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Report to the Chairman, Subcommittee on Telecommunications and the Internet, Committee on Energy and Commerce, House of Representatives

March 2008

MEDIA OWNERSHIP

Economic Factors Influence the Number of Media Outlets in Local Markets, While Ownership by Minorities and Women Appears Limited and Is Difficult to Assess

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Highlights

Highlights of GAO-08-383, a report to the Chairman, Subcommittee on Telecommunications and the Internet, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

The media industry plays an important role in educating and entertaining the public. While the media industry provides the public with many national choices, media outlets located in a local market are more likely to provide local programs that meet the needs of residents in the market compared to national outlets. This report reviews (1) the number and ownership of various media outlets; (2) the level of minority- and women-owned broadcast outlets; (3) the influence of economic, legal and regulatory, and technological factors on the number and ownership of media outlets; and (4) stakeholders' opinions on modifying certain media ownership laws and regulations.

GAO conducted case studies of 16 randomly sampled markets, stratified by population. GAO also interviewed officials from the Federal Communications Commission (FCC), the Department of Commerce, trade associations, and the industry. Finally, GAO reviewed FCC's forms, processes, and reports.

What GAO Recommends

To more effectively monitor and report on the ownership of broadcast outlets by minorities and women, GAO recommends that FCC identify processes and procedures to improve the reliability of its data on gender, race, and ethnicity. FCC provided technical comments that were incorporated where appropriate.

To view the full product, including the scope and methodology, click on GAO-08-383. For more information, contact JayEtta Z. Hecker, (202) 512-2834, heckerj@gao.gov.

March 2008

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What GAO Found

The numbers of media outlets and owners of media outlets generally increase with the size of the market; markets with large populations have more television and radio stations and newspapers than less populated markets. Additionally, diverse markets have more outlets operating in languages other than English, contributing to a greater number of outlets. Some companies participate in operating agreements wherein two or more media outlets might, for example, share content. As such, these agreements may suggest that the number of independently owned media outlets might not always be a good indicator of how many independently produced local news and other programs are available in a market. Finally, the Internet is expanding access to media content and competition.

On a biennial basis, FCC collects data on the gender, race, and ethnicity of broadcast owners to, according to FCC, position itself and the Congress to assess the need for, and success of, programs to foster minority and women ownership. However, these data suffer from three weaknesses: (1) exemptions from filing for certain types of broadcast stations, (2) inadequate data quality procedures, and (3) problems with data storage and retrieval. These weaknesses limit the benefits of this data collection effort. While reliable government data are lacking, available evidence suggests that ownership of broadcast outlets by minorities and women is limited. Several barriers contribute to the limited levels of ownership by these groups, including a lack of easy access to sufficient capital.

A variety of economic, legal and regulatory, and technological factors influence media ownership. Two economic factors—high fixed costs and the size of the market—appear to influence the number of media outlets in a market, the incentive to consolidate, and the prevalence of operating agreements. By limiting the number and types of media outlets that a company can own, various laws and regulations affect the ownership of media outlets. Technological factors, such as the emergence of the Internet, have facilitated entry for new companies, thereby increasing the amount of content and competition.

Stakeholders expressed varied opinions on modifications to media ownership rules. Most business stakeholders expressing an opinion on various media ownership rules were more likely to report that the rules should be relaxed or repealed. In contrast, nonbusiness stakeholders who expressed an opinion on the rules were more likely to report that the rules should be left in place or strengthened. Both business and nonbusiness stakeholders who expressed an opinion on a previously repealed tax certificate program supported either reinstating or expanding the program to encourage the sale of broadcast outlets to minorities.

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Abbreviations

DBS	direct broadcast satellite
DMA	Designated Market Area
FCC	Federal Communications Commission
MSA	metropolitan statistical area
MVPD	multichannel video program distributor
NTIA	National Telecommunications and Information Administration
PBS	Public Broadcasting Service
UHF	ultra-high frequency

United States Government Accountability Office
Washington, DC 20548

March 12, 2008

The Honorable Edward J. Markey
Chairman
Subcommittee on Telecommunications and the Internet
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

The media play an important role in educating and entertaining the public and fostering an informed citizenry. Since the nation's founding, newspapers have gathered and disseminated the news of the day, thereby helping citizens become informed voters. In the early 20th century, the emergence of radio and television expanded the options for educating and entertaining the public, and in the 21st century, the Internet delivers information and entertainment from a virtually limitless supply of sources. Whereas most citizens were formerly limited to a newspaper or newspapers in their local area, citizens today with an Internet connection can read publications from around the world.

Given the vital role of the media in American life, the ownership of media outlets has been a long-standing concern of the Congress. The Federal Communications Commission (FCC) regulates many aspects of the media industry, including radio and television stations and cable and satellite service. In the Telecommunications Act of 1996 (1996 Act), the Congress required that FCC periodically review its broadcast ownership rules.[1] In 2003, FCC released an order that altered its existing broadcast ownership rules. This order generated significant public debate, and more than 500,000 comments were filed with FCC. The U.S. Court of Appeals for the Third Circuit affirmed some of FCC's rule changes while remanding others for further justification or modification.[2] In response to the court's decision and the congressional mandate for periodic review of its rules,

[1] Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, Section 202(h).

[2] *Prometheus Radio Project v. FCC*, 373 F.3d 372 (3rd Cir. 2004), cert. denied, 545 U.S. 1123 (2005). The court had earlier stayed FCC's rules and continued the stay during the review of the rules on remand. The court, in rehearing, lifted its stay of a portion of the rules that pertained to the methodology used to define local radio markets.

