



# THE UNIVERSITY OF TEXAS AT DALLAS

SCHOOL OF MANAGEMENT  
800 W. CAMPBELL, SM 31  
RICHARDSON, TEXAS 75080-3021  
TEL: (972) 883-6273 rkiesch@utdallas.edu

**DATE:** September 28, 2007

**TO:** Jonathan Levy, Deputy Chief Economist,  
Federal Communications Commission

**FROM:** Robert Kieschnick, Associate Professor and the Finance and Managerial  
Economics Area Coordinator, University of Texas at Dallas

**SUBJECT:** Review of the Attachment J: "The Declining Financial Position of  
Television Stations in Medium and Small Markets, 2006" by Theresa J.  
Ottina.

I have reviewed the report entitled, "The Declining Financial Position of Television Stations in Medium and Small Markets, 2006," by Theresa J. Ottina. While I think that the report provides interesting information, for which the author should be commended, I do not see that the report provides sufficient information to reach its conclusion on page 10: "As this study demonstrates, a relaxation of the television duopoly rule to permit common ownership of two stations in smaller markets would provide needed financial relief for these struggling stations, thereby increasing the strength of local television." For example, no where in the report does the author provide evidence that a station would fail without being operated in a duopoly. Unfortunately, this is just one example of the issues unaddressed by the report that needed to be addressed before it can argue that its conclusion is supported by its evidence.

More generally, I have a number of concerns with the data reported and the statements made about the reported data. I list them below in the order that they are encountered in the report.

1. The report begins by noting on page 2 that the data were derived from the NAB/BCFM Television Financial Survey for 1997, 2001, and 2003. While the author notes the response rates on page 2, nowhere in the report does the author indicate that this was taken into account in deriving the mean estimates. Thus the self-selection error in the reported estimates is not addressed and so the reported estimates are of questionable value.
2. The author notes on page 3 that the data for the cash flow and pre-tax profit line items were only used for markets in which the highest and lowest rated affiliated station participated in the survey. Why the author imposed this filter is not explain, nor is there any discussion of the biases that such a filter might introduce into the reported estimates.

3. On page 3, the author talks about Table 1. The report says: "The table below displays the number of markets included in each market-size grouping." However, the top line of the table states: "Number of Stations Included." to describe the entries in each year column. So, which is it: number of stations or number of markets?

4. Tables 2, 3, 4, 5, and 6 reported the same information but for different market segments (e.g., 51-75, etc.). Consequently all these tables share common problems.

4.1 Each table has columns for the "cash flows" of high rated stations and low-rated stations. On page 4, footnote 2, the report defines "cash flow as net revenues minus total expenses." Then on this same page in footnote 3, the author defines "pre-tax profits" as "cash flow minus depreciation & amortization & interest." If the author is following the standard accrual model, then total expenses include "depreciation & amortization & interest" and the author is double counting. While I doubt that this is true. I think the report's lack of clarity in what it means and how "cash flow" is measured raises questions about just what the data represent and why they are relevant. While one might conjecture that the author was talking about earnings before interest, taxes, depreciation and amortization, I can think of several alternative definitions of cash flow used in the financial community and so the author's definition needs to be clarified before its usefulness can be accessed.

4.2 The discussion in the report suggests that the reported data reveal something important about the financial welfare of the reporting television stations. While an accountant might find the data relevant to revealing something about the financial welfare of the reporting television stations, an economist, or financial analyst, or investor would find the data inadequate for this purpose. Let me illustrate with a simple example.

Suppose that we have two TV stations with cash flows as set out below and defined as earnings before interest and taxes. If the operating capital of the two TV stations differs as below, then Station A despite its lower cash flow represents a better investment for its investors than Station B. If the cost of capital of the two stations differs, then the differential could be greater or lesser than shown.

TV Station	A	B
Cash Flow	1,000,000	10,000,000
Net Operating Profit After Taxes (40% tax rate)	600,000	6,000,000
Operating capital	3,000,000	60,000,000
ROIC	20.00%	10.00%
Cost of capital	15%	15%

The point of the above example is that the financial health of a station, or a group of stations, from an investor's point of view cannot be ascertained from the evidence reported in this study.

4.3 Each of the above referenced tables reports the average "network compensation for all affiliate stations" and the average "news expense all affiliate stations." According to the report's stated definition of "cash flows" these revenues and expenses are accounted for in the cash flows numbers and so the rationale for breaking these items out is unclear. Further, and more importantly, the patterns shown for these averages do not match the patterns for the cash flows in a number of the market segments, which raise a number of questions.

For example, on page 4, the report says: "Declining network compensation coupled with increasing news expenses adds to the tenuous financial situation of these small market stations." Thus, the author appears to suggest that the drop in average network compensation over time means that stations are worst off. However, one cannot draw such a conclusion based upon the reported evidence. For example, if the networks allocated more ad time to the local affiliate for its use at the same time they cut their network compensation then some affiliates might be better off depending on what they can charge for their local ad time. Such a conjecture would be consistent with the fact that the pattern of cash flows for a number of market segments does not match the pattern for network compensation or news expense for these same market segments. Regardless, the fact that these patterns are not the same in different markets suggests that drawing conclusions about the financial health of stations based upon these components is not appropriate.



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**DATE:** September 28, 2007

**TO:** Jonathan Levy, Deputy Chief Economist,  
Federal Communications Commission

**FROM:** Robert Kieschnick, Associate Professor and the Finance and Managerial  
Economics Area Coordinator, University of Texas at Dallas

**SUBJECT:** Review of the NAB report: "The Declining Financial Position of  
Television Stations in Medium and Small Markets, December 2006" by  
Theresa J. Ottina.

I have reviewed the report entitled, "The Declining Financial Position of Television Stations in Medium and Small Markets, December 2006," by Theresa J. Ottina. As far as I can tell, the primary difference between this report and the Appendix J report entitled, "The Declining Financial Position of Television Stations in Medium and Small Markets, August 2006" by the same author is the addition of data for 2005.

Since this report reaches the same conclusions and reports the same type of data, it is subject to all of the issues raised in my report on the Appendix J report. Consequently I will simply refer the reader to my comments on the Appendix J report for a delineation of the reasons why this report is of dubious merit.

**FCC Media Ownership Proceeding**

**MB Docket No. 06-121**

**Peer Review**

**by Catherine Tyler Mooney \***

**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**

**by Mark Cooper**

**Study 16: Consolidation and Conglomeration Diminish Diversity and Do Not Promote the**

**Public Interest: New Evidence**

**by Mark Cooper and S. Derek Turner**

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\* Catherine Tyler Mooney, Ph.D. Department of Economics, University of Oklahoma. 729 Elm Ave., Hester 329, Norman, OK 73019. [ctmooney@ou.edu](mailto:ctmooney@ou.edu).

## 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 by Mark Cooper**

Study 15 functions as a critique of the evidence used by the FCC to evaluate the Newspaper/Broadcast Cross-Ownership Ban and the Local Television Ownership Limit in 2003. The author's main points as described in the abstract can be summarized as follows:

1. *The FCC misinterpreted the results of studies addressing the effect of ownership on viewpoint and the provision of news.*
2. *Other factors, such as market size, may explain differences in the provision of news between stations that are affiliated with a local newspaper and those that are not.*
3. *All television stations have increased their provision of news and the difference in that increase between duopolies and locally independent stations is not different.*
4. *The decreased independence of news due to media consolidation outweighs the benefits.*

The author raises some important critiques of the previous evidence. In particular, the few studies regarding the news provision of television/newspaper cross-owned stations were based on quite small amounts of data. Further analysis would also be important to fully understand the role of television "duopolies" in the growth of news provision. In general, the data cited here do not support a strong relationship between the amount of news a station broadcasts and cross-ownership or dual station ownership in either direction. Study 16 focuses more specifically on this topic.

To address point 1, this review provides an independent interpretation of the previous evidence regarding the effect of ownership on viewpoint and news quality. The studies cited provide no documented evidence of political bias in news reporting associated with ownership. And, while the one study addressing news quality includes only a few cross-owned stations, it finds that they provide higher quality news.

