulas."[405] Nonetheless, Media General laid off twenty percent of its workforce by the time DeWolff, Boberg had completed their consultation.

Knight Ridder had a similar outlook for the *San Jose Mercury News* whose publisher, Jay T. Harris, revealed that "the drive for ever-increasing profits [was] pulling quality down." What eventually drove Harris away from the paper were Knight Ridder's demands that the paper reach "a specific profit margin, an exact percentage figure" that would give them a suitable return. Harris could no longer stomach Knight Ridder's lack of regard for the paper's journalistic responsibilities and left.[406]

Instances of staff cutting by corporate companies have piled up over the past two decades. When Gannett bought *The Asbury Park Press* (boosting its and Newhouse's combined share of New Jersey's circulation to a whopping 73 percent) it immediately liquidated a fourth of the newsroom staff, from 240 people to 185.[407] Next, the news hole was reduced, bleeding out niche local coverage that was vital to a highly subdivided area with many townships and districts. The *Press* had trained itself to adequately serve its varied readership, setting up localized bureaus and printing five zoned editions. Gannett swiftly dropped the *Press* to four zoned editions and in a final swipe at the newsroom staff; the chain increased workloads and took away overtime pay.

[405] Id.
[406] Id., p. 109.
[407] Neiman Reports, 1999, p. 143.

The *Press* is one of hundreds of papers wrestling with these new terms of competition, terms that "have little or nothing to do with news quality."[408] MediaNews acquired the *Long Beach Press-Telegram* and immediately cut 128 jobs. Knight Ridder acquired the *Monterey County Herald* and dropped 28 employees on day one. The Journal Register Co. bought the *Times-Herald* (Norristown, PA) and subsequently fired 25 people. Their op-ed page was dropped, the mayor stopped subscribing and within one year the paper was completely detached from Norristown's immediate needs. Time and again, economic pressures have swelled, undermining "traditional journalistic standards and values" and proving that "there is no obvious way to simultaneously shrink a newspaper and make it better."[409]

Happy News

The corporate paper takeovers of the past two decades have also resulted in the 'softening' of news to appease advertisers who want buoyant, happy readers perusing their ads. Avoiding content that some advertisers find boring (mainly government, especially state and local government news) or unlikely to give readers the zest they need to buy, has become commonplace as the papers remove hard news sections to add "reader-friendly" content, as Gannett calls it. Their aforementioned *Asbury Park Press* reporters were told that "there will be no bad news in the "Day in the Life stories," and "no aggressive reporting or attempts to expose problems or wrongdoing."[410] Gannett's *Courier-Journal* in Rockford, Illinois was criticized in an evaluation by former editor Mark Silverman for emphasizing "hard-news subjects" and suggested the paper consider "more how-to stories, stories that show how a person or a group of people accomplished something, question-and-answer columns, 'ask the

[408] Cranberg, Bezanson, and Soloski, 2001, p. 13.
[409] Downie and Kaiser, 2002, p. 69.
[410] Id., p. 87.

experts' call-in hot lines, and even first-person stories by readers."[411] These are examples of the "prevailing ethos" at Gannett and other corporate newspaper companies – soft news is easy and inexpensive to cover; it is devoid of controversy and is therefore safe; and, most importantly, it makes advertisers happy.

The dilemma here is not that the chain-owned newspapers are adding content. That, in theory, is a good thing. But, in order to make room under the shrunken budgets, other content has to be cut, and it almost always comes out of the hard-news bin. This means that Gannett can easily and profitably remove hard-news reporters at the *Asbury Park Press*, load up on AP story releases, shrink hard-news story length, and add low-cost sections like "Whatever," a teen beat section, and "Critters," a pet section which includes pet obituaries that cost readers at least 50 and sometimes 300 dollars to print.[412] To compensate, the chains do a significant amount of the cutting in the state government bureaus. In 1998, "only 513 reporters" nationwide were covering all state governments full-time. *Breach of Faith* points out that, disturbingly, over 3000 media credentials were issued for that year's Super Bowl.[413]

The corporate departure from state government coverage has come with little or no regard for journalistic integrity or the benefits the public receives from this coverage. Bureaus at hundreds of papers across the country have been slashed. The *Journal-Constitution,* in Atlanta, used to house one of the most prolific state government bureaus in the nation, boasting twelve esteemed reporters. When Cox bought the paper, it was left with three statehouse reporters. Shortly thereafter, the *Journal-Constitution* had slanted, one-sided coverage that did not have the resources to inform itself adequately and, in turn, inform the

[411] Id., p. 91.
[412] Id., p. 91.
[413] Roberts, Kunkel and Clayton, 2001, p. 10.

public sufficiently. When the reporter crunch received bad press, Cox doubled its number of statehouse reporters to six.

In Montana, the *Great Falls Tribune* earned a great reputation for state government coverage, only to have Gannett buy the paper and attempt to shut down the entire bureau in order to rely strictly on the Associated Press. The editors talked new president Chris Jensen out of it, only to find copies of the paper on their desks with "Gs" "marked on any story he considered too governmental.[414] The editor's copy and budget were being cut, to the point where law books that were vital to reporting were no longer being ordered.

Former Georgia Governor Zell Miller's concern is that the turnover of the statehouse reporters and their relative youth and mobility detract from the coverage, coverage that is already being hampered. "They don't have a long view of the leaders," he said. "They don't have context. There's no historical perspective whatsoever."[415] Reaching this low-point in state reporting is the function of nearly two decades of corporate ownership demoralizing the veteran reporters, forcing them to leave for papers where they can truly pursue their journalistic endeavors and substituting young, inexperienced reporters who need jobs – the kind of staff that will do what you tell them. As this cycle permeates the rest of the newsroom, as other departments are slashed, it will become increasingly difficult for chain-owned papers to serve as a free press.

While the phenomenon is most prevalent in smaller markets, it also afflicts some of the largest newspapers, including *USA Today,*[416] *The Washington Post*[417] and the *New York*

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[414] Walton, Mary and Charles Layton. "Missing the Story at the Statehouse." in Roberts, Gene and Thomas Kunkel (eds.), *Breach of Faith: A Crisis of Coverage in the Age of Corporate Newspapering.* Fayetteville: University of Arkansas Press, 2002, p. 14.
[415] Id., p. 21.
[416] Rowse, 2000, p. 163.

Times.[418] In order to maintain advertiser relationships, coverage has to be undermined. These instances make it seem as though advertisers have as much say about what is being reported as the reporters do. This is certainly not a healthy journalistic environment.

Under Serving Commercially Unattractive Audiences

Putting circulation quality over circulation quantity is the other major tactic the corporate papers use to cut cost and boost profits. This means that newspapers determine the value of a region with respect to its attractiveness to advertisers. The advertisers are not interested in pitching their products to economic and social groups that they do not normally attract or who fall into unwanted demographics. So, they put pressure on the papers to get their ads to the "right" people for the smallest price.

According to *Taking Stock*, "the practice of cutting circulation has increased in the past two decades, with papers halting circulation to areas where readers don't interest advertisers."[419] The result of this is that the lowest circulation penetration is found "in areas with high concentrations of both low income and minority populations."[420] This leaves the minority and low-income populations under served by the press, with fewer opportunities to

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[417] According to Rowse, 2000, p. 49, in 1994, *The Washington Post* ran a huge story urging the approval of GATT without admitting that it was a subsidiary of American Personnel Communications and stood to profit $1.3 billion if GATT went through. Similarly, p. 159, the *Post* runs ads for the Nuclear Energy Institute, a large supplier of advertising revenue, and neglected to run a story about a report by Public Citizen which said 90 percent of nuclear reactors had been operating in violation of government safety rules.

[418] According to Street, John. *Mass Media, Politics and Democracy*. New York: Palgrave, 2001, p. 141, "*The New York Times* changed an article about Tiffany's, a huge advertiser, and accompanied it by a bland editorial, to avoid damaging their relationship with the company." Similarly, Rowse, 2000, p. 162, notes that Chrysler, an enormous source of ad revenue for whomever it deals with, demands to see the content in the pages accompanying its ads to ensure that it is 'positive' and 'light.'

[419] Cranberg, Bezanson and Soloski, 2001, p. 93.

[420] Id., p. 96.

access the valuable daily news and entertainment that people in higher "quality" socioeconomic groups are supplied with.

Furthermore, "competition for socioeconomically defined market segments increasingly takes the form of altering the subject matter and shape of news content, delivering the types and forms of information that persons in the socioeconomically defined market prefer."[421] This means that not only are the chain papers physically not getting copies to certain social groups (their tactics will be highlighted momentarily), they are slanting the news they do print to please the readers that the advertisers want pleased. At this point, the low income and minority populations are doubly deserted. The financial motivations of the corporate owners strip the newsrooms of their ability to justly report and inform, and prohibit us from celebrating, mourning and co-existing fruitfully as a culture.

The "deliberate industry strategy to pursue a more upscale readership" has been exposed by researchers at the University of Iowa's school of journalism by surveying directors at the largest 90 U.S. dailies. The research states:

> Interviews…made it evident that lower-income neighborhoods were being disadvantaged by such tactics as requiring payment in advance, refusing to deliver to public housing, door-to-door sales efforts only on days of the month when government checks were due, and denial of discounts. Combined with "aggressive pricing"- that is, charging more – the practices amount to writing off a whole class of potential readers.[422]

These tendencies are reinforced by a relative absence of minorities from newsrooms. Vanessa Williams weaves together the relationship between communities, journalists, news organizations, reporting and democracy that I have highlighted throughout this analysis.

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[421] Id., p. 10.
[422] Id., p. 95.

> Black and white and red all over: the continued struggle to integrate American newsrooms. It's a play on an old riddle. In this case, the black and white refer to race, although I might add that in recent years the industry, faced with the rapidly changing demographics of the country, must also be concerned with Asians, Hispanics, and Native Americans. The red refers to the heated emotions that color this struggle: frustration, embarrassment, anger.
>
> What does this have to do with the news product? Everything. News organizations' continued inability to integrate African-Americans and other journalists of color into their newsrooms and to more accurately and fairly represent racial and ethnic communities threatens the credibility and viability of daily general-circulation newspapers. How can a newspaper claim to be a journal of record for a given city or region if it routinely ignores or misrepresents large segments of the population in the geographic area it covers?...
>
> Our greatest concern about the industry's failure to grasp the gravity of its diversity deficit should be the potential harm to society. Many Americans continue to operate out of misinformation and misunderstanding when it comes to perceptions and relationships between racial groups, between religious groups, between men and women, straight and gay people, young and old people, middle-class and working-class people. The press, by failing to provide more accurate, thorough, and balanced coverage of our increasingly diverse communities, has abdicated its responsibility to foster an exchange of information and perspectives that is necessary in a democracy.[423]

The unique "market failures" discussed in the previous chapter provide the basis for public policy intervention to ensure robust civic discourse. That is, if we were only concerned about the traditional market failures described in the previous section, we might rely on antitrust policy, perhaps with a more rigorous set of structural screens and a heightened concern for vertical/conglomerate issues. However, the unique market failures demand much more public policy intervention to promote such civic discourse.

When entities merge, everyone in the market loses an independent voice, while a small segment of the market gains better coverage. In fact, depending on the distribution of

[423] Williams, Vanessa. "Black and White and Red All Over: The Ongoing Struggle to Integrate America's Newsrooms." in William Serrin (eds.), *The Business of Journalism.* New York: New York Press, 2000, p. 100.

preferences, the least well-served in the market may become even less well-served, if the merged entity drives out sources that are targeted to the needs of minorities and atypical groups. This is particularly true when a national entity buys out a local entity.   When the merger crosses institutional lines, it may result in an equally severe loss of institutional diversity.

PART V:

RACIAL AND GENDER DIVERSITY

STUDY 11:
OUT OF THE PICTURE:
THE LACK OF RACIAL AND GENDER DIVERSITY IN TV STATION OWNERSHIP

S. DEREK TURNER AND MARK COOPER

ABSTRACT

In the landmark *Prometheus v. FCC* decision, the Third Circuit chastised the FCC for ignoring the issue of female and minority ownership. But since 2003, the FCC has done very little to address the issue. The FCC has abdicated its responsibility to monitor and foster increased minority and female broadcast ownership. In fact, the Commission cannot account for the actual state of female and minority ownership.

This study provides the first complete assessment and analysis of female and minority ownership of full-power commercial broadcast television stations. Taken together, the findings of this study paint a troubling picture:

- Women comprise 51 percent of the entire U.S. population, but own a total of only 67 stations, or 4.97 percent of all stations.
- Minorities comprise 33 percent of the entire U.S. population, but own a total of only 44 stations, or 3.26 percent of all stations.
- Hispanics or Latinos comprise 14 percent of the entire U.S. population, but only own a total of 15 stations, or 1.11 percent of all stations.
- Blacks or African Americans comprise 13 percent of the entire U.S. population but only own a total of 18 stations, or 1.3 percent of all stations.
- Asians comprise 4 percent of the entire U.S. population but only own a total of 6 stations, or 0.44 percent of all stations.
- Non-Hispanic White owners controlled 1,033 stations, or 76.6 percent of the all stations.

While female and minority ownership has advanced in other sectors since the late 1990s, it has gotten worse in the broadcast industry.

- Women owned 28 percent of all non-farm businesses in 2002, but currently own less than 5 percent of commercial broadcast television stations.
- Minorities owned 18 percent of all non-farm businesses in 2002, but currently own approximately 3 percent of commercial broadcast television stations.
- In sectors such as transportation and health care, all minority groups own businesses at or near their proportion of the general population. But in the TV broadcast sector, the two largest groups — African-Americans and Latinos — barely own 1 percent of stations.
- The level of minority ownership in the general non-farm sector rose 23 percent from 1997 to 2002. However, from 1998 to 2006 the level of minority broadcast TV ownership dropped.

INTRODUCTION

In 2003, the Federal Communications Commission implemented a series of policies that promised to completely alter the mass media marketplace.[424] The proposed rule-changes were met with an unprecedented public and congressional backlash[425], and were ultimately overturned by the courts.[426] Three years later, the FCC is poised to once again force rule changes upon an unwilling public. In July 2006, the FCC issued a *Further Notice of Proposed Rulemaking*, soliciting public comment on the issues raised on remand by the Third U.S. Circuit Court of Appeals in its *Prometheus v. FCC* decision.[427]

A key issue before the Commission is how the rule changes will impact female and minority ownership of broadcast radio and television outlets. This report provides the first complete and accurate assessment and analysis of female and minority full-power commercial broadcast television ownership. The purpose of this study is to provide the public, Congress, and the FCC itself with a complete understanding of the state of minority and female

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[424] Federal Communication Commission. 2003. *In the Matter of 2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996; Cross-Ownership of Broadcast Stations and Newspapers; Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets; Definition of Radio Markets; Definition of Radio Markets for Areas Not Located in an Arbitron Survey*, MB Docket Nos. 02-277. 01-235, 01-317, 00-244, 03-130, FCC 03-127. Herein referred to as "2003 Order."

[425] Ben Scott. 2004. "The Politics and Policy of Media Ownership." *American University Law Review* Vol. 53: 3, February.

[426] *Prometheus Radio Project, et al. v. F.C.C.*, 373 F.3d 372 (2004) (herein referred to as "*Prometheus*"), stay modified on rehearing, No. 03-3388 (3d Cir. Sept. 3, 2004), cert. denied, 73 U.S.L.W. 3466 (U.S. June 13, 2005).

[427] Federal Communications Commission. 2006. *Further Notice of Proposed Rulemaking, in the Matter of 2006 Quadrennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996; 2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996; Cross-Ownership of Broadcast Stations and Newspapers; Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets; Definition of Radio Markets*, MB Docket Nos. 06-121; 02-277 ; 01-235; 01-317; 00-244, FCC-06-93; Herein referred to as "Further Notice"

television ownership, as well as the potential effects of proposed rule changes on female and minority ownership.

MINORITY AND FEMALE TV OWNERSHIP: A SORRY HISTORY

Historically, women and minorities have been under-represented in broadcast ownership due to a host of factors — including the unfortunate fact that some of these licenses were originally awarded decades ago when the nation lived under a segregationist regime. The FCC, beginning with its 1978 *Statement of Policy on Minority Ownership of Broadcasting Facilities,* has repeatedly pledged to remedy this sorry history.[428]

Congress also has recognized the poor state of female and minority ownership. The Telecommunications Act of 1996 contains specific language aimed at increasing female and minority ownership of broadcast licenses and other important communications mediums.[429] The Act requires the FCC to eliminate "market entry barriers for entrepreneurs and other small businesses" and to do so by "favoring diversity of media voices."[430] The Act also directs the Commission when awarding licenses to avoid "excessive concentration of licenses" by

[428] Federal Communications Commission. 1978. *Statement of Policy on Minority Ownership of Broadcasting Facilities*, 68 FCC 2d, 979, 980 n. 8.

[429] 47 U.S.C.§257, §309(j)

[430] Section 257 is contained within Title II of the Communications Act and thus does not directly encompass broadcast services. However, the Commission has interpreted some aspects of the language of §257 to apply to broadcast licensing. In 1998, the Commission stated: "While telecommunications and information services are not defined by the 1996 Act to encompass broadcasting, Section 257(b) directs the Commission to 'promote the policies and purposes of this Act favoring diversity of media voices' in carrying out its responsibilities under Section 257 and, in its Policy Statement implementing Section 257, the Commission discussed market entry barriers in the mass media services." See Federal Communications Commission 98-281, *Report and Order: In the Matter of 1998 Biennial Regulatory Review -- Streamlining of Mass Media Applications Rules, and Processes -- Policies and Rules Regarding Minority and Female Ownership of Mass Media Facilities,* MM Docket No. 98-43, November 25, 1998, herein after referred to as *the Form 323 Report and Order*.

"disseminating licenses among a wide variety of applicants, including small businesses, rural telephone companies, and businesses owned by members of minority groups and women."[431]

The FCC initially appeared to take this mandate seriously. In 1997, the Commission completed a proceeding, as required by the 1996 Act, which identified barriers to entry for small businesses (which has been interpreted to include minority- and female-owned entities) and set forth the agency's plan for eliminating these barriers.[432] Unfortunately, subsequent triennial reports have lacked substance.[433]

In 1998, the Commission further demonstrated its seriousness by taking a crucial first step to determine the actual state of female and minority ownership of broadcast radio and television stations. That year, the FCC began requiring all licensees of full-power commercial stations to report the gender and race/ethnicity of all owners with an attributable interest in the license.[434] In the *Form 323 Report and Order*, the Commission stated:[435]

> Our revised Annual Ownership Report form will provide us with annual information on the state and progress of minority and female ownership and enable both Congress and the Commission to assess the need for, and success of, programs to foster opportunities for minorities and females to own broadcast facilities.

Other than this monitoring effort, the FCC has done very little to promote female and minority broadcast ownership (and the follow-up on this monitoring has been abysmal). In its

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[431] 47 U.S.C.§309(j)

[432] Federal Communications Commission. *In the Matter of Section 257 Proceeding to Identify and Eliminate Market Entry Barriers for Small Businesses*, *Report*, GN Docket No. 96-113, 12 FCC Rcd 16802 (1997).

[433] In his dissenting statement on the 2004 Section 257 report, Commissioner Michael Copps described the report as a "a slapdash cataloging of miscellaneous Commission actions over the past three years that fails to comply with the requirements of Section 257."

[434] 47 C.F.R. 73.3615

[435] Federal Communications Commission. 1998. *Report and Order, In the Matter of 1998 Biennial Regulatory Review Streamlining of Mass Media Applications, Rules, and Processes Policies and Rules Regarding Minority and Female Ownership of Mass Media Facilities*, MM Docket Nos. 98-43; 94-149, FCC 98-281.

1999 Order that allowed television duopolies, the Commission paid lip-service to concerns about the policy change's effect on minority and female ownership, but still went forward with rule changes that allowed increased market concentration.[436] In 2004, the Commission sought input into how it could better implement Section 257 of the 1996 Act. But this proceeding remains open, and the current chairman has shown no sign of interest in completing this important matter.[437]

In the 2003 Order implementing Powell's rule changes, the FCC assured the public that ownership diversity was a key policy goal underlying its approach to ownership regulation.[438] However, the *Third Circuit* found otherwise, stating that "repealing its only regulatory provision that promoted minority television station ownership without considering the repeal's effect on minority ownership is also inconsistent with the Commission's obligation to make the broadcast spectrum available to all people 'without discrimination on the basis of race.' "[439]

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[436] Federal Communications Commission. 1999. *Report and Order, In the Matter of Review of the Commission's Regulations Governing Television Broadcasting Television Satellite Stations Review of Policy and Rules*, MM Docket Nos. 87-8. 91-221, FCC 99-209.

[437] Federal Communications Commission, Media Bureau. "Media Bureau Seeks Comment on Ways to Further Section 257 Mandate and to Build on Earlier Studies" DA 04-1690, MB Docket No. 04-228, 15 June 2004.

[438] See *2003 Order*, "Encouraging minority and female ownership historically has been an important Commission objective, and we reaffirm that goal here."

[439] See *Prometheus*, 373 F.3d at 421, n58 (3rd Cir. 2004).

The FCC Shows No Concern for Tracking Minority and Female Ownership

The 2006 *Further Notice* seeks public comment on the issue of minority and female ownership. But before considering the potential effects of policy changes on female/minority ownership, we must first know the *current* state of ownership and evaluate the effects of previous policy changes. No one should be in a better position to answer these questions than the Commission itself. The FCC possesses gender and race/ethnicity information on every single broadcast entity and knows exactly when licenses changed hands.

However, the FCC has no accurate picture of the current state of female and minority ownership, and shows no sign of taking the matter seriously. Though the Commission has gathered gender/race/ethnicity data for the past seven years, it has shown little interest in the responsible dissemination of the information contained within the Form 323 filings.

This lack of interest or concern is made evident by the FCC's own Form 323 summary reports. Station owners began reporting gender/race/ethnicity information in 1999, and the FCC released its first "summary report" in January 2003 (for reporting in 2001).[440] A second summary followed in 2004 (for reporting in 2003).[441] The most recent report was issued in June 2006 (for the 2004-2005 period).[442] However, calling these publications "summary reports" is somewhat misleading, as they are merely a listing of each minority or female-

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[440] Though this data summary is not directly displayed on the FCC's ownership data page (http://www.fcc.gov/ownership/data.html), it can be downloaded at http://www.fcc.gov/ownership/ownminor.pdf and http://www.fcc.gov/ownership/ownfemal.pdf

[441] Though this data summary is not directly displayed on the FCC's ownership data page (http://www.fcc.gov/ownership/data.html), it can be downloaded at http://www.fcc.gov/ownership/owner_minor_2003.pdf and http://www.fcc.gov/ownership/owner_female_2003.pdf

[442] http://www.fcc.gov/ownership/owner_minor_2004-2005.pdf and http://www.fcc.gov/ownership/owner_female_2004-2005.pdf

owned station's Form 323 response and not aggregated in any manner. No information on the stations not owned by women or minorities is given.

Closer examination of these summary reports reveals significant problems. Some station owners listed in the 2003 summary are missing from the 2004 report but reappear in the 2006 summary, despite the fact that ownership had not changed during the interim period. Certain stations have ownership interests that add up to greater than 100 percent. In some instances, the type of station facility (AM, FM or TV) is not specified.

But the most alarming problems are ones of omission. Not a single station owned by Radio One is listed, even though the company is the largest minority-owned radio broadcaster in the United States. Stations owned by Granite Broadcasting, the largest minority-owned television broadcaster, are also missing from the FCC’s summary reports. However, examination of the individual Form 323 filings for these stations shows that they are indeed minority-owned. Why aren't they in the FCC’s summary?

The answer likely lies in how the larger-group stations report ownership information, and how the FCC harvests the information for their summary reports. Most of the licenses of those stations missed by the FCC are “owned” by intermediate entities, which are in some cases, many degrees separated from the “actual” owner. Some stations file more than 20 Form 323 forms (one for each holding entity), with the true owners listed on only one of the filed forms. And in many cases, the actual ownership information is attached as an exhibit and not listed on the actual form. Thus the FCC, which tabulates the information for their summaries by harvesting these electronic forms via an automated process, misses stations that file in this convoluted and confusing manner.[443]

Sources inside the Media Bureau indicate that there is little oversight of Form 323 fillings and the summary reports produced from them.[444] This lack of concern is made evident not only by the poor quality of the summary reports, but by the significant number of improperly filed forms. Station owners who listed themselves as one race in a certain year are listed as a completely different race in later years; race and gender information is left blank; names are misspelled; attribution of ownership in other stations is not listed as required; and some stations fail to file every two years as required by law.[445]

This obvious lack of concern is truly troubling given the Commission's stated commitment and legal obligation to foster improved female and minority broadcast ownership. The FCC has both the raw data and the resources to adequately address the issues raised by the *Third Circuit* regarding minority ownership but chooses instead to ignore this issue and rely on public commentators to do its job.

Due to limited resources, this study is limited to full-power commercial broadcast television stations. We hope that the results of this study and the flaws in the current FCC summary reports will inspire the Commission to undertake a similar analysis of the more than

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[443] Indeed, the average number of stations owned by each unique female/minority owner who appears on the FCC Form 323 summary is 1.4, versus 2.5 for female/minority owners who should, but do not appear in the FCC's summary. This difference is weakly statistically significant (one-sided p-value of 0.039).

[444] Byerly, Carolyn M. "Questioning Media Access: Analysis of FCC Women and Minority Ownership Data." Department of Journalism, Howard University.

[445] Numerous examples of these types of errors were noted. For example, Christina M. Coonce, the female American Indian/Alaska Native co-owner of WNYB was listed as "white" in the station's 1999 Form 323 filing but as American Indian/Alaska Native in later filings. In a 1999 filing for KBJR, the African-American owner of Granite Broadcasting, W. Don Cornwell, is listed as "W Don Ornwell" and as a white male.

11,000 commercial radio stations. Furthermore, we hope that the Commission will undertake a longitudinal analysis to determine the effects of current policies on female and minority ownership of all broadcast stations.

METHODOLOGY

The universe of full-power commercial television stations was determined using the FCC's CDBS Public Access Database.[446] Each individual station's Form 323 ownership filing was then reviewed, with ownership information assigned using the most recent filings (in most cases, the most recent filings were from 2004-2006).[447] "Ownership" was defined as the gender or race of owners with voting interest that exceeded 50 percent alone or in the aggregate. If no single gender or race met these criteria, then stations were assigned "no controlling interest status." This status most often was assigned to publicly traded corporations where listed entities did not form a majority of the voting interest. Information concerning stations that are operating under local marketing agreements (LMAs) was obtained from contracts that were filed with individual Form 323 filings. Data from the National Telecommunications and Information Administration's 1998 and 2000 *Minority Commercial Broadcast Ownership* reports were verified and updated with information from the CDBS database, as well as other publicly available sources and interviews with station representatives.

[446] The list was gathered on July 18th 2006. In addition to stations listed by the FCC as "licensed", each station that had "construction permit-off-air" or "licensed and silent" status was examined to determine if the station was currently on the air, and if so, were added to the list of licensed stations.

[447] This review was conducted from July 18th to August 3rd. Ownership reported herein is considered current as of June 2006, as stations are required to file an updated Form 323 report within 30 days of a change in ownership structure, in addition to their biennial filing.

Stations broadcasting on channels 2-13 were assigned VHF status, while stations broadcasting on channels 14-69 were assigned UHF status. Information about the network affiliation and local news content of each station was determined by viewing station Web sites, checking local programming listings or contacting the station.[448] The above data were merged with demographic data at the state and Designated Market Area levels, using information from the U.S. Census Bureau and BIA Financial. Statistical analysis methods such as ANOVA, t-tests and OLS were performed to examine the statistical significance of market-level ownership and market-level demographics, as well as differences in ownership concentration. Significance levels are highlighted in each figure.

MINORITY AND FEMALE TV OWNERSHIP

Stations where Minority/Female Ownership Status Could Be Ascertained

There are currently 1,349 full-power commercial television stations in the United States. Sixty-seven — or 4.97 percent — of the stations are owned by women. Forty-four of the 1,349 stations, or 3.26 percent, are minority-owned. Of these stations, 18 have black or African-American owners, accounting for 1.33 percent of all stations. Nine of these stations were controlled by a single entity, Granite Broadcasting. Hispanic or Latino owners controlled 15 stations, or 1.11 percent of the total. American Indian or Alaska Native owners control five stations, or 0.37 percent, while Asian owners control six stations, or 0.44 percent. There are no stations in the United States owned by Native Hawaiian or Pacific Islanders (see Exhibit 1).

[448] Stations were deemed to air local news if they aired at least one local news broadcast during the programming week, regardless of whether or not the station itself actually produced the newscast. Thus stations airing repurposed or repackaged news broadcasts are still counted as airing local news.

Exhibit 1: Full-Power Commercial Television Ownership By Gender & Race/Ethnicity

Category	Owner	Number of Stations	Percent of All Commercial Full Power TV Stations
Gender	Female	67	4.97
	Male	948	70.27
	No Controling Interest	327	24.24
	Unknown	7	0.52
Race/Ethnicity	Amer. Ind./AK Nat.	5	0.37
	Asian	6	0.44
	Black or Afric. Amer.	18	1.33
	Hispanic or Latino	15	1.11
	Nat. Haw/Pac. Isl.	0	0.00
	All Minority	44	3.26
	White	1,033	76.58
	No Controling Interest	264	19.57
	Unknown	8	0.59
	Total Universe	1,349	

Source: Form 323 filings; Free Press research

By comparison, non-Hispanic White owners controlled 1,033 stations, or 76.6 percent of the total stations. The bulk of the remaining stations were owned by entities with no single race/ethnicity accounting for greater than 50 percent of the voting interest (or where the proper information was not given). In most cases, the 264 stations designated as having “no controlling interest” are owned by large publicly traded corporations such as Clear Channel, whose voting stock is disbursed among a wide population of shareholders.

Seven stations, or 0.52 percent, are controlled by entities whose race/ethnicity and gender status could not be determined, and an additional station (WATM-TV) is controlled by an owner whose race/ethnicity status could not be determined.

Of the 1,349 total full-power commercial broadcast television stations, 576 are VHF stations, operating on channels 2-13. The remaining 773 are UHF stations, which operate on channels 14-69. UHF stations usually have a smaller audience and broadcast at a lower power than their VHF counterparts.

The FCC uses a “discount rule” to measure the nationwide audience reach of UHF stations, giving them half the potential audience reach compared to VHF stations. Consequently, VHF station licenses are considered more valuable than UHF licenses and the bulk of stations operating in this region are affiliated with the traditional "big four" networks of ABC, CBS, NBC and Fox. More than 92 percent of VHF stations are affiliated with these networks.

Women own 30 of the 576 VHF stations, or 5.21 percent. The remaining 37 female-owned stations are UHF stations, or 4.79 percent of UHF stations. There are 12 minority-owned VHF stations, accounting for 2.08 percent of the total. The remaining 32 minority-owned stations make up 4.14 percent of UHF stations.

The already low-level of minority broadcast television ownership is even lower in the more valuable VHF market. African-Americans own six VHF stations, or 1.04 percent of the total. Latinos control three VHF stations, or 0.52 percent. There are two American Indian/Alaska Native-owned VHF stations and just one Asian-owned VHF station, accounting for 0.35 and 0.17 percent, respectively (see Exhibit 2).