FCC opened another proceeding to assess its broadcast ownership rules. This proceeding also attracted significant attention from both the public and the Congress, with concerns arising about the level of consolidation in the media industry. On February 4, 2008, FCC released a rule concluding its latest review of the broadcast ownership rules.

While today's media environment provides the public with numerous programming choices from across the country, media outlets in local markets remain a concern for policymakers. With cable and satellite service, the public can receive programming from nationwide outlets, such as CNN and FOX News, and television stations in adjacent markets. However, media outlets located in a market are more likely to provide local news, public affairs, and political programming addressing the needs of residents in that market, such as coverage of local political campaigns, compared to nationwide and adjacent-market outlets. Reflecting the importance of local media outlets, localism is one of FCC's three policy goals for media ownership, along with competition and diversity.

You asked us to examine the current status of media ownership. On December 14, 2007, we provided preliminary information on our review of media ownership.[3] This report discusses (1) the number and ownership of various media outlets; (2) the level of minority- and women-owned broadcast outlets; (3) the influence of economic, legal and regulatory, and technological factors on the number and ownership of media outlets; and (4) stakeholders' opinions on modifying certain media ownership laws and regulations.

To respond to the objectives of this report, we interviewed officials from FCC, the National Telecommunications and Information Administration (NTIA) of the Department of Commerce, and trade associations. Additionally, we interviewed 102 industry officials and experts, selected based on industry sector (radio and television stations, broadcast networks, newspapers, cable, satellite, and Internet), geographic service territory, size of the media outlet, and professional publications (for experts). See appendix III for a complete list of individuals and organizations that we interviewed. To assess the number and ownership of media outlets, we conducted case studies in 16 Nielsen Designated Market

[3]GAO, *Telecommunications: Preliminary Information on Media Ownership*, GAO-08-330R (Washington, D.C.: Dec. 14, 2007).

Areas (DMA).[4] To select the 16 case study markets, we used a stratified random sample methodology: we (1) randomly selected 4 case study markets from each of 3 market strata (large, medium, and small),[5] (2) selected the 3 largest markets as a separate stratum,[6] and (3) judgmentally selected 1 market from the medium-size category to test our data collection and structured interview methodology.[7] The 16 markets that we analyzed include approximately 20 percent of all television households in the United States. In each case study market, we identified the number of television and radio stations, newspapers (daily and weekly), and cable and satellite television operators present in the central city of the DMA. We also identified the number of owners of these outlets. We did not identify low-power stations or local Web pages. See appendix I for a more detailed discussion of our overall scope and methodology.

We conducted this performance audit from February 2007 through March 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

The numbers of media outlets and owners of media outlets generally increase with the size of the market, although operating agreements may reduce the effective number of independent outlets. Markets with large populations have more radio and television stations and newspapers than less populated markets. For example, in New York City, the nation's largest market, we identified 21 television stations and 73 radio stations. In

[4]According to Nielsen, a DMA consists of all counties whose largest viewing share is given to stations of the same market area. There are 210 nonoverlapping DMAs that cover the entire continental United States, Hawaii, and parts of Alaska.

[5]These markets are Miami/Fort Lauderdale, Florida (the 16th largest market); Charlotte, North Carolina (26); Nashville, Tennessee (30); Wilkes Barre/Scranton, Pennsylvania (53); Springfield, Missouri (76); Chattanooga, Tennessee (86); Cedar Rapids/Waterloo/Iowa City/Dubuque, Iowa (89); Myrtle Beach/Florence, South Carolina (105); Terre Haute, Indiana (151); Sherman, Texas/Ada, Oklahoma (161); Jackson, Tennessee (174); and Harrisonburg, Virginia (181).

[6]These markets are New York, New York (1); Los Angeles, California (2); and Chicago, Illinois (3).

[7]This market is Tucson, Arizona (70).

contrast, we found 2 television stations and 16 radio stations in Harrisonburg, Virginia, the smallest market in our review. In more diverse markets, we also observed more radio and television stations and newspapers operating in languages other than English, which contributed to a greater number of outlets. Some companies participate in agreements to share content or agreements that allow one entity to produce programming or sell advertising through two outlets, among other agreements. In our review, these agreements were prevalent in a variety of markets but not in the top three markets, suggesting that market size may influence the benefits that firms achieve through such arrangements. To some degree, these agreements may suggest that the number of independently owned media outlets in a market might not always be a good indicator of how many independently produced local news or other programs are available in a market.[8] For example, in Wilkes Barre/Scranton, Pennsylvania, we identified eight television stations and seven owners; however, because of various operating agreements, there are three loose commercial groupings in the market. While the numbers of outlets and owners vary with market size, the Internet is expanding access to media content and competition. For example, individuals can access content from a virtually limitless supply of sources. However, we observed few independent news Web sites in our case study markets, as most of the Web sites that we found were affiliated with one or more traditional media outlets.