Lastly, concerning 4, this review does not attempt to place a value on media independence. Economists and other social scientists may be able to quantify the economic benefits of mergers to both firms and consumers, but the value of media independence is a question of political philosophy and, thus, is beyond the scope of this report.

1. *The FCC misinterpreted the results of studies addressing the effect of ownership on viewpoint and the provision of news.*

Study 2 of the 2002 Media Ownership Working Group Studies, "Viewpoint Diversity in Cross-Owned Newspapers and Television Stations: A Study of News Coverage of the 2000 Presidential Campaign" by David Pritchard compares the political slant of newspapers and television stations with the same owner. It finds no "predictable pattern of news coverage and commentary" associated with cross-ownership.<sup>1</sup> This corroborates the findings of Gentzkow and Shapiro (2007) concerning media slant. They use the text of newspaper articles to measure media slant and find that it generally matches the political leanings of local consumers, which is consistent with a model of profit maximizing news production.<sup>2</sup>

The Project for Excellence in Journalism's Report, *Does Ownership Matter in Local Television News: A Five-Year Study of Ownership and Quality* compares six cross-owned television stations in markets of diverse size and demographic composition to 166 other stations. It finds higher quality grades for the cross-owned stations. The only lower quality mark for cross-owned stations concerned fewer "on-the-scene" reports. However, the cross-owned stations relied less on syndicated wire feed news stories.<sup>3</sup>

Study 7 of the 2002 Media Ownership Working Group Studies, "The Measurement of Local Television News and Public Affairs Programs" by Spavins, Denison, Frenette, and Roberts finds evidence that television stations affiliated with a newspaper owner, regardless of market, receive a higher than average number of awards for news and broadcast more news hours. However, this

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<sup>1</sup> Pritchard, David, "Viewpoint Diversity in Cross-Owned Newspapers and Television Stations: A Study of News Coverage of the 2000 Presidential Campaign." Study 2, Media Ownership Working Group, Federal Communications Commission, 2002.

<sup>2</sup> Gentzkow, Matthew and Jesse Shapiro, "What Drives Media Slant? Evidence from U.S. Daily Newspapers." Working Paper, University of Chicago and NBER, 2007.

<sup>3</sup> Project for Excellence in Journalism, *Does Ownership Matter in Local Television News: A Five-Year Study of Ownership and Quality*, updated April 2003.

study does not directly address the question of cross-ownership of a television station and a newspaper in the same market.<sup>4</sup> Cooper notes that other stations in the same markets as the newspaper affiliates also won awards. Market factors, especially market size, should be taken into account when comparing the quality of stations. Because stations in larger markets have higher potential revenues, they receive higher payoffs for investments in quality broadcasting.

2. *Other factors, such as market size, may explain differences in the provision of news between stations that are affiliated with a local newspaper and those that are not.*

Market size plays an important role in shaping the incentives of television stations. It increases the payoff of advertising and the payoff of providing valuable content to viewers. As mentioned above, larger markets should see higher quality news broadcasts. The same point does not necessarily hold for the quantity of news. Stations maximize advertising revenues by weighing the marginal benefit of advertising against the marginal benefit of a larger audience, drawn by more content (fewer commercials). The impact of market size on one counteracts its impact on the other. While market size plays a role in a station's news quantity decision, it may be less important than market structure. In other words, the numbers of stations and owners determine the intensity of competition for viewers, who are attracted by more news content and fewer commercials.<sup>5</sup>

Because Study 16 provides a much more rigorous analysis of the relationship between market size and the quantity of news, further discussion of the empirical evidence is provided below.

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<sup>4</sup> Spavins, Thomas C., Loretta Denison, Scot Roberts, and Jane Frenette, "The Measurement of Local Television News and Public Affairs Programs." Study 7, Media Ownership Working Group, Federal Communications Commission, 2002.

<sup>5</sup> For further discussion, see "The Media and Advertising: A Tale of Two-Sided Markets" by Anderson and Gabszewicz in *Handbook of the Economics of Art and Culture, Vol. 1*, Elsevier, 2006.

*3. All television stations have increased their provision of news and the difference in that increase between duopolies and locally independent stations is not different.*

As discussed above, market structure determines the intensity of competition among stations for viewers. Stations attract these viewers by providing them with more content. Furthermore, because there are so few network stations in a market, each station responds to any changes in the amount of news provided by any of its competitors. Economic theory would predict that the merger of two news producing stations in one market would affect the quantity of news provided by all stations. The analysis presented and discussed in the study compares news quantities among stations. It notes little difference in the size of the increase in news by dual network stations and other stations. The effect of "duopolies" on the amount of news available to the public may be better determined at the market level.

## **Study 16**

### **Consolidation and Conglomeration Diminish Diversity and Do Not Promote the Public Interest: New Evidence by Mark Cooper and S. Derek Turner**

The primary focus of Study 16 is the impact of cross-ownership and “duopoly” on the broadcast time dedicated to local news at the station level. It presents the results of several studies completed since 2003 by both economists at the FCC and academics. The authors also supplement their review of the evidence with a new analysis of the data used in one of the studies cited. The study also discusses the results of previous research concerning the impact of ownership on news diversity and quality.

Of the previous studies concerning the quantity of local news broadcasts, Yan (2006) presents the most rigorous analysis. He finds that cross-owned stations may be more likely to broadcast local news, but conditional on broadcasting local news, they do not broadcast a higher quantity of local news minutes than other stations. He also finds that “duopoly” stations broadcast fewer local news minutes.

Study 16 presents new econometric results using the same data. Its analysis adds market rank and station age as explanatory variables, which eliminates any statistically significant effects of ownership type on the quantity of local news. The authors do not fully explain the additional insights that should be taken from the new explanatory variables, so it is difficult to discern the implications of their results relative to the previous work. Moreover, in the case of the cross-ownership analysis, the inclusion of station age raises the issue of sample selection bias in estimation.

The other studies cited, by FCC economists and the Project for Excellence in Journalism, find that consolidation of television station ownership tends to lower the quality and diversity of news broadcasts. However, the PEJ study finds that six cross-owned stations have higher quality newscasts than other stations.

### *Review of Recent Evidence*

The authors begin by discussing the Project for Excellence in Journalism's Report, *Does Ownership Matter in Local Television News: A Five-Year Study of Ownership and Quality*. This study finds that network owned and operated television stations generally provide lower quality news broadcasts than network affiliate stations. As discussed above, they also find that newspaper cross-owned stations tend to produce higher quality news. Two studies authored by FCC economists and their coauthors further analyze the PEJ data. They use its detailed description of the content of local news broadcasts and merge it with data from other industry sources. Alexander and Cunningham find that television markets with higher firm concentration indices have less news diversity.<sup>6</sup> The anonymous study, "Do Local Owners Deliver More Localism? Some Evidence from Local Broadcast News" finds that local owners tend to air more local news content.<sup>7</sup> Both of these studies have very small sample sizes and attempt to estimate a very large number of parameters relative to the number of observations. While informative, these studies warrant further analysis with more data or, at least, statistical testing of the model specifications.

Yan, Napoli, and coauthors produced a series of studies using a random sample of 233 television stations' programming schedules. Yan and Napoli (2004) find that commercial broadcast stations, especially network owned and operated stations, air less public affairs programming. They find no effect of dual network status on public affairs programming.<sup>8</sup> Yan and Park (2005) find that "Big Four" network stations increased news programming between

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<sup>6</sup> Alexander, Peter J. and Brendan Cunningham, "Same Story Different Channel? Broadcast News and Information," 2004.

<sup>7</sup> Anonymous, "Do Local Owners Deliver More Localism? Some Evidence from Local Broadcast News," FCC, 2004.

<sup>8</sup> Yan, Michael and Philip Napoli, "Market Structure, Station Ownership, and Local Public Affairs Programming on Local Broadcast Television," Telecommunications Policy Research Conference, October 2004.