Exhibit 2: Ownership of VHF & UHF Full-Power Commercial TV Stations By Gender & Race/Ethnicity

Category	Type	VHF Stations		UHF Stations	
		Number of Stations	Percent of All Commercial Full Power VHF Stations	Number of Stations	Percent of All Commercial Full Power UHF Stations
Gender	Female	30	5.21	37	4.79
	Male	371	64.41	577	74.64
	No Controling Interest	175	30.38	152	19.66
	Unknown	0	0.00	7	0.91
Race/Ethnicity	Amer. Ind./AK Nat.	2	0.35	3	0.39
	Asian	1	0.17	5	0.65
	Black or Afric. Amer.	6	1.04	12	1.55
	Hisp. or Latino	3	0.52	12	1.55
	Nat. Haw/Pac. Isl.	0	0.00	0	0.00
	All Minority	12	2.08	32	4.14
	White	430	74.65	603	78.01
	No Controling Interest	134	23.26	130	16.82
	Unknown	0	0.00	8	1.03
	Total Universe	576		773	

Source: Form 323 Filings; Free Press research

The data above encompass all stations where females and/or minorities control greater than 50 percent of the voting interest in the entity that ultimately owns the station license. However, some stations are operating under Local Marketing Agreements, or LMAs. Under an LMA, the official owner has little or no input in the station's daily operation, which is directed by the owner of another station in the same market. LMAs have been widely criticized by industry observers and members of the FCC for being little more than a scheme to avoid FCC ownership limits.[449] For example, the six stations controlled by Carolyn C. Smith of Cunningham broadcasting are all operated by Sinclair under LMA's in markets where Sinclair would otherwise be in violation of the current duopoly rule. Carolyn Smith is the mother of Sinclair CEO David Smith, which along with the LMA relationship suggests that Cunningham is merely a front for Sinclair.

[449] See, for example, Findlay, Prentiss. "Group Says Stations Not Independent." *Charleston Post and Courier*, 20 December 2004; see also Schmelzer, Paul. "The Death of Local News." *Alternet,* 23 April 2003.

Free Press identified two minority-owned stations and eight female-owned stations that are under the *de facto* control of male or non-minority owners.[450] When these stations are removed from the total tally, the level of female ownership drops to 4.37 percent of all full-power commercial stations, while minority ownership falls to 3.11 percent of all stations.

No Controlling Interest but No Diversity at the Top

There were 264 stations with “no controlling interest” held by a single race, or 19.6 percent of all stations. But only one of these 264 stations — Atlanta’s WTBS, which is owned by Time Warner — has a minority CEO (see Exhibit 3).

Exhibit 3: Stations with “No Controlling Interest” by Race[451]

Owner	Number of Stations	CEO or President	Gender	Race/Ethnicity
ABC/Disney	10	Rober Iger	Male	White, Non-Hispanic
Bank of Montreal	8	Tony Comper	Male	White, Non-Hispanic
Belo	19	Robert W. Decherd	Male	White, Non-Hispanic
Bowers Family	1	Claud W. Bowers	Male	White, Non-Hispanic
CJCLS	1	Craig L. Christensen	Male	White, Non-Hispanic
Clear Channel	35	Mark Mays	Male	White, Non-Hispanic
Coonce Family	5	Garth W. Coonce	Male	White, Non-Hispanic
Equity Broadcasting	22	Larry E. Morton	Male	White, Non-Hispanic
Freedom Communications	8	Scott M. Flanders	Male	White, Non-Hispanic
General Electric	27	Jeff Immelt	Male	White, Non-Hispanic
Gray	34	J. Mack Robinson	Male	White, Non-Hispanic
Journal	9	Steven J. Smith	Male	White, Non-Hispanic
Lincoln	3	Jon A. Boscia	Male	White, Non-Hispanic
MediaNews Group Inc.	1	William Dean Singleton	Male	White, Non-Hispanic
Raycom	47	Paul McTear	Male	White, Non-Hispanic
GEI Capital	2	Peter Nolan	Male	White, Non-Hispanic
Better Life Television	1	Robert Heisler	Male	White, Non-Hispanic
Time Warner	1	Richard D. Parsons	Male	Black or African American
Tribune	27	Dennis J. Fitzsimmons	Male	White, Non-Hispanic
Univ. of Missouri	1	Thomas E. Atkins	Male	White, Non-Hispanic
Univision	2	A. Jerrold Perenchio	Male	White, Non-Hispanic

Source: Form 323 filings; Free Press Research

[450] In addition to the six Cunningham stations, the other two female-owned stations operated under an LMA are WZVN (operated by Waterman Broadcasting) and WNYB (owned by Christina Coonce, but under the *de facto* control of Tri-State Christian Television, controlled by Mrs. Coonce’s husband, Garth). The two minority owned stations operated under LMA’s are KFWD (operated by Belo) and KVIQ (operated by the Eureka Group).

[451] Univision’s total in this chart differs from their overall total because the two stations captured here are those in which Univision has a partial, but not controlling, interest.

There were 327 stations with "no controlling interest" by gender, or 24.24% of all stations. Of these 327 stations, only two stations (KJNP and WEHT) have a female CEO or president (see Exhibit 4).

Exhibit 4: Stations with "No Controlling Interest" by Gender

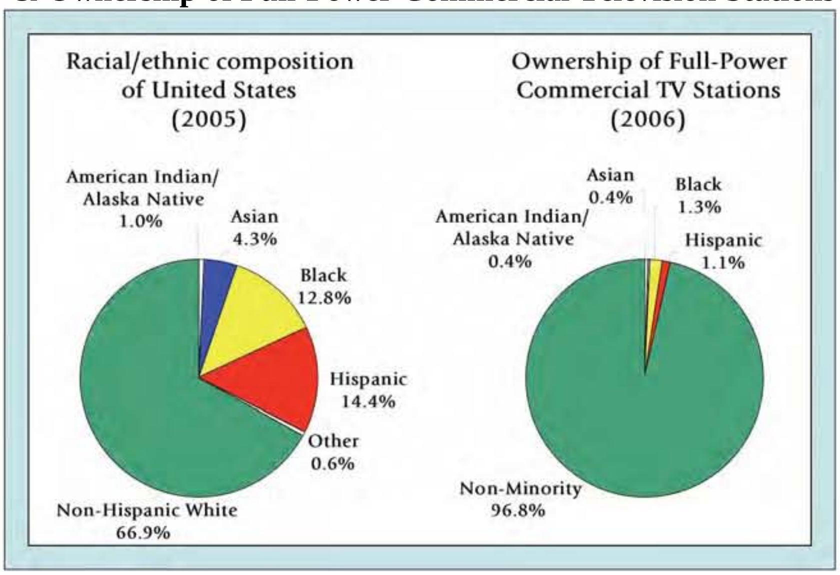
Owner	Number of Stations	CEO or President	Gender	Race/Ethnicity
ABC/Disney	10	Robert Iger	Male	White, Non-Hispanic
Bank of Montreal	8	Tony Comper	Male	White, Non-Hispanic
Belo	19	Robert W. Decherd	Male	White, Non-Hispanic
Better Life Television	1	Robert Heisler	Male	White, Non-Hispanic
Bowers Family	1	Claud W. Bowers	Male	White, Non-Hispanic
CJCLS	1	Craig L. Christensen	Male	White, Non-Hispanic
Chester & Naomi Smith	2	Chester Smith	Male	White, Non-Hispanic
Clear Channel	35	Mark Mays	Male	White, Non-Hispanic
Colley/Davis	2	Byron J. Colley	Male	White, Non-Hispanic
Coonce Family	5	Garth W. Coonce	Male	White, Non-Hispanic
Equity Broadcasting	22	Larry E. Morton	Male	White, Non-Hispanic
Evans Family	1	William Guy Evans	Male	White, Non-Hispanic
Evening Post Publishing Co.	11	Pierre Manigault	Male	White, Non-Hispanic
Fisher	1	Benjamin Tucker	Male	White, Non-Hispanic
Franklin Family	1	John Franklin	Male	White, Non-Hispanic
Freedom Communications	8	Scott M. Flanders	Male	White, Non-Hispanic
GEI Capital	2	Peter Nolan	Male	White, Non-Hispanic
General Electric	27	Jeff Immelt	Male	White, Non-Hispanic
Genvieve Nelson	1	Genvieve Nelson	Female	White, Non-Hispanic
Gilmore Family	1	Mariette Lemieux	Female	White, Non-Hispanic
Gray	34	J. Mack Robinson	Male	White, Non-Hispanic
Hernandez Family	1	Roland A. Hernandez	Male	Hispanic or Latino
Hildreth Family	2	David H. Lowell	Male	White, Non-Hispanic
Journal	9	Steven J. Smith	Male	White, Non-Hispanic
Lincoln	3	Jon A. Boscia	Male	White, Non-Hispanic
MediaNews Group Inc.	1	William Dean Singleton	Male	White, Non-Hispanic
Meridith	12	William T. Kerr	Male	White, Non-Hispanic
Palazuelos Family	1	Raul Palazuelos	Male	Hispanic or Latino
Quincy Newspapers	12	Thomas A. Oakley	Male	White, Non-Hispanic
Raycom	47	Paul McTear	Male	White, Non-Hispanic
Spain Family	1	None (Trust)	N/A	White, Non-Hispanic
Tawil Family	1	Saleem Tawil	Male	White, Non-Hispanic
Time Warner	1	Richard D. Parsons	Male	Black or African American
Tribune	27	Dennis J. Fitzsimmons	Male	White, Non-Hispanic
Univ. of Missouri	1	Thomas E. Atkins	Male	White, Non-Hispanic
Wray Family	1	Edwin N. Wray	Male	White, Non-Hispanic
Young/Gabelli	14	Vincent J. Young	Male	White, Non-Hispanic

Source: Form 323 filings; Free Press Research

FEMALE AND MINORITY BROADCAST TV OWNERSHIP DOES NOT MATCH THEIR PROPORTIONS OF THE GENERAL POPULATION OR OTHER ECONOMIC SECTORS

Women make up half of the U.S. population, yet own less than one twentieth of the full-power commercial television stations. Minorities account for nearly 33 percent of the U.S. population but own just 3 percent of the television stations (see Exhibit 5).

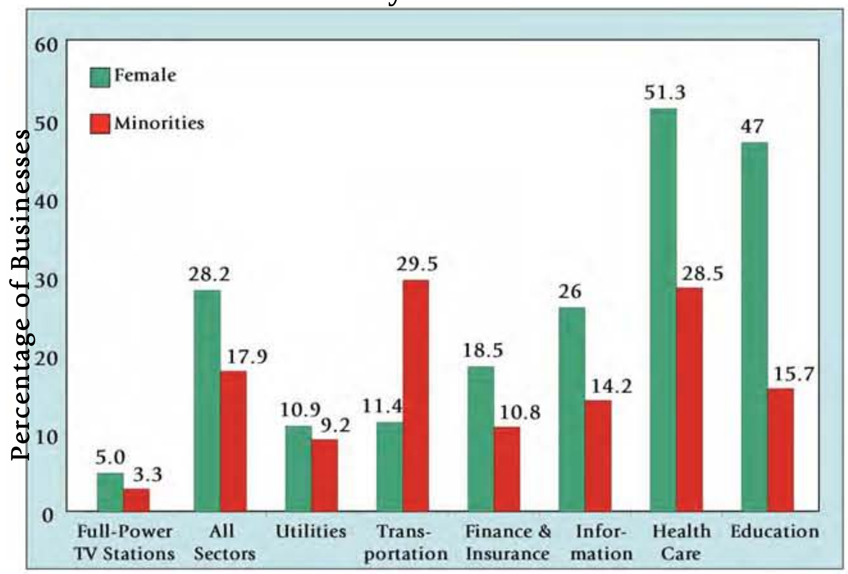
Exhibit 5: U.S. Racial/Ethnic Composition & Ownership of Full-Power Commercial Television Stations



Source: Form 323 Filings; U.S. Census Bureau; Free Press Research

Given the long history of prejudice and economic discrimination against women and minorities, it is not too surprising that broadcast ownership is below these groups' respective proportions of the general population. However, the level of female and minority broadcast TV ownership is also very low when compared to other sectors of the economy, and even the information sector as a whole. In industries like transportation and health care, female and minority ownership is some five to 10 times higher than in the broadcast television industry (see Exhibit 6).[452]

Exhibit 6: Female & Minority Business Ownership by Sector

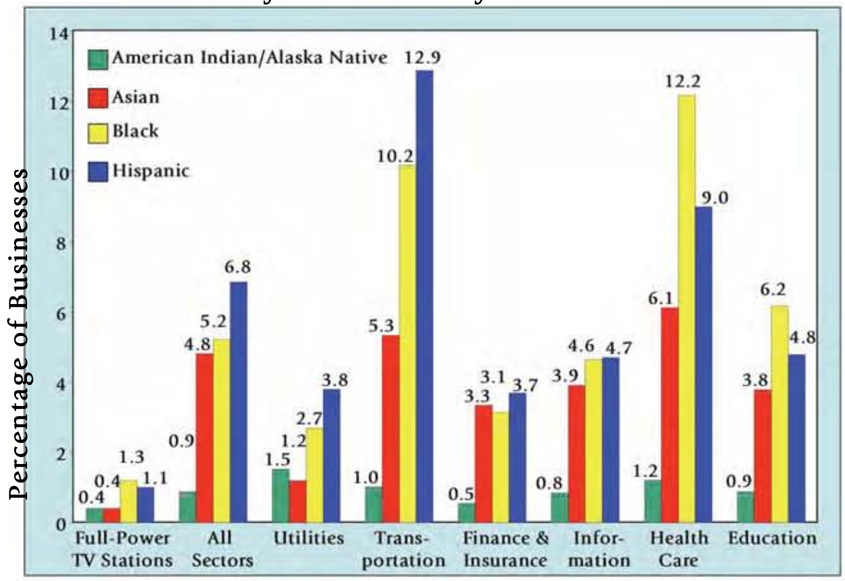


Source: Form 323 Filings; U.S. Census Bureau; Free Press Research

This disparity is even more telling when considering individual race and ethnic groups. In sectors such as transportation and health care, all minority groups own businesses at or near their proportion of the general population. But in the TV broadcast sector, the two largest groups — African-Americans and Latinos — barely own 1 percent of stations (see Exhibit 7).

[452] U.S. Census Bureau. 2005. *Economic Census*, data collected in 2002.

Exhibit 7: Minority Business Ownership by Race/Ethnicity & Sector

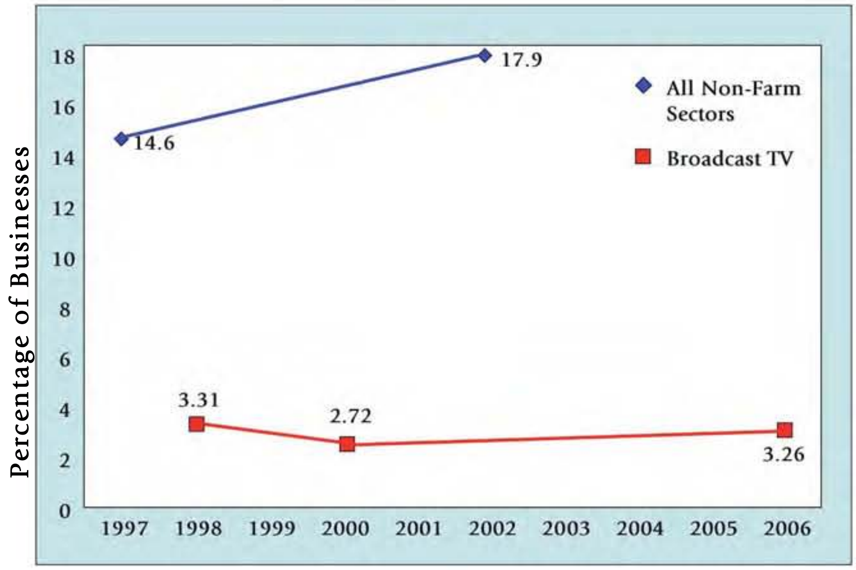


Source: Form 323 Filings; U.S. Census Bureau; Free Press Research

Also note that while the level of minority broadcast TV ownership has decreased in recent years, the percentage of minority ownership in the economy as a whole has increased (see Exhibit 8).[453]

[453] Data for non-farm sectors from 1997 and 2002; data for broadcast TV sector from 1998, 2000, and 2006.

Exhibit 8: Changes in Minority Business Ownership 1997-2006



Source: Form 323 Filings; U.S. Census Bureau; Free Press Research

CONCLUSIONS

As the FCC considers how to respond to the remand of the 2003 Powell Commission media ownership rules, it must pay close attention to the Third Circuit's strong language regarding the Commission's failure to adequately justify its rule changes in regards to female and minority ownership. It is not sound policymaking to assert that diversity, localism, and female/minority ownership are important goals, but then ignore the effects that rule changes have on these goals. Furthermore, it is a failure of responsibility to gather valuable information on ownership but then to do nothing with the data. And it is inexcusable to continue to release data summaries the Commission knows to be flawed.

The findings of this study are a crucial first step toward understanding the true state of female and minority broadcast ownership, and the effects of regulatory policy on these owners. But this study was focused on the narrower universe of full-power commercial television, and says nothing about radio. It could be argued that radio is the more important medium, since there are 10 times as many outlets and the price of entry for female and minorities is comparatively low. The FCC's form 323 summaries seem to show a decline in female and minority radio ownership, but given their flaws a more thorough census is needed. The Commission should conduct this work and pay close attention to the changes in ownership over time.

The FCC should not proceed with any rulemaking before it has thoroughly studied the issue of female and minority broadcast ownership. Furthermore, we feel that the results of our study demonstrate that any policy changes that allow for increased concentration in television markets will certainly lead to a decrease in the already low number of female and minority-owned TV stations and minority-owned local TV news outlets. Enacting regulations that lead to such outcomes directly contradicts the Commission's statutory and legal obligations under the 1996 Telecommunications Act. Instead, the Commission should consider proactive policies that protect and promote female and minority ownership.

The Commission also should take the following actions:

- The FCC Media Bureau should conduct a comprehensive study of every licensed broadcast radio and television station to determine the true level of female and minority ownership.
    - The study should examine the level of ownership at both the national level and at the DMA and Arbitron market levels.
    - The study should be longitudinal, examining the changes since 1999, when the Commission began gathering gender and race/ethnicity ownership information.
    - The study should focus on station format and content, particularly paying attention to local news production.
    - The results of the study, as well as the raw data, should be made available to the public.
- The FCC should revise and simplify the public display of individual Form 323 station filings.

- A citizen searching for the owner of a local station should easily be able to ascertain the true identity of a station owner.
- The practice of station licenses being held by layers and layers of wholly owned entities should be thoroughly examined by the Commission.
- Broadcast licenses are awarded for temporary use of the public airwaves, and the identities of the owners should be clearly stated on a single form.

- The Commission should expand the universe of stations that are required to file Form 323.

    - Currently, no owners of Class-A or low-power stations are required to file ownership information with the FCC. However, the Commission states that these classes of stations are important entry points for female and minority owners. To validate this hypothesis, the Commission should extend the obligation of filing Form 323 to these stations.
    - Currently all non-commercial educational broadcasters file Form 323-E, which does not solicit information about the gender, race, and ethnicities of station owners. The Commission should require their owners to disclose this information.

STUDY 12:
REACHING AND SERVING THEIR COMMUNITIES

S. DEREK TURNER AND MARK COOPER

ABSTRACT

Research findings that minority owned stations strive to serve their communities is supported by this data.

- Despite being nearly shut out of the big network-affiliate market (minorities own just 13 of the 847 "big four" network-affiliated stations, or 1.5 percent of the total), minority owners still manage to produce local news content at levels that are equal to or exceed their non-minority counterparts.

Though the national aggregate ownership data is telling, data at the local market level shows an even starker picture. Minorities are vastly underrepresented at the Designated Market Area (DMA) level, even in areas where minorities are the majority.

- Minority-owned stations reach 21 percent of all U.S. TV households and just 30 percent of all minority U.S. TV households.

- Hispanic- or Latino-owned stations reach just 21.8 percent of the Latino TV households in the United States.

- Black- or African American-owned stations reach just 8.7 percent of the African American TV households in the United States.

- Asian-owned stations reach just 10 percent of the Asian TV households in the United States.

- Over 10 percent of the nation's Hispanic or Latino TV homes are in the New York City market, where there are no Latino-owned stations.

- Over 12 percent of the nation's African-American TV homes are in the New York City and Los Angeles markets, where there are no African American-owned stations. Nor do African-Americans own stations in cities with large black populations like Atlanta and New Orleans.

One of the clear findings of previous research, as described in Studies 4 and 5, is that minority communities are underserved and that minority owners strive to serve their communities. The concern about a lack of minority owners is compounded by the interaction of these two effects. Minority ownership could address the tendency of the commercial mass media to under serve these groups. The data set we compiled on minority ownership addresses two aspect of this issue and reinforces those findings.

OWNERSHIP, NETWORK AFFILIATION AND LOCAL NEWS PRODUCTION

The stations affiliated with the so-called "big four" networks — ABC, CBS, NBC and Fox — are consistently the top-rated stations in each market and are usually found on the lucrative VHF portion of the dial. These stations also produce the highest-rated local news content and thus command most of the local advertising revenue. Nearly 92 percent of VHF stations air local news content, compared to 47 percent of UHF stations. And over 96 percent of big-four affiliated VHF stations air local news content, compared to 81 percent of big-four-affiliated UHF stations.[454]

Ownership of a big-four-affiliated station almost certainly guarantees a significant audience share and a news operation. However, minorities own just 13 of the 847 big-four-affiliated stations, or 1.5 percent (and just 1.3 percent of the big-four-affiliated VHF stations).

The difference in ownership patterns is stark when comparing the types of stations owned by minorities and non-minorities. Of the 1,305 non-minority owned stations, 834 are big four affiliated, or 64 percent. However, only 13 of the 44 minority-owned stations are affiliated with the big four networks, or 29.5 percent.

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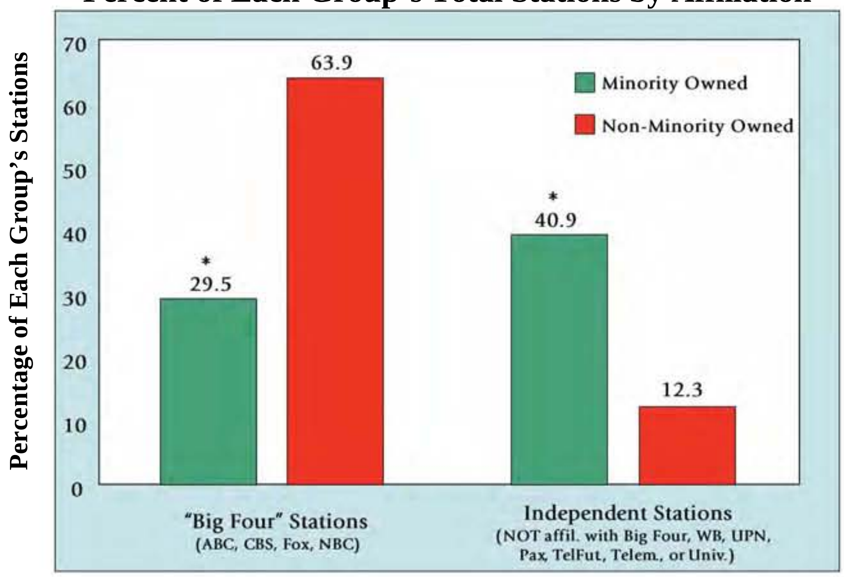
[454] These differences are highly statistically significant ($p<0.0001$).

But the situation is reversed for independent stations unaffiliated with a big four network, the secondary English-language networks UPN, WB (and their successors CW and MYNTV) and Ion, or the Spanish-Language networks Telefutura, Telemundo and Univision. Just 161 of the 1,305 non-minority owned stations are independent, or 12.3 percent. However, 18 of the 41 minority-owned stations are independent, or 41 percent (see Exhibit 1).

Exhibit 1: Affiliation & Race/Ethnicity
Percent of Each Group's Total Stations by Affiliation

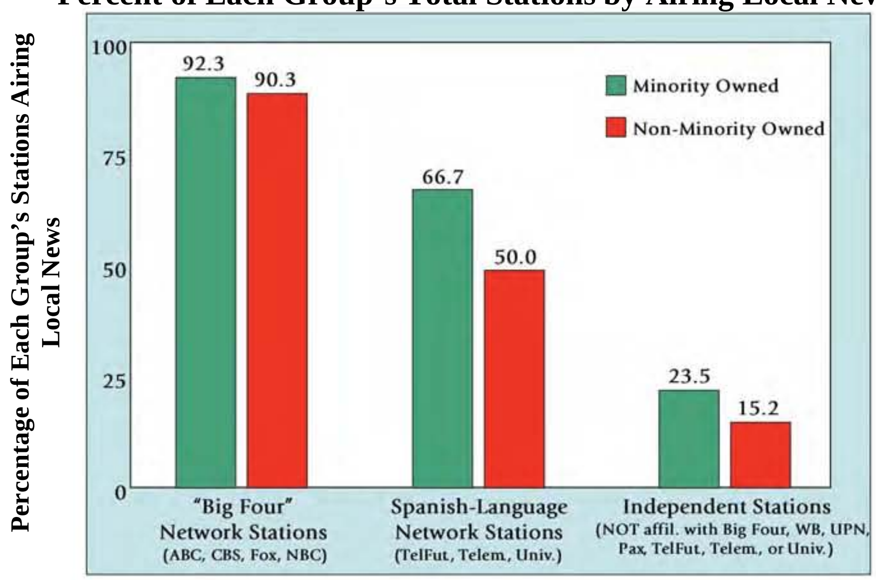


Source: Form 323 Filings; Free Press Research
** Statistically significant at p<0.0001*

The fact that minority owners control so few big-four stations suggests that the percentage of minority-owned stations airing local news is likely to be lower than their non-minority counterparts. This is true: 41 percent of minority-owned stations air local news versus 67 percent of non-minority owned stations.

But that's not the whole story. Minority-owned big four stations are just as likely to air local news as their non-minority owned counterparts (92 versus 90 percent). Two-thirds of the minority-owned Spanish-language-network-affiliated stations air local news, versus half of the non-minority owned Spanish-language-network affiliates. And over 23 percent of the minority-owned independent stations air local news versus just 15 percent of the non-minority-owned independent stations (see Exhibit 2). While none of these differences is statistically significant (primarily due to the low total number of minority-owned stations within each category), these data do indicate that minority owners are just as capable of serving their local communities as their non-minority counterparts.

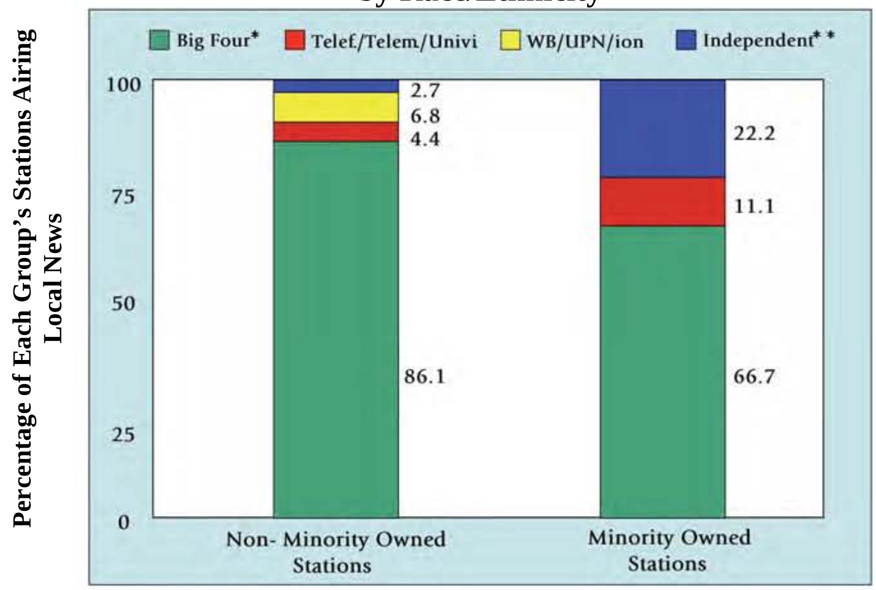
Exhibit 2: Local News & Race/Ethnicity
Percent of Each Group's Total Stations by Airing Local News



Source: Form 323 filings; Free Press research

Another way to illustrate this point is to examine the 892 full-power commercial television stations that air local news. Of the 874 non-minority owned stations that air local news, only 24 are independent stations, or just 2.7 percent. However, 22 percent of the minority-owned stations that air local news are independent stations (see Exhibit 3). This difference is statistically significant, despite the relatively small number of independent minority-owned stations. So even though minority owners are largely kept out of the lucrative big four affiliated market, they still manage to produce local news content at levels higher than non-minority independent station owners.

Exhibit 3: Affiliations of Stations that Air Local News by Race/Ethnicity



Source: Form 323 filings; Free Press research
** Statistically significant at p< 0.05*
*** Statistically significant at p< 0.0001*

MINORITY OWNERSHIP OF TV STATIONS IS LOW EVEN IN MARKETS WITH LARGE MINORITY POPULATIONS

Because full-power broadcast television stations are geographically limited in their market reach, information about minority ownership at the local level is more telling than the national aggregate. The traditional geographic boundary used for analysis of television markets at the local level is the Designated Market Area, or DMA.

Like ownership at the national level, minorities are vastly underrepresented at the DMA level, even in areas where minorities are the majority. Minority-owned stations are present in 36 of the nation's 210 DMAs. Examination of individual race/ethnic groups shows very little overlap between minority-owned stations. American Indian or Alaska Native-owned stations are in four of the 210 DMAs. Asian-owned stations are present in six of the 210 DMAs. Black- or African-American owned stations are in 17 of the 210 DMAs, while Hispanic- or Latino-owned stations are present in 10 of the nation's 210 DMAs. Non-minority owned stations are present in every single DMA.

DMA coverage is slightly better for women-owners, but still far below that of men. Female-owned stations were present in 51 of the nation's 210 DMAs.

In 18 DMAs minorities make up the majority of the population living within the market. However seven of these DMAs have no minority-owned stations. The remaining 11 minority-majority populated DMAs all have very low levels of minority-ownership, some 3 to 10 times below the level of minority population living within each market (see Exhibit 4).

Exhibit 4: Television Markets Where Minorities Constitute a Majority of the Population

Designated Market Area (DMA)	Percent Minority Population	Percent Minority-Owned Full-Power Commercial TV Stations
Laredo, TX	96	0.0
Harlingen-Wslco-Brnsvl-McA, TX	90	20.0
El Paso, TX (Las Cruces)	82	14.3
Yuma, AZ-El Centro	69	0.0
Miami-Ft. Lauderdale	67	15.3
Greenwood-Greenville, MS	65	0.0
Corpus Christi, TX	64	0.0
Los Angeles	62	18.2
Honolulu	62	4.3
San Antonio, TX	60	9.1
Fresno-Visalia, CA	59	10.0
Albuquerque-Santa Fe	58	4.8
San Francisco-Oakland	56	5.9
Houston, TX	53	7.1
Bakersfield, CA	52	0.0
Monterey-Salinas, CA	51	0.0
Jackson, MS	50	14.3
Palm Springs, CA	50	0.0

Source: Form 323 Filings; BIA Financial; Free Press Research

Hispanics or Latinos are the only minority group that formed a plurality or majority of the population within a sizeable number of DMAs. Only six of the 16 markets with a plurality or majority of the population made up of Latinos had stations owned by Latinos. However, even in these six markets, the level of Hispanic or Latino-ownership was 3 to 8 times below the proportion of the Latino population living there (see Exhibit 5).