Ownership of broadcast outlets by minorities and women appears limited, but comprehensive data are lacking. FCC collects data on the gender, race, and ethnicity of radio and television station owners biennially through its Ownership Report for Commercial Broadcast Stations, or Form 323. However, we found that these data suffer from three weaknesses: (1) exemptions from filing for certain types of broadcast stations, such as noncommercial stations; (2) inadequate data quality procedures; and (3) problems with data storage and retrieval. While reliable government data on ownership by minorities and women are lacking, available evidence from industry stakeholders and experts we interviewed, as well as government and nongovernment reports, suggest that ownership of broadcast outlets by these groups is limited. For example, reports by Free Press, a nongovernmental organization, found that women and minorities own about 5 percent and 3 percent of full-power television stations,

[8]We did not review whether the agreements fell within the requirements of FCC's attribution rules.

respectively, and about 6 percent and 8 percent of full-power radio stations, respectively.[9] We identified three primary barriers contributing to the limited levels of ownership by minorities and women. These barriers include (1) the large scale of ownership in the media industry, (2) a lack of easy access to sufficient capital for financing the purchases of stations, and (3) the repeal of the tax certificate program—which allowed for the deferral of capital gains taxes on the sale of broadcast outlets and thereby provided financial incentives for incumbents to sell stations to minorities. Because more accurate, complete, and reliable data would allow FCC to better assess the impact of its rules and regulations and allow the Congress to make more informed legislative decisions, we are recommending that FCC take steps to improve the reliability and accessibility of its data on the gender, race, and ethnicity of broadcast outlet owners.

A variety of economic, legal and regulatory, and technological factors influence media ownership. Two significant economic factors—the prevalence of high fixed costs and the size of the local market—appear to influence the number and ownership of media outlets. For example, high fixed costs produce incentives for companies to consolidate—to own multiple outlets—or develop operating agreements with other companies to distribute content across multiple outlets, thereby spreading the fixed costs across a greater number of outlets. Stakeholders with whom we spoke also cited a variety of legal and regulatory factors that influence the ownership of media outlets. These factors include the local television and radio station ownership limits, FCC's cross-media ownership prohibitions, and the 1996 Act. By limiting the number and types of outlets that a company can own, the laws and regulations affect ownership of media outlets. However, stakeholders held differing views on the level of influence individual policies may have on current ownership. Lastly, stakeholders reported that technological factors, such as the emergence of the Internet, have facilitated entry for new companies, thereby increasing the amount of content and competition. However, stakeholder opinions varied over the significance of new media entrants, such as individual Web pages and blogs.

[9] To prepare its reports, Free Press relied on data from FCC—including its database and Form 323 filings—and BIA Media Access Pro. The Free Press findings of relatively limited levels of ownership by minorities and women are generally consistent with the findings in three studies commissioned by FCC and a 2000 NTIA report. We did not evaluate the reliability of the Free Press reports.

Stakeholders expressed varied opinions on modifications to media ownership rules, but business stakeholders were more likely to favor deregulation. Most business stakeholders expressing opinions on various media ownership rules were more likely to report that they should be relaxed or repealed. In contrast, nonbusiness stakeholders who expressed opinions on the rules were more likely to report that the rules should be left in place or strengthened. For example, 22 of 31 business stakeholders favored repealing regulations that limit the number of local television and radio stations that a single company can own, while 14 of 19 nonbusiness stakeholders favored strengthening or leaving the rules in place. Similarly, 11 of 22 business stakeholders favored increasing or repealing the cap that limits ownership of television stations nationwide, while 11 of 15 nonbusiness stakeholders favored leaving the cap at its current level or lowering the cap, further restricting ownership of television stations. Alternatively, both business and nonbusiness stakeholders who expressed an opinion on a previously repealed tax certificate program supported either reinstating or expanding the program to encourage the sale of broadcast outlets to minorities.

We provided a draft of this report to FCC for its review and comment. FCC provided technical comments that we incorporated where appropriate. FCC's written comments appear in appendix IV.

Background

FCC regulates many aspects of television and radio station ownership. Laws and regulations limit the ownership of television stations, both nationwide and locally, and limit the ownership of radio stations locally. Since the 1970s, the number of media outlets has increased dramatically, with large increases in the number of television and radio stations; additionally, the number of broadcast networks has increased. More recently however, some segments of the media industry have undergone consolidation, with a few companies acquiring a significant number of outlets.

Laws and Regulations

Through provisions in the Communications Act of 1934, as amended, FCC regulates various aspects of television, radio, cable, and satellite service. FCC has three policy goals for media ownership: competition, diversity, and localism; in the case of diversity, FCC identified viewpoint, outlet, program, source, and minority and female diversity. On December 18, 2007, FCC took action on a number of items impacting media ownership. FCC revised its ban on the ownership of a newspaper and broadcast station in the same market.[10] FCC set a cap on the number of subscribers that a cable operator can serve nationwide and sought comments on vertical ownership limits and cable and broadcast attribution rules.[11] FCC also adopted rules to help new entrants and small businesses, including minority- and women-owned businesses with access to financing, such as modifying the commission's construction permit deadlines, and adopted a notice of proposed rule making that, among other things, sought comment on how best to improve collection of data regarding the gender, race, and ethnicity of broadcast licenses.[12] Finally, FCC adopted a report on broadcast localism and a notice of proposed rule making.[13]

Six restrictions on the ownership of television stations, radio stations, and broadcast networks follow:

- **National television ownership cap.** A single entity can own any number of television stations nationwide as long as the stations collectively reach no more than 39 percent of national television households.[14] For purposes of calculating the 39 percent limit, ultra-high frequency (UHF) television stations are attributed with 50 percent of the television households in their market, which FCC refers to as the UHF discount.

- **Local television ownership limit.** A single entity can own two television stations in the same DMA if (1) the "Grade B" contours[15] of the stations do

[10] *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*, Report and Order and Order on Reconsideration, FCC 07-216, 2008 FCC LEXIS 1083 (released Feb. 4, 2008).

[11] *The Commission's Cable Horizontal and Vertical Ownership Limits*, Fourth Report and Order and Further Notice of Proposed Rulemaking, FCC 07-219, 2008 FCC LEXIS 1254 (released Feb. 11, 2008).