1997 and 2003. Theirs is the only study to look at the market level effects of duopolies on news quantity. They find no statistically significant difference in the mean total quantity of news hours in duopoly versus non-duopoly markets. Instead, they find that both non-duopoly and duopoly stations increased news in duopoly markets. In these markets, the duopoly stations increased news more than the non-duopolies, but the change did not overcome the large 1997 gap between the two groups of stations.<sup>9</sup>

Yan (2006) adds twenty-seven newspaper cross-owned stations to the random sample of stations. Since there are so few cross-owned stations, including as many as possible in the data set is desirable. However, the data are no longer a random sample. The estimated effects of the explanatory variables may be biased by an over-representation of cross-owned stations and by an over (under)-representation of any station characteristics that are more common (rare) among cross-owned stations. When Yan finds that cross-owned stations are more likely to air local news, he cautions that most of these stations are "Big Four" network affiliates and are highly ranked within their markets. He says, "These are the types of stations that are most likely to be in the local news business." The sample selection bias should be less of an issue for duopoly stations. He finds that conditional on airing local news broadcasts, duopoly stations provide fewer local news hours. He does not examine the effect of cross-ownership or duopoly on other stations in the market.<sup>10</sup>

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<sup>9</sup> Yan, Michael Zhaoxu and Yong Jin Park, "Duopoly Ownership and Local Informational Programming on Television: an Empirical Analysis," Telecommunications Policy Research Conference, September 2005. See Table 2.

<sup>10</sup> Yan, Michael Zhaoxu, "Newspaper/Television Cross-Ownership and Local News and Public Affairs Programming on Television Stations: an Empirical Analysis," Donald McGannon Communication Research Center, Fordham University, 2006.

### *New Analysis*

Cooper and Turner perform an econometric analysis similar to that of Yan (2006). They use the same data and add two additional explanatory variables – station age and market rank. Like Yan they find a positive effect of cross-ownership on local news. However, unlike Yan, they do not find that effect to be statistically significant. Instead, they find a positive and statistically significant impact of station age on local news. Station age is meant to capture historical characteristics of the station, like UHF/VHF status. Because most cross-owned stations were affiliated with a newspaper prior to 1975, station age appears to explain much of the effect of cross-ownership found by Yan. However, as discussed above, the cross-owned stations in the data were not selected randomly as were the other stations included in the analysis. Therefore, the distribution of age conditional on cross-ownership is likely to be quite different than that of other stations in the data. In other words, cross-owned stations may be over-represented among the older stations in the data. If this sample selection bias exists, the coefficient on station age may actually capture the impact of cross-ownership on local news. This relationship should be further explored to determine whether the positive effect of station age (the negative effect of “year started”) on the quantity of local news is biased by an over-sampling of older, cross-owned stations. (Exhibit 7 supports the hypothesis that older stations are significantly more likely to be affiliated with a newspaper in the data.) Econometric methods to control for selection bias are well-known and relatively simple to use. Their application in this context would allow researchers to isolate the effect of cross-ownership on news from other common characteristics of cross-owned stations like age and “Big Four” status.

The second explanatory variable added for this study is the DMA market rank. The ranking of markets is generally based on the number of TV households. Therefore, it is not clear

what additional market level information the DMA rank captures when the number of television households is already included. The rank measure imposes an arbitrary difference of one between each market in the ranking. This has unclear implications for the regression coefficient and its interpretation. The authors find that market rank has a negative influence on the amount of local news, implying that stations in larger markets air more local news. If market rank were removed from the regression, the coefficient on the number of TV households would explain this relationship more precisely.

The authors use similar regressions and find similar results for the presence of local news, the quantity of local public affairs programming, and the presence of local public affairs programming. The main difference is that they find that cross-ownership has a positive, statistically significant effect of on the quantity of local public affairs. None of their other explanatory variables explain variation in the amount of local public affairs programming. On the other hand, they find that only market rank and station revenues have a notable effect on the presence of local public affairs programming.

Cooper and Turner also use these data to repeat analysis above substituting duopoly for cross-ownership. They find no statistically significant impact of duopoly ownership on the amount of quantity of local news. As above, they find strong effects of station age and market rank on the amount of local news. The sample of stations in the duopoly analysis was chosen randomly. Therefore, unlike the cross-ownership analysis, sample selection should not be a concern here. However, the authors make little attempt to explain the strong effects of market rank and station age on local news. Surely some institutional or economic factor can explain these strongly consistent results. The authors' argument would be stronger if the analysis

explained what does drive the amount of local news broadcast on a television station, instead of only the factors that do not explain it.

In summary, market rank and station age explain a large amount of the variation in local news broadcasting across stations. The issue of selection bias clouds the interpretation of Study 16's results regarding the effect of television/newspaper cross-ownership on time devoted to local news and public affairs programming. The study finds no effect of duopoly ownership on news production. In fact, it finds that only market rank, station age, "Big Four" status, and revenues are statistically important. Because all of these variables are interrelated in a complex way due to both economic and institutional factors, interpretation of the results from a simple linear regression model is difficult. Perhaps in the future more carefully specified models of the broadcaster's decision will shed more light on this important policy question.

# **“Big Media, Little Kids: Consolidation & Children’s Television Programming,” a Report by Children Now submitted in the FCC’s Media Ownership Proceeding**

Peer Reviewed by Charles B. Goldfarb<sup>1</sup>  
Specialist in Telecommunications Policy  
Congressional Research Service

## **Introduction**

In a memorandum dated August 24, 2007, Jonathan Levy, Deputy Chief Economist of the Federal Communications Commission (FCC), asked me to perform a peer review<sup>2</sup> of “Big Media, Little Kids: Media Consolidation & Children’s Television Programming,” a report by Children Now<sup>3</sup> that was submitted in the FCC’s Media Ownership Proceeding.<sup>4</sup> According to the memorandum, the Office of Management and Budget requires that influential scientific information on which a federal agency relies in a rulemaking proceeding be subject to peer review. That review should evaluate and comment on the theoretical and empirical merit of the information in the report, but not provide advice on policy or evaluate the policy implications of the report. In particular, the reviewer should consider, among other things: (1) whether the methodology and assumptions employed are reasonable and technically correct; (2) whether the methodology and assumptions are consistent with accepted economic theory and econometric practices; (3) whether the data used are reasonable and of sufficient quality for purposes of the analysis; and (4) whether the conclusions, if any, follow from the analysis.

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<sup>1</sup> The opinions expressed in this peer review are those of the author and not of the Congressional Research Service or the Library of Congress.

<sup>2</sup> See memorandum from Jonathan Levy to Chuck Goldfarb, dated August 24, 2007, attached to this peer review.

<sup>3</sup> “Big Media, Little Kids: Media Consolidation & Children’s Television Programming,” a report by Children Now (hereinafter, “Children Now Report” or “report”), May 21, 2003.

<sup>4</sup> *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 and 02-277 and MM Docket Nos. 01-235, 01-317, and 00-244, Further Notice of Proposed Rule Making, adopted June 21, 2006, released July 24, 2006.

## The Children Now Report's Findings and Conclusions

The Children Now Report, which is dated May 21, 2003, was prepared when the FCC was first considering modification of its media ownership rules in the spring of 2003.<sup>5</sup> The Report compares the children's programming schedules for the "seven major commercial broadcast television stations" in Los Angeles for the weeks of February 14-20, 1998 and February 15-21, 2003. Its statistical analysis is limited to comparing a snap shot picture of the levels of four measures of children's programming in 1998 to those in 2003 and performing a "chi-square test" to determine whether the changes were statistically significant.

In 1998 each of the seven stations had a different owner; two of those owners were News Corp and Viacom. In 2001 News Corp purchased one of the other seven stations and in 2002 Viacom purchased another of the seven stations, so that by 2003 the seven stations were owned by a total of five entities, with News Corp and Viacom each owning two stations in the local market. Thus in 2003 each of those owners had what is sometimes referred to as "duopoly"<sup>6</sup> ownership position in Los Angeles.<sup>7</sup>

The data showed a decrease in the number of children's series broadcast, in the total hours of children's programming, and in the specific hours in the broadcast week when children's programming was available, and an increase in the frequency in which a particular children's program was shown first on a broadcast station and then on a cable network (a practice that is referred to as "repurposing"). Most of these changes occurred on the stations that had changed from an independent to duopoly ownership structure. Specifically, the comparison of the programming data for the seven broadcast television stations for the third week of February in 1998 to the programming data for the third week of February 2003 showed:

- the number of children's series broadcast decreased by 47%, from 88 to 47 different shows per week, and most of that decrease (38 of the 41 shows) was in the children's programming of the stations that are part of the newly created duopolies.
- the number of hours each week devoted to children's programming decreased by more than 50%, from 97.5 hours to 48 hours, and most of that decrease (43.5 hours) was in the children's programming of the stations that are part of the newly created duopolies.