Exhibit 5: Television Markets Where Hispanics or Latinos Constitute a Plurality or Majority of the Population

Designated Market Area (DMA)	Percent Hispanic or Latino Population	Percent of Full-Power Commercial TV Stations that are Hisp./Latino-Owned
Laredo, TX	94.8	0.0
Harlingen-Wslco-Brnsvl-McA, TX	88.8	20.0
El Paso, TX (Las Cruces)	78.7	14.3
Yuma, AZ-El Centro	64.5	0.0
Corpus Christi, TX	59.1	0.0
San Antonio, TX	53.8	10.0
Fresno-Visalia, CA	48.7	0.0
Miami-Ft. Lauderdale	43.7	14.3
Los Angeles	43.3	18.2
Odessa-Midland, TX	43.3	0.0
Lafayette, LA	42.9	0.0
Monterey-Salinas, CA	42.9	0.0
Bakersfield, CA	42.2	0.0
Victoria, TX	41.0	0.0
Palm Springs, CA	39.7	0.0
Albuquerque-Santa Fe	39.0	4.8

Source: Form 323 Filings; BIA Financial; Free Press Research

While there is only one DMA where African-Americans constitute a majority of the population (Greenwood-Greenville, MS), there are 59 markets where the African-American proportion of the population is at or above the nationwide level. However, black-owned stations are present in just five of these 59 markets. Figure 20 shows the 10 markets with the highest percentages of African Americans living within each market. Only one of these markets contains an African American-owned station, WRBJ in Jackson, Mississippi (see Exhibit 6).

There are no African-American-owned full power commercial TV stations in many cities with considerable African-American populations, such as Atlanta, New Orleans, New York City and Washington, D.C. Other than Jackson, Mississippi, Detroit is the only city with a large African-American population that has a black-owned TV station. This station is owned by Granite and may change hands by the end of the year.

Exhibit 6: Top 10 Television Market by Black or African-American Population

Designated Market Area (DMA)	Percent Black or African American Population	Percent of Full-Power Commercial TV Stations that are Black/AA-Owned
Greenwood-Greenville, MS	63.1	0
Jackson, MS	47.6	14.3
Montgomery-Selma, AL	43.7	0
Memphis, TN	41.6	0
Columbia, SC	39.7	0
Meridian, MS	39.3	0
Macon, GA	38.4	0
Columbus, GA	38.0	0
Augusta, GA	37.5	0
Albany, GA	37.4	0

Source: Form 323 Filings; BIA Financial; Free Press Research

Honolulu is the only DMA where Asians constitute a majority of the population, and there is one Asian-owned station in this market. In the 17 markets where the Asian proportion of the population is at or above its nationwide level, there are only 2 Asian-owned stations (see Exhibit 7).

Exhibit 7: Top 10 Television Market by Asian Population

Designated Market Area (DMA)	Percent Asian Population	Percent Asian-Owned Full-Power Commercial TV Stations
Honolulu	51.9	4.3
San Francisco-Oakland	21.4	0.0
Los Angeles	11.1	0.0
Sacremento-Stockton	9.5	0.0
San Diego	9.5	0.0
Seattle-Tacoma	8.0	0.0
New York	7.9	6.3
Washington DC - Hagerstown	7.0	0.0
Las Vegas	5.8	0.0
Fresno-Visilia	5.7	0.0

Source: Form 323 Filings; BIA Financial; Free Press Research

Data for American Indian or Alaska Native population was not available at the DMA level. However, there are no American Indian/Alaska Native owners in the states with the highest American Indian and Alaska Native populations (New Mexico and Alaska). Three of the five American Indian/Alaska Native-owned stations are located in Oklahoma and owned by David Griffin, a broadcaster whose family has operated KWTV since 1953. The other two are in the Seattle, Washington and Buffalo, New York markets (KHCV and WNYB).

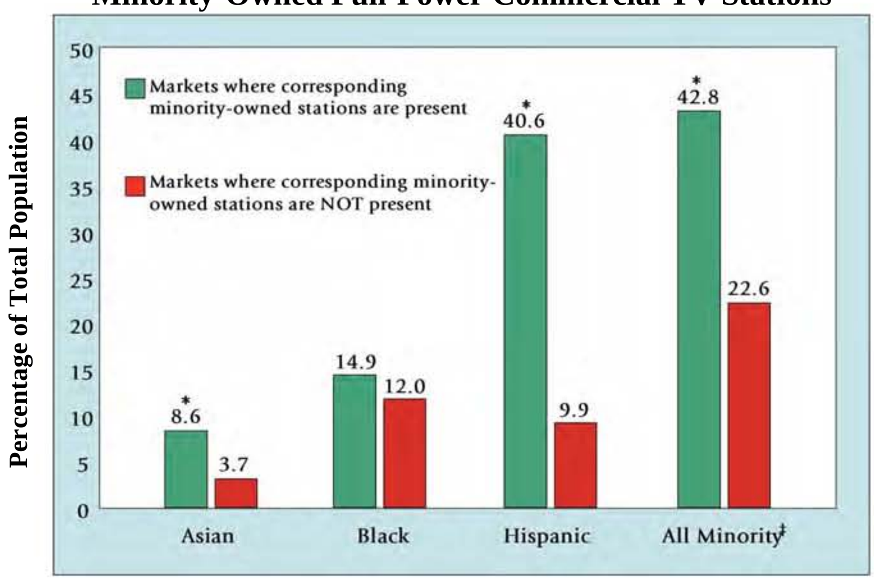
HISPANIC-OWNED STATIONS ARE LOCATED IN MARKETS WITH LARGE HISPANIC POPULATIONS BUT BLACK-OWNED STATIONS ARE NOT

Though Exhibit 5 shows that many markets with high Hispanic and Latino populations have no Latino-owned stations, Hispanic or Latino-owned stations are more likely to be in markets with higher levels of Latino population. This phenomenon is also true for Asian-owned stations, driven primarily by the single Asian-owned station in Hawaii (see Exhibit 8).[455]

[455] These data were calculated using 210 observations, one for each DMA. Each DMA was scored for the presence of a minority-owned station, an American Indian/Alaska Native-owned station, an Asian-owned station, and a black or African American-owned station. When calculating the population percentages, each market was weighted by the total

However, black-owned stations are not more likely to be in markets with bigger African-American populations. These findings suggest that language, particularly Spanish, is an important factor underlying ownership. These findings also suggest that due to difficulties with capital access and other institutional barriers to ownership, African-American owners may be purchasing stations where they can — in certain smaller, less lucrative Midwestern markets. However, perhaps due to the legacy of racism in the South, African-American owners haven't been able to operate in the smaller Southern markets. While having African-American owners anywhere is desirable, it is troubling that African-American owners do not operate in African-American communities, where they would add a valuable perspective to the coverage of local news and community affairs.

Exhibit 8: Minority Population in Markets with Minority-Owned Full-Power Commercial TV Stations



Source: Form 323 filings; BIA Financial; Free Press Research; population data for American Indian/Alaska Native at DMA-level was not available
** = difference is statistically significant at p<0.005*
‡ = this category only encompasses the race/ethnicities shown in this figure

population within each market, though the figures are not very different (and remain significant) without weighting.

THE NATIONAL REACH OF MINORITY-OWNED STATIONS

Another way to look into the connection between minority-owned stations and minority audiences is to determine the national reach of minority-owned stations — that is, how many minority households are living where there is a minority-owned station? As mentioned above, minority-owned stations are present in 36 of the nation's 210 DMAs. These stations reach approximately 21 percent of all U.S. TV households, but just 30 percent of all minority TV households. To contrast, non-minority owned stations reach over 98 percent of all U.S. TV households.

These figures were calculated using the FCC's UHF discount rule, which attributes just half of a market's audience to UHF stations. Without the UHF discount, minority-owned stations reach 38 percent of all U.S. TV households and 54 percent of all minority TV households, while non-minority owned stations reach 100 percent of U.S. TV homes (see Exhibit 9).

Exhibit 9: National Population Reach of Minority-Owned Full-Power Commercial TV Stations

Station Owned by Race/Ethnicity	Percent of All U.S. TV Households Reached		Percent of All Minority TV Households Reached		Percent of Asian TV Households Reached		Percent of Black/Afr. Amer. TV Households Reached		Percent of Hisp./Latino TV Households Reached	
	With UHF Discount	Without UHF Discount	With UHF Discount	Without UHF Discount	With UHF Discount	Without UHF Discount	With UHF Discount	Without UHF Discount	With UHF Discount	Without UHF Discount
Amer. Ind./AK Nat.	2.1	3.2								
Asian	5.3	9			10	19.1				
Black	7.3	13.3					8.7	16.8		
Hispanic or Latino	6.9	12.1							21.8	37.3
Nat. Haw/Pac. Isl.	0	0								
All Minority	21.5	37.6	29.7	53.6						
Non-Minority	98.1	100								

Source: Form 323 filings; BIA Financial; Free Press research

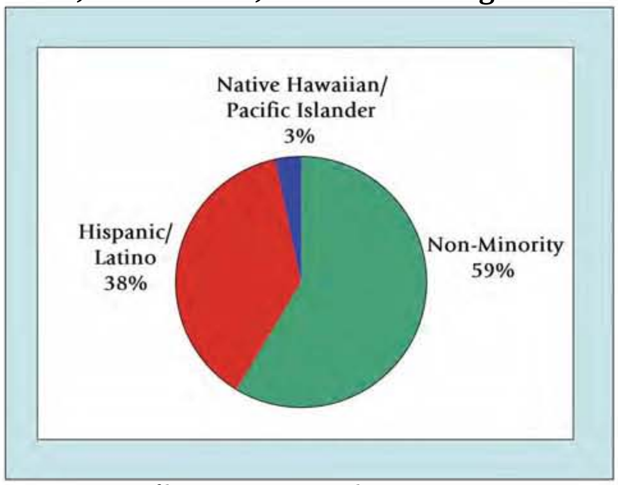
Perhaps more telling is the percentage of each minority group reached by each associated minority-owned station group. Under the UHF discount, Asian-owned stations reach only 10 percent of U.S. Asian TV households, while African American-owned stations reach just 8.7 percent of African American TV households. Latinos fare better than other minorities in this measure (primarily due to the Los Angeles market), with Latino-owned stations reaching 21.8 percent of all Latino TV households.

These findings provide greater context to the overall national ownership numbers. Not only is minority ownership low, but minority owners are reaching just a small portion of the minority audience. It is quite troubling that up to 91 percent of African-American households are not served by an African-American broadcaster. Even more troubling is the potential outcome of media consolidation on these few minority-owned stations. If just a handful were lost to consolidation, these already anemic numbers would fall even further.

Less than Half of the Full-Power Commercial TV Stations in the U.S. Territories Are Minority-Owned

The focus of this study was on full-power commercial stations licensed in the 50 U.S. states and the District of Columbia. However, owners of stations in the U.S. territories of Guam, Puerto Rico and the U.S. Virgin Islands also file Form 323 ownership information with the FCC. Minority ownership is, as expected, higher in these majority-minority-populated territories. However, minority owners still account for less than half of all stations. Non-minority owners control nearly 60 percent of the stations in the U.S. territories. In Guam, we find the only Native Hawaiian/Pacific Islander-owned station in the entire U.S. and its territories (see Exhibit 10).

Exhibit 10: Minority Ownership in the U.S. Territories
Guam, Puerto Rico, & The U.S. Virgin Islands



Source: Form 323 filings; Free Press Research

APPENDIX A - ADDITIONAL TABLES

Exhibit A1: Minority Owners of Full-Power Commercial Broadcast TV Stations

Call	Corporate Parent/ Owner	Race	Gender	DMA Rank	DMA	VHF/UHF	Affiliation	Local News?	On 323 Summary?
KBFD	Chung Family	A	M	72	Honolulu	UHF	Ind.	Yes	Yes
KBEO	Myoung Hwa Bae	A	F	163	Idaho Falls-Pocatello	UHF	Ind.	No	Yes
KCFG	Myoung Hwa Bae	A	F	14	Phoenix (Prescott)	VHF	Ind.	No	Yes
KEJB	Myoung Hwa Bae	A	F	135	Monroe-El Dorado	UHF	UPN	No	Yes
KWKB	Myoung Hwa Bae	A	F	88	Cedar Rapids-Wtrlo-IWC&D	UHF	WB	No	Yes
WMBC-TV	Rev Sun Young Joo	A	M	1	New York	UHF	Ind.	Yes	Yes
WNYB	Coonce Family	AI/AN	F	49	Buffalo	UHF	Ind.	No	Yes
KOTV	Griffin Family	AI/AN	M	61	Tulsa	VHF	CBS	Yes	Yes
KQCW	Griffin Family	AI/AN	M	61	Tulsa	UHF	WB	No	No
KWTV	Griffin Family	AI/AN	M	45	Oklahoma City	VHF	CBS	Yes	No
KHCV	Kenneth Casey	AI/AN	M	13	Seattle-Tacoma	UHF	Ind.	No	Yes
KTGF	Darnell Washington	B/AA	M	189	Great Falls	UHF	Fox	No	Yes
KBJR-TV	Granite	B/AA	M	137	Duluth-Superior	VHF	NBC	Yes	No
KBWB	Granite	B/AA	M	6	San Francisco-Oak-San Jose	UHF	WB	No	No
KRII	Granite	B/AA	M	137	Duluth-Superior	VHF	NBC	Yes	No
KSEE	Granite	B/AA	M	56	Fresno-Visalia	UHF	NBC	Yes	No
WEEK-TV	Granite	B/AA	M	117	Peoria-Bloomington	UHF	NBC	Yes	No
WISE-TV	Granite	B/AA	M	106	Ft. Wayne	UHF	NBC	Yes	No
WKBW-TV	Granite	B/AA	M	49	Buffalo	VHF	ABC	Yes	No
WMYD	Granite	B/AA	M	11	Detroit	UHF	WB	No	No
WTVH	Granite	B/AA	M	76	Syracuse	VHF	CBS	Yes	No
WJJA	Joel Kinlow	B/AA	M	33	Milwaukee	UHF	Ind.	No	Yes
WJYS	Joseph Stroud	B/AA	M	3	Chicago	UHF	Ind.	No	Yes
KNIN-TV	Lyle Banks	B/AA	M	119	Boise	VHF	UPN	No	No
KSCW	Lyle Banks	B/AA	M	67	Wichita-Hutchinson Plus	UHF	WB	No	No
KIDA	Marcia T. Turner	B/AA	F	192	Twin Falls	VHF	UPN	No	No
WRBJ	Roberts Brothers	B/AA	M	83	Columbia, SC	UHF	UPN	No	No
WZRB	Roberts Brothers	B/AA	M	89	Jackson, MS	UHF	UPN	No	No
WMGM-TV	Sydney L. Small	B/AA	M	4	Philadelphia	UHF	NBC	Yes	No
WGEN-TV	Alejandro Santo Domingo	H/Lat.	M	17	Miami-Ft. Lauderdale	VHF	Ind.	No	No
KCHF	Gonzalez Family	H/Lat.	F	46	Albuquerque-Santa Fe	VHF	Ind.	No	Yes
KFWD	Hernandez Family	H/Lat.	NCI	7	Dallas-Ft. Worth	UHF	Ind.	Yes	Yes
KMPX	Liberman Family	H/Lat.	M	7	Dallas-Ft. Worth	UHF	Ind.	No	No
KRCA	Liberman Family	H/Lat.	M	2	Los Angeles	UHF	Ind.	Yes	No
KZJL	Liberman Family	H/Lat.	M	10	Houston	UHF	Ind.	No	No
KTAS	Palazuelos Family	H/Lat.	NCI	122	SantaBarbra-SanMar-SanLuO	UHF	T	Yes	Yes
KVIQ	Palazuelos Family	H/Lat.	M	194	Eureka	VHF	CBS	Yes	Yes
WSBS-TV	Raul Alarcon Jr.	H/Lat.	M	17	Miami-Ft. Lauderdale	UHF	Ind.	Yes	No
KTDO	Ronald Gordon	H/Lat.	M	99	El Paso (Las Cruces)	UHF	T	No	No
KVMD	Ronald L. Ulloa	H/Lat.	M	2	Los Angeles	UHF	Ind.	No	No
KXLA	Ronald L. Ulloa	H/Lat.	M	2	Los Angeles	UHF	Ind.	No	No
KTLM	Vale/Falcon	H/Lat.	M	92	Harlingen-Wslco-Brnsvl-McA	UHF	T	Yes	Yes
KJLA	Walter Ulloa	H/Lat.	M	2	Los Angeles	UHF	Ind.	No	No
KVAW	Zavaletta	H/Lat.	M	37	San Antonio	UHF	Ind.	No	No

Source: Form 323 filings; Free Press Research

Exhibit A2: Female Owners of Full-Power Commercial Broadcast TV Stations

Call	Corporate Parent/ Owner	Race	Gender	DMA Rank	DMA	VHF/UHF	Affiliation	Local News?	On 323 Summary?
KBEO	Myoung Hwa Bae	A	F	163	Idaho Falls-Pocatello	UHF	Ind.	No	Yes
KCFG	Myoung Hwa Bae	A	F	14	Phoenix (Prescott)	VHF	Indep.	No	Yes
KEJB	Myoung Hwa Bae	A	F	135	Monroe-El Dorado	UHF	UPN	No	Yes
KWKB	Myoung Hwa Bae	A	F	88	Cedar Rapids-Wtrlo-IWC&Dub	UHF	WB	No	Yes
WNYB	Coonce Family	AI/AN	F	49	Buffalo	UHF	Indep.	No	Yes
KIDA	Marcia T. Turner	B/AA	F	192	Twin Falls	VHF	UPN	No	No
KCHF	Gonzalez Family	H/Lat.	F	46	Albuquerque-Santa Fe	VHF	Indep.	No	Yes
KCEN-TV	Anyse Sue Mayborn	W	F	94	Waco-Temple-Bryan	VHF	NBC	Yes	Yes
KEYC-TV	Brown Family	W	F	200	Mankato	VHF	CBS	Yes	Yes
WWNY-TV	Brown Family	W	F	178	Watertown	VHF	CBS	Yes	Yes
WWSB	Brown Family	W	F	12	Tampa-St. Pete (Sarasota)	UHF	ABC	Yes	No
KSBI	Brus Family	W	F	45	Oklahoma City	UHF	Indep.	No	No
KVTH	Caldwell Family	W	F	57	Little Rock-Pine Bluff	UHF	Indep.	No	Yes
KVTJ	Caldwell Family	W	F	179	Jonesboro	UHF	Indep.	No	Yes
KVTN	Caldwell Family	W	F	57	Little Rock-Pine Bluff	UHF	Indep.	No	Yes
KDKF	Carolyn Chambers	W	F	141	Medford-Klamath Falls	UHF	ABC	Yes	No
KDRV	Carolyn Chambers	W	F	141	Medford-Klamath Falls	VHF	ABC	Yes	No
KEZI	Carolyn Chambers	W	F	121	Eugene	VHF	ABC	Yes	No
KAIL	Claire Reis	W	F	56	Fresno-Visalia	UHF	UPN	Yes	No
KFOX-TV	Cox	W	F	99	El Paso (Las Cruces)	UHF	Fox	Yes	No
KICU-TV	Cox	W	F	6	San Francisco-Oak-San Jose	UHF	Indep.	No	No
KIRO-TV	Cox	W	F	13	Seattle-Tacoma	VHF	CBS	No	No
KRXI-TV	Cox	W	F	112	Reno	VHF	Fox	Yes	No
KTVU	Cox	W	F	6	San Francisco-Oak-San Jose	VHF	Fox	Yes	No
WAXN-TV	Cox	W	F	27	Charlotte	UHF	Indep.	Yes	No
WFTV	Cox	W	F	20	Orlando-Daytona Bch-Melbrn	VHF	ABC	Yes	No
WHIO-TV	Cox	W	F	59	Dayton	VHF	CBS	Yes	No
WJAC-TV	Cox	W	F	98	Johnstown-Altoona	VHF	NBC	No	No
WPXI	Cox	W	F	22	Pittsburgh	VHF	NBC	Yes	No
WRDQ	Cox	W	F	20	Orlando-Daytona Bch-Melbrn	UHF	Indep.	Yes	No
WSB-TV	Cox	W	F	9	Atlanta	VHF	ABC	Yes	No
WSOC-TV	Cox	W	F	27	Charlotte	VHF	ABC	Yes	No
WTOV-TV	Cox	W	F	154	Wheeling-Steubenville	VHF	NBC	Yes	No
WMYA-TV	Cunningham	W	F	35	Greenvll-Spart-Ashevll-And	UHF	WB	No	No
WNUV	Cunningham	W	F	24	Baltimore	UHF	WB	No	No
WRGT-TV	Cunningham	W	F	59	Dayton	UHF	Fox	Yes	No
WTAT-TV	Cunningham	W	F	101	Charleston, SC	UHF	Fox	Yes	No
WTTE	Cunningham	W	F	32	Columbus, OH	UHF	Fox	Yes	No
WVAH-TV	Cunningham	W	F	64	Charleston-Huntington	VHF	Fox	Yes	No
WLJC-TV	Drake Family	W	F	63	Lexington	UHF	Indep.	No	Yes
WTXL-TV	Ellis/Smith/Hardy	W	F	109	Tallahassee-Thomasville	UHF	ABC	Yes	No
KIDY	Hawk/Brown	W	F	197	San Angelo	VHF	Fox	No	Yes
KXVA	Hawk/Brown	W	F	164	Abilene-Sweetwater	UHF	Fox	No	Yes
WBPH-TV	Huber Family	W	F	4	Philadelphia	UHF	Indep.	No	Yes
KGWC-TV	Julie Jaffee	W	F	198	Casper-Riverton	UHF	CBS	Yes	No
KGWL-TV	Julie Jaffee	W	F	198	Casper-Riverton	VHF	CBS	Yes	No
KGWR-TV	Julie Jaffee	W	F	198	Casper-Riverton	VHF	CBS	Yes	No
WZVN-TV	Lara W. Kunkler	W	F	66	Ft. Myers-Naples	UHF	ABC	Yes	No
KPXJ	Lauren Wray Ostendorf	W	F	81	Shreveport	UHF	UPN	Yes	Yes
KTSF	Lincoln-Howell Family	W	F	6	San Francisco-Oak-San Jose	UHF	Indep.	Yes	Yes
KBMY	Marcil Family	W	F	160	Minot-Bismarck-Dickinson	UHF	ABC	Yes	No
KMCY	Marcil Family	W	F	160	Minot-Bismarck-Dickinson	UHF	ABC	Yes	No
WDAY-TV	Marcil Family	W	F	118	Fargo-Valley City	VHF	ABC	Yes	No
WDAZ-TV	Marcil Family	W	F	118	Fargo-Valley City	VHF	ABC	Yes	No
WTVA	Margaret & Mary Spain	W	F	132	Columbus-Tupelo-West Point	VHF	NBC	Yes	Yes
WFMJ-TV	Mark & Betty Brown	W	F	102	Youngstown	UHF	NBC	Yes	No
WINK-TV	McBride Family	W	F	66	Ft. Myers-Naples	VHF	CBS	Yes	Yes
KNOE-TV	Noe Family	W	F	135	Monroe-El Dorado	VHF	CBS	Yes	No
WHIZ-TV	Norma Jean Littick	W	F	202	Zanesville	UHF	NBC	Yes	Yes
KLSR-TV	Patricia Smullen	W	F	121	Eugene	UHF	Fox	Yes	Yes
KOBI	Patricia Smullen	W	F	141	Medford-Klamath Falls	VHF	NBC	Yes	Yes
KOTI	Patricia Smullen	W	F	141	Medford-Klamath Falls	VHF	NBC	Yes	Yes
KLEI	Racine Family	W	F	72	Honolulu	VHF	i (Pax)	No	Yes
WACY	Shirly A. Martin	W	F	69	Green Bay-Appleton	UHF	UPN	No	Yes
WKTC	Stefanie D. Rein	W	F	83	Columbia, SC	UHF	WB	No	No
WOAY-TV	Thomas Family	W	F	149	Bluefield-Beckley-Oak Hill	VHF	ABC	Yes	No
KTMW	Whitney/Openshaw	W	F	36	Salt Lake City	UHF	Indep.	No	No

Source: Form 323 filings; Free Press Research

Exhibit A3: Affiliation & Gender

Affiliation	Female			Non-Female		
	Station Count	Percent of Group's Stations	Percent of All Stations	Station Count	Percent of Group's Stations	Percent of All Stations
ABC	13	19	1.0	207	16	15.3
CBS	10	15	0.7	208	16	15.4
Fox	10	15	0.7	179	14	13.3
NBC	9	13	0.7	213	17	15.8
WB	4	6	0.3	90	7	6.7
UPN	5	7	0.4	78	6	5.8
Ion (Pax)	1	1	0.1	64	5	4.7
Univision	0	0	0.0	38	3	2.8
Telefutura	0	0	0.0	19	1	1.4
Telemundo	0	0	0.0	22	2	1.6
Independent	15	22	1.1	164	13	12.2
Total	67	100	4.97	1282	100	95.03

Source: Form 323 filings; Free Press Research

Exhibit A4: Affiliation & Race/Ethnicity

Affiliation	Asian			Amer. Ind./ AK Native			Black/African American			Hispanic/Latino			All-Minority			Non-Minority		
	Station Count	Percent of Group's Stations	Percent of All Stations	Station Count	Percent of Group's Stations	Percent of All Stations	Station Count	Percent of Group's Stations	Percent of All Stations	Station Count	Percent of Group's Stations	Percent of All Stations	Station Count	Percent of Group's Stations	Percent of All Stations	Station Count	Percent of Group's Stations	Percent of All Stations
ABC	0	0	0.0	0	0	0.0	1	6	0.1	0	0	0.0	1	2	0.1	219	17	16.2
CBS	0	0	0.0	2	40	0.1	1	6	0.1	2	13	0.1	5	11	0.4	213	17	15.8
Fox	0	0	0.0	0	0	0.0	1	6	0.1	0	0	0.0	1	2	0.1	188	15	13.9
NBC	0	0	0.0	0	0	0.0	6	33	0.4	0	0	0.0	6	14	0.4	216	16	16.0
WB	1	17	0.1	1	20	0.1	3	17	0.2	0	0	0.0	5	11	0.4	89	7	6.6
UPN	1	17	0.1	0	0	0.0	4	22	0.3	0	0	0.0	5	11	0.4	78	6	5.8
Ion (Pax)	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	65	5	4.8
Univision	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	38	3	2.8
Telefutura	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0	19	1	1.4
Telemundo	0	0	0.0	0	0	0.0	0	0	0.0	3	20	0.2	3	7	0.2	19	2	1.4
Independent	4	67	0.3	2	40	0.1	2	11	0.1	10	67	0.7	18	41	1.3	161	12	11.9
Total	6	100	0.44	5	100	0.37	18	100	1.33	15	100	1.11	44	100	3.26	1305	100	96.74

Source: Form 323 filings; Free Press Research

STUDY 13:
RELAXATION OF MEDIA OWNERSHIP LIMITS AND CONCENTRATION OF MEDIA MARKETS UNDERMINES MINORITY OWNERSHIP

S. DEREK TURNER AND MARK COOPER

ABSTRACT

The pressures of consolidation and concentration brought on by bad policy decisions have crowded out minority owners, who tend to own just a single station and find it difficult to compete with their big-media counterparts for programming and advertising revenue.

- There has been no improvement in the level of minority broadcast television ownership since 1998, even as the total universe of stations has increased by approximately 12 percent.

- At the same time, there has been a marked decrease in the total number of black or African-American owned stations — dropping nearly 30 percent since 1998.

- A majority of minority-owned station sales after 1998 would not have been permitted under the pre-1996 nationwide ownership cap or under the pre-1999 ban on local duopolies.

- Pro-consolidation policies enacted by the FCC in the late 1990s had a significant impact on minority ownership, indirectly or directly contributing to the loss of 40 percent of the stations that were minority-owned in 1998.

Our analysis suggests that minority-owned stations thrive in more competitive, less concentrated markets. Even if the size of the market is held constant, markets with minority owners are *significantly* less concentrated than markets without minority owners.

- Markets that added minority owned stations since 1998 are also *significantly* less concentrated than those that did not add minority owned stations, even if market characteristics are held constant.

- The probability that a particular station will be a minority-owned news airing station is *significantly* lower in more concentrated markets, even if market and station characteristics are controlled for.

- White male and large corporate station owners tend to own far more stations than their minority and female counterparts.

INTRODUCTION

The previous two studies show the dramatic under representation of minorities and women among broadcast license holders and the impact this has on the ability of minority and female owners to reach their communities. This under representation and under serving of these communities is a longstanding historical problem. What role does concentration of ownership play in this problem? This study shows that relaxation of ownership limits and increases in media concentration negatively affect minority ownership. Public policies that allow concentration ownership make matters worse.

HISTORICAL COMPARISON: MINORITY OWNERSHIP OF FULL-POWER COMMERCIAL TV STATIONS HAS DECREASED SINCE 1998

This study represents the first complete census of all licensed full-power commercial broadcast television stations operating in the United States. There was one other attempt to ascertain the level of female broadcast TV ownership, a 1982 study commissioned by the FCC.[456] However, that study determined the gender ownership for just a sample of stations, not the full universe.

Since 1990, the National Telecommunications and Information Administration (NTIA) has administered the Minority Telecommunications Development Program (MTDP), a program first initiated during the Carter administration to increase minority ownership of radio and television broadcasting stations as well as other telecommunications businesses. From 1990 to 2000, the NTIA released several reports that estimated the total number of minority-owned radio and television stations.

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[456] ELRA Group Inc. *Female Ownership of Broadcast Stations*. prepared for the Federal Communications Commission, May 1982.

