Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
2010 Quadrennial Review -- Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Communications Act of 1996	))))	MB Docket No. 09-182
	)	
Promoting Diversity of Ownership In the Broadcasting Services	))	MB Docket No. 07-294

REPLY COMMENTS OF MORRIS COMMUNICATIONS COMPANY, LLC

Morris Communications Company, LLC ("Morris") hereby submits these reply comments in response to the Public Notice released on December 3, 2012, in the above-captioned proceeding.[1] The Public Notice seeks comment on commercial broadcast station ownership data contained in a report released by the Commission on November 14, 2012 (the "Ownership Report").[2]

Morris is one of the country's strongest mid-sized, privately held media companies, with diversified holdings that include daily newspapers and radio broadcast stations. Morris currently operates co-located radio/newspaper combinations in Topeka, Kansas and Amarillo, Texas pursuant to temporary waivers.[3] Its particular interest in this proceeding is therefore in the newspaper/radio cross-ownership rule (the "NRCO Rule").[4] As the initial comments on the

[1] *See Commission Seeks Comment on Broadcast Ownership Report*, Public Notice, DA 12-1946 (MB, rel. Dec. 3, 2012) ("Public Notice").

[2] *See 2010 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*, MB Docket No. 09-182, Report on Ownership of Commercial Broadcast Stations, DA 12-1667 (MB rel. Nov. 14, 2012) ("Ownership Report").

[3] *See* Comments of Morris Communications Company, LLC, MB Docket Nos. 09-182, 07-294 (filed Mar. 5, 2012) ("*Morris NPRM Comments*"), at 1-2.

[4] Morris has long advocated complete repeal of the entire newspaper/broadcast cross-ownership

Public Notice show, and as further demonstrated below, elimination of that rule will further the FCC's localism goals and have no negative impact on minority or female broadcast station ownership levels. Accordingly, the Commission should remove this outdated restriction that serves no legitimate public interest purpose. The FCC can better address disparities in station ownership levels and foster greater involvement by women and members of minority groups by focusing in this and other appropriate proceedings on consideration and implementation of long-pending proposals that are specifically targeted at improving the diversity of ownership of our nation's broadcast stations.

I. ELIMINATION OF THE NRCO RULE WILL NOT ADVERSELY IMPACT OWNERSHP DIVERSITY.

The Public Notice and data set forth in the underlying Report confirm that minority and female ownership of broadcast stations, including radio stations, is disproportionately low, a fact that has been "well established in [the FCC's] media ownership docket."[5] Although Morris shares the concerns of the Commission and others regarding these low levels of ownership, and strongly supports appropriately crafted policies to foster ownership diversity in the media marketplace, there is no reliable evidence that retention of the NRCO Rule will improve the situation.

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rule, including both its television and radio components. *See*, *e.g.*, *id.*; Comments of Morris Communications Company, LLC, MB Docket No. 09-182 (filed July 12, 2010); Comments of Morris Communications Company, LLC, MB Docket No. 06-121 (filed Oct. 23, 2006); Comments of Morris Communications Corporation, MB Docket No. 02-277 (filed Jan. 2, 2003); Comments of Morris Communications Corporation, MM Docket No. 01-235 (filed Dec. 3, 2001). For purposes of this filing, and without waiving any arguments previously presented, Morris will focus on the newspaper/radio component because it is the most pertinent to its business operations.

[5] Public Notice at ¶ 2.

While some commenters suggest that repeal of the NRCO Rule will have a negative impact on ownership diversity,[6] they offer nothing beyond speculation that radio properties that might be acquired or permanently retained by newspaper owners if the rule were eliminated would otherwise be purchased by minorities or women. To the contrary, the weight of the evidence shows that the primary impediment for those seeking to enter the business of broadcasting is a lack of access to capital.[7] It is perhaps for this reason that a coalition of 50 minority and civil rights groups has noted that the newspaper/broadcast cross-ownership rule "appears to have little impact on minority ownership" and therefore does not oppose its relaxation provided that the rule change would not diminish minority ownership.[8]

In short, there is no reliable evidence that elimination of the NRCO Rule will result in a rash of purchases of existing minority- or female-owned radio stations by non-diverse newspaper owners. Nor is there any evidence that the NRCO Rule's repeal will appreciably reduce the

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[6] *See, e.g.*, Comments of the National Ass'n of Black Owned Broadcasters, MB Docket Nos. 09-182, 07-294 (filed Dec. 26, 2012), at 11; Comments of the National Ass'n of Black Owned Broadcasters, MB Docket Nos. 09-182, 07-294 (filed Dec. 11, 2012), at 4; *see also* Supplemental Comments of the Newspaper Association of America, MB Docket Nos. 09-182, 07-294 (filed Dec. 26, 2012) ("*NAA Supplemental Comments*"), at 2-3 (citing and rebutting other similar filings).

[7] *See, e.g.*, Further Comments of the Diversity and Competition Supporters, MB Docket Nos. 09-182, 07-294 (filed Dec. 26, 2012), at 5 ("lack of access to capital" is one of "several barriers that prevent minority and women entrepreneurs from entering the broadcasting industry…"); Comments of National Association of Media Brokers, MB Docket Nos. 09-182, 07-294 (filed Dec. 21, 2012), at 2 ("[I]t is clear that the biggest impediment to minority ownership in broadcasting is … the lack of financing to make an acquisition."); *see also* Comments of Free Press, MB Docket Nos. 09-182, 07-294 (filed Dec. 21, 2012), at 21 (females and minorities face "discrimination in access to deals, capital and equity…").

