

December 7, 2012

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: Notice of *Ex Parte* Communication
MB Docket Nos. 09-182 and 10-71

Dear Ms. Dortch:

On December 5, 2012, Maureen O’Connell, Senior Vice President, Regulatory and Government Affairs, News Corporation, and Jared Sher, Vice President and Associate General Counsel, News America, Inc., met with Dave Grimaldi of Commissioner Clyburn’s office to discuss the above-referenced proceedings.

During the meeting, we reiterated News Corp’s longstanding position that the Commission should repeal media ownership restrictions that continue to hamstring broadcast station owners uniquely among the plethora of media competing for consumer and advertiser attention in the modern media marketplace. In particular, we urged the Commission to eliminate the newspaper/broadcast cross-ownership rule, which is especially anachronistic. We pointed out that the rule actively discourages partnerships that could advance the FCC’s core goals, and explained that – given the current economic plight of the newspaper industry – retention of this rule will only aggravate the challenges that inhibit investment in robust journalism.

There can be little debate today that the newspaper industry faces existential threats. Daily newspapers in markets across the country face acute declines in circulation and advertising – twin hazards that have undermined the economic business model of print journalism. Circulation figures at newspapers nationwide tell a sobering tale. At News Corp’s *New York Post*, for instance, print circulation dropped by nearly 42% between 2002 and 2012 (from nearly 600,000 daily readers to less than 345,000).¹ The Washington Post suffered an equally precipitous drop in print circulation – more than 40% – over the same time period.² And smaller markets, such as San Jose (down 54%), Detroit (down 63%), Cleveland (down 40%) and Phoenix (down 38%), also have faced drastic declines.³

Moreover, according to the Newspaper Association of America, the total number of daily newspapers declined from a peak of more than 1,750 when the cross-ownership rule was adopted to fewer than 1,400 in 2011 (a reduction of more than 20 percent).⁴ The closure of all of these daily newspapers has literally eradicated hundreds of voices from the marketplace of ideas, while

¹ See Alliance for Audited Media Circulation Report; print circulation figures for September 2002 and September 2012.

² See *id.*

³ See *id.*

⁴ See Newspaper Association of America, Newspaper Circulation Volume (last updated Sept. 4, 2012) (available at <http://www.naa.org/Trends-and-Numbers/Circulation/Newspaper-Circulation-Volume.aspx>).

also eliminating thousands of jobs that may never return. Even newspapers that have not folded up shop completely have been forced to make ends meet by round after round of layoffs, buyouts and hiring freezes. By precluding investment from television station owners, the sources most likely to invest in newspapers, the FCC exacerbates the risk that still more jobs will disappear and never come back.

In our meeting we noted that, in an era of profound distress for the newspaper industry, the Commission should embrace the ways in which television stations and newspapers can share resources and realize economic efficiencies that would improve the ability of commonly-owned outlets to provide local news and information. We stressed that a multitude of voices compete in most markets, especially the nation's largest markets. Outlets that did not exist even 10 years ago not only contribute today, but do so with increasing prominence. In particular, the Internet – with its literally limitless opportunities for voices and information sharing – has continued to upend media markets.

And while it may once have been a special privilege for U.S. homes to have Internet access, today access is increasingly the norm. Nielsen estimates that the vast majority of U.S. TV households – 78.6% – now have at-home Internet access. In the Top 25 markets, the figure climbs to more than 80% of households today (numbers that in all likelihood will increase).⁵ The growth trend for Internet adoption stands in stark contrast to the still-declining number of consumers that subscribe to a daily newspaper. Whereas newspapers had more than 60 million daily subscribers nationwide when the cross-ownership rule was adopted, by 2011 the total had dropped to just over 44 million – a 27% reduction despite a 31% increase in the overall size of the U.S. population over the same time period.⁶ Notably, while the Internet adoption rate has grown to near 80%, the newspaper “adoption” rate (as measured by daily print circulation) has now fallen below 40% of U.S. households.

For all of these reasons, we urged the FCC to eliminate the cross-ownership rule as a relic from a bygone era. We suggested that, at the very least, the Commission should discard the rule in the nation's largest media markets, which are unquestionably diverse and competitive enough to overcome any residual concerns that may exist about the impact of cross-ownership. We also explained that the ultimate consequence of continuing to restrict investment in newspapers is likely to be the ongoing erosion of robust journalism, harming both localism and diversity in markets across the country.

Furthermore, we explained why published reports about potential relaxation – to presumptively allow common ownership of TV stations and newspapers if a station is not ranked among a market's Top 4 – would prove to be no more than phantom relief from the rule. Stations ranked among the Top 4 in a market are far more likely to produce local news, which makes them the most likely and plausible investors in newspapers, given that medium's enormous economic pressures. TV stations that do not currently produce local news are much less likely to consider the risky investment of buying newspapers. Thus, restricting any proposed “relief” from the rule

⁵ Nielsen Media Research Internet penetration estimates are based on Nielsen's national audience sample.

⁶ See Newspaper Association of America, Newspaper Circulation Volume (last updated Sept. 4, 2012) (available at <http://www.naa.org/Trends-and-Numbers/Circulation/Newspaper-Circulation-Volume.aspx>).

to lower-ranked stations would provide no relief at all to the very companies most likely to consider the type of investment that the newspaper industry so desperately needs.

Finally, we noted that the Commission should refrain from addressing matters relating to retransmission consent in this proceeding. Given that there already exists a separate, pending proceeding to consider matters relating to retransmission consent, there is no reason for the FCC to duplicate the discussion here. Nor would it serve the public interest to permit the important analysis of media ownership issues to be sidetracked by retransmission consent demands, particularly in light of the urgent need for relief from media ownership rules that threaten the FCC's core goals. In any event, we reiterated that the retransmission consent marketplace continues to function as Congress intended, obviating any need for FCC intervention.

This letter is being submitted electronically in the above-referenced dockets, which have been granted permit-but-disclose status, pursuant to Section 1.1206(b) of the Commission's Rules. Should you have any questions concerning this submission, kindly contact the undersigned.

Respectfully submitted,

/s/

Maureen A. O'Connell
Senior Vice President
Regulatory and Government Affairs
News Corporation

Jared S. Sher
Vice President
Associate General Counsel
News America, Inc.

cc: Dave Grimaldi