The agency has not conducted any further research into this matter since their last report was issued in December 2000, and officials have indicated that they do not intend to issue any further reports. When asked about plans for future studies by the National Association of Hispanic Journalists, the NTIA directed the group to the flawed FCC summaries of Form 323 data.[457]

Because of the differing methodologies, direct comparisons between this study and earlier NTIA reports are not valid. At the time NTIA conducted its studies, it did not have the full ownership information that is now available from individual Form 323 filings. To compile their list of minority-owners, the NTIA relied on word of mouth and membership information from various minority broadcast trade associations. While this effort provided a fairly complete assessment of minority broadcast ownership, it was not a full census of all broadcast stations. The agency has indicated that its results were not comprehensive, and that future work based on Form 323 filings would provide a more complete picture of minority ownership.[458]

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[457] National Telecommunications and Information Administration. *Letter from NTIA to Ms. Veronica Villafane*, *President, National Association of Hispanic Journalists*, April 27, 2006. Available at http://www.nahj.org/nahjnews/articles/2006/april/NTIAResponseLetter.pdf. "Presently, NTIA has no plans to conduct a minority ownership study. You may find of interest, however, data on female and minority ownership from the Federal Communications Commission's ownership reports filed in calendar year 2003. The data are available on the Commission's website. …"

[458] See the 2000 NTIA report, which states: "MTDP acknowledges that despite its best efforts, non-sampling error likely occurred because of an inability to identify all of the nation's minority commercial broadcasters. Such error may be reduced in the future as a result of the FCC's recent requirement that owners disclose on their biennial reports information about the participation of minorities and women in station ownership. ... In establishing the requirement, the Commission noted the difficulty NTIA faces in obtaining complete and accurate information from broadcast owners. It concluded that NTIA's data would complement, but not substitute for, information the Commission gathered, because as

Using the NTIA's 1998 list, the list of current minority owners, ownership information from the FCC and interviews with station representatives, Free Press identified nine stations that were missed by the NTIA in its 1998 report, for a total of 40 stations. A similar effort was applied to correct the 2000 NTIA report, but it was less precise because the NTIA omitted the names of minority-owned stations and owners in that survey. However, Free Press did identify 35 total stations that were minority-owned in 2000 (see Exhibit 1). While these corrected data provide a more complete assessment of the historical trend in minority television ownership, they do not represent a rigorous census of all stations.

Exhibit 1: Minority Full-Power Commercial Television Ownership Since 1998 By Gender & Race/Ethnicity

	Historical Data for 50 U.S. States & DC				Current Ownership Summary for 50 U.S. States & DC	
Race/Ethnicity	Corrected 1998 NTIA Data		Corrected 2000 NTIA Data		2006 Free Press Census	
	Number of Stations	Percent of All Commercial Full Power TV Stations	Number of Stations	Percent of All Commercial Full Power TV Stations	Number of Stations	Percent of All Commercial Full Power TV Stations
Amer. Ind./AK Nat.	2	0.17	3	0.23	5	0.37
Asian	3	0.25	3	0.23	6	0.44
Black	25	2.07	21	1.63	18	1.33
Hispanic or Latino	10	0.83	8	0.62	15	1.11
Nat. Haw/Pac. Isl.	0	0.00	0	0.00	0	0.00
All Minority	40	3.31	35	2.72	44	3.26
White	n/a		n/a		1,033	76.58
No Controling Interest	n/a		n/a		264	19.57
Unknown	n/a		n/a		8	0.59
Total Universe	1,209		1,288		1,349	

Source: Form 323 Filings; NTIA; Free Press research

However, these data clearly show there has been no improvement in the level of minority broadcast television ownership since 1998, despite the fact that the total universe of stations has increased by approximately 12 percent. Furthermore, there has been a marked

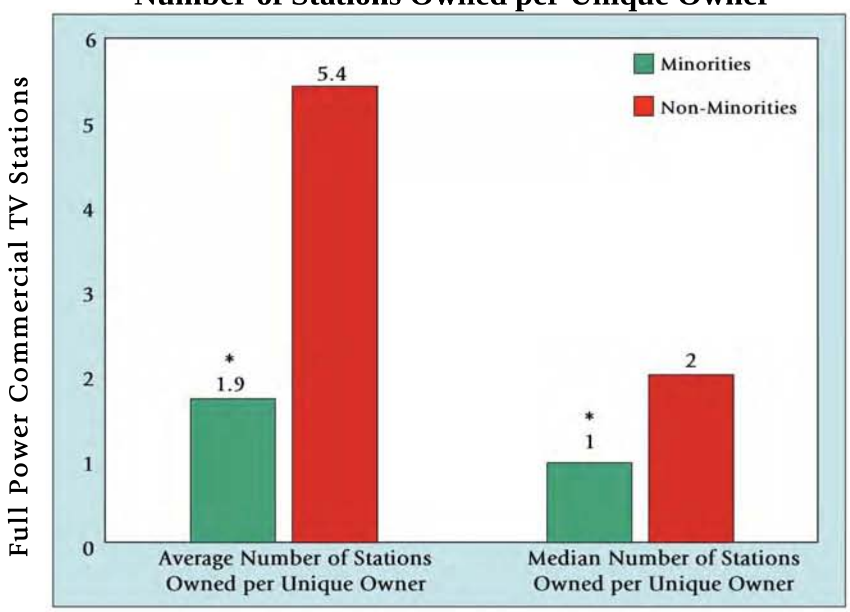
the licensing authority, it is 'appropriately and uniquely situated to collect information on the gender and race of the attributable interests of its licensees.' "

decrease in the total number of black or African-American owned stations — dropping nearly 30 percent since 1998.

OWNERSHIP CONCENTRATION: FEMALE AND MINORITY OWNERS CONTROL FEWER STATIONS PER OWNER THAN MALE AND WHITE OWNERS

White male and large corporate station owners tend to own far more stations than their minority and female counterparts. The average number of stations owned per unique non-minority owner is 5.4, while male owners controlled an average of 4.8 stations each. However, the average number of stations owned per unique owner is 1.9 for minorities and 2.3 for women (see Exhibits 2 and 3).[459]

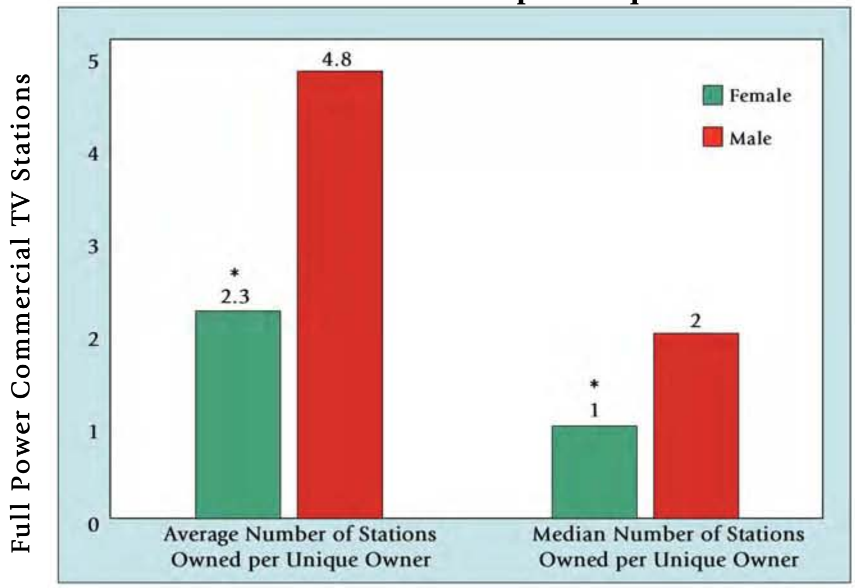
Exhibit 2: Ownership Concentration & Race/Ethnicity
Number of Stations Owned per Unique Owner



Source: Form 323 Filings; Free Press Research
**= difference is statistically significant at p<0.0001*

[459] The difference in concentration between females and males is highly statistically significant, as is the difference in concentration between minorities and whites.

Exhibit 3: Ownership Concentration & Gender
Number of Stations Owned per Unique Owner



Source: Form 323 Filings; Free Press Research
**= difference is statistically significant at p<0.0001*

While the average number of stations owned by a unique minority owner is 1.9, for Latinos it is even lower (see Exhibit 4). This reflects the fact that the largest Latino group owner controls just three stations, compared with the largest white male group owner, Ion (formerly Paxson), which controls 57 stations.

Exhibit 4: Ownership Concentration
Number of Stations Owned per Unique Owner by Race/Ethnicity

Group	Average Number of Stations Owned per Unique Owner	Median Number of Stations Owned per Unique Owner
Amer. Ind./AK Nat.	1.7	1
Asian	2.0	1
Black or African	2.3	1
Hispanic or Latino	1.3	1
All Minorities	1.9	1
White	4.8	2
Male	4.8	2
Female	2.3	1
White Male	5.2	2

Source: Form 323 Filings; Free Press Research

There are a total of 269 unique owners, and 140 of these control more than one station. Over 54 percent of white male owners control more than one station, compared to 32 percent of minority owners (see Exhibit 5).

Exhibit 5: Ownership Concentration
Unique Owners Controlling Multiple Stations by Race/Ethnicity

Race/Ethnicity	Gender	Number of Unique Owners Owning Just One Station	Percentage of Unique Owners Owning Just One Station	Number of Unique Owners Owning Multiple Stations	Percentage of Unique Owners Owning Multiple Stations
Amer. Ind./ AK Nat.	Male	1	50.0	1	50.0
	Female	1	100	0	0.0
	All	2	66.7	1	33.3
Asian	Male	2	100	0	0.0
	Female	0	0.0	1	100
	All	2	66.7	1	33.3
Black or African Amer.	Male	4	57.1	3	42.9
	Female	1	100	0	0.0
	All	5	62.5	3	37.5
Hispanic or Latino	Male	6	66.7	3	33.3
	Female	1	100	0	0.0
	All	8	72.7	3	27.3
All Minorities	Male	13	65.0	7	35.0
	Female	3	75.0	1	25.0
	All	17	68.0	8	32.0
White	Male	83	45.6	99	54.4
	Female	16	57.1	12	42.9
	All	105	47.3	117	52.7
All	Male	97	47.8	106	52.2
	Female	19	59.4	13	40.6
	All	129	48.0	140	52.0

Source: Form 323 Filings; Free Press research

These differences have a practical importance on several levels. First, given that the median minority or female owner controls just a single station, these operations are more likely to better serve their local communities than stations controlled by large group owners. This is confirmed by a recently surfaced 2004 FCC study which demonstrated that locally owned and operated stations aired more local news content than their conglomerate counterparts, devoting an additional 20 to 25% of each half hour broadcast to local news coverage.[460] Second, minority and female station owners are more likely than their white male counterparts to feel the negative effects of increased consolidation. Women and minority owners will find it more difficult to compete with the large group owners for programming and advertising dollars.

TRACKING OWNERSHIP: FCC RULES CHANGES LED TO THE SALE OF MINORITY-OWNED STATIONS

Using the corrected list of minority-owned TV stations from the 1998 NTIA report, Free Press tracked the ownership of the 40 stations that were minority owned as of that year, investigating the effects of two key policy changes that occurred in the late 1990's: the increase in the national ownership cap from 25 percent to 35 percent and the 1999 FCC Order that allowed local television duopolies. Free Press identified 17 minority-owned stations that were sold to non-minority owners after 1998. Nine of these seventeen sales would not have been permitted under the old national ownership cap and duopoly rules (see Exhibit 6).[461] Had

[460] "Do Local Owners Deliver More Localism? Some Evidence from Local Broadcast News." *Federal Communications Commission Working Paper*, 17 June 2004.

[461] 22 of the 40 minority-owned stations (in 1998) have changed owners since 1998. In addition to the 17 stations listed above, one was sold by a Latino to a Latino (KRCA), one was sold by a Latino to a Latino-owned company that later became non-Latino majority controlled (KLDO sold by Panorama to Entravision), two were held by companies that later became non-minority controlled (KTMW and KSMS), and one station's status could

these stations not been sold, minority ownership would be 20 percent higher than the current level. Furthermore, 7 of the 8 station sales that would have been permissible under the old national cap and duopoly rules were sales to large station group owners, and may not have occurred if not for the pressures of increased industry consolidation.

Exhibit 6: Sales of Minority Full-Power Commercial Television Stations: Stations that were Minority Owned in 1998

Station	Owner in 1998	Race/Ethnicity	Year of Sale	Purchaser	Would have Been Permited under 25% Cap?	Would have Been Permited under Duopoly Ban?
KCMY	Ponce-Nicasio	Hispanic/Latino	2000	Paxson	No	Yes
KEYE	Granite Broadcasting	African American	1999	CBS	No	No
KLTV	TV 3 INC.	African American	2000	Cosmos (Raycom)	Yes	Yes
KNTV	Granite Broadcasting	African American	2002	NBC Universal	No	No
KPST	Golden Link TV Inc.	African American	2002	Univision	Yes	No
KTRE	TV 3 INC.	African American	2000	Cosmos (Raycom)	Yes	Yes
KTVJ	Roberts Broadcasting	African American	2003	Univision	Yes	Yes
KUPX	Roberts Broadcasting	African American	1999	Paxson	No	Yes
WATL	Qwest	African American	2000	Tribune	No	Yes
WGTW	Brunson Comm.	African American	2004	Trinity Broadcasting	Yes	Yes
WHPX	Roberts Broadcasting	African American	1999	Paxson	No	Yes
WHSL	Roberts Broadcasting	African American	2003	Univision	Yes	Yes
WLBT	TV 3 INC.	African American	2000	Cosmos (Raycom)	Yes	Yes
WNOL	Qwest	African American	2000	Tribune	No	No
WPTA	Granite Broadcasting	African American	2005	Malara	Yes	Yes
WPTT	WPTT Inc.	African American	2000	Sinclair	Yes	No
WTMW	Urban Broadcasting Corp.	African American	2002	Univision	Yes	Yes

Source: Form 323 Filings; NTIA; Free Press research

Granite Broadcasting, the largest minority station owner in 1998 (and today) controlled 10 stations in 1998. Since then, the company has sold three stations (KNTV to NBC-Universal in 2002; KEYE to CBS in 1999, and WPTA to Malara Broadcasting in 2005) and acquired two stations (KRII in 2000, and WISE in 2005).[462] Granite could not have sold

not be determined (there is no record in the CDBS of Albuquerque station KDB-TV). KTVJ and WHSL are only partial station sales, as Roberts Broadcasting retained 50% of the voting interest in these two stations. Since 1998, there has been a loss of 22 minority owned stations and a gain of 26 minority owned stations.

[462] In addition, Granite is currently in the process of acquiring Binghamton New York CBS station WBNG, and selling San Francisco WB station KBWB, thus the current station

its stations to NBC and CBS under the national ownership cap limits that were in effect prior to 1996. Furthermore, the sale of California's KNTV would have been prohibited before the FCC allowed market duopolies in 1999, as NBC also owns the local Telemundo affiliate KSTS in the Bay Area.

African-American-owned Roberts Broadcasting controlled four stations in 1998. Two of these stations were sold to Paxson (WHPX and KUPX, both in 1999) in deals that would not have been permitted under pre-1996 national ownership caps. The other two stations owned by Roberts Broadcasting in 1998 (KTVJ and WHSL, now KTFD and WRBU) remain partially owned by the company, but Univision now holds a 50 percent interest in each of these stations and controls all aspects of their day-to-day operations. The Roberts brothers have since acquired two new station licenses (by constructing new stations), WZRB in Columbia South Carolina, and WRBJ in Jackson Mississippi. These are the only two African American owned stations in the South.

Quincy Jones, the legendary African-American music producer, owned two stations in 1998 — WATL in Atlanta and WNOL-TV in New Orleans. In 1999, the Tribune Company purchased both of Jones' stations as a part of their merger with Mr. Jones' company, Qwest. These sales wouldn't have been allowed under the pre-1996 ownership limits. And WNOL could not have been sold under the pre-1999 duopoly rules, as Tribune also owns the New Orleans ABC affiliate, WGNO-TV.[463]

In 1998, WGTW was the only station in the country owned by an African-American woman, Dorothy Brunson, who acquired the station license in 1988 after winning the license

count for Granite is nine, reflecting ownership as of August 3rd, and after these station sales close.

[463] Schneider, Michael. "Tribune to Acquire Qwest, Creating Big Easy Duopoly." *Daily Variety*, 10 November 1999.

of failed station WKBS-TV at auction. But by 2004, Brunson found it difficult to acquire syndicated programming and sold the station to Trinity Broadcasting.[464]

Other minority-owned stations were sold to large conglomerates due in part to FCC rule changes that allowed for increased consolidation. Pittsburgh station WPMY (formerly WPPT) was sold to Sinclair by African-American owner Eddie Edwards in 2000, after the FCC allowed duopolies. (Sinclair also owns the local Fox affiliate WPGH-TV.). Another African-American owner, Eddie Whitehead sold KPST (now KFSF) in 2001 to Univision, creating a duopoly in San Jose. Carmen Briggs, a Latino woman, sold KCMY (now KSPX) to Paxson in June 2000 in a deal that exceeded the pre-1996 national ownership limits.

But perhaps the most notable loss of a minority-owned station since 1998 was Jackson Mississippi's WLBT and two other stations owned by Frank Melton, KTRE and KLTV. WLBT is one of only two stations to have had its license revoked by the FCC. WLBT violated the Fairness Doctrine via its flagrant, pro-segregationist activities in the 1950s and 1960s – which included selling airtime to the Ku Klux Klan. After being stripped of its license in 1971, WLBT came under the control of the African-American-owned group Communications Improvement, which sold the station in 1980 to TV3 Inc., a group owned by Melton, an African-American. Melton helped improve the station's news operations and took over first place in the ratings. However, by 2000, Melton felt he could no longer compete with the large corporate station owners for programming and advertising revenue, and sold all three stations to Cosmos Broadcasting, now called Raycom Media, the 14th-largest broadcast owner in the nation.[465]

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[464] "Changing Hands." *Broadcasting and Cable*, 30 August 2004.
[465] Mills, Kay. 2004. "Changing Channels: The Civil Rights Case That Transformed Television." *Prologue Magazine,* Vol. 36, No. 3, Fall.

The case of WLBT and the other minority-owned stations put up for sale makes it clear that increased consolidation has a measurable effect on minority ownership. Small-station owners find it increasingly difficult to compete against large companies in the acquisition of both programming and advertising clients. Too many station owners find the financial pressures of consolidation too hard to resist.

IS GRANITE THE NEXT TO GO?

Granite Broadcasting, whose majority voting interests are held by W. Don Cornwell, an African-American man, owned nine full-power commercial television stations as of Aug. 3, 2006. However, due to significant financial problems, Granite entered into a bridge financing agreement in July with Silver Point Finance LLC. Silver Point provided Granite with two loans totaling $70 million. These loans are due on December 1, 2006, at which time Silver Point may choose to convert one of the loans into 200,000 shares of voting stock -- or 44.4 percent of the total voting stock.[466] In the interim, Granite must provide a restructuring plan to be approved by Silver Point, and it is possible the company may enter into bankruptcy.[467]

If Silver Point converts one of its loans into voting stock, or if Granite goes bankrupt, the company will cease to be a minority-owned business. If this happens, the total number of minority-owned stations would drop to 35, or 2.59 percent of all stations. This change would also lower the number of black or African American owned stations to just nine, or 0.67 percent of all stations.

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[466] "Credit and Guaranty Agreement Among Granite Broadcasting Corporation, The Subsidiaries of Granite Broadcasting Corporation as Guarantors, Various Lenders, and Silver Point Finance LLC as Administrative Agent." 5 July 2006. Accessed from http://secinfo.com.

[467] "WKBW-TV Owner Says it May Seek Bankruptcy." *Buffalo News*, 6 July 2006.

MINORITY-OWNED STATIONS CAN THRIVE IN LESS CONCENTRATED MARKETS

Minority-owned stations tend to be, on average, in the larger (by both number of stations and population) television markets, or Designated Market Areas.[468] Given that the larger markets tend to be less concentrated, it is not surprising that markets with minority owned stations are less concentrated than those without these stations.[469]

But even if the size of the market and the level of minority population in the market are held constant, markets with minority owners are *significantly* less concentrated than markets without minority owners. And when these factors are held constant, markets with a minority-owned VHF station airing local news are also *significantly* less concentrated than markets without a minority-owned VHF station airing local news.

Furthermore, when market size and level of minority population is held constant, the markets that saw the addition of new minority owned stations since 1998 are *significantly* less concentrated than markets that did not gain new minority owners.[470]

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[468] The simple pairwise correlation between DMA rank (lowest number being the highest ranked) and the presence of a minority-owned station is highly significant, and shows that the rank of a market with a minority-owned station is on average 71, versus 112 for a station without a minority owner.

[469] HHI, or the Herfindahl-Hirschman Index, is a measure of the amount of competition within a market, in this case the local broadcast TV market. The higher the HHI, the more concentrated the market. Markets with a minority owner present have a total day HHI of 2,511 versus 3,800 for markets without a minority owner (this is statistically significant at a p-value of less than 0.0005). The DOJ considers markets with HHIs over 1,800 to be highly concentrated. Of the 210 DMA's, 202 have HHIs above 1,800 (the mean HHI is nearly 3,579, with the median value at 2,900). As expected, the largest markets have HHI's lower than the smaller markets, but even the largest markets remain highly concentrated (the mean and median HHI for the top ten markets is 1,958 and 1,926 respectively; the mean and median HHI for the top 50 markets is 2,236 and 2,289 respectively; for the bottom 50 markets the values are 5,710 and 5,226 respectively).

[470] In total, there was a loss of 22 minority owned stations since 1998, and a gain of 26. See Appendix B for details.

Another way of examining this issue is to look at the probability that an individual station will be minority owned, given the particular characteristics of each market or station. Under this analytical frame, we still find that even when holding market and station characteristics constant, as a market becomes more concentrated, a station is significantly less likely to be minority-owned or be a minority-owned station that airs local news. Similarly, holding market characteristics constant, as a market becomes more concentrated, the probability that a particular market will have a minority-owned station, a minority-owned news station, or have added a minority-owned station since 1998, are all significantly lower.

MARKET CONCENTRATION AND MINORITY OWNERSHIP

To examine the relationship between minority-ownership of full-power commercial television stations and television market concentration, several econometric models were constructed. The first set of models examines the effect that the presence of a minority owned station in a market has on market concentration. In order to control for market-specific effects, two control variables were used: market rank and the percent of minority population within a given market. This approach is also used to examine the relationship between minority-owned news stations and market concentration.

These models are specified as:

$$HHItotalday = \alpha + \beta_1(minorityown)_i + \beta_2\,(marketrank)_i + \beta_3\,(pctminor)_i + \varepsilon_i$$

$$HHItotalday = \alpha + \beta_1(minorownnews)_i + \beta_2\,(marketrank)_i + \beta_3\,(pctminor)_i + \varepsilon_i$$
$$HHItotalday = \alpha + \beta_1(minorownVHFnews)_i + \beta_2\,(marketrank)_i + \beta_3\,(pctminor)_i + \varepsilon_i$$
$$HHItotalday = \alpha + \beta_1(addminorown)_i + \beta_2\,(marketrank)_i + \beta_3\,(pctminor)_i + \varepsilon_i$$

Where;

HHItotalday = the HHI for a particular market, based upon station audience share.
minorityown = dummy variable for the presence of a minority-owned station in a given market.
marketrank = the Nielsen market rank for the 2005-2006 period.
pctminor = the percentage of a market's population that is of minority racial or ethnic status.
minorownnews = dummy variable for the presence of a minority-owned local news station

minorownVHFnews = dummy variable for the presence of a minority-owned VHF news station.
addminorown = dummy variable for a market that added a minority-owned station after 1998.

The results are presented below in Exhibit 7, 8, 9 and 10. These models suggest that the presence of a minority owned station, a minority owned VHF news station, or a new minority-owned station, is negatively associated with market concentration.

Exhibit 7

Dependent Variable = HHI total day

	OLS	Robust Regression
	Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Coefficient (significance)
Minority-owned Station	-435.6969 -0.087587 (0.112) (0.016)**	-285.4295 (0.030)**
Market Rank	19.76933 0.639241 (0.000)*** (0.000)***	9.177394 (0.000)***
Percent Minority Population	-2.17345 -0.020914 (0.702) (0.684)	-1.67478 (0.538)
constant	1616.35 (0.000)*** (0.000)***	2192.86 (0.000)***
N = 210	R^2 = 0.4533 adjusted-R^2 = 0.4453	R^2 = 0.4518 adjusted-R^2 = 0.4439

* = sig. at 10% level; ** = sig. at 5% level; *** = sig. at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

Exhibit 8

Dependent Variable = HHI total day

	OLS	Robust Regression
	Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Coefficient (significance)
Minority-owned Station Airing Local News	-376.4767 -0.0532756 (0.318) (0.163)	-338.3842 (0.065)*
Market Rank	20.06072 0.6486625 (0.000)*** (0.000)***	9.460458 (0.000)***
Percent Minority Population	-3.441814 -0.0331188 (0.540) (0.511)	-2.178654 (0.423)
constant	1568.00 (0.000)*** (0.000)***	2159.54 (0.000)***
N = 210	R^2 = 0.4492 adjusted-R^2 = 0.4412	R^2 = 0.4497 adjusted-R^2 = 0.4417

* = sig. at 10% level; ** = sig. at 5% level; *** = sig. at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

Exhibit 9

Dependent Variable = HHI total day

	OLS	Robust Regression
	Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Coefficient (significance)
Minority-owned VHF Station Airing Local News	-998.0537 -0.0886898 (0.089)* (0.023)**	-580.4603 (0.037)**
Market Rank	20.14959 0.6515361 (0.000)*** (0.000)***	9.264841 (0.000)***
Percent Minority Population	-5.329496 -0.051283 (0.338) (0.298)	-4.73582 (0.074)*
constant	1600.73 (0.000)*** (0.000)***	2214.84 (0.000)***
N = 210	R^2 = 0.4543 adjusted-R^2 = 0.4463	R^2 = 0.4522 adjusted-R^2 = 0.4442

* = sig. at 10% level; ** = sig. at 5% level; *** = sig. at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

Exhibit 10

Dependent Variable = HHI total day

	OLS	Robust Regression
	Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Coefficient (significance)
Added a Minority-Owned Station After 1998	-575.9534 -0.0940821 (0.077)* (0.014)**	-272.949 (0.088)*
Market Rank	20..13091 0.6509321 (0.000)*** (0.000)***	9.698766 (0.000)***
Percent Minority Population	-2.18187 -0.020995 (0.699) (0.678)	-1.668853 (0.547)
constant	1564.03 (0.000)*** (0.000)***	2130.40 (0.000)***
N = 210	R^2 = 0.4549 adjusted-R^2 = 0.4469	R^2 = 0.4478 adjusted-R^2 = 0.4398

* = sig. at 10% level; ** = sig. at 5% level; *** = sig. at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

While this is an interesting and important finding, it may be more appropriate to treat minority ownership as a *dependent* variable, and examine the *probability* that a given station (or market) will be minority-owned (or contain a minority-owned station) given the characteristics of a market, including the market concentration.

These probability models are generally specified as:

$$minorownsta = \alpha + \beta_1(HHItotday)_i + \beta_2(mktrank)_i + \beta_3(pctminor)_i + \beta_4(VHF)_i + \beta_5(bigfour)_i + \varepsilon_i$$
$$minornewssta = \alpha + \beta_1(HHItotday)_i + \beta_2(mktrank)_i + \beta_3(pctminor)_i + \beta_4(VHF)_i + \beta_5(bigfour)_i + \varepsilon_i$$
$$minorownmkt = \alpha + \beta_1(HHItotday)_i + \beta_2(mktrank)_i + \beta_3(pctminor)_i + \beta_4(VHF)_i + \beta_5(bigfour)_i + \varepsilon_i$$
$$minornewsmkt = \alpha + \beta_1(HHItotday)_i + \beta_2(mktrank)_i + \beta_3(pctminor)_i + \beta_4(VHF)_i + \beta_5(bigfour)_i + \varepsilon_i$$
$$addminorown = \alpha + \beta_1(HHItotday)_i + \beta_2(mktrank)_i + \beta_3(pctminor)_i + \beta_4(VHF)_i + \beta_5(bigfour)_i + \varepsilon_i$$

Where

minorownsta = dummy variable for a minority-owned station.
minornewssta = dummy variable for a minority-owned station that airs local news.
minorownmkt = dummy variable for a market with a minority-owned station.
minornewsmkt = dummy variable for a market with a minority-owned station that airs local news.

addminorown = dummy variable for a market that added a minority-owned station after 1998.
HHItotalday = the HHI for a particular market, based upon station audience share.
mktrank = the Nielsen market rank for the 2005-2006 period.
pctminor = the percentage of a market's population that is of minority racial or ethnic status.
VHF = dummy variable for a station operating on channel 2-13.
bigfour = dummy variable for a station that is affiliated with one of the big four networks.

Each probability model was investigated as a linear OLS model, and as a WLS (robust) linear model. But given the limitations of linear models in the case of a dummy dependent variable, these probabilities were also examined using Probit, and Logit binary response models.

The results are presented below in Exhibits 11, 12, 13, 14 and 15. These results suggest that the probability that a given station is minority-owned is significantly lower in more concentrated markets, even if market and station characteristics are held constant. Furthermore, a given station is less likely to be a minority-owned local news station in more concentrated markets. This result is also seen when examining the probability that a *market* will have a minority-owned station or a minority-owned local news station. Furthermore, less concentrated markets were more likely to have added a minority-owned station after 1998, even after controlling for market rank and minority population.