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<sup>5</sup> See Children Now Report at p. 9.

<sup>6</sup> In common economic terminology, "duopoly" refers to a market in which there are only two producers. But in the context of the FCC local television ownership rules, the term "duopoly" refers to a situation in which a single company owns two television stations in a single market.

<sup>7</sup> Moreover, the Children Now Report, at p. 3, footnote 4, states: "Although there are five station owners in Los Angeles in 2003, there are actually only four companies that provide programming to the market, since the UPN network is owned by Viacom and the UPN affiliate in Los Angeles, KCOP, gets much of its programming from the UPN network." Thus, in 2003 Viacom owned two stations in Los Angeles and also owned the broadcast network that provided programming to a third station in that market.

- *the number of hours of availability of children's programming per week* (that is, taking into account that some children's programs are broadcast on the same day and in the same time slot each week to identify the number of unique hours each week that children's programs can be found on the air) decreased by 31%, from 47 unique viewing hours to 32.5 viewing hours per week. Children lost 3 hours of viewing time on Saturdays, 4 hours on Sundays, and 7.5 hours on weekdays.
- the number of stations broadcasting children's programming at any given hour decreased as well, reducing the diversity of age-appropriate program choices available to children.
- 43% of children's programs were repurposed in 2003 vs. 11% in 1998.<sup>8</sup> Specifically, 100% of KCBS's children's programming was also shown on Nickelodeon; 78% of KABC's children's programming was also shown on one or more of the cable channels owned by the Walt Disney Company; 58% of the children's series broadcast on KTLA, a WB affiliate, were also shown on AOL-Time Warner's Cartoon Network; and 100% of KNBC's children's programming was also shown on Discovery Kids digital cable channel, though that was not counted as repurposing because of the limited availability of digital cable.

Based on this data comparison, the Children Now Report concludes:

- "The results of this study are clear: Large media conglomerates are not acting in the best interests of children."
- "Overall, the results of this study leave little doubt that media consolidation diminishes the availability and diversity of children's television programming."
- "This study demonstrates that, after being purchased by large media conglomerates, some independent stations that once served the child audience with a large and diverse array of children's programs, instead offer a minimum of children's programming. Further consolidation may lead to a future where stations broadcast only the minimum requirement of three hours of children's educational programming per week, networks own all of their children's programming, source diversity is virtually nonexistent and companies repurpose their children's programming across all their jointly-owned stations."
- "This research provides compelling evidence that the concentration of large media conglomerates in one market can have a negative impact on the availability and diversity of children's programming."

## Review of the Report

The empirical findings presented in the Children Now Report are very stark. The amount of children's programming aired by the seven major commercial broadcast stations in Los Angeles was substantially lower in the third week of February 2003 than in the third week of February 1998, and

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<sup>8</sup> However, since the quantity of children's programming fell by approximately half during this period, this appears to represent a doubling, not a quadrupling, of the number of programs repurposed.

*most of the decline was in the programming of stations that formed a duopoly during that time period.* Based on this information, the Children Now Report reaches very strong general conclusions.

But the methodology, analysis, and – most significantly – data sample used are not substantial enough to support such strong conclusions. The methodological problem is that by using a simple chi-square analysis of differences, rather than employing regression analysis to take into account the effects of other variables, the results may overstate the effects of duopoly ownership on children's programming. For example, each of the duopolies in Los Angeles is owned by a large media conglomerate that also owns one or more national broadcast networks whose programming is aired by at least one of the duopoly stations. Only a small proportion of a national network's affiliate stations are owned and operated by the national network and even a smaller proportion are both owned and operated by the national network and part of a duopoly in the local market. Thus, the programming decisions made by the national network are unlikely to be affected very much by the acquisition of a duopoly position in a particular local market. Thus, if the national network were to make the decision to change its programming mix, and reduce the amount of children's programming aired, that is unlikely to reflect the duopoly position in a particular local market. Using regression analysis, the impact on a station's children's programming of being affiliated with a national broadcast network can be distinguished from the impact of becoming part of a duopoly. But using chi-square analysis, the effect of the national network's programming decision will appear to be the effect of the duopoly creation. In other words, the chi-square test sheds very little light on causality, though more complete statistical analysis might.

There are a number of potential problems with the choice of data points used in the Children Now Report. In particular:

- Why, and how, was the sample limited to seven major commercial television stations in Los Angeles when, according to *Television & Cable Factbook 2004*,<sup>9</sup> in 2003 there were 17 full power commercial stations whose signals fully covered Los Angeles and five additional stations whose signals covered some portion of Los Angeles? What would the data show if all 17 stations were included in the analysis?
- In particular, given the large Spanish speaking population in Los Angeles, why were Spanish language stations excluded from the sample, especially in light of the fact that these stations include another duopoly relationship that was created during the 1998-2003 period<sup>10</sup> and therefore might provide additional information on the relationship between duopoly ownership and children's programming? Moreover, at least one of the Spanish language stations, KFTR-Ontario-Los Angeles, owned

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<sup>9</sup> Warren Communications News, *Television & Cable Factbook 2004*, at pp. A-173 - A-337.

<sup>10</sup> KVEA-Corona-Los Angeles is the flagship station of the Telemundo network, which is a Spanish language network. In 2001, Telemundo purchased KWHY-Los Angeles, which it then began to operate as an independent Spanish language station. Telemundo thus gained a duopoly position in the Los Angeles market. In 2002, NBC purchased both the Telemundo network and the Telemundo owned and operated stations, and thus gained a triopoly position in the Los Angeles Market. The Children Now Report partially acknowledges this: "There are actually three duopolies in Los Angeles, as General Electric [the parent of NBC] owns both KNBC and the local Telemundo station. Since Telemundo programs for a different audience than the stations in the study, and since it is not one of the primary commercial broadcast stations, it was not included in the study."

and operated by Univision, and perhaps several of the other Spanish language stations, may have children's audiences as large as some of the seven "major" stations used in the study. What would data show if these Spanish language stations were included in the analysis? For example, did creation of the Spanish language duopolies also result in less children's programming by the newly co-owned stations?

- Given the lengthy discussion in the report on repurposing and on media conglomerates, and the widespread recognition (confirmed in Media Ownership Study #3, "Television Station Ownership Structure and the Quantity and Quality of TV Programming," by Gregory S. Crawford, commissioned by the FCC) that cable networks tend to provide more children's programming than broadcast channels, why didn't the report include data on the amount of children's programming provided by the cable networks that are carried by the cable and satellite operators in Los Angeles? What would the data show if cable programming were included in the analysis? For example, have decreases in children's programming by the broadcast duopolists been counteracted by increases in children's programming by cable networks that shared corporate parentage with those broadcasters?
- Why and how were the two sample weeks chosen? When the researchers found such a substantial decrease in the amount of children's programming aired over three of the duopoly stations, was any effort taken to determine whether there was some anomalous situation that resulted in the broadcasting of more children's programming than usual in the third week of February 1998 or less children's programming than usual in the third week of February 2003? For example, did some news event preempt any normally scheduled programming in February 2003?

In addition, there are some methodological issues. The Report states, "All data were collected and coded by Christina Romano Glaubke, MA. To ensure reliability, at least 50% of all program information was coded by two other trained coders. The percent of agreement between coders was calculated. The variables of program, genre and repurposing included in this analysis received a level of agreement of at least 93%." What was done when there was disagreement? Were such data points dropped? If so, on what basis? If not, what value was used and on what basis?