[12] "FCC Adopts Rules to Promote Diversification of Broadcast Ownership," FCC News Release, 2007 LEXIS 9663, Dec. 18, 2007.

[13] *Broadcast Localism*, Report on Broadcast Localism and Notice of Proposed Rulemaking, FCC 07-218, 2008 FCC LEXIS 809 (released Jan. 24, 2008).

[14] See FY 2004 Consolidated Appropriations Act, Pub. L. No. 108-199, 118 Stat. 3 et seq., Section 629.

[15] "Grade B" is an FCC-defined measure of signal strength pertaining to the availability of an over-the-air signal with a rooftop antenna.

not overlap or (2) at least one of the stations is not ranked among the top four stations in terms of audience share and at least eight independently owned and operating full-power commercial or noncommercial television stations would remain in the DMA.

- **Local radio ownership limit.** A single entity can own up to 5 commercial radio stations, not more than 3 of which are in the same service (that is, AM or FM), in a market with 14 or fewer radio stations, except that an entity can not own, operate, or control more than 50 percent of the stations in a market; up to 6 commercial radio stations, not more than 4 of which are in the same service, in a market with 15 to 29 radio stations; up to 7 commercial radio stations, not more than 4 of which are in the same service, in a market with 30 to 44 radio stations; and up to 8 commercial radio stations, not more than 5 of which are in the same service, in a market with 45 or more radio stations.[16]

- **Newspaper-broadcast cross-ownership ban.** Following the effective date of a new approach released by FCC on February 4, 2008, the commission will presume that a proposed newspaper-broadcast transaction is in the public interest if it meets the following test: (1) the market at issue is one of the 20 largest DMAs; (2) the transaction involves the combination of only 1 major daily newspaper and only 1 television or radio station; (3) if the transaction involves a television station, at least 8 independently owned and operating major media voices would remain in the DMA following the transaction;[17] and (4) if the transaction involves a television station, that station is not among the top 4 ranked stations in the DMA. All other proposed newspaper-broadcast transactions would be presumed not in the public interest.[18] This new approach will replace an absolute ban, which prohibits a single entity from having common ownership of a full-power television or radio station and a daily newspaper if the television station's "Grade A" contour[19] or the radio station's

[16]There is no limit on the number of AM or FM radio stations that a single entity can own nationwide. See Pub. L. No. 104-104, 110 Stat. 56, Section 202(a)(c).

[17]For purposes of this rule, major media voices include major newspapers and full-power television stations.

[18]There are two limited circumstances in which this negative presumption would be reversed: (1) the newspaper or broadcaster is failed or failing or (2) the proposed transaction results in a new source of a significant amount of local news in a market.

[19]Similar to Grade B contour, "Grade A" contour is a measure of signal strength, but is generally a smaller geographic area than the Grade B contour.

principal community service area completely encompasses the newspaper's city of publication.[20]

- **Television-radio cross-ownership limit.** A single entity can own up to 2 television stations (if permitted under the local television multiple ownership cap) and up to 6 radio stations (if permitted under the local radio multiple ownership cap) or 1 television station and 7 radio stations in a market with at least 20 independently owned media voices remaining post merger; up to 2 television stations and up to 4 radio stations in a market with at least 10 independently owned media voices remaining post merger; and 1 television station and 1 radio station regardless of the number of independently owned media voices.[21]

- **Dual network rule.** A single entity can own multiple broadcast networks, but cannot own two or more of the top four networks (that is, ABC, CBS, FOX, and NBC).

In its December 18, 2007, action, FCC adopted rules limiting the number of subscribers that a cable operator can serve nationwide. While FCC first set limits on the number of subscribers that a cable operator could serve in 1993 and later modified its rules in 1999, the Court of Appeals for the District of Columbia Circuit reversed and remanded those rules.[22] FCC's new rules set the number of subscribers that a cable operator can serve at 30 percent nationwide.

Trends in Media Outlets

Since the 1970s, the number of media outlets has increased dramatically, with large increases in the number of television and radio stations. In the case of television, the number of full-power television stations increased from 875 in 1970 to 1,754 in 2006; this increase occurred in both

[20]Newspaper-broadcast combinations that predate imposition of the existing ban are permitted. Companies also may seek a waiver from FCC to permit a newspaper-broadcast combination.

[21]For purposes of this rule, media voices include independently owned and operating full-power television stations, radio stations, daily newspapers with a circulation that exceeds 5 percent of the households in the DMA, one cable system if that system is generally available to households in the DMA, and independently owned out-of-market radio stations with a minimum share as reported by Arbitron.

[22]*Time Warner Entertainment Co. v. FCC*, 240 F3d 1126 (D.C. Cir. 2001).

commercial and noncommercial educational television stations.[23] Moreover, the number of broadcast networks that supply programming to stations across the country increased from three major networks (ABC, CBS, and NBC) to four major networks (ABC, CBS, FOX, and NBC) and several smaller networks, such as The CW Television Network, MY Network TV, and ION Television Network. In the case of radio, the number of full-power radio stations more than doubled, from 6,751 stations in 1970 to 13,793 stations in 2006, with increases in AM, FM, and FM educational stations.[24] Daily newspapers illustrate a different trend—decreasing from 1,763 in 1970 to 1,447 in 2006. While the number of morning newspapers increased from 334 in 1970 to 833 in 2006, the number of evening newspapers decreased by more than half, from 1,429 to 614. Table 1 illustrates the trends in television and radio stations and newspapers.

