

March 24, 2014

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street S.W.
Washington, DC 20554

**Re: MB Docket No. 09-182, 2010 Quadrennial Review
MB Docket No. 07-294, Promoting the Diversification of Ownership in
the Broadcast Services**

Dear Chairman Wheeler:

The undersigned organizations submit this letter to reiterate our significant concerns regarding broadcasters' use of management agreements to unlawfully control two or more television stations in a market. We call on the Federal Communications Commission ("FCC" or "Commission") to recognize the agreements as the blatant rule evasions they are and to address the tactic accordingly.

We welcomed your announcement that the Commission would take action on this issue at its next open meeting. However, beyond merely requiring attribution for certain joint sales agreements, we urge the Commission to take immediate steps to prohibit all management agreements that violate its ownership rules.

These arrangements have harmed communities of color by leading to the elimination of local newscasts and employment opportunities for journalists of color. Furthermore, they have reduced the opportunities for people of color to own broadcast stations. The Commission should seize this chance to correct course and encourage full ownership by minorities and women.

The so-called "outsourcing agreements" at issue here have been used to circumvent ownership rules in nearly half of all U.S. media markets. And illegal duopolies between two top-four ranked stations exist in 78 markets.¹

Last year, nearly 300 stations were sold for \$11 billion – making 2013 the largest year for broadcast deals since 1999. Among the deals made in 2013, many contained management agreements and nearly a third of those agreements (83) would have violated the Commission's ownership rules.²

¹ See S. Derek Turner, *Cease to Resist: How the FCC's Failure to Enforce Its Rules Created a New Wave of Media Consolidation* (2014).

² *Id.*

Sinclair Broadcast Group alone struck management agreements with sidecar companies in 23 percent of all full-power commercial TV stations sales last year. It was also the purchaser in 30 percent of all deals.

Meanwhile, the U.S. Department of Justice has urged the FCC to take action because it, like the Securities and Exchange Commission, recognizes that these outsourcing arrangements are nothing more than a legal fiction designed to transfer *de facto* control of broadcast licenses and undermine competition.³

Broadcasters use management agreements to create artificial economies of scale and distort the marketplace in order to realize greater profits. However, those increased margins often come at the expense of local communities. Many commonly controlled stations air the same newscasts on more than one channel in the same market, resulting in the loss of local news diversity and journalists covering the community.

This is the reason both the National Association of Broadcast Employees and Technicians- Communications Workers of America (“NABET-CWA”) and the National Association of Black Journalists (“NABJ”) have urged the Commission to address these management agreements. Covert consolidation almost always means the loss of newsroom personnel.⁴

Because management agreements have led to greater media consolidation, they have also made it more difficult for people of color to own and operate broadcast stations. Media consolidation is a primary reason people of color own just 3 percent of full-power TV stations.⁵ Big broadcasters are using these agreements to target stations in small and mid-sized markets that are potentially more affordable for diverse and independent owners. More than 85 percent of shared services agreements have occurred outside of the top 50 largest Designated Market Areas, which has reduced the number of diverse voices and independent owners serving the local community.⁶

We urge the FCC to enforce its own media ownership rules to prevent the illegal use of management agreements and promote greater diversity of voices in the industry rather than reduce them by allowing this practice to continue.

Sincerely,

National Association of Black Journalists

National Association of Hispanic Journalists

Howard Media Group

³ *Ex Parte* Submission of the United States Department of Justice, MB Docket Nos. 09-182, 07-294, 04-256 (filed Feb. 20, 2014).

⁴ See NABET/CWA Letter to Ms. Marlene Dortch, Secretary, Federal Communications Commission, MB Docket No. 09-182 (filed March 12, 2014); NABJ Letter to Thomas Wheeler, Chairman, Federal Communications Commission, MB Docket No. 09-182 (filed March 24, 2014).

⁵ See Comments of Free Press, MB Docket Nos. 09-182, 07-294, at 17 (filed Dec. 21, 2012).

⁶ See Turner *supra* note 1.

National Organization for Women Foundation
ColorOfChange
Center for Media Justice
Communications Workers of America
National Association of Broadcast Employees and Technicians - CWA
Women's Institute for Freedom of the Press
United Church of Christ
Free Press
Common Cause
Media Council Hawaii
Media Mobilizing Project
Media Literacy Project
St. Paul Neighborhood Network

Cc: FCC Commissioner Mignon Clyburn
FCC Commissioner Jessica Rosenworcel
FCC Commissioner Ajit Pai
FCC Commissioner Michael O'Rielly