Exhibit 11

Dependent Variable = station owned by a minority (dummy)

	OLS	Probit	Logit
	Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Coefficient dF/dx (significance) (sig. w/ robust std. err.)	Coefficient (significance) (sig. w/ robust std. err.)
HHI total day	-0.000011 -0.072878 (0.041)** (0.002)***	-0.0003752 -0.0000194 (0.012)** (0.006)***	-0.0007718 (0.021)** (0.016)**
Market Rank	0.0002288 0.073232 (0.052)* (0.058)*	0.0045539 0.0002351 (0.013)** (0.007)***	0.009408 (0.019)** (0.011)**
Percent Minority Population in Market	0.0007315 0.073532 (0.009)**** (0.035)**	0.0071797 0.0003707 (0.056)* (0.061)*	0.0165058 (0.043)** (0.060)*
VHF Station	0.0024051 0.006697 (0.834) (0.833)	-0.0002628 -0.0000136 (0.999) (0.999)	0.0705623 (0.870) (0.885)
Big Four Station	-0.0453484 -0.123403 (0.000)**** (0.003)***	-0.5981723 -0.0374242 (0.001)**** (0.004)***	-1.403894 (0.001)*** (0.007)***
constant	0.05546 (0.001)**** (0.000)***	-1.09931 (0.003)**** (0.001)***	-1.897872 (0.022)** (0.021)**
N = 1349	R^2 = 0.0244 adjusted-R^2 = 0.0208	pseudo R^2 = 0.089	pseudo R^2 = 0.0886

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

Exhibit 12

Dependent Variable = minority owned station airing local news (dummy)

	OLS Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Probit Coefficient dF/dx (significance) (sig. w/ robust std. err.)	Logit Coefficient (significance) (sig. w/ robust std. err.)
HHI total day	-0.00000607 -0.0641 (0.075)* (0.036)**	-0.0004846 -0.0000109 (0.028)** (0.071)**	-0.001311 (0.034)** (0.128)
Market Rank	0.0000443 0.022658 (0.553) (0.560)	0.0028309 0.0000639 (0.237) (0.221)	0.0071412 (0.231) (0.238)
Percent Minority Population in Market	0.0002696 0.04391 (0.128) (0.276)	0.0063395 0.0001431 (0.219) (0.316)	0.0126805 (0.351) (0.514)
VHF Station	-0.0056394 -0.025007 (0.437) (0.443)	-0.1849883 -0.004069 (0.419) (0.221)	-0.5120273 (0.366) (0.348)
Big Four Station	0.0112352 0.048685 (0.159) (0.168)	0.3827043 0.0079049 (0.141) (0.114)	1.004053 (0.124) (0.126)
constant	0.0152167 (0.153) (0.086)*	(1.54) (0.006)*** (0.021)**	-2.315324 (0.137) (0.275)
N = 1349	R^2 = 0.0056 adjusted-R^2 = 0.0019	pseudo R2 = 0.0586	pseudo R2 = 0.0585

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

Exhibit 13

Dependent Variable = market with a minority-owned station (dummy)

	OLS	Probit	Logit
	Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Coefficient dF/dx (significance) (sig. w/ robust std. err.)	Coefficient (significance) (sig. w/ robust std. err.)
HHI total day	-0.0000281 -0.1398196 (0.112) (0.041)**	-0.0006441 -0.0000977 (0.003)*** (0.001)***	-0.0011462 (0.005)*** (0.003)***
Market Rank	-0.0006912 -0.1111809 (0.210) (0.247)	0.001169 0.0001773 (0.660) (0.652)	0.0011261 (0.813) (0.815)
Percent Minority Population in Market	0.0046665 0.2233715 (0.001)*** (0.003)***	0.0183777 0.0027868 (0.003)*** (0.002)***	0.031689 (0.004)*** (0.003)***
constant	0.24043 (0.001)*** (0.001)***	0.3792889 (0.479) (0.462)	0.8303584 (0.410) (0.402)
N = 210	R^2 = 0.1273 adjusted-R^2 = 0.1146	pseudo R^2 = 0.1898	pseudo R^2 = 0.1925

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

Exhibit 14

Dependent Variable = market with a minority-owned station airing local news (dummy)

	OLS	Probit	Logit
	Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Coefficient dF/dx (significance) (sig. w/ robust std. err.)	Coefficient (significance) (sig. w/ robust std. err.)
HHI total day	-0.0000128 -0.0906995 (0.318) (0.210)	-0.0007912** -0.000359 (0.017)** (0.038)**	-0.0015023** (0.031)** (0.115)**
Market Rank	-0.0004261 -0.0973687 (0.289) (0.313)	0.0012612 0.0000572 (0.705) (0.721)	0.0021537 (0.749) (0.790)
Percent Minority Population in Market	0.0021154 0.1438456 (0.040)** (0.132)	0.0119873 0.000544 (0.101) (0.185)	0.021037 (0.159) (0.338)
constant	0.1197049 (0.020)** (0.025)**	0.344887 (0.665) (0.727)	0.9018484 (0.595) (0.718)
N = 210	R^2 = 0.0623 adjusted-R^2 = 0.0486	pseudo R^2 = 0.1768	pseudo R^2 = 0.1735

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

Exhibit 15

Dependent Variable = added minority owned station in market after 1998 (dummy)

	OLS	Probit	Logit
	Coefficient Beta-Value (significance) (sig. w/ robust std. err.)	Coefficient dF/dx (significance) (sig. w/ robust std. err.)	Coefficient (significance) (sig. w/ robust std. err.)
HHI total day	-0.0000262 -0.1604588 (0.077)* (0.035)**	-0.0005219 -0.0000598 (0.016)** (0.005)***	-0.000968 (0.020)** (0.008)**
Market Rank	0.0002054 0.0406665 (0.656) (0.697)	0.0039963 0.0004577 (0.162) (0.159)	0.0064961 (0.225) (0.235)
Percent Minority Population in Market	0.0034945 0.2058482 (0.003)*** (0.023)**	0.0168858 0.0019338 (0.010)*** (0.007)***	0.0312275 (0.008)*** (0.008)***
constant	0.09863 (0.095)* (0.066)*	-0.5118781 (0.346) (0.290)	-0.728191 (0.486) (0.434)
N = 210	R^2 = 0.0703 adjusted-R^2 = 0.0568	pseudo R^2 = 0.1351	pseudo R^2 = 0.1358

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Source: Form 323 Filings; BIA Financial; Free Press Research

These findings are very robust to model specification type, and are extremely important, for they suggest that minority-owners thrive in more competitive markets, regardless of market or station characteristics. Also, minority production of local news is more likely to occur in a competitive market versus markets with less competition, regardless of market or station characteristics.

The magnitude of the effect of market concentration is quite large. For example, the predicted probability of a market having a minority-owned station at the median concentration level is approximately 17 percent (under the robust-standard error Probit model). If that concentration increases by one-half of one standard deviation (a 940 unit increase in HHI), then the predicted probability of a market having a minority-owned station drops by two-thirds, to about 6 percent. Likewise, for an individual station, the predicted probability of being minority-owned at the median market HHI is about 2.1 percent (under the robust-standard error Probit model). An increase of one-half of one standard deviation in HHI also leads to a large drop in the predicted probability, falling to just 0.8 percent.

These findings suggest that the likely outcome of further industry consolidation and concentration will be fewer minority-owned stations and minority-owned stations airing local news content. This has tremendous implications for the current ownership proceeding at the FCC. One unambiguous consequence of further industry consolidation and concentration will be to diminish both the number of minority-owned stations and the already low number of minority-owned stations airing local news content. The FCC should seriously consider the effects on minority owners and viewers before it moves to enact policies that will lead to increased market concentration.

Indeed, as shown above, previous pro-consolidation policies enacted by the FCC in the late 1990's had a significant impact on minority ownership, indirectly or directly contributing to a loss of 40 percent of the stations that were minority owned as of 1998.

CONCLUSION

This study has shown that public policy relaxing limits ownership concentration not only fails to promote minority ownership but actually undermines it at three levels. First, the trend since rules were relaxed in the mid-1990s shows a decline in minority ownership, despite an increase in the number of overall stations. Second, examination of the stations that were sold since that change in policy shows that many sales of minority owned stations to non-minorities were made possible by directly by that change. There may have been indirect effects as well, since many of the sales that took place could have taken place prior to the change in policy, but did not. The pressures to consolidate unleashed by the relaxation of the previous limits may have pushed minority owners, who have little prospect of keeping up the trend, to sell out. Third, econometric evidence supports the proposition at the macro level that this micro-level data would suggest – greater concentration is associated with lower levels of minority ownership.

STUDY 14:
A CASE STUDY OF WHY LOCAL REPORTING MATTERS: PHOTOJOURNALISM FRAMING OF THE RESPONSE TO HURRICANE KATRINA IN LOCAL AND NATIONAL NEWSPAPERS

MARK COOPER

ABSTRACT

This study examines the framing of the response to hurricane Katrina in local and national newspapers as part of a broader study of the importance of localism in media markets. It replicates an earlier study by Gandy and Lee, adding a comparison of the coverage in local and national papers as well as key control variables (such as the locale depicted in the photo and the action of each individual in each photo).

Gandy and Lee studied the photojournalism record presented in the *New York Times* and *The Washington Post* with a concern that "American photojournalists followed a traditional template used by the Western press when it covers periodic disasters in the Third World. Observers suggest that many of the images of the disaster in New Orleans looked very similar to the images of American doctors and marines rescuing the starving desperate victims." But Gandy and Lee did not have extensive data on the underlying "reality" of the events in New Orleans. This Study uses the photojournalism record of the hometown papers as a baseline – *the Times Picayune* and *the Sun Herald,* both of which won Pulitzer Prizes for their coverage.

We find that the national papers simplified the situation and exaggerated the role of victims. Corroborating Gandy and Lee, we find that out-of town newspapers depicted many more passive black victims in New Orleans and one of the papers reported many more negative actions by Blacks. At the same time, we find a uniform absence of Black rescuers across all papers, particularly in National Guard Units, that raises questions about the racial make-up of these units and their deployment, beyond the issue of photojournalism.

The findings underscore the importance of local sources of news. Even though distribution through a new medium such as the Internet may make sources more readily available, it is the original local reporting that is the key. Out-of-town newspapers simply do not report many of the stories that truly matter "where you live" (although the Katrina story was too big not to cover) or do not do so in a manner that reflects the local reality.

FRAMING RACIAL ROLES IN PHOTOJOURNALISM

Social and political bases of localism (demonstrated in Study IV), clear public preference for traditional, local sources of news and information, and media usage patterns underscore the continuing importance of local news outlets (demonstrated in Study V), even as distribution of local content moves online. The fact that myriad outlets can be accessed online does not mean that numerous sources dealing with a specific local area are available. In other words, even though distribution through a new medium such as the Internet may make a local source more readily available in an area, it is the original local reporting that is the key. Out-of-town newspapers simply do not report many of the stories that matter "where you live." Even when they do, there is a difference. The local angle on the local story is important, even when it becomes a big enough story to be covered by out-of-town papers.

This Study substantiates that assertion by analyzing the coverage of one of the biggest local stories of the past year, the impact of hurricane Katrina on the Gulf Coast. A recent paper by Gandy and Lee presented an analysis of the photographic record of the impact of Hurricane Katrina on the Gulf coast.[471] It analyzed all of the photographs published by the *New York Times* and the *Washington Post* in the first week after Katrina came ashore. This Study compares the reporting in local newspapers to that of the national papers.

Gandy and Lee asked what "specific news templates were relied upon in presenting the story of Katrina and the victims and heroes she brought to the fore." They are particularly concerned that "American photojournalists followed a traditional template used by the

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[471] Gandy, Oscar. "Thinking About Race, Ideology and Structure in the Presentation of Disastrous Events: The Case of Katrina." *Rethinking the Discourse on Race.* St. John's University School of Law, 28 April 2006 and Lee, Chul-joo and Oscar H. Gandy. Others' Disaster: How American Newspapers covered Hurricane Katrina (Methods, Results and Discussion). *Rethinking the Discourse on Race.* St. John's University School of Law, 28 April 2006.

Western press when it covers periodic disasters in the Third World," suggesting that "many of the images of the disaster in New Orleans looked very similar to the images of American doctors and marines rescuing the starving desperate victims."

Gandy and Lee chose the *New York Times* and the *Washington Post* "because these papers are read by the nation's opinion leaders, and because they are generally believed to set the agenda for other major news media in the US." These are prominent national papers.

At the same time, Gandy and Lee hypothesized that there might be a difference in how the papers reported since "the *Times* is a national newspaper with readers outside of New York representing 40% of its total, while the national readership of the Washington Post accounts for only 10%." Because the population of the Washington metro area is 60 percent African American, versus 27 percent for the New York area and 10 percent nationwide, Gandy and Lee hypothesized that "the framing of stories in the Post should be more favorable to African Americans than images appearing in the Times."

The analysis was confined to the first week after Katrina came ashore (August 30 to September 7). "Given that our primary focus is on representational differences among Katrina rescuers and victims, the very first week of the crisis cycle was most appropriate for our analysis."

While there were some differences between the two papers, the major findings of the study were as follows:

- Both presented a photojournalistic record that was heavily laden with Black victims (*NYT* = 78%; *WP* = 72%),
- who were overwhelmingly passive, compared to White victims (*NYT* = 88% of White victims active v. 12% of Black victims; *WP* = 82% of White victims active v. 18% of Black).
- Black rescuers were scarce in both (*NYT* = 3%; *WP* = 20%)

- And there were virtually no images of Blacks rescuing Whites (*NYT* = 0; *WP* = 2%).

Although Gandy and Lee did not code positive and negative actions of victims into their basic analytic frame, they did note that a "substantial portion of Katrina photos published by both *NYT* (i.e. 6 out of 16 [38%]) and the *WP* (6 out of 20 [30%]) that represent Black victims as active also suggest that these Black people were engaging in socially undesirable activities."

While the image that Gandy and Lee found fit their hypothesis of a "Third World" view of disaster relief, they were confronted with the challenge that the photos and the data they produced may have actually represented the underlying reality of the situation. They countered by citing some evidence that the victims were more evenly divided between Blacks and Whites (51% to 45%) than the photos portrayed and offered a hypothesis that the racial makeup of the rescuers was likely to be more mixed than presented in the photos, although no evidence was offered in support.

The Gandy and Lee paper focused on the audience of out-of-town, national newspapers for another one of its hypotheses. The *Washington Post* did present images that were somewhat more favorable to Blacks than the *New York Times*, but Gandy and Lee are correct to focus on the fact that the overall image in both papers was negative, as they define it.

Gandy and Lee did not test what we believe could be a more salient feature of the photojournalism approach that would dictate the framing of the Katrina response. The *New York Times* and the *Washington Post* are both national newspapers distant from the event.

But how did local newspapers depict it? Did the local papers of record present a different picture than the national, out-of-town papers? We set out to compare the depiction of the two.

METHOD

For the same time period, August 30 to September 7, we gathered the photojournalism record from four papers, adding two local papers, The *New Orleans Times-Picayune* and The Gulfport-Biloxi *Sun Herald*, to the same two national papers.

New Orleans Times Picayune = TP
Gulfport-Biloxi Sun Herald = SH
Washington Post = WP
New York Times = NYT

We applied the same coding scheme to the photo record in both national and local papers. Gandy and Lee coded each photo on four dimensions:

Race: Black or White
Role: Rescuer or Victim
Setting: Alone v. Multiple People
Action: Passive v. Active (Positive or Negative)

Gandy and Lee coded the overall action frame of each picture, which in the case of many pictures involves a judgment call about what the picture portrayed. We chose to code each individual in each picture to preserve and represent detail. We defined the Alone v. Multiple People paradigm in the "Setting" dimension to describe whether a victim was in the presence of a rescuer ("multiple people") and vice versa. So, for instance, 3 victims in a photograph containing no rescuers are coded as "alone."

Also, because we are comparing home town, local papers, and out-of-town, national papers, it is important to control for what locale was being captured in the photo. There were three different locales depicted in the pictures – New Orleans, the Mississippi Coast, and other cities to which people had been evacuated. Most of the evacuees were from New Orleans. The reality in each location was different.

RESULTS

The survey of the papers produced 528 pictures with 1223 individuals (See Exhibit 1). The home town papers focused on their local area, with scattered images from other locales, while the out-of-town papers covered all areas, although New Orleans was the dominant locale in each by far. Observed differences in the overall action frame depicted in national and local papers could reflect differences in the locales represented.

Exhibit 1:
The Database

Newspaper	Photos	Individuals	Locations (% of Individuals)			
			N.O.	Miss.	Other	Total
Times Picayune	123	308	93%	1%	6%	100%
Sun Herald	166	327	12	84	4	100
Washington Post	159	364	53	24	23	100
New York Times	80	224	68	15	18	100

There is a sharp difference in the racial make-up of New Orleans and Biloxi, which is reflected in the race of the victims (see Exhibit 2). New Orleans is two-thirds Black and black victims predominate. Biloxi is two-thirds White and White victims predominate.

Exhibit 2:
The Racial Makeup of the Impact Area Populations and Victims Depicted

	Population (%) (% of Total)		Victims in Hometown Papers (% of Victim Images)	
	N.O.	Biloxi	N.O.	Biloxi
White/Other	33%	81%	38%	67%
Black	67	19	62	33
Total	100	100	100	100

When we compare the pictures of the two locales offered by the hometown and out-of-town papers, we find a clear difference. The out-of-town papers accentuate the main victim frames (see Exhibit 3). In New Orleans, where Blacks were the predominant victims in the hometown paper, the out of town papers exaggerate the presence of Black victims. In Biloxi, where Whites were the predominant victims in the hometown paper, the out-of-town papers exaggerate the presence of white victims.

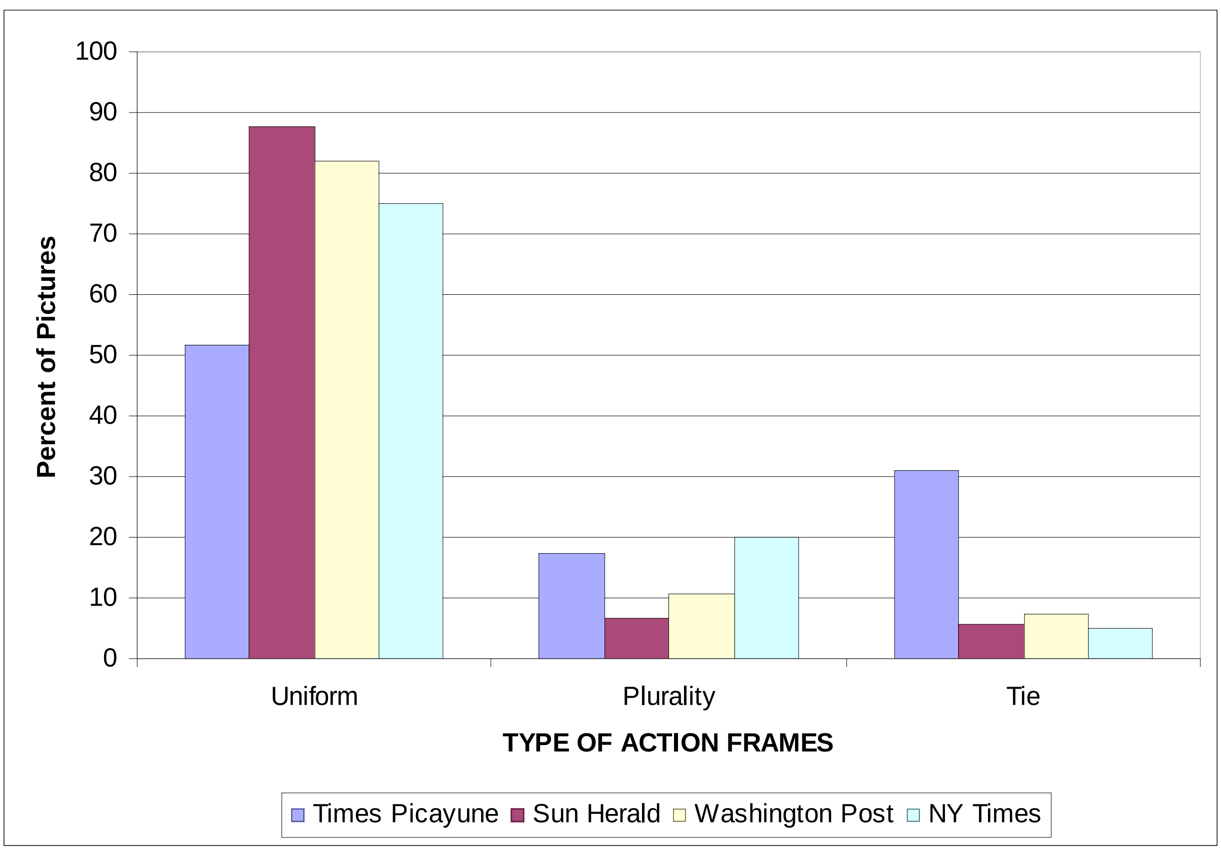
Exhibit 3:
Victim Images in Hometown and Out-of-Town Papers
(% of Total Locale Images)

	New Orleans			Mississippi		
	TP	WP	NYT	SH	WP	NYT
White	20	14*	11**	46	59**	76**
Black	43	61**	53*	23	15^{+}	12^{+}

$^{+}$ $p < .10$, * $p < .05$, ** $p < .01$

The reality depicted in the *Times Picayune* on a picture-by-picture basis was much more complex than in the national papers (see Exhibit 4). About half of the pictures in the *Times Picayune* included uniform action frames. That is, every individual in the photo fell into the same one of the 48 categories used to classify individuals. This percentage was much higher for the other papers – almost 90 percent in the Sun Herald, over 80 percent in the Washington Post, and about 75 percent in the New York Times. The Times Picayune was much more likely to have ties – photos in which two or three categories were equally represented in a given picture. The TP was also somewhat more likely to have plurality photos in which multiple categories were represented but one predominated. Based on this analysis, from the point of view of New Orleans, we suggest that the out-of-town papers simplified the situation.

Exhibit 4:
The Complexity of Individual Pictures



Because of this underlying complexity, we chose not to categorize each picture. Rather, we conducted the analysis at the level of the individuals depicted.

Our analysis focuses on New Orleans because it was the center of national attention and, as a result, the number of photos in the national press of other areas was too small for detailed analysis.

Our examination of the Gandy and Lee hypothesis provides support for several of the main points, although introducing a baseline with the Times Picayune and controlling for the locales of the photos makes the differences somewhat smaller (see Exhibit 5). Out of town newspapers were more likely to depict blacks as victims who were alone and passive. They were more likely to depict whites actively rescuing blacks and less likely to depict whites actively rescuing whites.

There were no instances of negative wWhite images in any of the papers. One of the out-of-town papers (WP) depicted a higher percentage of Blacks engaging in actions that were coded as negative.

Other characteristics of the action frames pointed out by Gandy and Lee are in evidence as well, but they cannot be attributed to framing choices by the national media, since they are in evidence in all three papers. They may point to other social issues, however. Across all papers there are few black rescuers in the photos. White rescuers outnumber black rescuers by 3 or 4 to one, in a region of the country where the ratio of whites to blacks in the population is close to 1 or 1.5 to 1. Based on uniforms, this appears to be

Exhibit 5:
The Key Action Frames in the Gandy & Lee Hypothesis
(Photos of New Orleans Only)

	CFA Coding Coding individuals in photos of New Orleans Locale			Gundy & Lee Photos coded all locales	
	TP	WP	NYT	WP	NYT
VICTIMS					
White					
Alone	6	5	5	18	19
Alone					
Passive	6	6	5	7	8
Negative	0	0	0	0	0
Black					
Alone	30	42**	33	44	48
Alone					
Passive	15	24*	18	30	26
Negative	4	10**	5	4	3
RESCUERS					
Whites					
All	29	18**	29	38	35
Rescuing					
Blacks	11	14	17*	20	17
Whites	8	2**	0**	8	3
Black					
All	8	8	7	2	8
Rescuing					
Blacks	3	1	1	1	3
Whites	4	5	3	0	1

$^{+}$ $p < .10$, * $p < .05$, ** $p < .01$

There were no instances of negative White images in any of the papers. One of the out-of-town papers (WP) depicted a higher percentage of Blacks engaging in actions that were coded as negative.

Other characteristics of the action frames pointed out by Gandy and Lee are in evidence as well, but they cannot be attributed to framing choices by the national media, since they are in evidence in all three papers. They may point to other social issues, however. Across all papers there are few black rescuers in the photos. White rescuers outnumber black rescuers by 3 or 4 to one, in a region of the country where the ratio of whites to blacks in the population is close to 1 or 1.5 to 1. Based on uniforms, this appears to be particularly true of the National Guard. The racial make-up of the National Guard, more specifically the units deployed for disaster relief, must be examined to unravel this mystery. Is the National Guard segregated? Were units selectively deployed? Are predominantly black or mixed racial units deployed in Iraq? Is there a difference in the military occupational specialties (MOS) of black and white units?

CONCLUSION

It may be a little harsh to say that the out-of-town papers simplified, exaggerated and distorted the image of the Katrina disaster in New Orleans, but that was the direction in which their photojournalism tended, when compared to the hometown paper of record. The negative image of Blacks was distorted, but not as severely as suggested by the Gandy and Lee discussion that did not have a baseline reality. Adding such a baseline, defined in this analysis as the presentation depicted in the hometown paper, moderates the effect, but reinforces the conclusion because important controls were added.

The fact that our approach found smaller differences does not mean that the Gandy and Lee approach was wrong. It was just different. Two primary sources of the differences are in their coding of pictures, as opposed to individuals.

Cases where we found a plurality of one type of action in a picture would be coded strictly as that type of picture in the Gandy and Lee approach. This eliminates from the analysis the actions of non-plural individuals, which magnifies the differences between our numbers and Gandy and Lee's. To the extent that passive Blacks were the plurality, which is likely, it would accentuate this action frame. If the impact of the frame is the overall theme of the picture, then counting each individual separately might be said to underestimate the effects of framing.

Second, evacuees were overwhelmingly Blacks from New Orleans. As evacuees, they were likely to be in passive situations. The fact that the national papers included many more photos of evacuees drove their presentation in the direction questioned by Gandy and Lee. For our analysis, which was focused on a home-town vs. out-of-town comparison, we dropped the pictures of evacuees who had already reached their destination. But evacuees *were* part of the national story. In this sense, the fact that the differences hold up with our approach makes the Gandy and Lee argument stronger, since we have controlled for alternative explanations.

More important, from the point of view of this analysis, are the clear differences between hometown and out-of-town representation of the events. This difference, and the fact that the *Times Picayune* and the *Sun Herald* both won Pulitzer Prizes for their coverage of the events, further reminds us of the importance of local newspapers.

PART VI:
THE FCC IMPROPERLY NARROWED THE SCOPE OF DIVERSITY POLICY

STUDY 15:
CONSOLIDATION AND CONGLOMERATION DIMINISH DIVERSITY AND DO NOT PROMOTE THE PUBLIC INTEREST: A REVIEW OF THE HEARING RECORD IN THE MEDIA OWNERSHIP PROCEEDING

Mark Cooper

ABSTRACT

The claim that consolidation and/or concentration can promote the goals of the Communications Act is not supported by the record evidence in the Media Ownership proceeding.

- The FCC incorrectly interpreted evidence on both of its to key claims – that the ownership does not influence point of view and that combinations provide more and higher quality news.

A close reading of the record shows that these assertions are not supported by statistically meaningful evidence. Indeed, the opposite is the case and the FCC ignored admonitions in the record that it was misinterpreting the evidence.

- Controlling for obvious factors, such as market size and the ranking of television stations shows that cross-owned television stations do not provide more news.
- The claim that purports to show higher quality of product by cross-owned stations collapses when controls are introduced.

The claim that duopolies provide more news is also proves to be unfounded when the behavior of other, non-duopolies.

- Non-duopoly stations have increased the provision of news as much as duopoly stations.
- The loss of independent sources of information resulting from the creation of the duopolies in terms of the quantity of news produced is much larger than the increase in news produced by the duopoly...

In both quantitative and qualitative terms, the loss of independent news production substantially exceeds any claimed benefits for these mergers.

INTRODUCTION

The cornerstone of the effort to relax the ownership limits is the claim by the FCC that consolidation and/or conglomeration can promote the goals of the Communications Act. Although the court accepted the claim,[472] the record evidence is extremely thin. In fact, there is no evidence in the record that achieve routine levels of statistical significance to show that consolidation and/or conglomeration contribute to any of the goals of the Act. Subsequent, rigorous empirical evidence shows that newspaper TV combinations and duopolies do not increase the quantity or quality of local news and information available. The FCC concluded and the Court accepted the wrong conclusion. Since the new rules have been suspended, there will be no harm if the FCC reverses its conclusion under the quadrennial review and returns to the standard in place prior to 2003.

Here it is critical to appreciate the standard that should be applied. Given the recognition that "the widest possible dissemination of information from diverse and antagonistic sources" and the close association of points of view with ownership, the loss of an independently owned outlet is a significant harm to democratic discourse. Moreover, newspapers and television are the dominant source of local news and information by far. The gain from consolidation and conglomeration that eliminates independent voices from the forum for democratic discourse must be very large to offset the loss of a major independent voice. Neither the record evidence nor subsequent research demonstrates such a substantial gain.

This paper reviews the record evidence, which the FCC failed to cite in its order. The next two papers bring new evidence to bear on this critically important issue.

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[472] *Prometheus Radio Project, et al. v. FCC* 373 (2004) (*Prometheus)*; p. 52.

Claimed Benefits of Cross-Ownership are Not Demonstrated in the Record

Project for Excellence in Journalism

The FCC's order claiming that cross-ownership can enhance quality rests on two studies – its own Media Ownership Working Group (MOWG) study 7 and a study by the Project on Excellence in Journalism.[473] Following the FCC's record, the court cited these two studies the relevant paragraphs in the order. Neither of the studies provides a valid basis for reaching the stated conclusion.

The PEJ study was dismissed by the Commission as follows: "Whether or not the PEJ study is unbiased, its result appear statistically insignificant, the underlying data have not been made available, and therefore, cannot be considered reliable or convincing evidence."[474] Having dismissed the study as fundamentally flawed, the FCC cautioned, when it cited the study in the cross-ownership discussion that " We use PEJ's filing here solely as a source of anecdotal evidence, not as a statistical study, and do not base our conclusions regarding the newspaper/broadcast cross-ownership rule upon it."[475] The irony of the Commission even mentioning a study it had so brutally criticized is magnified by the fact that in original and the reply comments the PEJ reached exactly the opposite conclusion that the FCC did,

> The closest the PEJ Study comes to what the FCC might or might not do is this rather general observation: "The data strongly suggest regulatory changes that

[473] Project for Excellence in Journalism, *Economists Inc's "Critique of the Recent Study on Media Ownership" A Response by the Project for Excellence in Journalism,* March 18, 2003, p.1.

[474] Federal Communications Commission, *2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996,* 18 FCC Rcd 13620, 13711-47 (2003), (hereafter Order), ¶573.

[475] Order, ¶345, footnote 766.

> encourage heavy concentration of ownership in local television by a few large corporations will erode the quality of news Americans receive."[476]

Two of the four areas of analysis in the PEJ of cross-owned properties contradicted the claims of the FCC – rating trends and enterprise. In fact, the only difference between cross-owned and non-cross-owned stations that even approached statistical significance was the trend of declining rating (Chi sq – 5.16, p <.10), which points in the opposite direction from the FCC conclusion.

Commission Studies

Thus,

> the Commission principally relied on the findings of its MOWG study that newspaper-owned television stations provided almost 50% more local news and public affairs programming stations, 21.9 hours per week…. The Commission also found corresponding advantages in quality of local coverage provided by newspaper-owned stations, as shown by ratings (measuring consumer approval) and industry awards (measuring critical approval).

Neither the Commission in the order nor the Court in its ruling noted CFA's criticism of this conclusion. Indeed, the Court states, "But the Citizens Petitioners do not suggest that a study entirely focused on intramarket combinations would have different results."[477] Actually, in the record we suggested exactly that.

In order to make meaningful inferences about the effects of cross ownership, one must compare apples to apples. Cross-owned stations are highly ranked stations in large markets. Without proper controls – i.e. comparing them to small market low ranked stations – leads on

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[476] Reply Comment, "Economists Inc.'s 'Critique' of the Recent Study on Media Ownership: A Response by the Project for Excellence in Journalism," Federal Communications Commission, *2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996,* March 18, 2003, p. 1.