Table 1: Number of Full-Power Television and Radio Stations and Daily Newspapers

	Number of outlets by year		
Media category	**1970**	**1990**	**2006**
Television stations	875	1,465	1,754
Commercial	691	1,112	1,373
Noncommercial educational	184	353	381
Radio stations	6,751	10,770	13,793
AM	4,269	4,978	4,751
FM	2,083	4,357	6,252
FM educational	399	1,435	2,790
Daily newspapers	1,763	1,643	1,447
Morning	334	559	833
Evening	1,429	1,084	614

Source: GAO analysis of data from FCC and the Newspaper Association of America.

Since the 1970s, the number of households subscribing to a multichannel video program distributor (MVPD) has increased significantly, thereby increasing the programming options available to many households. The two most prominent MVPD platforms are cable and direct broadcast

[23]In addition to full-power television stations, there were approximately 568 Class A and 2,227 low-power television stations in 2006.

[24]In addition to full-power radio stations, there were approximately 770 low-power FM stations in 2006.

satellite (DBS) services. Since 1975, the number of households subscribing to cable service has increased from approximately 10 million to nearly 66 million in 2006, and since 1995, the number of households subscribing to DBS service has increased from 2.2 million to over 29 million in 2006.[25] Table 2 illustrates the number of cable and DBS subscribers. According to FCC's most recent report on cable industry prices, the average cable operator provided over 70 channels of programming, thereby expanding the programming options available to subscribers of these services.[26] These nonbroadcast networks include a variety of national outlets—such as CNN, Discovery Channel, ESPN, and FOX News—as well as regional outlets—such as the California Channel, Comcast SportsNet Chicago, and New England Cable News.

Table 2: Number of Cable and DBS Subscribers

	Subscribers by year (in millions)			
Service	**1975**	**1985**	**1995**	**2006**
Cable	9.8	35.4	61.6	65.6
DBS	0.0	0.0	2.2	29.1
Total	**9.8**	**35.4**	**63.8**	**94.7**

Source: GAO analysis of data from FCC; the National Cable and Telecommunications Association; The DirecTV Group, Inc. 10-K; and EchoStar Communications Corporation 10-K.

Trends in Media Ownership

While the number of media outlets has increased, the ownership of outlets has evolved. In 1995, FCC eliminated the Financial Interest and Syndication Rules, which had limited the ability of broadcast networks to have ownership interest in programming broadcast on their network.[27] Subsequently, the broadcast networks increasingly became affiliated with companies providing program production services. The Walt Disney Company acquired ABC, Viacom acquired CBS, and NBC joined forces with Universal Pictures. News Corporation—which launched the Fox Broadcasting Network in 1986—also owns several production studios,

[25]Thus, nearly 95 million households subscribed to an MVPD service in 2006. By way of comparison, according to Nielsen Media Research, there were approximately 111 million television households in 2006.

[26]See *Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992, Statistical Report on Average Prices for Basic Service, Cable Programming Services, and Equipment*, 21 FCC Rcd 15087 (2006).

[27]*Review of the Syndication and Financial Interest Rules*, 10 FCC 12165 (1995).

including 20th Century Fox. Each of the four major broadcast networks owns television stations that reach more than 20 percent of the nation's television households. Other significant owners of television stations include ION Media Networks, Tribune Company, and Broadcasting Media Partners, Inc.[28] Following passage of the 1996 Act, several companies acquired a large number of radio stations. Clear Channel owned over 1,000 radio stations throughout the United States, and Cumulus Broadcasting and Citadel Communications each owned over 200 stations.

The cable industry also experienced evolution in the ownership of some properties. Cable operators, who distribute programming to subscribers, are pursuing a strategy of regional clustering; this strategy involves acquiring the cable systems throughout a geographic region. In its most recent report on video competition, FCC estimated that there were 118 clusters with approximately 51.5 million subscribers.[29] Comcast and Time Warner Cable have emerged as the largest cable operators, with 26.8 and 16.6 million subscribers, respectively.[30] While cable operators provide many nonbroadcast networks to their subscribers, many nonbroadcast networks are owned by cable operators or broadcast networks. For example, among the nonbroadcast networks with the most subscribers, CNN and TNT are affiliated with Time Warner, ESPN is affiliated with Disney, USA Network is affiliated with NBC-Universal, and Discovery Channel is affiliated with Cox, a large cable operator. On December 18, 2007, FCC adopted a further notice that seeks comment on vertical ownership limits and cable and broadcast attribution rules, including for example, the extent to which vertical integration can lead to foreclosure of entry by unaffiliated programmers.

In recent years, some companies have taken steps to sell assets. In 2005, Viacom split into two separate companies: Viacom and CBS Corporation.[31] The new Viacom includes many of the cable networks, such as MTV and Nickelodeon, and CBS Corporation includes the broadcast network and

[28]Each of these companies owns television stations that reach more than 20 percent of the nation's television households.

[29]See *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, 21 FCC Rcd 2503 (2006) (FCC 06-11).

[30]DBS companies DirecTV and EchoStar have approximately 16.0 and 13.1 million subscribers, respectively, placing these companies in the top 4 MVPD providers with Comcast and Time Warner.

[31]These two separate companies are controlled by National Amusement.