The Report also states, "All data reported in this study are statistically significant at  $p < .05$  level unless indicated otherwise." The Report indicates that the fall in children's programming by the duopoly stations was statistically significant, but that changes in children's programming by the other stations was not statistically significant. This is not particularly illuminating. When such a large change in value is found – as in the case of the dramatic decrease in children's programming by three duopoly stations – it is incumbent on the analyst to carefully review the data to see if there are other possible explanations for the change. For example, was there anything unique about the two weeks chosen for the study? Did limiting the sample to the seven major English language stations exclude relevant factors affecting their programming decisions – such as an increase in children's programming by cable networks or Spanish language broadcast stations? Were the changes due to national network programming decisions that were made without regard to the duopoly positions?

The drop in children's programming identified in the Children Now Report is so dramatic that it certainly provides motivation for one of the Report's recommendations – that the FCC commission further research to explore how media consolidation may affect the quality of children's

*programming. One useful way to proceed in that effort would be to expand the scope of the Children Now Report as discussed above.*

It is possible that (1) employing regression analysis to identify and factor in variables such as affiliation with a national network, (2) analyzing a broader data set that includes all broadcast television stations and cable networks available to television households in Los Angeles, and (3) performing a check on whether there were any anomalies associated with either of the two chosen sample weeks, will confirm the results of the Children Now Report. But absent such further analysis, the Report's conclusions are not sufficiently substantiated.

Review of  
"Employment and Wage Effects of Radio Consolidation"  
by Peter DiCola

Felix Oberholzer-Gee  
Harvard Business School

This study asks whether the consolidation of radio changes employment and wages of professionals working in the industry. Using data from the Occupational Employment Survey (OES) and BIA Financial Networks for the 1998-2003 period, the study concludes that consolidation led to job losses and that it reduced wages for the three professions studied here. In the author's view, the paper demonstrates that "more consolidated markets have fewer radio announcers, news reporters, and broadcast technicians" and that "the employment effects of radio consolidation thus represent a threat to both localism and diversity." (page 26)

In this review, I will follow the FCC guidelines for peer reviews. The guidelines ask reviewers to assess (i) whether the study's methodology and assumptions are reasonable and correct; (ii) whether they are consistent with theory and econometric practice; (iii) whether the data are reasonable; (iv) and whether the study's conclusions flow from the analysis.

To preview my assessment, I find that the paper represents a reasonable attempt to measure the employment effects of consolidation in radio. The study's conclusions, however, do not follow from the analysis. In the most credible econometric models, the data show that consolidation in radio had no effect on employment and wages.

### 1. Methodology and Assumptions

The study seeks to measure the employment and wage effects of radio consolidation, suspecting that large station owners need to hire fewer employees. This is a good question to ask. Economies of scale of this sort are one reason why consolidation might have occurred in the radio industry. While an industry model with scale economies seems appropriate, a second critical assumption in the paper is more questionable.

Throughout the study, the author claims that reduced employment implies less localism. This is in fact the main motivation to study the link between consolidation and employment. However, the author does not show that reductions in employment are in fact linked to localism. I find it easy to imagine scenarios in which employment falls and localism increases. To use an example from the paper, an owner might consolidate two competing newsrooms in a market, reducing the number of reporters from 20 (assume that each newsroom had 10 reporters) to 15. In this scenario, localism might increase because the 15 reporters can cover a larger number of local stories. By consolidating the two newsrooms, the owner was able to do away with wasteful duplication (e.g., two reporters attending the same news conference). Similarly, centralizing research might

allow a large owner to better understand local preferences for music and news. There is no reason to believe that a centralized research organization must be oblivious to geographic variation in consumer preferences. As these examples show, the study's maintained assumption that reduced employment must lead to a decline in localism is far from obvious, and there is no empirical evidence in the paper that supports this claim.

## 2. Econometric Practice

The paper uses variation in consolidation over time to identify the employment effects of industry concentration. There are two concerns with this approach. A first is that it might look as if consolidation reduced employment when the correlation is in fact driven by factors that are unobserved by the econometrician. For example, during the study period, the number of listeners declined considerably. A shrinking audience will create financial pressures and it can lead to layoffs. At the same time, the poor financial performance of stations might also encourage consolidation. In this situation, it might look as if consolidation reduced employment when it did not. The author addresses this difficulty in three ways. First, the models include a time trend that is common to all markets. Second, some models include market fixed effects to control for time-invariant unobserved heterogeneity. These controls are important but they do not completely solve the issue. For example, the models presented in the paper do not account for market-specific changes in listenership. Recognizing this weakness, the author concedes that the paper does not identify a causal effect (page 3). Nevertheless, when discussing his results and in the conclusions to the paper, the author throws caution to the wind, describing the findings as if they were causal.

A second difficulty lies in the measurement of consolidation. The study uses the (mean) number of stations per owner as a proxy for concentration. This measure is market specific. In other words, the study asks if employment in a particular market falls if owners increase the number of stations they control *in this market*. From a localism perspective, this is not the relevant measure of consolidation. The claims about the negative effects of voice tracking, syndication and central programming all have to do with greater incentives to reduce local employment if owners control a large number of stations *elsewhere*. The models in the paper are silent with respect to these effects because they relate local employment to local ownership. To study the effects of interest from a localism perspective, one needed to ask if local employment responds more sharply if an owner who plays a larger role at the national level acquires a station.

## 3. Data

The paper provides a careful discussion of the limitations of the data that are used in this study (page 16). The list of limitations seems fairly complete. The inability to distinguish jobs in the radio industry from the same jobs in other industries is particularly important.

The paper uses data from 1998 to 2003. This is surprising because both the OES and the Media Access data sets begin in 1996 (page 16). Because consolidation occurred in

the wake of the 1996 Telecommunications Act, it would have been particularly interesting to include these earlier years.

#### 4. Conclusions

Given the careful setup and the author's understanding of the limitations of the data, I was surprised by the conclusions of this study. As the author explains (page 19), it is particularly important to control for unobserved differences across markets. Thus, specification 4 (with market fixed effects) yields the most credible results. These estimates show there is *no significant reduction in employment*. In reaching his conclusions, the author focuses on the results without market fixed effects. The reasons for downplaying the fixed-effect results – “the data may be too incomplete,” “the fixed-effects models may ask too much of the OES data” – are not convincing. There is substantial within-market variation – in the average market, the number of stations per owner increased by 36% between 1996 and 2003 (page 23) – and the resulting estimates are more precise than the estimates in the models with only a time trend.

The finding that radio consolidation has no employment effects appears also consistent with the raw data presented in the paper. As the author explains (page 13), studying the effects of the Telecommunications Act of 1996 is promising because the Act led to significant changes in ownership concentration in a fairly short time. In other academic work, the Act has been successfully used to identify the effect of consolidation on programming variety (e.g., Berry and Waldfogel, *QJE* 2001). Against this backdrop, it is useful to study chart 2 in the paper, which shows radio employment per station from 1982 to 2002. There is no change in employment post 1996 that I can detect, an observation which is consistent with the fixed-effects results. The author's preferred estimates imply a decline in the employment of news reporters by 56% over the study period (-30% for broadcast technicians). Changes of this magnitude would likely be visible in Chart 2 if they were real. My own conclusion from this study is that local concentration had no impact on employment and wages.

**FCC Peer Review**

**"Out of the Picture: The Lack of Racial and Gender Diversity in TV Station Ownership," by S. Derek Turner and Mark Cooper (Study 11)", submitted by Consumers Union.**

(1) Are the methodology and assumptions employed reasonable and technically correct?

This study examined ownership data on television stations derived from public documents. Having worked in the same area of research, I deem the methods employed entirely appropriate.

(2) Are the methodology and assumptions consistent with accepted economic theory and econometric practices?

I do not consider this an economic study per se. That said, the methods employed are commensurate with the questions asked by the study.

(3) Are the data used reasonable and of sufficient quality for purposes of the analysis?

FCC data makes it difficult to answer the questions asked in this study because the quality of the data is so poor. Although the question of ownership, minority status, and gender appear to be straightforward variables, the quality of the data does not make the determination easy. The authors have done as well with the data as possible.