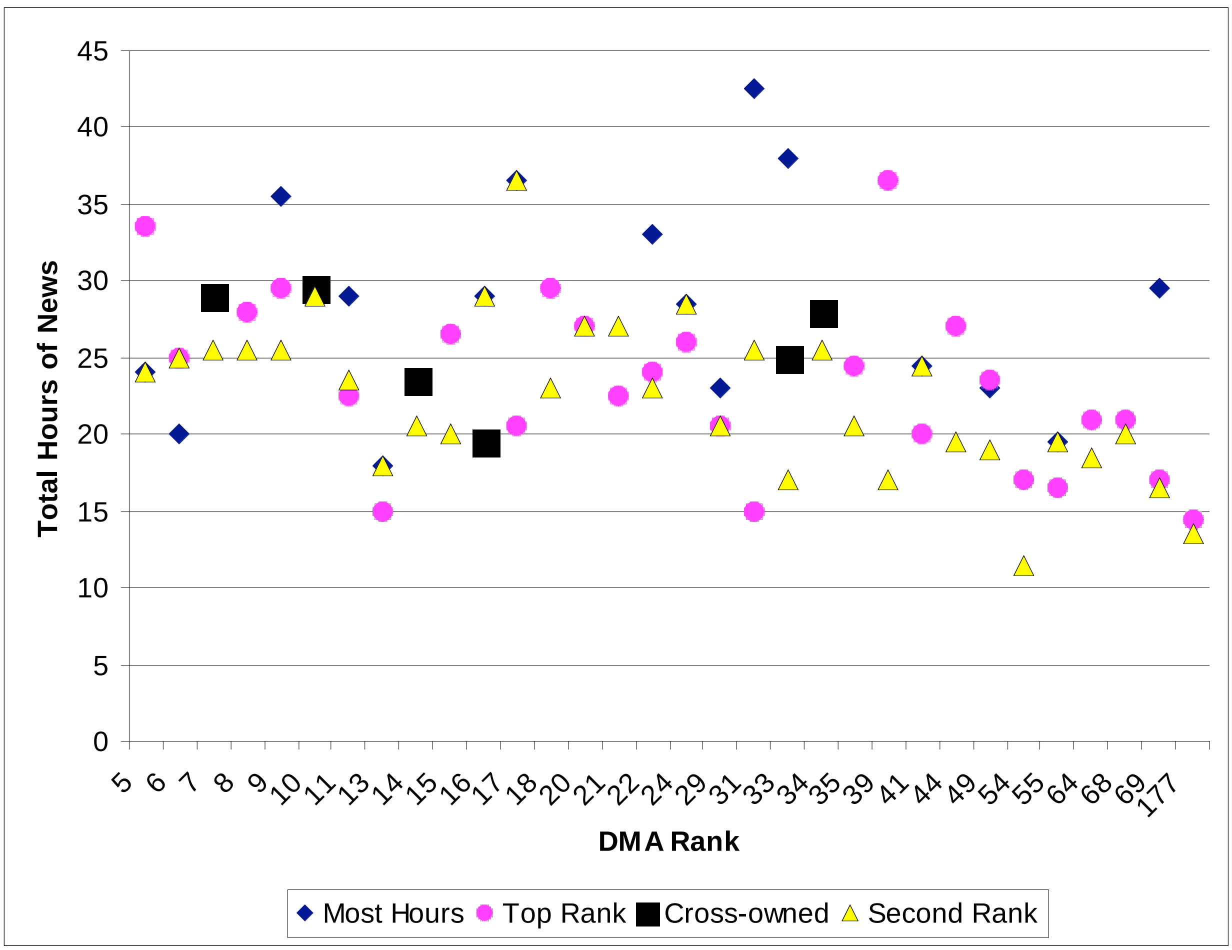
[477] *Promethreus,* p. 50.

to make false claims for the benefits of cross-ownership that are properly attributable to station rank and market size.

The primary numerical evidence on which the FCC relied was not presented as statistically significant (no statistical tests were applied). The Newspaper Association of America, whose comments the FCC cited, simply reworked the same data. Both failed to provide to introduce proper controls or apply statistical tests.

Exhibit 1 presents the flaw in the FCC/NAA analysis in graphic terms. It shows the

Exhibit 1:
News Production, Market Size, Market Rank and Cross-Ownership



market size (i.e. rank of the DMA) on the X-axis. It shows the total hours of local news on the Y-axis. In the market ranked equal to those where we find cross-owned stations, there is little difference in the production of news.

Exhibit 2 shows the mean number of hours of news. The exhibit shows news programming of four types of stations in each market: those with the most hours in the market; the highest ranked station, the second rank station and the cross-owned station. Three of the six cross-owned stations had the most hours in their market; all six of the cross-owned stations were ranked first. The non-cross-owned stations with the most hours have a higher average number of hours than the cross-owned stations. The non-cross owned stations that had the highest ratings had a higher average number of hours than the cross-owned stations. Any apparent advantage of cross-owned stations is a function of comparing them to much lower ranked station in smaller markets. There is no way to infer that cross-ownership will result in an increase of news produced.

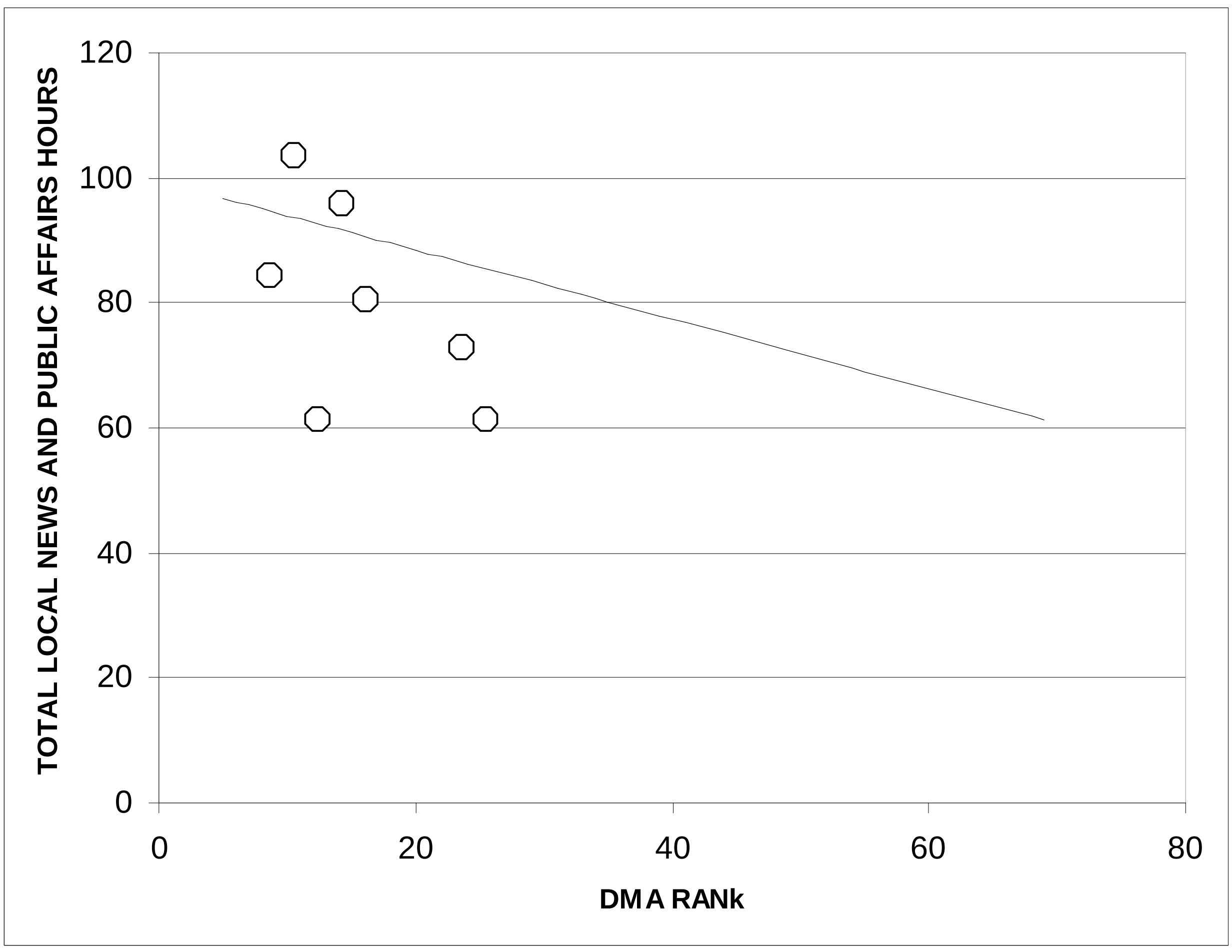
Exhibit 2: Hours of News Supplied by Station Rank and Market Size

	Most Hours	Top-Rated Stations	Second- Rated Stations
All DMAs			
Non-Cross-Owned	32.5	28.9	22.5
Cross-owned	27.5	27.5	
Top 34 DMAs			
Non-Cross-Owned	35.6	28.5	24.7
Cross-owned	27.5	27.5	

Source: Calculated from Spavins, Thomas C., et al, “The Measurement of Local Television News and Public Affairs Programs,” Appendices B and C.

The above analysis focuses on the output of stations, rather than the output of markets. Looking at the total quantity of news in markets with cross owned stations, we observe that two of the six markets with cross owned stations were on the trend line of all stations as calculated in Exhibit 3. There were two well above the line. There were two somewhat below it. There were

Exhibit 3:
Total Hours Of Local News And Public Affairs
(Markets With Cross Owned Stations compared to trend line)



Source: Calculated from Spavins, Thomas C., et al, "The Measurement of Local Television News and Public Affairs Programs," Appendix A.

three close to it. The bold claims that concentration and cross ownership are good for news output is not supported by this data. At best there is a small difference between stations in newspaper/broadcast combinations and duopolies. Whatever small increases in quality and/or quantity come with very large losses in media ownership diversity.

The second type of data offered in support of the proposition that cross-ownership improves local news was to count awards for local news programs. A number of problems in the approach were pointed out in the record. Putting those problems aside, the data poses similar problems. The evidence does not support the claim to benefits of concentration and cross ownership, when market size and station rank. The networks contend that the journalistic awards received by cross-owned stations indicate that such stations are "better off" than non-cross-owned stations. Looking at a cross-owned situation in the same market, however, it is difficult to conclude that the stations are better or worse (See Exhibit 4). We observe many that are better and many that are worse. The inconclusiveness of the award data above is demonstrated by the following observations. In the aggregate, cross-owned stations may be more likely to win awards, but the statistical validity of the conclusion and the representativeness of the sample are suspect. When viewed on a market-by-market basis, the data is not convincing. There were nine markets with cross-owned stations in which awards were made. In four markets, the cross-owned stations won all of the awards. They tended to be among the top two highest ranked stations. The non-cross-owned stations that won awards in markets where cross-owned stations exist were ranked considerably lower in terms of viewership. On average, they were ranked (between third and fourth) in their markets, compared to the cross-owned stations that won (which were ranked second on average). In five markets where awards were won, the cross-owned station won none, they tended to lower ranked. The cross-owned stations that did not win awards were ranked about fourth on average. Generally, the non-cross owned stations did more with less.

CLAIMS THAT OTHER FACTORS 'MITIGATE' THE HARM OF CROSS-OWNERSHIP ARE UNSUPPORTED

The FCC tried to brush aside the clear negative impact of cross-media mergers with the claim that ownership does not matter, as summarized by the court,

> First, it found that "[c]ommonly-owned newspapers and broadcast stations do not necessarily speak with a single, monolithic voice." Given conflicting evidence in the record on whether ownership influences viewpoint, the Commission reasonably concluded that it did not have enough confidence in the proposition that commonly owned outlets have a uniform bias to warrant sustaining the cross-ownership ban.[478]

The record evidence to which the Commission points is yet another study that lacks statistical validity and, upon close reading does not support the Commission's position.[479] As demonstrated in *Study 5: Media Ownership and Viewpoint*, the link between ownership and point of view is well demonstrated in the academic literature and this single fatally flawed cannot stand as a basis for doubt of that proposition.

The second basis for claiming that cross-ownership will do no harm involved other sources of news. As the Court noted, "the Commission found that diverse viewpoints from other media sources in local markets (such as cable and the Internet) compensate for viewpoints lost to newspaper/broadcast consolidation."[480] Ironically, the FCC ended up not counting cable as an independent source of news, so it is hard to understand how it could

[478] *Prometheus,* pp. 51-52.
[479] Ownership Order, ¶ 362.
[480] *Prometheus,* p. 52.

simultaneously count and not count. The Court accepted the argument to discount cable, but found the same reasoning applied to the Internet –

> we affirm the Commission's reasoned decision to discount cable. But we think that the same rationale also applies to the Internet. Therefore, it s decision to count the Internet as a source of viewpoint diversity, while discounting cable, was not rational.[481]

Additional evidence summarized in Studies 7 and 8 shows that the Internet has not become a significant independent source of local news and information. Television and newspapers remain the dominant sources of such information.

Beyond the flawed statistical studies of cross-owned stations, the FCC provides a lengthy recounting of self-serving claims by broadcasters that they would do more if they could buy newspapers. The claim of synergies allowing improvement in operations is not supported by independent evidence, untainted by the economic interest of the commentors in the record evidence, or elsewhere. As noted, to the extent that any conclusions have statistical validity in the PEJ study, they contradict the claim. Moreover, the academic literature on synergistic benefits of cross-media conglomeration shows that they are non-existent as described in Studies 9 and 10.

Thus, the record evidence did not support the Commission's decision to abandon the prohibition on cross-ownership and subsequent evidence contradicts that decision. Moreover, it should be noted that the Commission did not propose to poke a small hole in the cross-ownership ban. Rather, it proposed a blanket, no-questions asked safe harbor that would allow cross media mergers in over four-fifths of the media markets in the country.[482]

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[481] *Prometheus,* p. 62.

[482] The Commission never published a full list of which markets would be subject to which limitations under the cross media limits test. This is our estimate of the impact.

THE LOCAL TELEVISION OWNERSHIP RULE

As with the cross-ownership rule, the Commission concludes that "Anecdotal and empirical evidence in the record demonstrates post-combination increases in the amount of local news and public affairs programming offered by commonly owned stations."[483] As in the case of cross-ownership, the order fails to take note of the CFA analysis that demonstrated the empirical evidence was not statistically valid. As in the case of cross-ownership, subsequent, statistically valid analysis contradicts the Commission's conclusion.

The networks ignore the importance of ownership and instead present information to the Commission demonstrating that the quantity of news is increasing and therefore implying that the quality of the news is being preserved. Lengthy tables are provided to show that the networks have increased the number of hours devoted to news. The networks claim that duopolies enable them to do so, but the evidence does not support this conclusion (see Exhibit 4). Increases in news coverage are equal in duopoly and non-duopoly markets. More importantly,

[483] Order, ¶169.

Exhibit 4:

Television News Awards

	NON-CROSS OWNED	CROSS OWNED
4 OR MORE AWARDS	12	0
3 AWARDS	8	2
2 AWARDS	14	4
1 AWARD	23	2

Sources: Spavins, Thomas C., et al, "The Measurement of Local Television News and Public Affairs Programs," Appendices B and C.

the loss of independent hours of news exceeds the gain in the total hours of news. In other words, we get a little more quantity at a severe cost to quality (independent hours of news). Conversely, the ban on duopolies promotes diversity of viewpoints (measured by ownership) without detracting from the quantity of news.

Appendix B to the broadcast networks comments, which presents an econometric analysis, is consistent with these findings. It finds a small increase in the *probability* that a station will cover news (from 66.5 to 74.5 percent), but no statistically significant differences in the amount of news. Because the networks disregard ownership, the study did not examine the loss of independent news. Also the network-sponsored econometric study cannot address the question of causality. It did not inquire as to whether the duopolists added news after a duopoly was created, or merely bought stations that already produce news.

An examination of the detailed data provided by FOX and NBC shows that they did not add news to any stations that did not already carry it and, in one case; they eliminated the news on a duopoly station. Thus, Appendix B to the Network filing has mistakenly ascribed a positive effect to duopolies where none exists. In terms of news carriage, the networks were not able to show a positive effect in the amount of news carried, and completely ignored the negative effect of the loss of an independent news voice (see Exhibit 5).

Exhibit 5:

The Costs Of Duopoly Far Exceed The Benefits

	DUOPOLY[a/]			NON-DUOPOLY[b/]	
	# of Markets	Change in Hours of News	Lost Hours of Independent News	# of Markets	Change in Hours of News
FOX	9	+1.7	-2.5	16	+1.9
NBC	6	+4.4	-12.0	10	+3.9
TOT/ AVG	15	+2.8	-6.3	26	+2.7

Source:

a/ Viacom data does not provide sufficient detail to conduct the lost hours analysis.

b/ Fox shows much larger gains for non-duopolies when it goes back to its pre-acquisition of stations, which in many cases is a decade or more ago. Use of this data would make non-duopolies appear even more valuable. This analysis uses changes since 11/2000.

A similar conclusion emerges from the study prepared for Sinclair by Robert Crandall.[484] Using a standard of statistical significance that is rarely seen in the academic

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[484] Crandall, Robert W., *The Economic Impact of Providing Service to Multiple Local Braodcast Stations Within a Single Geographic Market,"* Sinclair, Exhibit1.

social science literature (10 percent), Crandall concludes that duopolies result in a slight decrease in advertising rates. The decrease is extremely small, just .3 percent. In other words, according to Crandall, prohibiting duopolies (which preserves a valuable independent TV voice) imposes a statistically insignificant and quantitatively minuscule economic cost.

CONCLUSION

Thus, we believe that the record evidence did not support the conclusions reached by the FCC. Although the Court accepted some of the propositions underlying the decision to relax the ownership limits, it found the implementation of relaxed rules so faulty that actual changes in the rules were stayed. The weakness of the record evidence we have described in this paper demonstrates two points. First, to the extent that the *Prometheus* Court accepted the erroneous reasoning of the FCC, it was mistaken. Second, to the extent that the erroneous conclusions about the relationship between ownership and the policy goals led the FCC to seek broad relaxation of the rules it went to far. Both observations are important. Developments and analysis since the court decision reinforce our conclusion and these two observations.

STUDY 16
CONSOLIDATION AND CONGLOMERATION DIMINISH DIVERSITY AND DO NOT PROMOTE THE PUBLIC INTEREST: NEW EVIDENCE

MARK COOPER AND S. DEREK TURNER

ABSTRACT

The cornerstone of the effort to relax the ownership limits is the claim by the FCC that consolidation and/or conglomeration can promote the goals of the Communications Act. Although the court in *Prometheus* accepted the claim, the evidence that the court based this decision upon is extremely flawed, lacking the necessary statistical controls needed to validate these claims.

In fact, there is no evidence in the record that achieve routine levels of statistical significance to show that consolidation and/or conglomeration contribute to any of the goals of the Act. Subsequent, rigorous empirical evidence shows that newspaper TV combinations and duopolies do not increase the quantity or quality of local news and information available. The FCC concluded and the Court accepted the wrong conclusion.

This study reviews recent studies in this area, and demonstrates why the portions of the 2003 *Order* that passed judicial review are in fact based upon deeply flawed data. This study also examines recent data on local TV news and public affairs programming, and constructs statistical models that examine the effects of newspaper-broadcast TV cross-ownership and television duopolies on the production of these very important types of programming. The results are clear and very robust. Cross-owned stations do not produce any more local news and public affairs programming than non-cross owned stations. Duopolies also have no effect on the production of local news and public affairs programming. The claims that these forms of consolidated media promote the goals of the Communication Act are without merit.

Since the Court ruling, a great deal of evidence has come to light that contradicts the FCC's order. Most importantly, a significant part of that evidence is directly related to the evidence that was entered into the proceeding and formed the basis for the Media Ownership Order. In other words, the fabric of the order was rotten to the core and the remnants that passed judicial review should be discarded. The FCC has opened the door to this very proposition by incorporating all of the prior evidence into this proceeding, rather than starting afresh.

THE PEJ DATA

The plot involving the PEJ studied thickened dramatically in recent weeks when it was revealed that subsequent to the Court ruling the Commission obtained the PEJ data set, applied the statistical controls that were lacking in the original study, and found that the **PEJ data contradicts the FCC's conclusion.** In short, having incorrectly cited the PEJ study as supporting the lifting of the ban on newspaper TV cross ownership, the FCC then proved using the very same data that it had erred in doing so. The direct contradiction between what the FCC said and what the FCC did applies to every aspect of the proceeding. Not only does concentration harm localism, but various form of conglomeration and consolidation do as well.

Studies addressing two different output measures were developed from the PEJ database. One output measure was the quantity of local news. The second out put measure was the diversity of the output of local and national news. Essentially, the database counted the number of minutes devoted to different types of stories. The localism measures are straightforward counts– the number of total news seconds, the number of local news seconds and the number of local-on-location news seconds.

The diversity measure is more controversial. The primary variable used was actually much more a measure of variety than diversity. If one station devoted 30 second each to two different stories, both were counted as contributing to variety. However, if two stations devoted 30 seconds each to the same story, that was not counted as contributing to diversity at all. Only if a station that "duplicated" the coverage of a story devoted more time to it, did it count as diversity and only the incremental time counted. "[I]f any two or more local news stations broadcasts cover the same story on the same day only the second beyond the collective average of the respective overlapping broadcasts are counted as adding to diversity."[485] This is at odds with the fundamental definition of diversity as the Supreme Court interprets it. "Antagonistic" reporting of the same events is essential to creating the "cross-lights" that reveal truth. This measure severely undercounts that essential concept. Nevertheless, it too contradicts the FCC's conclusions.

In some specifications, a more appropriate measure of diversity was used. This "total DMA diversity" "counts the total time devoted to all unique stories covered."[486] This measure of diversity produced even more robust results confirming the negative effect of concentration on diversity.

The primary finding of the localism study was that local ownership matters in the production of local news.

> The estimates presented in Section 4 suggest that local ownership may have significant implications for local content. In particular, local ownership

[485] Alexander, Peter J. and Brendan M. Cunningham, *Same Story, Different Channel: Broadcast News and Information* (October 4, 2004).

[486] Id. p. 15.

> appears to increase total, local and local on-location news seconds. Moreover, the increase in total new seconds from local ownership appears to be almost entirely driven by an increase in local news.[487]

> Owned-and-operated broadcast television stations produce less local news, but do not air significantly less total news or local on-location news. Therefore, it appears that owned and operated stations substitute non-local news for local news (that is not on location). This might indicate substitution of network feeds for no-on-location content.[488]

Consolidation in the national television market does not improve the performance of the broadcast station owners. This finding emerges in both the localism and diversity studies.

> As a local owner acquires television stations in more DMAs, they produce less total news. The large (albeit statistically insignificant) point estimates from the local news and on-location local news regression indicate that the decrease in total news may be primarily driven by decreases in local and local on-location news seconds.[489]

> In short, our estimate suggests that increasing concentration appears to diminish diversity in local broadcast news both at the firm and market level. This result is robust to the measure of diversity used in estimation and emerges after controlling for possible endogeneity in market structure.[490]

Conglomeration across media types does not improve the performance of the broadcast station owners.

> While newspaper ownership is not a significant factor, a local television station owner who owns a within-DMA radio station appears to produce significantly less local news, possibly because they substitute local radio news for local television news.[491]

> Our theoretical research suggests that media variety allows consumer to insure against the idiosyncratic nature of information from particular sources. Moreover, the empirical evidence we have assembled suggests that concentrated media markets exhibit more homogeneity in the information

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[487] Anonymous, *Do Local Owners Deliver More Localism? Some Evidence from Local Broadcast News* (Federal Communication Commission, draft dated June 17, 2004), p. 14.

[488] Id., p. 15.

[489] Id. P. 15.

[490] Alexander, Peter J. and Brendan M/Cunningham, "Diversity in Broadcast Television: An Empirical Study of Local News," *International Journal of Media Management* 6:177

[491] Id., p. 14

conveyed to consumers. Such concentration can, therefore, inhibit the ability of individuals to derive a more stable payoff from media consumption.

This finding implies that regulatory policy designed to protect and encourage competition simultaneously helps satisfy a second policy objective: diversity.[492]

Specifically, using the relative station-level diversity metric, we find tat s the structure of the market become more concentrated, relative diversity of local news content is diminished. Importantly, this result is not robust to an instrumental variables specification. However, using the total market diversity metric, HHI is significant in OLS and robust to instrumental variable transformation. Since the total market diversity metric is arguably superior to the incremental metric as a measure of overall diversity, this result is useful – it suggests that total diversity within a DMA is sensitive to the level of concentration. Since we find that market structure plays an equally important role in determining product variety in national broadcasts, we are fairly confident of this finding.[493]

The final sentence of the above citation indicates that the negative impact of concentration on diversity in local news also occurs for nation news, even though the weak definition of diversity is used: "In particular, we find that concentration displays a negative and significant relationship with national news broadcast variety."[494]

One can hardly imagine a more stunning contradiction of the FCC's claim that ownership and concentration do not matter. However, these studies go to the general relationship between ownership, concentration and the policy outputs that Congress is concerned about: localism and diversity. These finding are crucial since the FCC relied on general concerns about these relationship to relax the limits on ownership. But what about the specific policies – duopolies and newspaper cross ownership, which are at issue in this proceeding? The PEJ database used to examine the general relationships does not contain

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[492] Alexander, Peter J. and Brendan M. Cunningham,
[493] Alexander and Cunningham, Same Story, p. 24.
[494] Id., p. 20.

enough observations to examine these policies. However, other databases have been constructed to do so.

DUOPOLIES

In a series of studies Yan and Napoli have shown that duopolies are not associated with the provision of larger amounts of local news or public affairs programming.[495] Using a sample of TV stations and a two-week constructed random sample of local news and public affairs programming, Napoli and Yan have shown that duopolies do not provide more local news and public affairs programming. In the appendix to this paper, their approach to assessing the impact of ownership characteristics is extended to cross-ownership between newspapers and TV stations. They conclude that there is no statically significant difference in the quantity of local news or public affairs programming cross-ownership does not increase the amount of news or public affairs programming provided.

In a study of local public affairs programming, Napoli and Yan fill an important gap in the analysis. They reach exactly the same conclusion that the updated PEJ analyses of local news did.

> Perhaps the most interesting are the findings regarding the effect of the station ownership characteristics. First, if there is nay result that has been consistent throughout the models, it is the negative effects of TP$, the ownership by one of the big four broadcast networks. Coupled with the marginally significant positive effect of local ownership, these findings suggest that (big four)

[495] Yan, Michael and Philip Napoli, "Market Structure, Station Ownership, and Local Public Affairs Programming on Local Broadcast Television," Telecommunications Policy Research Conference, October 2004; Yan Michael Zhaoxu and Yong Jin Park, "Duopoly Ownership and Local Informational Programming on Television: An Empirical Analysis," Telecommunications Policy Research Conference, September 2005; Napoli, Philip, *Market Conditions and Public Affairs Programming: Implications for Digital Television Policy* (Washington, D.C.: Benton Foundation, N.D.).

> network ownership has hampered the provision of local public affairs programming.
>
> Equally interesting is the lack of significant effect of duopoly ownership found in this study. In relaxing the multiple ownership rules in 1999, the FCC argued that the new rules would lead to increased local news and public affairs programming in the local market by emphasizing the economic efficiencies and public service benefits to be gained from combined resources under common ownership of stations. However, these programming benefits have not materialized. More damaging to the FCC's reasoning, the study also found that a station's public affair programming decision was not affected by its financial resources (as measured by a station's 2002 revenues).
>
> Together, the findings regarding local ownership, network ownership and duopoly call into question the underlying rationale of the FCC's current policies toward more relaxed national and multiple ownership rules (particularly in terms of economies of scale contributing to greater production of such programming).[496]

Ironically, Yan and Napoli went on to caution that "[a]t the very least, the results presented in this study suggest that it would be premature for the Commission to ignore the question of ownership in its ongoing localism inquiry."[497] We now know that the FCC has not ignored the role of ownership, but when it found that the evidence contradicted its Order, it suppressed the evidence.[498]

Yan and Park revisited the issue of the effect of duopolies on public affairs programming and local news by expanding the data set and adopting a different methodology. The original Yan and Napoli study pulled a random sample of stations for the randomly constructed two weeks of programming. This turns up a number of duopoly stations, but not necessarily matched comparisons for those stations in their own market. Yan and Park expanded the data set to include a set of matched comparisons for the duopoly situations

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496 Yan and Napoli, p. 16
497 Oid.,p. 16.
498 Dunbar, John. "Lawyer Says FCC Ordered Study Destroyed", *Associated Press*, September 14th 2006.

(while relying on the same randomly constructed two-week sample of programming. Using a quasi-experimental design, they compared duopoly and non-duopoly stations within duopoly markets, as well as non non-duopoly stations in non-duopoly markets. They also added a before and after component, testing whether the introduction of duopolies affected the output of stations. Thus, there are three types of stations in their design – duopoly (DD), non-duopoly in duopoly markets (DN), and non-duopoly stations in non-duopoly markets (NN).

Across the board, the findings did not support the claims that allowing duopolies would increase the production of either local news or public affairs.

> Looking at the market level, during the two-week sample period in 2003, the stations in duopoly markets aired an average of 29.2 hours of local news programming, while those in non-duopoly markets did 29.8 hours. The difference is not statistically significant. One of our research questions asks whether or not duopoly markets, as a whole provide more local news programming than non-duopoly markets. The answer, according to our findings here is no. Stations in duopoly markets do not broadcast more local news programming than those in non-duopoly markets. The same conclusion also applies to the 1997 data. Note, however, stations in both type of markets has significantly increased their local programming from 1997 to 2003. There is no interaction effect between market type and the time trend. In other words, stations in duopoly markets did not increase their local news programming more than those in non-duopoly markets…
>
> One of our key research hypotheses is whether or not stations increase their local informational programming after joining a common ownership… The duopoly stations (DD) did increase their local news programming form 18.5 hours in 1997 to 22.6 hours in 2003. However, so did two other types of stations (DN and NN). We tested for the interaction effect between station type and the time trend and found no such effect. Therefore, the duopoly stations did not enjoy a greater increase that the other types of stations.[499]

It is worth recalling that this is exactly the conclusion we reached in our reply comments in the earlier proceeding, when we examined the data introduced by the networks. The evidentiary basis for relaxing the rule based on the quantity of news never existed, as

[499] Yan and Park, pp. 11-12.

described more fully in *Study 15: Consolidation and Conglomeration Diminish Diversity and Do Not Promote the Public Interest: A Review of the Hearing Record in the Media Ownership Proceeding.* Yan and Park bring a larger data base and a rigorous research design to bear on the question.

> Turning to the different types of stations, the duopoly stations (DD) broadcast significantly fewer hours of local news programming in 2003 than their non-duopoly counterparts in the same market (DN). They also contributed less time to local news than non-duopoly stations from markets that has no common television ownership, although the difference was not significant.[500]

This is exactly the result shown in *Study 15: Consolidation and Conglomeration Diminish Diversity and Do Not Promote the Public Interest: A review of the Hearing Record in the Media Ownership Proceeding,* Exhibit 2, with respect to cross-ownership. That exhibit is based on the FCC's own data. Again, the hearing record did not support the conclusion reached and the more recent data confirms that conclusion.

Yan and Park explored the claim that weaker stations in the duopoly would be helped by the combination to do a better job of providing local news. Again, they found no such effect.

> One strong argument for the relaxation of the television multiple ownership rules is that joint ownership can benefits the weaker station in a combination disproportionately…. [T]he significant increases in local new programming experienced by the three types of stations were all attributable to the major stations. For example, major DD stations increased their local news programming by eight hours and major NN stations did by 10.3 hours. On the contrary, the minor stations did not show any significant increases in their local news programming at all. Thus there is no evidence that joint ownership induces minor stations to produce more local news programming.[501]

Yan and Park also analyzed this set of questions for the provision of local public affairs programming. They reach the same conclusion.

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[500] Id., pp. 11-12.
[501] Id., p. 13.