CBS television and radio stations. In 2006, The McClatchy Company acquired Knight Ridder, one of the nation's largest newspaper companies, and subsequently sold 12 former Knight Ridder newspapers. For example, The Philadelphia Inquirer and Philadelphia Daily News, former Knight Ridder newspapers, are currently owned by Philadelphia Media Holdings LLC, a private company. Also in 2006, Clear Channel announced plans to sell 448 radio stations, all in markets outside the top 100, and its entire television station group.[32] More recently, The New York Times Company sold its television stations and one of its radio stations. Alternatively, the two satellite radio companies—Sirius and XM—have proposed a merger that, if approved, would leave one company providing satellite radio service.

Numbers of Media Outlets and Owners Generally Increase with Market Size, Although Operating Agreements May Reduce the Effective Number of Independent Outlets

Markets with large populations have more television, radio, and newspaper outlets than less populated markets. In more diverse markets, we also observed more radio and television stations and newspapers operating in languages other than English, which contributed to a greater number of outlets. Some companies participate in agreements to share content or agreements that allow one entity to produce programming or sell advertising through two outlets, among other arrangements. In our case study markets, these agreements were prevalent in a variety of markets, but not in the top three markets—New York, Los Angeles, and Chicago. Finally, we found that the Internet expands access to media content; however, we observed few news Web sites in our case study markets that were unaffiliated with traditional media outlets.

The Size of Markets Broadly Influences the Number of Media Outlets and Owners

Markets with large populations have more television, radio, and newspaper outlets than less populated media markets. Additionally, the presence of a large Hispanic population in the media market increases the number of outlets, as owners seek to provide Spanish-language outlets in addition to the full range of English-language outlets supported by the population level.

[32]On Nov. 13, 2007, FCC granted, subject to conditions, Clear Channel's application to assign its television stations to Newport Television LLC, which is wholly owned by affiliates of Providence Equity Partners, Inc.

Top Three Markets

The top three media markets—New York, New York (1); Los Angeles, California (2); and Chicago, Illinois (3)—have several attributes that set them apart from other markets. First, these markets have very large populations. Each of these markets has more than 3 million households. Second, these markets have very diverse populations.[33] For example, New York is the largest African-American media market and the second-largest Asian and Hispanic media market, Los Angeles is the largest Asian and Hispanic media market and the sixth-largest African-American media market, and Chicago is the third-largest African-American media market and the fifth-largest Asian and Hispanic media market. Third, these markets generally have high average household disposable income;[34] the New York market ranks fourth highest in the United States, the Los Angeles market ranks twenty-fourth, and the Chicago market ranks seventh. Finally, these markets also are the production and distribution points for much of the media content in the United States—from films, television shows, and radio programs to magazines and periodicals.

The top three media markets differ qualitatively from other markets in the large and varied number of media outlets present in these markets. The combination of large populations and relatively high disposable income helps produce substantial advertising revenues for the media outlets in these markets. These markets have more television and radio stations and more newspapers than other media markets, and competition for cable service from overbuilders also is more likely in these markets.[35] Since these markets have diverse populations, each market has numerous broadcast outlets that provide content in languages other than English. While Spanish is the most common language for non-English media, outlets for content in Chinese, Korean, and other languages are also present.[36] Table 3 indicates how many outlets are located in the top three markets.

[33]According to the 2006 American Community Survey, nonwhite households account for 36 percent of households in the New York City metropolitan statistical area (MSA), 43 percent in the Los Angeles MSA, and 31 percent in the Chicago MSA.

[34]Disposable income refers to effective buying income—a bulk measurement of market potential indicating the ability to buy. Average household effective buying income figures are from the Television Bureau of Advertising.

[35]We defined a cable overbuilder as a second cable system competing directly with an incumbent cable operator.

[36]For example, WZRC 1480 AM in New York broadcasts in Cantonese, WNVR 1030 AM in Chicago broadcasts in Polish, and KYPA 1230 AM in Los Angeles broadcasts in Korean.

Table 3: Number of Outlets in the Top Three Markets—New York, Los Angeles, and Chicago

	Number of outlets		
Industry segment	New York	Los Angeles	Chicago
Television stations	21	24	16
Radio stations	73	69	65
Daily newspapers	5	2	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

FCC's rules allow greater group ownership of media outlets in these three markets because of their size. There are four television duopolies—common ownership of two television stations—in New York, three duopolies in Los Angeles, and three duopolies in Chicago. In addition, several companies own multiple radio stations in these markets; FCC's rules allow for common ownership of eight radio stations, no more than five of which can be in the same service (AM or FM) in these markets. There are some jointly owned newspaper and television stations and newspaper and radio stations in each of these markets.[37] Even with the allowance for group ownership, these three markets still possess a great number of owners who each operate a single broadcast outlet in either radio or television in the respective market. Appendix II provides a more detailed description of the media ownership for all 16 case study markets.

Large Markets

Of the four large markets we studied—Miami/Fort Lauderdale, Florida (16); Charlotte, North Carolina (26); Nashville, Tennessee (30); and Wilkes Barre/Scranton, Pennsylvania (53)—the Miami/Fort Lauderdale market has the most television stations and in this respect more closely resembles the top three media markets than the other large media markets.[38] This is due to the large number of Spanish-language outlets present; the Miami/Fort Lauderdale area is the third-largest Hispanic media market in the United States. In addition to television stations, the Miami/Fort Lauderdale market has three daily newspapers, two of which are in Spanish. The other three media markets in this size category have fewer television stations. Only the Miami/Fort Lauderdale market had

[37]The Tribune Company owns a daily newspaper and one or more broadcast outlets in both Los Angeles and Chicago. News Corporation owns two television stations and a daily newspaper in New York.