(4) Do the conclusions, if any, follow from the analysis.

Yes, clearly.

**"Questioning Media Access: Analysis of FCC Women and Minority Ownership Data, 2006," by Carolyn M. Byerly, Ph.D. (Appendix A), submitted by the United Church of Christ, Inc.**

(1) Are the methodology and assumptions employed reasonable and technically correct?

The description of methods employed is overly brief. One has to read the entire report to determine the reasonableness of the methods employed. Based on a reading of the report, the methods employed appear reasonable.

(2) Are the methodology and assumptions are consistent with accepted economic theory and econometric practices?

I do not consider this an economic study per se. However, the study analyzes data of the kind that an economist would collect. In that sense, the methods and assumptions of the study are appropriate.

(3) Are the data used reasonable and of sufficient quality for purposes of the

analysis?

The questions asked in this study are of significant importance to the public's interest, as well as to public policy. However, the data kept by the FCC contains gaps that require considerable effort on the part of the researcher. In this case, the researcher deserves to be commended for working carefully with the data.

(4) Do the conclusions, if any, follow from the analysis.  
They do.

## **Peer review of "Do Local Owners Deliver More Localism? Some Evidence from Local Broadcast News"**

In this paper, the authors consider the question of how ownership (local vs. non-local) of a TV station affects the quantity of local content presented in its news broadcasts. They utilize a unique database from the University of Delaware which contains logs of news stories covered by 60 stations over five days in 1998. Their main conclusion is that locally owned TV stations air more local news than non-locally owned stations. Specifically, they find that local ownership of TV stations adds almost five-and-a-half minutes of local news of over three minutes of local on-location news.

### **Comments:**

1. The data used in this analysis appear to be of reasonable and sufficient quality for the purpose of this analysis.
2. Some aspects of their econometric methodology were not completely clear to me from the paper. For example, the last paragraph on page 11 is difficult to understand.
3. The main econometric problem in any studies of this kind is that some of the right-hand-side variables in the regressions (importantly, the local ownership dummy) may be endogenous. This is because, in order to be useful for policy purposes, the coefficient on the local-ownership dummy should measure the causal effect of local ownership on local news content. On the one hand, the fact that the authors were able to include a full set of 97 DMA-day dummies alleviates concerns about the potential endogeneity.

However, I am worried about station-specific unobserved heterogeneity, which could also bias the results. I would like to see station-specific dummies also included as controls, but because the local ownership dummy would be completely collinear to these dummies, we would not be able to joint identify the coefficients of these dummies.

4. The main conclusions of the authors do follow from their analysis.

**Comments on “Review of the Increases in Non-Entertainment Programming Provided in Markets with Newspaper-Owned Television Stations’: an Update” by Michael G. Baumann of Economists Incorporated.**

**Comments by Kenneth C. Wilbur, Assistant Professor of Marketing, Marshall School of Business, University of Southern California.**

I was asked by Jonathan Levy, Deputy Chief Economist of the US Federal Communications Commission, to identify potential problems in the reasonableness, correctness, and consistency of the assumptions used to produce the analysis; the quality and sufficiency of the data; and whether the conclusions follow from the analysis.

The study’s purpose is to measure whether network-affiliated television stations program more non-entertainment programming in “convergence markets” (wherein a newspaper and television station are co-owned) than in “non-convergence markets.” They conduct this analysis by making pair-wise comparisons between convergence markets and similarly-sized non-convergence markets with four broadcast network affiliates. I raise here two methodological concerns and then give an important caveat regarding the study’s implications. I conclude by assessing how clearly the study’s conclusion follows from the data.

**Concern #1:** The validity of the pairwise comparisons on which the study is based is the assumption that designated market area (“DMA”) size is an indicator of DMA similarity. This assumption is reasonable on its face and, in the absence of better information, would be a commonly chosen starting point. However there is evidence to question whether this assumption is valid. A review of the average non-entertainment programming per station in the 3<sup>rd</sup> column of Table 1 shows that non-entertainment programming in control markets does not appear to be

related to DMA size. For example, three similarly sized control markets (Anchorage, #154; Bismarck, #158; and Billings, #170) contain greatly varying quantities of non-entertainment programming (53.6, 42, and 66.5 hours, respectively). The lack of relationship between DMA size and non-entertainment programming extends throughout the range of DMAs considered. This calls into question the central assumption of the validity of the control group. It may well be that a better set of controls would include measures of market similarity like population demographics, prevalence of religious beliefs, or physical characteristics. For example, more children in a DMA may mean more children's educational programming; a higher share of churchgoing public may mean more religious programming; and more arable land may mean more agricultural programming.<sup>1</sup>

**Concern #2:** In the case of two DMAs (Panama City and Baton Rouge), the next-largest DMA was served by fewer than four commercial broadcast-network-affiliated stations, so a different DMA was chosen to serve as the control. In a sense, this helps to address the concern raised above if the number of commercial broadcast network affiliates is somehow related to unobserved market characteristics. However, given that the analysis is comparing quantity of non-entertainment programming on a per-station basis, it is not clear that four broadcast network stations are required to make this comparison. The study would be stronger if it reported the results of the comparison with both the next-largest DMA and the next-largest DMA with the same number of broadcast network affiliates.

**A caveat regarding the application of the study's result:** When selecting a control for Idaho Falls, the authors had to reject four DMAs (#159-162) to find one with four commercial broadcast network affiliates. If the structure of a convergence market crowds out non-broadcast-

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<sup>1</sup> Given this concern, it would perhaps have been a better idea to compare convergence markets with control markets that are both similarly sized and geographically proximate.

network affiliated stations, this could have a dramatic impact on non-entertainment programming available, since stations affiliated with public or non-profit broadcasters are known to carry far more non-entertainment programming than commercial stations.

**Conclusion:** Given all of the above, my opinion is that the study provides limited evidence that commercial broadcast network affiliates in convergence markets air more non-entertainment programming than commercial broadcast network affiliates in non-convergence markets. However, it is possible that a different selection of control markets would reverse this result. And the implications of this study must be interpreted very carefully: it does not support the claim that co-ownership of television stations and newspapers increases the total amount of non-entertainment programming available in a market, since it does not consider the possibility that co-ownership may impact the number or affiliations of non-commercial television stations.

**Comments on "Behavioral Analysis of Newspaper-Broadcast Cross-Ownership Rules in Medium and Small Markets" by Michael G. Baumann of Economists Incorporated.**  
**Comments by Kenneth C. Wilbur, Assistant Professor of Marketing, Marshall School of Business, University of Southern California.**

I was asked by Jonathan Levy, Deputy Chief Economist of the US Federal Communications Commission, to identify potential problems in the reasonableness, correctness, and consistency of the assumptions used to produce the analysis; the quality and sufficiency of the data; and whether the conclusions follow from the analysis.

The author seeks to answer the question of whether cross-ownership of a newspaper and television station in a single Designated Market Area ("DMA") increases the newspaper's advertising price. He addresses this by estimating a cross-sectional, reduced-form regression of newspaper advertising prices per inch on market structure and characteristics. The results indicate that cross-ownership is not associated with higher advertising prices per inch, controlling for other factors.

There are some technical questions regarding the application of the econometric model. The first question is why it is necessary to exclude the quantity of advertising sold by the newspaper. The standard approach would be to include this as an explanatory variable and find some instruments to control for its potential correlation with the error term. A second question is why the market's population, rather than the newspaper's circulation, is included as an explanatory variable. The newspaper's circulation is what advertisers are paying to access, and while this is likely to be correlated with market population, we may observe nonrandom fluctuations in this relationship in markets where cross-media ownership structures are present.

Still, it seems unlikely that treating either of these technical questions differently would change the main result of interest.

In summary, my opinion is that the study provides reasonable evidence for its conclusion that markets containing newspaper/television cross-ownership do not exhibit higher newspaper advertising prices per inch than markets without cross-ownership structures. However, it is not clear whether newspaper price per inch is the appropriate basis for setting policy on cross-media ownership restrictions. Economic theory would suggest that advertising price per inch *per consumer* or market efficiency would provide a sounder basis for policy, but the study does not contain results related to either variable.