> At the market level, stations in duopoly markets broadcast slightly more local public affairs programming than their counterparts in non-duopoly markets in both 1997 and 2003, but the differences were not statistically significant. In addition, there were no significant changes in local public affairs programming for the two types of markets across the years. If anything, the changes form 1997 to 2003 were negative.
>
> At the station level, duopoly stations broadcast the least amount of local public affairs programming in both years. Note, however, none of these changes was statistically significant. Looking at the provision of local public affairs programming by the major and minor stations, neither the major stations nor the minor stations increased their local public affairs programming once becoming duopolies. Again, the changes were on the declining side.[502]

NEW EVIDENCE ON CROSS-OWNERSHIP

We applied the approaches used by Napoli and Yan for duopolies to the cross-ownership issue by obtaining the identical programming information for all cross-owned stations in the U.S. and merging the data with the random sample of stations. We then conducted both a matched comparison analysis and a multiple linear regression analysis. We find that cross-ownership is not associated with the provision of larger amounts of local news or public affairs programming.

Matched Comparison Results

Yan and Park added non-duopoly stations in duopoly and non-duopoly markets to the database for purposes of the duopoly analysis. We added the 27 cross-owned stations to the database and sought the best matches available in the original database. This turned up 14 markets in which there were cross-owned and non-cross-owned stations (see Exhibit 1).

[502] Id. p. 13.

Exhibit 1: Matched Comparisons

Cross-Owned						
Market	Station	Channel	Network	Share	Rank	Owner
New York	WNYW	5	Fox	5.25	5	Fox Television
Los Angeles	KTLA	5	WB	6	6	Tribune Bcstg Co.
Chicago	WGN	9	WB	8	4	Tribune Bcstg Co.
Dallas-Ft. Worth	WFAA	8	ABC	12	1	Belo Corp
Miami-Ft. Laud.	WDZL	39	WB	5.5	5	Tribune Bcstg Co
Cincinnati	WCPO	9	ABC	11.75	2	Scripps Howard Bcstg
Miwaukee, WI	WTMJ	4	NBC	16.25	1	Journal Comm
Columbus, OH	WBNS	10	CBS	16.25	1	Dispatch Printing Co
Dayton, OH	WHIO	7	CBS	18.25	1	Cox Broadcasting
Pudacah	WPSD	6	NBC	14.75	2	Paxton media
Waco	KCEN	6	NBC	12.25	2	Frank Mayborn Enterp
Baton Rouge	WBRZ	2	ABC	13	2	Manship Stations
Fargo-Valley City	WDAY	6	ABC	13.75	2	Forum Publishing Co
Columbus-Tupelo	WCBI	4	CBS	15.25	2	Morris Multimedia
Average				12.02	2.6	

Non-Cross-Owned						
New York	WCBS	2	CBS	8.25	3	CBS/Viacom
Los Angeles	KCAL	9	IND	4.75	7	CBS/Viacom
Chicago	WBBM	2	CBS	7	5	CBS/Viacom
Dallas-Ft. Worth	KDFW	4	Fox	9	3	Fox Television
Miami-Ft. Laud.	WFOR	4	CBS	9	1	CBS/Viacom
Cincinnati	WSTR	64	WB	4.75	5	Sinclair Bcst
Miwaukee, WI	WITI	6	Fox	11.5	2	Fox Television
Columbus, OH	WCMH	4	NBC	13.75	2	NBC/GE
Dayton, OH	WDTN	2	ABC	7.75	3	LIN Television Corp
Pudacah	WDKA	49	WB	2	5	Lucci, Paul T.
Waco	KWKT	44	Fox	6.75	4	Comm Corp of America
Baton Rouge	WAFB	9	CBS	21.5	1	Raycom Media
Fargo-Valley City	KXJB	4	CBS	13.5	3	Catamount Bcst Group
Columbus-Tupelo	WLOV	27	Fox	6	3	Lingard Bcstg Corp
Average				8.96	3.6	

The cross-owned stations tended to be much higher ranked. Nevertheless, the difference between cross-owned and non-cross-owed stations was not significant (see Exhibit 2). Adding in station rank as a covariate yields the same result. Station rank is significantly related to local news production in the expected direction, the lower the rank the less the output. Given the small number and lack of good matches, we focus out attention on the multiple regression approach.

Exhibit 2: Analysis of Matched Comparisons

	Local News		Local Public Affairs	
	Beta (signif.)	Beta (signif.)	Beta (signif.)	Beta (signif.)
Cross-Ownership	0.260 (0.181)	0.174 (0.355)	0.286 (0.141)	0.261 (0.194)
Station Rank		-0.369 (0.050)**		-0.103 (0.604)

** = significant at the 5% level

Multiple Regression Results

Yan's most recent analysis, *Newspaper/Television Cross-Ownership and Local News and Public Affairs Programming on Television Stations: An Empirical Analysis*, reaches similar conclusions. "The Regression analysis of the study controlled for [market factors] and its results shows that cross-ownership did not have any significant relationship with the amount of local news and public affairs programming aired by the samples stations during the sample period."[503]

Because the policies affect cross-ownership and duopolies, as well as the fact that likely market impacts are different, we did several additional analyses of the data and specified the multiple regression models somewhat differently.

This paper uses the same dataset and reaches the same conclusion, while taking a somewhat different approach to specifying the model. Napoli and Yan specified a mix of station and market variables that predict the quantity of local news provided.

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[503] Yan, Michael Zhaoxu. 2006. "Newspaper/Television Cross-Ownership and Local News and Public Affairs Programming on Television Stations: An Empirical Analysis", A report commissioned by the Donald McGannon Communication Research Center at Fordham University, under a grant from the Benton Foundation, October 3rd.

The three most important control variable in the Napoli and Yan analysis were the type of license (VHF-UHF), whether the station was an affiliate of one of the big four networks (ABC, CBS, NBC, Fox) and the revenue of the station. For a number of reasons we build a basic model does not include these variables.

The nature of the license has ceased to be relevant in the current media environment. With cable distribution of video signals, the VHF-UHF distinction is not longer relevant. With over 80 percent of households receiving their video signals over cable, the "strength" of the signal no longer matters. To the extent that the VHF-UHF distinction was important in the analysis, it was a proxy for other historical characteristics of the station. Therefore, in the place of the VHF-UHF variable, we use the age of the station.

There is one characteristic of the license that is relevant, the city of the license. A broadcaster has a must-carry right in a specific geographic area, and the location of the license is fixed. To capture this, we include market rank along with the other market characteristics Napoli and Yan included.

For the purposes of the original duopoly analysis, the inclusion of whether a station was affiliated with one of the Big 4 networks or one of the Top 4 networks was appropriate. By definition, the formation of a duopoly affects the affiliation of the acquired station. Moreover, public policy prevented mergers between the top four stations in the market; it largely held constant the issue of Big 4 and Top 4. In the case of cross-ownership policy, the FCC did not have this stipulation. It is possible that a combination merger would change a station's affiliation and rank. It is unlikely that two affiliates of one of the Big 4 network will compete head-to-head in a market. The most likely outcome is that affiliation will not change. There is a small chance that the identity of the Big 4 stations might change.

Nevertheless, we drop this characteristic as a control variable, but examine it as a policy relevant intervening variable.

The make-up of the Top 4 could be affected by a cross-ownership combination. However, this variable was not statistically significant in either the duopoly or the cross-ownership analyses conducted by Napoli and Yan, so we drop it from the analysis altogether.

Station revenue may be more policy relevant in the cross-ownership analysis than the duopoly analysis. The hope for combinations of a newspaper and a TV station is that would shift revenue shares between stations. In reality, that hope has not generally been achieved. Nevertheless, we drop this variable as a control variable, but examine it as a policy relevant intervening variable.

The models used were generally specified as follows:

$$news\_l = \alpha + \beta_1(type)_i + \beta_2(rank)_i + \beta_3(yrstd)_i + \beta_{4\text{-}8}[market\ controls]_i + \beta_9(big4)_i + \beta_{10}(rev\_s)_i + \varepsilon_i$$
$$pa\_l = \alpha + \beta_1(type)_i + \beta_2(rank)_i + \beta_3(yrstd)_i + \beta_{4\text{-}8}[market\ controls]_i + \beta_9(big4)_i + \beta_{10}(rev\_s)_i + \varepsilon_i$$
$$presence = \alpha + \beta_1(type)_i + \beta_2(rank)_i + \beta_3(yrstd)_i + \beta_{4\text{-}8}[market\ controls]_i + \beta_9(big4)_i + \beta_{10}(rev\_s)_i + \varepsilon_i$$
$$pa\_l\_dum = \alpha + \beta_1(type)_i + \beta_2(rank)_i + \beta_3(yrstd)_i + \beta_{4\text{-}8}[market\ controls]_i + \beta_9(big4)_i + \beta_{10}(rev\_s)_i + \varepsilon_i$$

Where

news_l = seconds of local news
pa_l = seconds of local public affairs
presence = dummy variable for presence of local news
pa_l_dum = dummy variable for presence of local public affairs programming
type = dummy variable for cross-owned station
rank = DMA market rank
yrstd = year station was stared (expressed in ### format; i.e. 1954 = 54, 2002 = 102)
big4 = dummy variable for ABC, CBS, Fox, or NBC affiliated stations
rev_s = station revenues
market controls =

- *ptv_m = number of public television stations in market*
- *cable_m = percentage of households in market subscribing to cable*
- *tvhh3 = number of television households in market, 2003 (thousands)*
- *ptvview = percentage of public television viewing in a station's market*
- *othview = percentage of non-broadcast television viewing in a station's market*

Each model is examined in a parsimonious manner, investigating the added effects of the market control variables as well as the big-four and station revenue variables. For the examination of seconds of local news, OLS and Robust regression models were used. However, the presence of a significant number of stations with zero seconds of public affairs programming created methodological problems. To adequately deal with this corner-solution scenario, Tobit models were used. Dummy variables for the presence of any local news or local public affairs programming were created, and investigated using Probit and linear probability models. However, the fact that every single cross-owned station in the sample aired local news precluded the use of a Probit model. Thus, a Tobit model was employed for the variable *presence* when investigating the effect of cross-ownership.

Results examining the effect of cross-ownership are listed below in Exhibits 3-6.

Exhibit 3: Effect of Cross-Ownership on Amount of Local News

Dependent Variable = Local News (news_l)

	OLS	Robust Regression	OLS	Robust Regression	OLS	Robust Regression	OLS	Robust Regression
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)
type	215.8334 0.0487 (0.242) (0.227)	260.4077 (0.141)	177.2227 0.0411 (0.309) (0.275)	196.9035 (0.252)	271.1242 0.0584 (0.171) (0.112)	285.1201 (0.134)	147.1774 0.3258 (0.424) (0.361)	138.1575 (0.455)
rank	-3.3992 -0.1427 (0.000)*** (0.001)***	-4.4174 (0.000)***	-4.4286 -0.1856 0.000 (0.000)***	-4.5500 (0.000)***	-6.4700 -0.2733 (0.000)*** (0.000)***	-7.5943 (0.000)***	-6.5111 -0.2744 (0.000)*** (0.000)***	-7.0793 (0.000)***
yrstd	-56.4422 -0.7473 (0.000)*** (0.000)***	-59.7830 (0.000)***	-40.8849 -0.5239 (0.000)*** (0.000)***	-44.0963 (0.000)***	-56.7719 -0.7534 (0.000)*** (0.000)***	-60.8676 (0.000)***	-39.5891 -0.5084 (0.000)*** (0.000)***	-42.9163 (0.000)***
ptv_m					-37.0583 -0.0416 (0.426) (0.398)	-28.0980 (0.529)	-44.2822 -0.0507 (0.306) (0.289)	-50.7322 (0.243)
cable_m					-2.8679 -0.0199 (0.662) (0.633)	1.0278 (0.871)	-4.6495 -0.0324 (0.449) (0.413)	-3.5764 (0.562)
TVHH3					-0.0974 -0.0907 (0.129) (0.107)	-0.1105 (0.073)*	-0.1333 -0.1261 (0.073)* (0.176)	-0.1579 (0.035)**
ptvview					78.3121 0.0799 (0.133) (0.118)	51.3614 (0.305)	70.3505 0.0707 (0.173) (0.164)	50.8090 (0.326)
othview					16.6757 0.1202 (0.115) (0.093)*	13.1793 (0.194)	14.3041 0.0995 (0.167) (0.158)	9.8062 (0.345)
big4			922.7512 0.3052478 (0.000)*** (0.000)***	842.6817 (0.000)***			806.4215 0.2678 (0.000)*** (0.000)***	733.2874 (0.000)***
rev_s			4.2781 0.1217 (0.020)** (0.071)*	4.8365 (0.008)***			7.8520 0.2248 (0.001)*** (0.004)***	8.1873 (0.001)***
constant	5761.2810 (0.000)*** (0.000)***	6027.0820 (0.000)***	4003.6700 (0.000)*** (0.000)***	4303.5750 (0.000)***	5387.1470 (0.000)*** (0.000)***	5656.7600 (0.000)***	3754.4360 (0.000)*** (0.000)***	4278.7970 (0.000)***
	R^2 = 0.6139 adj-R^2 = 0.6093	R^2 = 0.6666 adj-R^2 = 0.6626	R^2 = 0.6743 adj-R^2 = 0.6673	R^2 = 0.670 adj-R^2 = 0.6933	R^2 = 0.6248 adj-R^2 = 0.6124	R^2 = 0.6795 adj-R^2 = 0.6689	R^2 = 0.6870 adj-R^2 = 0.6732	R^2 = 0.7021 adj-R^2 = 0.6890

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Exhibit 4: Effect of Cross-Ownership on Presence of Local News

Dependent Variable = Presence of Local News (presence); dummy

	OLS	Tobit	OLS	Tobit	OLS	Tobit	OLS	Tobit
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)
type	0.0399 0.0293 (0.594) (0.193)	0.0469 (0.617)	0.0450 0.0347 (0.537) (0.145)	0.0536 (0.548)	0.0339 0.0237 (0.672) (0.367)	0.0385 (0.700)	0.0491 0.0361 (0.525) (0.175)	0.0582 (0.535)
rank	0.0006 0.0830 (0.114) (0.114)	0.0008 (0.109)	0.0003 0.0386 (0.552) (0.580)	0.0004 (0.486)	0.0010 0.1302 (0.199) (0.184)	0.0013 (0.169)	0.0006 0.0829 (0.410) (0.399)	0.0009 (0.332)
yrstd	-0.0130 -0.5591 (0.000)*** (0.000)***	-0.0163 (0.000)***	-0.0087 -0.372 (0.000)*** (0.000)***	-0.0105 (0.000)***	-0.0131 -0.5613 (0.000)*** (0.000)***	-0.0164 (0.000)***	-0.0090 -0.3841 (0.000)*** (0.000)***	-0.0110 (0.000)***
ptv_m					0.0040 0.0146 (0.831) (0.833)	0.0040 (0.868)	0.0030 0.0112 (0.870) (0.880)	0.0024 (0.914)
cable_m					0.0018 0.0404 (0.499) (0.469)	0.0026 (0.444)	0.0011 0.0249 (0.676) (0.647)	0.0016 (0.627)
TVHH3					0.0000 0.03 (0.701) (0.687)	0.0000 (0.672)	0.0000 0.1463 (0.134) (0.201)	0.0000 (0.096)*
ptvview					0.0684 0.2261 (0.001)*** (0.001)***	0.0888 (0.001)***	0.0626 0.2084 (0.004)*** (0.004)***	0.0796 (0.003)***
othview					0.0060 0.1393 (0.164) (0.146)	0.0073 (0.180)	0.0059 0.1357 (0.175) (0.213)	0.0070 (0.194)
big4			0.2491 0.2745 (0.000)*** (0.000)***	0.3218 (0.000)***			0.2870 0.316 (0.000)*** (0.000)***	0.3763 (0.000)***
rev_s			0.0007 0.0675 (0.352) (0.188)	0.0009 (0.317)			-0.0005 -0.0454 (0.623) (0.600)	-0.0007 -0.561
constant	1.6232 (0.000)*** (0.000)***	1.7826 (0.000)***	1.1606 (0.000)*** (0.000)***	1.1679 (0.000)***	1.0310 (0.000)*** (0.000)***	1.0192 (0.002)***	0.6222 (0.029)** (0.035)**	0.4940 (0.159)
	R^2 = 0.3257 adj-R^2 = 0.3176	pseudo-R^2 = 0.2159	R^2 = 0.3660 adj-R^2 = 0.3525	pseudo-R^2 = 0.2645	R^2 = 0.3537 adj-R^2 = 0.3323	pseudo-R^2 = 0.2385	R^2 = 0.3935 adj-R^2 = 0.3668	pseudo-R2 = 0.2895

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Exhibit 5: Effect of Cross-Ownership on Amount of Local Public Affairs

Dependent Variable = Local Public Affairs (pa_L)

	OLS	Tobit	OLS	Tobit	OLS	Tobit	OLS	Tobit
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)
type	49.5981 0.1234 (0.064)* (0.340)	66.8353 (0.209)	53.6855 0.1406 (0.045)** (0.354)	63.4730 (0.225)	66.2041 0.1563 (0.023)** (0.293)	95.9423 (0.092)*	67.8651 0.1688 (0.019)** (0.313)	87.1508 (0.114)
rank	-0.1050 -0.0486 (0.443) (0.367)	-0.5670 (0.054)*	-0.1747 -0.0827 (0.305) (0.140)	-0.5530 (0.119)	-0.0936 -0.0433 (0.726) (0.634)	-0.5354 (0.337)	-0.0982 -0.0465 (0.714) (0.602)	-0.5136 (0.344)
yrstd	0.0800 0.0117 (0.859) (0.841)	-0.6657 (0.480)	-0.4040 -0.0585 (0.511) (0.319)	-1.1980 (0.356)	0.0642 0.0093 (0.888) (0.876)	-0.7042 (0.455)	-0.4343 -0.0627 (0.488) (0.321)	-1.1797 (0.365)
ptv_m					1.6545 0.0203 (0.808) (0.757)	2.8854 (0.837)	2.2493 0.0289 (0.739) (0.671)	2.9902 (0.825)
cable_m					1.0336 0.0786 (0.283) (0.329)	1.5667 (0.424)	0.9344 0.0732 (0.329) (0.406)	1.0281 (0.587)
TVHH3					-0.0102 -0.1039 (0.278) (0.166)	-0.0164 (0.393)	-0.0082 -0.0867 (0.480) (0.295)	-0.0253 (0.290)
ptvview					4.9906 0.0558 (0.513) (0.332)	16.7731 (0.293)	5.1017 0.0576 (0.525) (0.372)	16.4382 (0.309)
othview					-0.1186 -0.0094 (0.939) (0.932)	0.6661 (0.839)	-0.1434 -0.0112 (0.929) (0.922)	0.7367 (0.823)
big4			-8.7317 -0.0326 (0.687) (0.466)	-29.7960 (0.506)			-12.4751 -0.0465 (0.591) (0.307)	-46.7730 (0.327)
rev_s			-0.2480 -0.0797 (0.375) (0.433)	-0.0717 (0.894)			-0.1995 -0.0641 (0.581) (0.633)	0.2778 (0.695)
constant	47.6583 (0.173) (0.102)	11.6291 (0.872)	96.1495 (0.094)* (0.008)***	75.6433 (0.532)	-21.4236 (0.818) (0.729)	-153.5290 (0.440)	29.4862 (0.779) (0.633)	4.6388 (0.623)
	R^2 = 0.0182 adj-R^2 = 0.0063	pseudo-R^2 = 0.0046	R^2 = 0.0258 adj-R^2 = 0.0050	pseudo-R^2 = 0.0056	R^2 = 0.0324 adj-R^2 = 0.0002	pseudo-R^2 = 0.0064	R^2 = 0.0389 adj-R^2 = -0.0034	pseudo-R^2 = 0.0076

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Exhibit 6: Effect of Cross-Ownership on Presence of Local Public Affairs

Dependent Variable = Presence of Local Public Affairs (pa_L_dum); dummy

	OLS	Probit	OLS	Probit	OLS	Probit	OLS	Probit
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)
type	0.0263 0.0164 (0.802) (0.803)	0.0662 (0.808) (0.806)	-0.0124 -0.0079 (0.909) (0.908)	-0.0260 (0.927) (0.927)	0.0480 0.0286 (0.673) (0.684)	0.1215 (0.677) (0.682)	0.0061 0.0037 (0.958) (0.959)	0.0171 (0.955) (0.955)
rank	-0.0015 -0.1737 (0.006)*** (0.005)***	-0.0040 (0.006)*** (0.007)***	-0.0010 -0.1156 (0.146) (0.146)	-0.0026 (0.154) (0.164)	-0.0014 -0.1581 (0.198) (0.202)	-0.0036 (0.188) (0.196)	-0.0012 -0.1379 (0.270) (0.271)	-0.0032 (0.259) (0.263)
yrstd	-0.0028 -0.1019 (0.118) (0.124)	-0.0073 (0.115) (0.121)	-0.0019 -0.0657 (0.453) (0.452)	-0.0051 (0.435) (0.443)	-0.0028 -0.1031 (0.119) (0.124)	-0.0075 (0.111) (0.115)	-0.0015 -0.0542 (0.542) (0.536)	-0.0043 (0.518) (0.518)
ptv_m					0.0015 0.0045 (0.957) (0.957)	0.0042 (0.952) (0.952)	-0.0009 -0.0029 (0.973) (0.973)	-0.0022 (0.976) (0.976)
cable_m					0.0011 0.021 (0.773) (0.776)	0.0025 (0.796) (0.798)	-0.0005 -0.01 (0.892) (0.893)	-0.0017 (0.867) (0.869)
TVHH3					-0.0000 -0.0139 (0.884) (0.884)	-0.0000 (0.866) (0.866)	-0.0001 -0.1386 (0.252) (0.221)	-0.0002 (0.237) (0.235)
ptvview					0.0342 0.0965 (0.255) (0.239)	0.0900 (0.255) (0.245)	0.0321 0.0885 (0.322) (0.305)	0.0849 (0.321) (0.305)
othview					0.0023 0.0455 (0.707) (0.696)	0.0060 (0.708) (0.703)	0.0020 0.039 (0.753) (0.752)	0.0057 (0.737) (0.738)
big4			-0.0669 -0.0608 (0.446) (0.439)	-0.1898 (0.415) (0.413)			-0.1018 -0.0929 (0.277) (0.270)	-0.2866 (0.245) (0.239)
rev_s			0.0015 0.1202 (0.174) (0.151)	0.0026 (0.189) (0.201)			0.0025 0.1999 (0.082)* (0.039)**	0.0071 (0.087)* (0.065)*
constant	0.7271 (0.000)*** (0.000)***	0.6025 (0.094)* (0.098)*	0.6473 (0.006)*** (0.005)***	0.4133 (0.503) (0.510)	0.4649 (0.203) (0.167)	-0.0613 (0.950) (0.946)	0.5621 (0.186) (0.166)	0.2048 (0.856) (0.852)
	R^2 = 0.0440 adj-R^2 = 0.0325	pseudo-R^2 = 0.0330	R^2 = 0.0557 adj-R^2 = 0.0357	pseudo-R^2 = 0.0417	R^2 = 0.0503 adj-R^2 = 0.0188	pseudo-R^2 = 0.0377	R^2 = 0.0674 adj-R^2 = 0.0264	pseudo-R^2 = 0.0509

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Market rank and age of station are statistically significant and large predictors of the amount of news produced. The direction of the relationship is as expected. The larger the market, the greater the amount of news produced. The older the station, the greater the amount of news produced. The coefficient on the cross-ownership variable – type – is not statistically significant. None of the other variables is statistically significant either. Moreover, controlling for the age of the station and the market in which it is located, measured by the market rank, renders the relationship between cross-ownership and the amount of news statistically insignificant.

When we reintroduce the two station characteristics as intervening variables, we find that their coefficients are significant and they increase the amount for variance explained significantly.   Age of station and rank remain statistically significant, and the other variables remain statistically not significant.

In Yan's October 2006 study, he finds that cross-ownership has a statistically significant positive effect on the presence of local news. However, Yan cautions against over-interpreting this finding, stating "cross-owned stations were more likely to be in the business of providing local news, though evidence of a causal relationship would require examining whether and how stations' provision of local informational programming changed after they became part of a newspaper/television combination." Indeed, this result is more likely attributed to the fact that most of the cross-owned stations in the sample were grandfathered prior to 1975, and all but one of the non-grandfathered cross-owned stations aired news prior to the formation of the cross-ownership relation.

In our model of the effect of cross-ownership on the presence of local news, we find that cross-ownership is not significant. The difference in this result and Yan's October 2006 result is likely due to the presence of the station age control variable in our model, which may capture the effect of the established news status of the grandfathered combinations.

The results also indicate that cross-ownership has no effect on the production or amount of local public affairs programming. While the OLS results indicate significance, the OLS model is not appropriate for this data set, given the fact that 57 percent of stations in the sample aired zero seconds of public affairs programming. The Tobit model appropriately deals with this corner-solution scenario, and demonstrates that cross-ownership has no effect on the amount of public affairs programming.

The evidence clearly supports the conclusion that there is no direct relationship between cross ownership and the amount of local news or public affairs programming. We do not find much of a case for an indirect effect either. Controlling for all the other variables, the relationship between cross-ownership and the potential intervening variables, Big 4 and Station Revenue is not significant. In the Probit model that includes only Market Rank and Station Age, as control variables for predictors of cross-ownership, Big 4 is not related to cross-ownership in a statistically significant way, but Station Revenue is. However, the magnitude of the indirect effect would be small (at the mean revenue the probability of cross-ownership is about 7 percent; at one standard deviation above this mean revenue the probability of cross-ownership is approximately 10 percent). These models do not explain much of the variance in cross-ownership (see Exhibit 7).

Exhibit 7: Indirect Effect of Cross-Ownership

Dependent Variable = Cross-Owned (type); dummy

	OLS	Probit	OLS	Probit	OLS	Probit	OLS	Probit
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)
rank	-0.0005	-0.0034	0.0003	0.0005	0.0004	0.0015	0.0006	0.0026
	-0.1009		0.0564		0.0704		0.1223	
	(0.094)*	(0.131)	(0.453)	(0.866)	(0.545)	(0.720)	(0.298)	(0.540)
	(0.070)*	(0.128)	(0.330)	(0.835)	(0.504)	(0.683)	(0.229)	(0.465)
yrstd	-0.0051	-0.0416	-0.0035	-0.0348	-0.0043	-0.0379	-0.0028	-0.0311
	-0.2974		-0.1948		-0.2631		-0.1627	
	(0.000)***	(0.000)***	(0.018)**	(0.005)***	(0.000)***	(0.000)***	(0.051)*	(0.015)**
	(0.000)***	(0.000)***	(0.011)**	(0.007)***	(0.000)***	(0.000)***	(0.039)**	(0.017)**
ptv_m					0.0029	0.0098	0.0018	0.0145
					0.0148		0.0095	
					(0.851)	(0.926)	(0.906)	(0.891)
					(0.837)	(0.910)	(0.899)	(0.872)
cable_m					-0.0008	0.0000	-0.0010	-0.0019
					-0.0248		-0.0303	
					(0.719)	(1.000)	(0.663)	(0.899)
					(0.714)	(1.000)	(0.651)	(0.895)
TVHH3					0.0001	0.0002	0.0000	0.0000
					0.2513		0.0646	
					(0.005)***	(0.156)	(0.570)	(0.885)
					(0.029)**	(0.079)*	(0.537)	(0.858)
ptvview					-0.0026	-0.0099	-0.0082	-0.0306
					-0.01233		-0.0372	
					(0.878)	(0.942)	(0.658)	(0.823)
					(0.845)	(0.934)	(0.588)	(0.793)
othview					-0.0013	-0.0177	-0.0025	-0.0191
					-0.0438		-0.0799	
					(0.703)	(0.513)	(0.494)	(0.479)
					(0.617)	(0.423)	(0.370)	(0.366)
big4			-0.0425	-0.1859			-0.0344	-0.1455
			-0.0607				-0.0516	
			(0.422)	(0.629)			(0.521)	(0.744)
			(0.310)	(0.592)			(0.372)	(0.707)
rev_s			0.0024	0.0062			0.0023	0.0067
			0.2904				0.3025	
			(0.000)***	(0.087)*			(0.005)***	(0.216)
			(0.011)**	(0.056)*			(0.025)**	(0.142)
constant	0.5007	1.5620	0.3013	0.8216	0.4303	1.5997	0.4022	1.3923
	(0.000)***	(0.010)***	(0.031)**	(0.439)	(0.036)**	(0.318)	(0.097)*	(0.430)
	(0.000)***	(0.007)***	(0.021)**	(0.418)	(0.035)**	(0.329)	(0.106)	(0.488)
	R^2 = 0.1012		R^2 = 0.1468		R^2 = 0.1390		R^2 = 0.1675	
	adj-R^2 = 0.0940	pseudo-R^2 = 0.1820	adj-R^2 = 0.1324	pseudo-R^2 = 0.1922	adj-R^2 = 0.1141	pseudo-R^2 = 0.2114	adj-R^2 = 0.1347	pseudo-R^2 = 0.2108

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Although we have argued that the Napoli and Yan approach in the duopoly analysis was appropriate, given the policy and the different intentions and effects of duopolies compared to cross-ownership mergers, we have applied our approach to the duopoly variable as well. We have run this analysis on the same set of stations as in the original random sample (i.e. we do not include the cross-owned stations). The results are similar.

The models were generally specified as follows:

$$news\_l = \alpha + \beta_1(duo\_s)_i + \beta_2(rank)_i + \beta_3(yrstd)_i + \beta_{4\text{-}8}[market\ controls]_i + \beta_9(big4)_i + \beta_{10}(rev\_s)_i + \varepsilon_i$$
$$pa\_l = \alpha + \beta_1(duo\_s)_i + \beta_2(rank)_i + \beta_3(yrstd)_i + \beta_{4\text{-}8}[market\ controls]_i + \beta_9(big4)_i + \beta_{10}(rev\_s)_i + \varepsilon_i$$
$$presence = \alpha + \beta_1(duo\_s)_i + \beta_2(rank)_i + \beta_3(yrstd)_i + \beta_{4\text{-}8}[market\ controls]_i + \beta_9(big4)_i + \beta_{10}(rev\_s)_i + \varepsilon_i$$
$$pa\_l\_dum = \alpha + \beta_1(duo\_s)_i + \beta_2(rank)_i + \beta_3(yrstd)_i + \beta_{4\text{-}8}[market\ controls]_i + \beta_9(big4)_i + \beta_{10}(rev\_s)_i + \varepsilon_i$$

Where all variables are as described above, and *duo_s* = dummy variable for a duopoly station.

Results are presented below in Exhibits 8 - 12.