[38]We defined large media markets as those containing between 500,000 and 3 million households.

competition for cable service, which also is present in the top three markets.[39] The number of outlets decreased markedly between the three larger markets in this category and Wilkes Barre/Scranton (the 53rd-largest market). We could not determine if this was due to a change in the number of outlets that can be supported between the 30th-largest market (Nashville) and the 53rd-largest market, the lack of a core urban area in Wilkes Barre/Scranton, or the relatively weak economy prevalent in Wilkes Barre/Scranton. See table 4 for the number of outlets in the large case study markets.

Table 4: Number of Outlets in the Largest City of the Large Markets—Miami/Fort Lauderdale, Charlotte, Nashville, and Wilkes Barre/Scranton

	Number of outlets			
Industry segment	Miami	Charlotte	Nashville	Scranton
Television stations	16	12	12	8
Radio stations	47	37	52	24
Daily newspapers	3	1	2	1

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

Medium-Size Markets

The medium-size markets we analyzed are Tucson, Arizona (68); Springfield, Missouri (76); Chattanooga, Tennessee (86); Cedar Rapids/Waterloo/Iowa City/Dubuque, Iowa (89); and Myrtle Beach/Florence, South Carolina (105).[40] Similar to the Miami/Fort Lauderdale market, the Tucson market has more television stations than the other case study markets in its size category, mainly because of the relatively large Hispanic population in this medium-size market. There are eight English-language television stations in Tucson, which is similar to the number in the other four medium-size markets. However, Tucson has a relatively large Hispanic population and therefore possesses a larger number of media outlets due to the presence of Spanish-language television and radio stations. Television markets which lack a dominant urban area and contain two or more large towns located some distance

[39]The Charlotte, Nashville, and Wilkes Barre/Scranton markets do not have cable competition.

[40]We defined medium-size media markets as those containing between 150,000 and 500,000 households.

apart are often split into smaller radio markets.[41] The Cedar Rapids/Waterloo/Iowa City/Dubuque DMA contains three Arbitron radio markets and the Myrtle Beach/Florence DMA is split into two separate Arbitron radio markets. See table 5 for the number of outlets in the medium-size case-study markets.

Table 5: Number of Outlets in the Largest City of the Medium-Size Markets—Tucson, Springfield, Chattanooga, Cedar Rapids/Waterloo/Iowa City/Dubuque, and Myrtle Beach/Florence

	Number of outlets				
Industry segment	Tucson	Springfield	Chattanooga	Cedar Rapids	Florence
Television stations	11	6	8	9	6
Radio stations	38	26	32	25	13
Daily newspapers	2	2	1	1	1

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory.*

Small Markets

The small markets we analyzed are Terre Haute, Indiana (151); Sherman, Texas/Ada, Oklahoma (161); Jackson, Tennessee (174); and Harrisonburg, Virginia (181).[42] These small markets are characterized by significantly fewer media outlets—television stations, radio stations, and newspapers—than the larger markets. Table 6 illustrates the number of outlets in the small case study markets. Hence, for these markets, the conversion to digital broadcasting offers the possibility to improve the free, over-the-air choices to residents. Already, commercial television stations in Sherman/Ada and Harrisonburg use a second digital channel to provide the signal from a broadcast network that is not otherwise present in the market. For example, WHSV in Harrisonburg, an ABC affiliate, broadcasts the FOX network on one of the station's digital channels.

[41]We are using the Nielsen DMA for the case study analyses. In some instances, a geographically large DMA is split up into several smaller Arbitron radio markets.

[42]We defined small media markets as those containing fewer than 150,000 households.

Table 6: Number of Outlets in the Small Markets—Terre Haute, Sherman/Ada, Jackson, and Harrisonburg

	Number of outlets			
Industry segment	Terre Haute	Sherman/Ada	Jackson	Harrisonburg
Television stations	5	2	3	2
Radio stations	18	23	21	16
Daily newspapers	1	1	1	1

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

Some Media Companies Participate in Operating Agreements

Some media companies participate in operating agreements that involve a partnership between two or more outlets. For example, some media companies participate in agreements to share content among several outlets. Other media companies participate in agreements wherein one company produces content or sells advertising through its own outlets and another company's outlets. These operating agreements are referred to, either by industry participants or FCC's rules, by a variety of names, including joint sales agreements, local marketing agreements, and time brokerage agreements.[43] FCC's attribution rules—which seek to identify those interests in or relationships to licensees that have a realistic potential to affect the programming decisions of licensees or other core operating functions—apply to several types of operating agreements.[44] Additionally, the Newspaper Preservation Act of 1970 allows two competing newspapers in one community to merge some operations to

[43]Under FCC's attribution rules, a time brokerage agreement (also know as a local marketing agreement) is the sale by a licensee of discrete blocks of time to a "broker" that supplies the programming to fill that time and sell the commercial spot announcements in it. A joint sales agreement is an agreement with a licensee of a "brokered station" that authorizes a "broker" to sell advertising time for the "brokered station." See 47 C.F.R. 73.3555.

[44]We did not review whether the agreements fell within the requirements of the attribution rules. The attribution rules determine what interests are cognizable under FCC's broadcast ownership rules; the attribution rules are not ownership limitations in themselves. These rules impose an affirmative obligation on licensees to determine whether a particular agreement is attributable and, if it is, to file the agreement with FCC.

help ensure the survival of both newspapers; the resulting arrangements are referred to as joint operating agreements.[45]

In our 16 case study markets, we found several instances of media companies participating in operating agreements. We found these agreements in a variety of markets but not in the top three markets, suggesting that market size may influence the benefits that companies realize through such agreements. We found television stations participating in operating agreements in five markets—Nashville, Wilkes Barre/Scranton, Springfield, Myrtle Beach/Florence, and Terre Haute. In Springfield, there were two operating agreements between television stations and in Wilkes Barre/Scranton there were three operating agreements between television stations. We also found operating agreements between radio stations in Harrisonburg and Nashville. Finally, in Tucson, the two competing daily newspapers participate in a joint operating agreement.