Review of: "Traditional Outlets Still Dominate Local News and Information," by Mark Cooper

Reviewer: Steve Wildman, Michigan State University

During the research and evaluation phase leading up to its 2003 Report and Order on Media Ownership, the FCC commissioned Nielsen Media Research to conduct a survey of citizens' media use habits. The findings of this survey were reflected in the weights the Commission applied to different media in the controversial diversity index proposed in the order that was subsequently remanded to the Commission for reconsideration by the Third Circuit Court of Appeals in June 2004. In this paper, Dr. Cooper presents findings from two surveys designed by The Consumer Federation of American and Consumers Union (CFACU) and administered by Opinion Research Corporation in 2003-2004 and in 2006. The findings of these surveys are compared to findings from surveys conducted by other parties dating back over a decade to demonstrate that the responses to the CFACU surveys were consistent with those generated by surveys conducted by other researchers.

The claimed motive for the CFACU surveys was to address various flaws and omissions that CFACU sees as limiting the usefulness of the FCC's Nielsen survey for crafting a local media ownership policy. This review of Dr. Cooper's paper asks two broad questions: (1) whether the original FCC-Nielsen methodology is as badly flawed as claimed by Dr. Cooper, and (2) whether the findings from the CFACU surveys reported in this paper constitute evidence deserving serious consideration as the Commission revisits its media ownership policies once again. To briefly preview my conclusions, I believe Dr. Cooper overstates the case for dismissing the findings of the Nielsen survey, but I also think the findings of the CFACU surveys discussed in this paper constitute a valuable addition to the evidence available to the Commission.

Dr. Cooper offers two principal criticisms of the Nielsen survey. (1) That it does not adequately distinguish between alternative media as sources for news and information related to national versus local affairs. (2) That it fails to distinguish between the importance media consumers attach to different media as sources of information on national and local affairs and the frequency with they acquire information on national and local affairs from different media. He also faults the Nielsen survey for not including questions that directly address the possibility that online sources of news and information utilized by media consumers were operations maintained by outlets for traditional media in local markets, such as a local newspapers' and TV stations' websites. There is merit in all three criticisms. However, as the third criticism is the principal topic addressed in a separate paper submitted to the Commission by Dr. Cooper and CFACU survey results addressing internet-related issues are only briefly (and incompletely) summarized in this paper, this review focuses on the analysis related to the first two criticisms of the Nielsen survey and their use by the FCC.

The first two criticisms focus on two questions included in the Nielsen survey addressing the use of different media as sources of information on local and national issues: "What

single source do you use most often for local or national news and current affairs?" and "What sources, if any, have you used in the past 7 days for local news and current affairs?" As follow up to the second question, respondents were also asked if they used specific media (listed by name) that were not among those they named on the basis of unaided recall. The responses to the original question and the follow up questions were then combined.

Given the historic importance of localism as a goal for U.S. communications policy, the possibility that some media may be important sources of local news and information and others contribute more to media consumers' knowledge of national affairs should be taken seriously in any assessment of the policy implications of local media ownership structure. Presumably concentration of sources for either type of news and information individually would be a matter of concern. However, both types of news and information are combined in the first Nielsen question. While concentration of media sources for both types of information combined may be a legitimate concern for policy makers, a more conservative approach would deal with each type of information separately. On the other hand, because the second Nielsen question focuses specifically on "local news and current affairs," it is really only concentration of sources of national news and information that is not explicitly addressed on its own by the Nielsen questions.

Furthermore, as Dr. Cooper points out, because the first, broad media question and the second that dealt explicitly with local media called for very different types of answers, it is not possible to tell from the answers to the Nielsen survey the extent to which respondents were able to clearly distinguish among sources for national and local news and information. This ambiguity was reflected in the Commission's decision not to include cable television in its diversity index because other evidence suggested that at least some respondents were not able to faithfully distinguish between cable networks providing national news and the local broadcast stations carried by cable systems that were the actual sources of most televised coverage of local affairs. The approach in the first of the two CFACU surveys of asking two questions with parallel wording, one focused on sources of national news and the other on sources of local news and information, is thus an improvement on the questions employed in the FCC's Nielsen survey. The substantially different patterns of responses to the CFACU national and local media use questions show that at least a substantial portion of survey respondents can distinguish among different media, including network and local television, as sources of national news and information as opposed to local news and information. On the other hand, the fact that six percent of respondents to the CFACU 2004 survey listed Cable TV as their most important source of local news suggests that some CFACU respondents may not have been fully aware of the sources for different types of televised news.

Dr. Cooper criticizes the second Nielsen question regarding media used for local news as being weak for asking only about media used during the last 7 days and for belittling the importance of the question by including the words "if any." The merit of the weakness complaint is not prima facie obvious. Nor is it supported by reference to accepted standards of good practice in survey methodology. Differences between diary and people meter measures of television audiences have shown that memory is often a highly inaccurate gauge of actual media use. Memory presumably also becomes an increasingly poor index of actual media use the longer the period to which it is applied. Thus

restricting responses to media used during the prior seven days conceivably could provide a more reliable measure of actual use than simply asking people to state which media sources they turn to most often. Thus I am not convinced by the claim that the CFACU question regarding frequency of use of different media as sources for local news and information is superior to the local media question in the FCC's Nielsen survey. Similarly, lacking any supporting citations to standards of good practice in survey design, I find no reason to accept the implied claim that responses to the Nielsen question about sources for local news and information might have been influenced by inclusion of the words "if any," while the inclusion of this qualifier conceivably could have served the purpose of assuring respondents that a null response to an open ended question was acceptable.

Dr. Cooper is also critical of the FCC for listing and weighting equally all media identified in response to the second Nielsen question and the follow up inquiries about media not remembered through unaided recall because "[t]his approach was certain to overweight the less prevalent and important sources by asking many more people about those sources a second time with a prompted question." Ignored is the possibility that this question was intended to elicit information reflecting on something other than frequency of use or importance as defined by CFACU (contributing most to the formation of a respondent's opinion about local/national issues). A historically important concern in the debate over ownership policy is the number of distinct media sources citizens turn to in seeking information and opinions. The inclusive approach of combining responses to the open-ended question with those prompted by the follow up questions would seem to generate evidence responsive to this historic concern, and certainly more responsive than the data gathered through the CFACU survey. The CFACU surveys asked respondents to list their most frequently used and second most frequently used media and CFACU then summed these responses to get a somewhat misleadingly labeled total use measure. But unless the vast majority of media consumers utilize no more than two media in their efforts to acquire news and information, the CFACU total use measure is likely to be a poor index of the number of sources media consumers actually turn to.

The CFACU decision to include separate questions in their surveys about the frequency with which different media are used and their importance to opinion formation does address a significant oversight in the design of the FCC's Nielsen survey. If some media contribute more to the formation of opinion on national and/or local affairs, policy should be more concerned with concentration in the ownership of outlets for those media that are most influential. CFACU frequency of use ratings are highly correlated with their importance ratings, which raises the question of whether survey respondents simply listed as most important those media they used most. However, CFACU also use data from their 2006 survey to show that at the individual level respondents often listed different media as most important and most frequently used as sources for different types of news. Thus, for example, they found that 64 percent of respondents listing national TV as their most frequently used source for information on national issues also listed it as their most important source. For magazines, the corresponding figures were two percent and 33 percent. It is important to know that many respondents were not treating importance and

frequency as proxies for each other, but this does not mean that substantial numbers did not equate frequency with importance. Greater clarity in this regard might have been provided had respondents been asked why they viewed some media as more important sources of news and information than others. Nevertheless, CFACU has made an important contribution by asking separate questions about frequency of use and importance of different media.

Review of: "The Internet and Local News and Information," by Mark Cooper

Reviewer: Steve Wildman, Michigan State University

In remanding portions of the 2003 Report and Order on Media Ownership to the Commission for reconsideration, the *Prometheus* Court criticized the Order's analysis supporting the proposed diversity index for including the internet in the index without determining whether the websites internet users turned to for news were independent of offline media sources of news. The Court cited evidence that online services most relied on by internet users for the most part were online extensions of traditional media enterprises operating in local markets. As such, they should not be considered independent voices.