[8] *See, e.g.*, Initial Comments of the Diversity and Competition Supporters, MB Docket Nos. 09-182, 07-294 (filed Mar. 5, 2012), at 41-42. Indeed, the president of the Minority Media & Telecommunications Council ("MMTC"), which is "the operator of the nation's only minority-owned media brokerage since 1997," has confirmed publicly that "the MMTC has never seen a deal fail to close because of cross-ownership." David Honig, *Let's Focus on the Real Causes of Minority Exclusion from Media Ownership*, http://broadbandandsocialjustice.org/2012/12/lets-focus-on-the-real-causes-of-minority-exclusion-from-media-ownership/ (Dec. 3, 2012) ("Honig, *Real Causes of Minority Exclusion*").

inventory of radio stations available for purchase by minorities and women. Instead, the record reflects that the real barriers to entry into the radio broadcasting field are unrelated to the outdated retrictions on cross-ownership, and instead relate primarily to the ability to obtain necessary financing. If anything, repeal of the NRCO Rule will serve to free all entities – whether owned by minorities, women, or otherwise – from the artificial restrictions on business structures imposed by the rule and is thus likely, in the end, to enhance ownership diversity rather than harm it.

II. REPEAL OF THE RULE WILL PRODUCE OTHER BENEFITS THAT WILL FLOW TO MINORITIES AND WOMEN AS WELL AS OTHER OWNERS AND THE PUBLIC AT LARGE.

The comments filed in response to the Public Notice and earlier in this proceeding also confirm that elimination of the NRCO Rule, and, indeed, repeal or relaxation of the newspaper/broadcast cross-ownership rule in its entirety, is likely to produce substantial public interest benefits.[9] These benefits flow from the synergies and efficiencies created by common ownership, as well as the reality that radio owners who also own newspapers tend to display a high commitment to covering local news and information. And, these benefits flow to *all* owners and potential new entrants, and *all* members of the public alike.[10]

For its part, Morris is a company with a longstanding journalistic heritage that has caused it to invest heavily to provide superior levels of local news and information to the communities its properties serve, even while maintaining separate staffing and operations. In both Topeka and Amarillo, Morris operates an AM radio station that broadcasts a news/talk format with a heavy

[9] *See, e.g.*, Reply Comments of Morris Communications Company, LLC, MB Docket Nos. 09-182, 07-294 (filed Apr. 17, 2012); *see also NAA Supplemental Comments* at 5-9.

[10] *See* Honig, *Real Causes of Minority Exclusion* (noting the decline of newspapers and the fact that "[t]he decline of newspapers causes great concern in minority communities"); *see also NAA Supplemental Comments* at 5-9.

emphasis on local content. Its FM radio stations in both markets, while broadcasting primarily country music, provide their communities with a substantial amount of locally originated programming. The radio stations in both markets have multiple staff members devoted fully to covering local stories and issues, setting these properties apart from so many other radio stations that do not even have a single employee devoted to local news and information. As Morris' experience shows, common ownership of newspapers and radio stations can produce real public interest benefits. By strengthening newspapers and radio stations, common ownership improves local news coverage which, in turn, benefits consumers.

III. <u>THE FCC SHOULD FOCUS ON TARGETED PROPOSALS DESIGNED SPECIFICALLY TO ENHANCE THE ABILITY OF MINORITIES AND WOMEN TO EXPAND THEIR PRESENCE IN THE BROADCAST INDUSTRY.</u>

To directly address the disparities in broadcast station ownership, the FCC should move forward with targeted initiatives that are specifically designed to improve ownership diversity. For example, the National Association of Broadcasters, the Newspaper Association of America, and the Diversity and Competition Supporters have put forth a number of proposals that Morris believes should be seriously considered, including:

- Commission sponsorship of programs designed to educate lenders and would-be entrants regarding the industry in an effort to improve access to capital;
- Adoption of an incubator or waiver program designed to incentivize broadcasters to provide financing or other assistance to qualifying entities seeking to enter the industry or expand their holdings;
- Relaxation of the restriction on reversionary interests in broadcast station licenses to permit sellers to hold such interests in some circumstances, thereby making lenders more willing to provide financing;
- Reinstatement of a relaxed attribution standard for qualifying entities;
- Reinstatement of the policy that permitted transfer of a grandfathered radio station combination to any entity so long as the buyer assigns the excess station to a qualifying entity within one year; and

- Renewed efforts to urge Congress to re-adopt and expand the availability of tax incentives for owners that sell stations to qualifying entities.[11]

Adoption of these and other incentive-producing proposals would, as NAB notes, "lay the groundwork for a more competitive and diverse broadcast industry."[12] Retention of the NRCO Rule in the name of ownership diversity, on the other hand, would continue to reduce the already low economic incentives to invest in radio broadcasting, newspaper publishing, and local news provision in general, and would therefore be contrary to the public interest.

IV. CONCLUSION

For these reasons and those set forth in its previous filings in this proceeding, Morris urges the Commission to repeal the NRCO Rule. In this and other appropriate proceedings, the FCC should also evaluate and adopt specifically targeted proposals designed to foster broadcast station ownership by minorities and women.

Respectfully submitted,

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[11] *See, e.g.*, Comments of the National Association of Broadcasters, MB Docket Nos. 09-182, 07-294 (filed Dec. 20, 2012), at 8-9 ("NAB Comments"); *NAA Supplemental Comments*, at 10-11.

[12] NAB Comments, at 9.