Exhibit 8: Effect of Duopoly on Amount of Local News

Dependent Variable = Local News (news_l)

	OLS	Robust Regression	OLS	Robust Regression	OLS	Robust Regression	OLS	Robust Regression
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)
duo_s	47.2502 0.0134 (0.766) (0.764)	60.1555 (0.695)	-94.7219 -0.0269 (0.543) (0.485)	-84.7684 (0.581)	37.1831 0.0105 (0.817) (0.816)	42.6029 (0.784)	-98.8102 -0.0281 (0.529) (0.477)	-89.9843 (0.568)
rank	-3.0978 -0.1343 (0.003)*** (0.005)***	-3.9614 (0.000)***	-3.7037 -0.1596 (0.002)*** (0.007)***	-4.0146 (0.001)***	-4.9345 -0.2138 (0.013*** (0.011)**	-5.8849 (0.002)***	-5.3018 -0.2285 (0.005)*** (0.007)***	-5.1603 (0.007)***
yrstd	-56.0540 -0.7571 (0.000)*** (0.000)***	-59.1702 (0.000)***	-39.0480 -0.5106 (0.000)*** (0.000)***	-41.4465 (0.000)***	-56.1126 -0.7579 (0.000)*** (0.000)***	-60.0116 (0.000)***	-38.6411 -0.5053 (0.000)*** (0.000)***	-41.3690 (0.000)***
ptv_m					-13.3065 -0.0144 (0.786) (0.776)	-5.2560 (0.912)	-20.3582 -0.0223 (0.657) (0.646)	-29.1731 (0.527)
cable_m					-0.0924 -0.0007 (0.989) (0.988)	4.2627 (0.525)	-1.5653 -0.0111 (0.810) (0.794)	-0.2542 (0.969)
TVHH3					-0.0639 -0.0497 (0.422) (0.342)	-0.0770 (0.317)	-0.0586 -0.0457 (0.478) (0.515)	-0.0256 (0.757)
ptvview					61.7453 0.0652 (0.256) (0.243)	32.5192 (0.536)	53.8708 0.0557 (0.320) (0.329)	22.9439 (0.673)
othview					12.7453 0.0951 (0.245) (0.215)	8.5656 (0.418)	11.9771 0.0856 (0.265) (0.258)	6.1826 (0.567)
big4			850.5913 0.2915 (0.000)*** (0.000)***	774.2783 (0.000)***			827.5520 0.2836 (0.000)*** (0.000)***	759.6710 (0.000)***
rev_s			7.1231 0.1628 (0.004)*** (0.035)**	8.5707 (0.000)***			7.8426 0.1793 (0.005)*** (0.010)***	8.7902 (0.000)***
constant	5701.7910 (0.000)*** (0.000)***	5939.4480 (0.000)***	3829.3140 (0.000)*** (0.000)***	4032.9070 (0.000)***	5175.4600 (0.000)*** (0.000)***	5428.3140 (0.000)***	3420.3350 (0.000)*** (0.000)***	3866.6140 (0.000)***
	R^2 = 0.5924 adj-R^2 = 0.5869	R^2 = 0.6382 adj-R^2 = 0.6333	R^2 = 0.6606 adj-R^2 = 0.6524	R^2 = 0.6848 adj-R^2 = 0.6773	R^2 = 0.5978 adj-R^2 = 0.5830	R^2 = 0.6504 adj-R^2 = 0.6375	R^2 = 0.6650 adj-R^2 = 0.6485	R^2 = 0.6813 adj-R^2 = 0.6656

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Exhibit 9: Effect of Duopoly on Presence of Local News

Dependent Variable = Presence of Local News (presence); dummy

	OLS	Probit	OLS	Probit	OLS	Probit	OLS	Probit
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)
duo_s	0.0950	0.2160	0.0820	0.0276	0.0845	0.2547	0.0892	0.1051
	0.0822		0.0728		0.0731		0.0791	
	(0.160)	(0.460)	(0.231)	(0.939)	(0.209)	(0.425)	(0.188)	(0.782)
	(0.159)	(0.419)	(0.191)	(0.925)	(0.199)	(0.369)	(0.136)	(0.734)
rank	0.0008	0.0026	0.0004	0.0016	0.0013	0.0052	0.0007	0.0030
	0.1097		0.0561		0.1660		0.0963	
	(0.061)*	(0.185)	(0.432)	(0.530)	(0.131)	(0.216)	(0.379)	(0.519)
	(0.064)*	(0.174)	(0.462)	(0.528)	(0.113)	(0.223)	(0.354)	(0.511)
yrstd	-0.0134	-0.0558	-0.0091	-0.0367	-0.0135	-0.0627	-0.0095	-0.0432
	-0.5537		-0.3731		-0.5563		-0.386	
	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***
	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***	(0.000)***
ptv_m					0.0052	0.0496	0.0045	0.0518
					0.0170		0.0154	
					(0.801)	(0.628)	(0.821)	(0.633)
					(0.8037)	(0.667)	(0.834)	(0.681)
cable_m					0.0012	0.0023	0.0006	0.0015
					0.0260		0.0122	
					(0.677)	(0.874)	(0.845)	(0.926)
					(0.655)	(0.869)	(0.829)	(0.919)
TVHH3					0.0000	0.0001	0.0001	0.0002
					0.0543		0.1362	
					(0.491)	(0.405)	(0.118)	(0.348)
					(0.524)	(0.396)	(0.182)	(0.329)
ptvview					0.0668	0.3727	0.0636	0.3589
					0.2151		0.2053	
					(0.004)***	(0.002)***	(0.007)***	(0.006)***
					(0.003)***	(0.000)***	(0.006)***	(0.002)***
othview					0.0059	0.0369	0.0068	0.0384
					0.1338		0.1527	
					(0.199)	(0.132)	(0.140)	(0.131)
					(0.163)	(0.122)	(0.164)	(0.133)
big4			0.2632	0.7724			0.3047	0.9198
			0.2816				0.3259	
			(0.000)***	(0.007)***			(0.000)***	(0.003)***
			(0.001)***	(0.004)***			(0.000)***	(0.001)***
rev_s			0.0005	0.0190			-0.0008	0.0133
			0.0356				-0.0553	
			(0.643)	(0.195)			(0.512)	(0.390)
			(0.470)	(0.154)			(0.406)	(0.279)
constant	1.6222	4.7556	1.1594	2.7011	1.0591	2.1985	0.5956	0.1701
	(0.000)***	(0.000)***	(0.000)***	(0.007)***	(0.000)***	(0.120)	(0.056)*	(0.921)
	(0.000)***	(0.000)***	(0.000)***	(0.005)***	(0.000)***	(0.079)*	(0.063)*	(0.907)
	R^2 = 0.3159		R^2 = 0.3601		R^2 = 0.3463		R^2 = 0.3924	
	adj-R^2 = 0.3066	pseudo-R^2 = 0.3193	adj-R^2 = 0.3448	pseudo-R^2 = 0.3657	adj-R^2 = 0.3222	pseudo-R^2 = 0.3699	adj-R^2 = 0.3625	pseudo-R^2 = 0.4097

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Exhibit 10: Effect of Duopoly on Amount of Local Public Affairs

Dependent Variable = Local Public Affairs (pa_L)

	OLS	Tobit	OLS	Tobit	OLS	Tobit	OLS	Tobit
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.)
duo_s	-23.4194 -0.0921 (0.189) (0.068)*	-10.8811 (0.772)	-23.0500 -0.0984 (0.180) (0.120)	-11.3927 (0.750)	-25.6711 -0.1009 (0.154) (0.055)*	-12.0988 (0.746)	-23.9611 -0.1023 (0.176) (0.110)	-11.7233 (0.741)
rank	-0.2296 -0.1380 (0.049)** (0.054)*	-0.5984 (0.023)**	-0.1738 -0.1124 (0.201) (0.173)	-0.4482 (0.128)	-0.2938 -0.1766 (0.186) (0.047)**	-0.7666 (0.116)	-0.2407 -0.1557 (0.257) (0.093)*	-0.6601 (0.144)
yrstd	0.1192 0.0223 (0.737) (0.769)	-0.4453 (0.564)	-0.0477 -0.0086 (0.927) (0.911)	-0.4636 (0.655)	0.0994 0.0186 (0.782) (0.811)	-0.4789 (0.533)	-0.0404 -0.0079 (0.933) (0.921)	-0.4542 (0.661)
ptv_m					2.3746 0.0355 (0.665) (0.637)	2.8380 (0.810)	2.8977 0.0477 (0.575) (0.556)	2.8452 (0.792)
cable_m					0.2843 0.0278 (0.714) (0.637)	0.5546 (0.737)	0.0403 0.0043 (0.956) (0.949)	-0.0396 (0.979)
TVHH3					-0.0035 -0.038 (0.692) (0.548)	-0.0124 (0.527)	-0.0066 -0.0775 (0.477) (0.414)	-0.0199 (0.334)
ptvview					8.9048 0.1304 (0.143) (0.055)*	22.8678 (0.083)*	8.8942 0.138 (0.146) (0.076)*	21.9220 (0.087)*
othview					1.2823 0.1326 (0.295) (0.185)	2.8700 (0.289)	1.1501 0.1234 (0.342) (0.288)	2.8023 (0.279)
big4			-12.7449 -0.0656 (0.454) (0.443)	-24.5039 (0.508)			-13.6608 -0.0703 (0.441) (0.233)	-32.3613 (0.395)
rev_s			0.2074 0.0711 (0.452) (0.443)	0.4254 (0.437)			0.2248 0.0771 (0.466) (0.519)	0.5704 (0.356)
constant	58.6451 (0.037)** (0.046)**	26.7765 (0.658)	68.7081 (0.120) (0.043)**	34.2461 (0.723)	-38.1131 (0.610) (0.540)	-180.1961 (0.280)	-4.2918 (0.958) (0.940)	-117.3147 (0.502)
	R^2 = 0.0201 adj-R^2 = 0.0069	pseudo-R^2 = 0.0043	R^2 = 0.0287 adj-R^2 = 0.0053	pseudo-R^2 = 0.0061	R^2 = 0.0331 adj-R^2 = -0.0025	pseudo-R2 = 0.0069	R^2 = 0.0422 adj-R^2 = -0.0050	pseudo-R^2 = 0.0091

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Exhibit 11: Effect of Duopoly on Presence of Local Public Affairs

Dependent Variable = Presence of Local Public Affairs (pa_L_dum); dummy

	OLS	Probit	OLS	Probit	OLS	Probit	OLS	Probit
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)
duo_s	0.1022	0.2590	0.0916	0.2341	0.0976	0.2543	0.0874	0.2258
	0.0788		0.0702		0.0749		0.0670	
	(0.257)	(0.271)	(0.343)	(0.350)	(0.283)	(0.282)	(0.368)	(0.372)
	(0.256)	(0.263)	(0.353)	(0.352)	(0.289)	(0.277)	(0.375)	(0.370)
rank	-0.0012	-0.0032	-0.0009	-0.0024	-0.0016	-0.0043	-0.0015	-0.0041
	-0.1423		-0.1073		-0.1857		-0.1758	
	(0.040)**	(0.039)**	(0.218)	(0.220)	(0.159)	(0.150)	(0.195)	(0.182)
	(0.038)**	(0.042)**	(0.221)	(0.233)	(0.158)	(0.154)	(0.198)	(0.187)
yrstd	-0.0027	-0.0071	-0.0011	-0.0030	-0.0027	-0.0073	-0.0008	-0.0025
	-0.099		-0.04		-0.0994		-0.0297	
	(0.134)	(0.132)	(0.664)	(0.667)	(0.135)	(0.126)	(0.749)	(0.727)
	(0.140)	(0.139)	(0.654)	(0.663)	(0.143)	(0.132)	(0.739)	(0.721)
ptv_m					-0.0018	-0.0052	-0.0056	-0.0144
					-0.0053		-0.0167	
					(0.948)	(0.943)	(0.843)	(0.847)
					(0.948)	(0.944)	(0.845)	(0.850)
cable_m					0.0014	0.0035	-0.0002	-0.0010
					0.0274		-0.0047	
					(0.715)	(0.735)	(0.951)	(0.927)
					(0.717)	(0.737)	(0.952)	(0.927)
TVHH3					-0.0000	-0.0001	-0.0001	-0.0002
					-0.0724		-0.1159	
					(0.445)	(0.439)	(0.281)	(0.268)
					(0.432)	(0.437)	(0.244)	(0.282)
ptvview					0.0500	0.1346	0.0519	0.1397
					0.1429		0.1444	
					(0.105)	(0.098)*	(0.123)	(0.117)
					(0.100)*	(0.095)*	(0.110)	(0.107)
othview					0.0046	0.0128	0.0055	0.0152
					0.0938		0.1059	
					(0.453)	(0.435)	(0.408)	(0.387)
					(0.452)	(0.438)	(0.411)	(0.394)
big4			-0.0192	-0.0524			-0.0390	-0.1199
			-0.0177				-0.036	
			(0.838)	(0.831)			(0.689)	(0.641)
			(0.840)	(0.835)			(0.685)	(0.637)
rev_s			0.0016	0.0043			0.0021	0.0060
			0.0975				0.1311	
			(0.297)	(0.313)			(0.210)	(0.212)
			(0.234)	(0.286)			(0.141)	(0.182)
constant	0.6821	0.4873	0.5394	0.1096	0.3172	-0.4736	0.2684	-0.5858
	(0.000)***	(0.190)	(0.027)**	(0.867)	(0.402)	(0.639)	(0.546)	(0.623)
	(0.000)***	(0.194)	(0.020)**	(0.862)	(0.374)	(0.623)	(0.523)	(0.610)
	R^2 = 0.0425		R^2 = 0.0506		R^2 = 0.0568		R^2 = 0.0684	
	adj-R^2 = 0.0295	pseudo-R^2 = 0.0318	adj-R^2 = 0.0278	pseudo-R^2 = 0.0377	adj-R^2 = 0.0220	pseudo-R^2 = 0.0428	adj-R^2 = 0.0225	pseudo-R^2 = 0.0517

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Exhibit 12: Indirect Effect of Duopoly

Dependent Variable = Duopoly (duo_s); dummy

	OLS	Probit	OLS	Probit	OLS	Probit	OLS	Probit
	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)	Coeff. Beta (signif.) (sig. w/ robust std. err.)	Coeff. (signif.) (sig. w/ robust std. err.)
rank	-0.0020 -0.3043 (0.000)*** (0.000)***	-0.0103 (0.000)*** (0.000)***	-0.0016 -0.2368 (0.003)*** (0.001)***	-0.0122 (0.001)*** (0.000)***	-0.0022 -0.3403 (0.007)*** (0.001)***	-0.0148 (0.003)*** (0.000)***	-0.0017 -0.2565 (0.043)** (0.015)**	-0.0145 (0.009)*** (0.005)***
yrstd	0.0008 0.0405 (0.526) (0.491)	0.0049 (0.407) (0.355)	0.0040 0.1822 (0.034)** (0.012)**	0.0220 (0.031)** (0.016)**	0.0007 0.0344 (0.593) (0.559)	0.0044 (0.465) (0.405)	0.0040 0.1833 (0.035)** (0.016)**	0.0221 (0.032)** (0.022)**
ptv_m					0.0154 0.0587 (0.456) (0.439)	0.0434 (0.637) (0.613)	0.0153 0.059 (0.456) (0.451)	0.0688 (0.489) (0.475)
cable_m					0.0007 0.0163 (0.824) (0.817)	0.0007 (0.956) (0.956)	-0.0004 -0.0109 (0.880) (0.874)	0.0011 (0.940) (0.938)
TVHH3					0.0000 0.0175 (0.850) (0.883)	-0.0000 (0.761) (0.783)	-0.0000 -0.0976 (0.335) (0.282)	-0.0002 (0.155) (0.120)
ptvview					0.0110 0.0409 (0.632) (0.650)	0.0403 (0.696) (0.738)	-0.0014 -0.0052 (0.952) (0.945)	-0.0906 (0.486) (0.465)
othview					0.0050 0.1315 (0.278) (0.297)	0.0326 (0.166) (0.264)	-0.0000 -0.0004 (0.997) (0.996)	-0.0141 (0.638) (0.578)
big4			0.0249 0.03 (0.711) (0.736)	0.3617 (0.267) (0.292)			0.0104 0.0125 (0.883) (0.893)	0.2619 (0.438) (0.459)
rev_s			0.0032 0.2561 (0.003)*** (0.038)**	0.0083 (0.062)* (0.088)*			0.0036 0.288 (0.003)*** (0.040)**	0.0108 (0.029)** (0.060)*
constant	0.2676 (0.011)** (0.009)***	-0.6544 (0.147) (0.138)	-0.0619 (0.723) (0.685)	-2.2336 (0.017)** (0.009)***	-0.0628 (0.824) (0.850)	-2.1522 (0.081)* (0.173)	-0.0217 (0.946) (0.944)	-1.2552 (0.459) (0.457)
	R^2 = 0.0941 adj-R^2 = 0.0860	pseudo-R^2 = 0.1211	R^2 = 0.1633 adj-R^2 = 0.1473	pseudo-R^2 = 0.2020	R^2 = 0.1045 adj-R^2 = 0.0757	pseudo-R^2 = 0.1389	R^2 = 0.1683 adj-R^2 = 0.1316	pseudo-R^2 = 0.2163

* = significant at 10% level; ** = significant at 5% level; *** = significant at 1% level

Market Rank and Age of the station are statistically significant predictors of the amount of news; the coefficient on the duopoly variable is not significant. Again, we find that controlling for station age and market rank alone renders the relationship between duopoly status and the amount of news statistically insignificant. Including the station characteristic variables as controls, explains more variance and we find a statistically significant coefficient on both Big 4 and Stations Revenue, as Napoli and Yan did. The coefficient on duopoly was not statistically significant. Duopolies did not produce more public affairs than non-duopolies, and none of the other variables was significant (with the exception that more hours of public television viewing in a market may have a small positive effect on the amount of public affairs programming produced). There is also no indication that duopoly has a significant indirect effect on news or public affairs (see Exhibit 12).

STUDY 17:
FAULTY READING OF THE RECORD ON PROGRAM OWNERSHIP AND THE BROADCAST OWNERSHIP RULES

The Commission mistakenly relaxed the duopoly rule in part because it failed to treat source diversity as a separate goal or to analyze the role and state of source diversity in detail It inappropriately and incorrectly failed to examine the ownership of programming and ignored the mountain of evidence in the record that the ownership and control of programming in the television market is concentrated. The Commission arrived at the erroneous decision to triple the number of markets in which multiple stations can be owned by a single entity because it facilely and incorrectly rejected source diversity as a goal of Communications Act.[504] However, whether we consider source diversity as a separate goal of the Act (which the Commission rejected), or as a subcomponent of the broader concept of viewpoint diversity, the underlying flaw is the failure to analyze the ownership of programs and the important role that independent ownership of programs – independent of ownership of outlets – plays in the media market. The basic problem is easiest to explain if source diversity is treated as a separate goal.

SOURCE DIVERSITY PLAYS AN IMPORTANT ROLE

The FCC concluded that source diversity is not a separate goal of its diversity policy. It reached this erroneous conclusion by conflating program production and program distribution, applying a faulty analysis of the economic/business models of program distributors and ignoring extensive evidence that CFA/CU entered into the record. Had the

[504] Order, paras. 42-46, 102-110.

Commission conducted a proper analysis of source diversity, it would have concluded that the limit on local duopolies and triopolies should be much more stringent because the concentration of ownership of outlets undermines diversity by reducing the ability of independent programmers to product content.

Considering the fact that the governing constitutional jurisprudence is focused on source diversity – based on the premise that “the widest possible dissemination of information from diverse and antagonistic sources is essential to the public welfare” – it is remarkable that the Order devotes a scant four paragraphs to the issue. Just as remarkable is the number of errors contained in those scant four paragraphs.

The Order begins its discussion of source diversity in paragraphs 42 by defining it as the “availability of media content from a variety of sources.” Paragraph 43 discusses the evidence offered by several commenters about the concentration of production of content that focused primarily on prime time programming, noting that “in 1993, 68% of prime time programming on the largest broadcast networks was independently produced versus 24% today.”

With no actual discussion of source diversity, paragraphs 44 and 45 switch from a discussion of source diversity to a discussion of the number of outlets. Paragraph 44 states that “in light of the dramatic change in the television market, including the significant number of channels available to most households today, we find no basis to conclude that government regulation is necessary to promote source diversity.” Paragraph 45 goes on to note the increase in channels available to “the vast majority of households” from six in 1979 to an average of 102 channels per home.” The Commission claims in paragraph 44 that “Commenters recommending that the Commission adopt source diversity as a goal offer no evidence of the quantity of programming sources across the delivered video programming market (i.e. both broadcast and non-broadcast channels) and why that quantity is deficient." It concludes in paragraph 45 that "given the explosion of programming channels now available in the vast majority of homes today, and in the absence of evidence to the contrary, we cannot conclude that source diversity should be a policy goal of our broadcast ownership rule." Virtually identical misreading is repeated time and again throughout the order.[505]

Demonstrating that source diversity should be a focal point of public policy to promote diversity and localism in no way detracts from the simultaneous finding, at which the Commission correctly arrives (para. 27), that "outlet ownership can be presumed to affect the viewpoints expressed on that outlet. We continue to believe that broadcast ownership limits are necessary to preserve and promote viewpoint diversity. A larger number of independent owners will tend to generate a wider array of viewpoints in the media than would a comparatively smaller number of owners." The difference between viewpoint diversity (measured as the independent ownership of outlets) and source diversity (measured as the independent production of content) is easy to maintain and explain as a basis to promote the public interest in localism and diversity, even if the Commission preferred to view independent program sources as a component of viewpoint diversity.[506]

Owners' viewpoints are expressed in the content they choose to deliver to the public through the outlets they control. The outlet owners may produce their own content or buy it form independent producers. A multiplicity of sources will serve the interests of diversity and localism better by creating competition between sources providing owners a better range of programming from which to choose. More independent source will stimulate greater

[505] Order, paras. 535, 651, 654
[506] CFA/CU, Comments 1, pp. 49-52;

innovation and creativity and more locally oriented content.[507] Independent programmers can also be expected to produce more vigorous watchdog journalism.[508]

It may also lower the barrier to entry into the media market, since a separate market for independent programming would facilitate entry at one stage of production (programming or distribution) rather than two (vertically integrated production and distribution). The Commission should be well aware of the need to promote source diversity separately from the ownership of outlets, since it accepts higher levels of concentration in mid-size and smaller markets on the basis of a claim about their more demanding economics.[509] Independent ownership of programming could add a significant source of diversity, absent vertical integration.

As demonstrated by CFA/CU in this proceeding, large buyers of programming can exercise monopsony power to the detriment of independent producers and the public, even when they are not vertically integrated, but the problem becomes even more severe when they are vertically integrated, which most of the large program distributors are.[510] Structural limits on concentration of ownership of outlets can help to create an environment that promotes independent production of content.

The FCC also fails to recognize the evidence in the record that demonstrates that this buying power in the national market affects diversity in local markets.[511] CFA/CU worked with Joel Waldfogel in the preparation of an econometric study by Joel Waldfogel, who later

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[507] CFA/CU, Comments 1, pp. 53-57CFA/CU, Comment 2, 58-59, 79-82.
[508] CFA/CU, Comments 2, pp. 26-27, 83-88.
[509] Order, para. 201.
[510] CFA/CU, Comments 2, pp. 186-220.
[511] Order, para. 534, states that "Commenters do not provide evidence that persuades us to alter those views, and we affirm our 1984 conclusion that the national TV ownership rule is not necessary to promote diversity." The Commission provides no discussion whatsoever of the evidence it has rejected.

was hired by the Commission to conduct one of its task force studies that contradicts this claim.[512] This study is one among many cited in our comments that contradict the FCC claim that consolidation into national chains does not diminish diversity.[513]

MISREADING THE RECORD

The claim that there is an absence of evidence about concentration in the Delivered Video Programming market could not be farther from the truth. The commenters that the Order identified and several others (who it failed to identify as addressing this issue)[514] provided extensive evidence on precisely the point that the sources of programming are concentrated and therefore lack diversity. It demonstrated this explicitly across "both the broadcast and non-broadcast channels" at both the local and national levels.[515] Perhaps the Commission failed to recognize this evidence because nowhere in the order did it analyze the actual sources of programming. It never did analyze source diversity because it immediately shifted from a discussion of source diversity to a count of outlets, without ever directly analyzing who produces the content that is delivered through those outlets.

In fact, the CFA/CU comments, which the Commission failed to include in its list of commenters who addressed source diversity, presented evidence that directly estimated the lack of source diversity by demonstrating that, at the local level, broadcast and non-broadcast

[512] CFA/CU, Comments 1, Attachment B. The results of this study were summarized in Waldfogel's statement to the Media Ownership Roundtable conducted by the FCC.
[513] CFA/CU, Comments 1, pp. 40-45; Comments 2, pp. 54-59, 250-253
[514] Order, para. 43.
[515] CFA/CU, Comments 1, pp. 104-109; CFA/CU, Comments, 2, pp. 153-159, 203-220, CFA/CU, Replies 2, pp. 12-16.

programming is a tight oligopoly (moderately to highly concentrated) across a range of markets.[516]

CFA/CU demonstrated that broadcast network owners who have used their must carry/retransmission rights to gain carriage of their programming on cable systems have recaptured between 50 and 75 percent of the viewers that have shifted to cable.[517] Broadcast and non-broadcast programming was closely analyzed and CFA/CU showed that owners of broadcast networks recapture viewers with their non-broadcast offerings. CFA/CU established the concentration of news programming markets at both the national[518] and local[519] levels.

CFA/CU demonstrated that, at the regional and national levels, in the past decade a handful of cable operators and broadcast network owners completely dominate the launch of new cable networks.[520] Looking at subscribers and writing budgets, CFA/CU and others demonstrated that the programming market is a tight oligopoly as well.[521] CFA/CU showed that joint ventures and cross-ownership among and between the members of this oligopoly reduce the incentive to compete and creates shared interests in controlling the flow of programming.[522]

The Commission has some vague idea that the dominant broadcasters now commingle broadcast and non-broadcast activities. Para. 523 offers a hypothetical example of program acquisition that shows that the two largest DVP buyers spend over one quarter of their

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516 CFA/CU, Comments 1, pp. 104-109; Comments 2, pp. 153-159;
517 CFA/CU, Replies, pp. 12-16.
518 CFA/CU, Comments 2, pp. 104-108 155.
519 CFA/CU, *Ex Parte,* pp. 42.
520 CFA/CU, Comments 2, pp. 218-220.
521 CFA/CU, Comments 2, pp.156-158.
522 CFA/CU, Comments 2, pp. 186-203.

budgets on cable networks. The fact that the Commission resorted to a hypothetical discussion, rather than analyze the data in the record, alone calls its conclusion "we have no evidence that they [television stations owners} exercise market power in the program production market"[523] into doubt.

All this is in addition to the high level of concentration in prime time programming, which CFA/CU and others demonstrated in considerably more detail than the Commission acknowledges.[524]

There can be no mistake about the implication and purpose of this analysis, since CFA/CU clearly explained the important role of source diversity in its initial comments in this long running proceeding.

> Source diversity is also meaningless unless the sources are structurally independent. Source diversity references the same fundamental principle--a distinct entity should be responsible for creating content. The First Amendment is served when independent organizations make decisions about what content will be produced, and thus what content will ultimately reach an audience. Source diversity thus makes no sense without separately *owned* sources and distribution mechanisms. Market power in program and content purchasing will eliminate diversity in program production through the exercise of monopsony power. Sources should not only be separate from each other, but also be separate from outlets to prevent the harms of vertical integration.[525]

Ignoring the extensive evidence of a lack of source diversity across broadcast and non-broadcast, as well as national and local markets has dire consequences for the public interest in diversity and localism. As CFA/CU explained at great length in its comments, allowing dominant firms in the local and national markets to acquire direct control of more outlets will enable them to strengthen their grip on the programming market.[526] As the number of

[523] Order, para., 517.
[524] CFA/CU, Comments 2, pp. 200-202.
[525] CFA/CU, Comments 1, pp. 30, footnotes omitted.
[526] CFA/CU, Comments 1, pp. 108-113; CFA/CU, Comments 2, pp. 186-200.

independent owners of outlets shrinks, producers have fewer and fewer opportunities to market their works, especially because the larger program distributors are vertically integrated into program production. As a smaller number of owners controls a larger share of the market they gain greater and greater leverage in the bargaining with independent producers. Indeed, they can make or break programming.[527]

One of the critical factors that the Order has failed to recognize, in spite of this mountain of evidence provided, is that the owners of the broadcast networks are also substantial owners of non-broadcast programming. Contradicting the claim in the Order that there are two very distinct business model in the television markets, CFA/CU and others have shown that the owners of broadcast networks have monetized their must carry/retransmission rights into carriage on cable systems, which provides them with a substantial stream of subscription revenues.

It is truly ironic that the FCC, which routinely notes that rising programming costs are one of the causes of dramatic increases in cable rates,[528] has failed to notice that the owners of many of the programs most frequently cited as the programming cost culprits are the owners of the dominant broadcast networks.[529] Consider paragraph 61 in which the Commission cites the fact that "in competing with broadcasters, non-broadcast programming networks typically have two income streams to develop or purchase programming. Broadcasters continue to rely overwhelmingly on advertising revenues." The three non-broadcast programming networks it cites as examples, ESPN, CNN, MTV are all owned by entities that also own broadcast

[527] CFA/CU, Comments 2, pp. 206-208.

[528] Federal Communications Commission, "Report on Cable Industry Prices." *In the Matter of Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992, Statistical Report on Average Rates for Basic Service, Cable Programming Service, and Equipment*, various issues.

[529] Order, para. 142.

networks. In fact, the three owners of these shows own four of the top six national broadcast networks.

The FCC's discussion of non-broadcast programming in its historical overview reconfirms the error in failing to look at ownership of programming. In paragraphs 102 and 109, the cable network mentioned (HBO, TBS, ESPN, CNN, BET, Nickelodeon, MTV) are owned by corporations that also own networks. The owner of USA, Liberty, has a substantial ownership interest in corporations that own networks. The only independent channel in the list is the Weather Channel.

Even the discussion of broadcast networks in paragraph 110 fails to take note of ownership. Two of the three new networks the FCC touts are, owned by corporations that own another network (UPN), or a major cable operator (WB).

The Commission's observation that the top four broadcast networks have an ownership interest in only 25% of the 102 broadcast channels, misses the point that they have guaranteed access to that distribution and close interconnection through stock ownership and joint ventures to the cable companies that control the remainder of the channels.[530] The joint activities of this cabal has resulted in a video programming market that is a tight oligopoly by all traditional measures of market structure.[531]

In note 1090, the Commission states that broadcast networks are "organizational units of larger media enterprises," but argues that "corporate management ordinarily expects, however, that each business unit will recover its unit-specific fixed and variable costs, contribute to the cost of shared corporate services and functions, and earn unit-specific profit." The Commission presents no evidence specific to the video industry that this is the

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[530] Order, para. 123.
[531] CFA/CU, Comments 2, pp. 203-220.

case. It does not analyze the obvious fact that such a substantial amount of programming purchased for cable networks is likely to generate substantial revenue not in the traditional broadcast mode, nor does it provide any analysis of the joint assets, like studios, that support both broadcast and non-broadcast programming or the increasing revenue associated with repurposing of programming. The failure to conduct analyses such as these demands that the Commission reconsider its Order in regard to the national cap.

The failure of the FCC to analyze the ownership of programming and to properly understand the economic models being applied in the industry has undermined its analysis of source diversity and led it to incorrectly allow greater concentration of ownership of outlets. For these reasons, the Commission should reconsider the nation cap and restore it the previous level of 35 percent.

EVIDENCE OF BARRIERS TO ENTRY RESULTING FROM VERTICAL INTEGRATION.

The evidence in the record that deals with the impact of vertical integration focuses on the severe difficulty that independent producers have in gaining access to the consumer because of the vertical integration of distributors into content production in three areas prime time programming, broadcast-cable bundles of programming, and cable self-dealing. In each of the areas the evidence continues to mount that vertical integration is a severe problem for independent content producers.