Two surveys of media use designed by the Consumer Federation of America and Consumers Union (CFACU) that were administered in 2004 and 2006 by Opinion Research Corporation included questions intended provided information on the extent to which citizens rely on internet sources for news and information about both national and local affairs and whether internet sources accessed for this purpose were independent of traditional offline media news sources. In this paper, Dr. Mark Cooper reports and discusses the results from this portion of the survey. He also discusses findings from surveys conducted by other organizations that also asked questions about use of online sources of news.

The findings of the two CFACU surveys strongly support the Court's argument that the online news sources accessed by internet users are overwhelmingly online extensions of the offline operations of traditional media enterprises. Relatively small fractions of survey respondents reported internet sources as their first or second most used sources for national news and information and less than five percent of respondents reported reliance on internet sources for local news and information. (This was calculated as a percentage of answers to a most used news source question. If most used and second most uses are totaled, the internet's percentage increases to 10 percent.) In addition, survey respondents who reported frequent use of the internet for either type of news were found to overwhelmingly utilize the web services provided by providers of traditional offline media services, and of these, websites maintained by newspapers and television services were clearly dominant. These findings are shown to be similar to findings from a survey with similar questions conducted by Pew. The survey methodology is also similar to that employed by Pew in its surveys for a number of years. Were it not for the discussion of the impact of the order in which questions were asked on the nature of the responses to key questions beginning on page 145, I would find little to criticize in this paper devoted to presentation and discussion of the internet-specific findings of the CFACU surveys. This is the type of information the Commission should be seeking to determine the extent to which the availability of internet sources should be reflected in the design of local ownership policies. However, the problems with the material in question do raise questions about the rest.

In a section of the paper titled "A Note on Wording and Sequencing of the Source and Internet Questions," Dr. Cooper notes that the results reported were from a survey in which participants were asked what sources they relied on for national and international

news and information before they were asked what sources they utilized for local news and information. To test for the possibility that asking about national and international news sources first might influence the responses to the local news and information sources questions, CFACU also "asked the questions in a different way one [sic] a different date of another national random sample survey." (p. 146) As the quoted passage might indicate, this section appears to have been composed in some haste and edited lightly, which may account for apparent inconsistencies in textual claims and evidence presented in Exhibits 10 and 11. The ways in which the second set of survey questions differed from the first are described as follows. "We did not ask the national/international questions first, we asked only those who said they went online for news (as opposed to everyone who has the Internet) and we included the aggregators in the list of web sites that were visited." The findings presented in the table that is Exhibit 10 are then described. "The respondents move in the direction that would be expected (see Exhibit 10). Without being asked about national and international news and information first, more respondents say they go to national sites for local news." (p. 146)

The implication of "sites" in the last sentence quoted is that the summary of survey responses reported in Exhibit 10 relates to websites respondents visited to get local news. The title of the table, however, begins "Major Sources of News" and the list of sources has the internet as its own category, along with local TV, national TV, national daily, local daily, local weekly and radio. Clearly what is being reported is a comparison of responses to two sets of questions relating to all sources for local news, not just those that are internet-based. By itself, this undoubtedly inadvertent discrepancy between the content of Exhibit 10 and its textual description should not be a matter of much concern. However, questions raised by the findings reported in Exhibit 11 and their in-text description raises the possibility that the interpretation presented of differences in the responses to the two surveys may be a less than complete explanation of the effects of differences in survey approach on the results reported.

Exhibit 11 presents statistics describing responses of participants in the two surveys to questions about what internet sources they used either most frequently or most or second most frequently (1<sup>st</sup> and 2<sup>nd</sup> most frequently combined). The title for the table is "Different Approaches to Questions Result in Small Differences in Responses." Below I question whether the differences reported really are small. Here I note that variation in at least three survey factors may have contributed the differences in the reported responses to the two surveys. (1) The second survey did not ask the question about national/international news before asking about sources of local news. (2) The second survey asked only those respondents indicating they sought news on the internet about what online sources they used most frequently and second most frequently, while the first survey asked this question of all respondents who had access to the internet in their homes. (3) The second survey identified internet news aggregators while the first survey did not. Without other controls, it is impossible to state with any confidence how much variation in any of these three factors contributed to the observed differences in responses. Nevertheless, the finding that "local sites have the largest increase" is attributed to "the fact that the national news question was not asked first." (p. 147)

It is also hard to justify the claim in the table title that "different approaches to questions result in small differences in responses" when the comparison shows that respondents to

the survey with the national/international question asked first listed local TV websites first 13 percent of the time and first or second 22 percent of the time while the corresponding figures for responses to the second survey were two percent and four percent. There were also sizable differences in percentages listing local daily newspapers. In relative, though not absolute terms, some of the other changes are also quite large. For example, others/portals increases (first to second survey) from 7 to 13 percent for most plus second most used percentage, which is nearly a doubling, and doublings are reported for list serves and blogs on this measure, although the initial values are only one percent. In any case, I don't think the results reported support the claim that different approaches result in small differences in responses. If any thing, the results suggest that the order in which questions are asked can substantially influence the survey results reported. If this is the case, then the impact of the order in which other questions in the CFACU survey were asked on reported results might also be questioned—in particular the questions asking survey respondents what media they used most frequently or found most important as sources of national news and local news.

If different survey approaches, and especially differences in the order in which questions are asked, do influence the magnitudes of response totals, we have to ask whether asking the national/international question first generates the most reliable measures of sources used for local news. If the primary interest of the inquiry were concentration in sources for national and international news, would this dictate asking questions about local news sources first? Perhaps a better approach would be to ask subsamples of the survey population the two sets of questions in opposite order and use their responses to identify a range in which a true value might lie. Of course, this issue could be better addressed by an expert in survey methodology, which I am not, and the question about the effect of the order in which questions are asked on the responses elicited applies to the Nielsen survey conducted for the FCC prior to the 2003 Report and Order as well as to this survey by CFACU.

Dr. Cooper argues that because the percentage of respondents listing the internet as a source is so small, the effect of survey approach on distribution of responses matters little when it comes to assessing the importance of internet sources should be given in the crafting of local ownership policy. This may be true, but I would feel more comfortable accepting this conclusion if I had more confidence in my understanding of the survey instruments employed. Plus, what constitutes small is not clear. 10 percent of respondents to the first survey (with the prior question about national/international news) listed the internet as their most or second most used source. For participants in the survey without the prior national/international news question, eight percent listed the internet as most used and 21 percent listed it as either most or second most used.

Totaling most used and most plus second most used responses across the media listed in Exhibit 11 for the two surveys also raises questions about the bases against which the percentages were calculated. Respondents to the internet use questions in the second survey were restricted to individuals who said they used internet news sources. The first survey tabulated responses for all people who said they had the internet at home, whether they use it to find news or not. One would expect that the percentage of the second survey sample listing internet sources for news would be larger than the percentage of respondents to the first survey listing internet sources because the first survey

respondents include individuals who have the internet at home but don't use it for news. That is, those who use the internet for news would be expected to list internet sources more frequently than those who have the internet available, but may or may not use it for news. However, the total of most used percentages over all media websites for the first survey is 47 percent, while the corresponding total for the second survey was 26 percent. Sums of percentages across all media websites for most plus second most used sources tell a similar story: 80 percent for the first survey and 48 percent for the second survey. There may be a simple and straightforward explanation for these apparently anomalous results, but with the information provided it is not possible to determine what it might be.

The last few pages of this paper report results from a Pew study of blogging and offers other evidence suggesting that bloggers operate and view themselves very differently than traditional media and do not play the same roles attributed to traditional media in policy debates over the First Amendment and diversity. While I was not able to decipher the supporting Exhibit 12, the evidence and arguments offered support the basic thrust of this section that the emergence of blogs, and perhaps other new internet sources of news and information, does little to allay long standing concerns with the effects of concentration in ownership of traditional media.