In addition to formal operating agreements, media companies in a market often maintain informal content-sharing arrangements with each other. These most often cross different types of media, rather than occurring among competitors within the same industry segment. In our case study markets, we found a newspaper sharing articles with a television station; a newspaper sharing articles with a radio station in return for advertising spots; and a newspaper sharing journalists with a television station. In markets with common ownership of a radio or television station and a newspaper, such sharing of content and journalism resources occurred as a matter of course. We also found some contractual sharing of content between media outlets of the same type. Most often, one television station produced local news programs for other stations in the same market.

To some extent, these operating agreements may reduce the number of independent outlets. For example, in Wilkes Barre/Scranton, we identified eight television stations. However, one owner of two stations participated in an agreement with a third station. Additionally, the remaining four television stations participated in two separate agreements—each

[45]The Newspaper Preservation Act of 1970 requires written consent of the Attorney General of the United States for future joint operating arrangements. Prior to granting such approval, the Attorney General shall determine that not more than one of the newspaper publications involved in the arrangement is a publication other than a failing newspaper, and that approval of such arrangement would effectuate the policy and purpose of the Act. See 15 U.S.C. Section 1801 et seq.

agreement covering two stations. Thus, while there are eight television stations and seven owners in Wilkes Barre/Scranton, there are three loose commercial groupings in the market. Similarly, in Springfield, while there are six television stations, four stations participate in two separate agreements. This example suggests that the number of independently owned outlets in a given market might not always be a good indicator of how many independently produced local news or other programs are available in a market.

The Internet Is Expanding Access to Media Content

The Internet delivers content from a virtually limitless supply of sources. For example, while residents of New York can read *The New York Times*, residents in Harrisonburg with access to the Internet also can read this publication. Most of the traditional media outlets—newspapers, radio stations, and television stations—in our case study markets maintain a Web site. This provides another means for residents to access the content of these outlets. However, we identified few news Web sites in our case study markets that were unaffiliated with the traditional media outlets. While there are many blogs and Web sites, when we spoke with stakeholders about assessing the number of "voices" in a media market, there was no consensus on how to count Internet outlets. Some stakeholders said that audience size was less important than the existence of many potential voices, while other stakeholders said that voices on the Internet mattered only when they reached an audience above a certain minimum size. Further, some stakeholders said that journalistic content was important, such as that arising from news gathering and investigations.

Ownership of Broadcast Outlets by Minorities and Women Appears Limited, but Comprehensive Data Are Lacking

While FCC collects data on the gender, race, and ethnicity of radio and television station owners every 2 years through its Ownership Report for Commercial Broadcast Stations, or Form 323, we found that these data have several weaknesses that undermine their usefulness for tracking and periodically reporting on the status of minority and women ownership. These weaknesses include (1) exemptions from filing for certain types of broadcast stations, such as noncommercial stations; (2) inadequate data quality procedures; and (3) problematic data storage and retrieval. Moreover, there are no other reliable government sources on the status of minority and women ownership. Nevertheless, the available evidence from industry stakeholders and experts we interviewed, as well as government and nongovernment reports, suggests that ownership of broadcast outlets by these groups is limited. We identified three primary barriers contributing to the limited levels of ownership by minorities and women.

These barriers include (1) the large scale of ownership in the media industry, (2) a lack of easy access to sufficient capital for financing the purchases of stations, and (3) the repeal of the tax certificate program, which provided financial incentives for incumbents to sell stations to minorities.

FCC Lacks Comprehensive Data on Ownership of Broadcast Outlets by Minorities and Women

Diversity has been a long-standing policy goal of FCC, including ownership by minorities and women. In 1998, FCC issued rules to collect data on the gender, race, and ethnicity of broadcast licensees. FCC decided to collect these data through its Annual Ownership Report, or Form 323. FCC noted that it was appropriate to develop "precise information on minority and female ownership of mass media facilities" and "annual information on the state and progress of minority and female ownership," thereby positioning "both Congress and the Commission to assess the need for, and success of, programs to foster opportunities for minorities and females to own broadcast facilities."[46] FCC began collecting these data in 1999.

The Form 323 is the only mechanism through which FCC collects information on the gender, race, and ethnicity of broadcast owners. FCC requires all commercial AM and FM radio stations and television stations to report the gender, race, and ethnicity of each owner with an attributable interest[47] on the Form 323. Owners and licensees must file the Form 323 every 2 years, whenever there is a transfer of control or assignment, or after the grant of a construction permit for a new commercial broadcast station.

As FCC's only information source on owners' gender, race, and ethnicity, the Form 323 data potentially could be used to determine and periodically report on the level of minority and women broadcast ownership. However,

[46] *1998 Biennial Regulatory Review—Streamlining of Mass Media Applications, Rules, and Processes; Policies and Rules Regarding Minority and Female Ownership of Mass Media Facilities*; Report and Order, 13 FCC Rcd. 23056, 23096-23097 (1998).

[47] The gender, race, and ethnicity of owners with attributable interest must be provided on a station's Form 323. FCC defines each officer, director, and owner of stock accounting for 5 percent or more of the issued and outstanding voting stock of a corporation as having an attributable interest. Where the 5 percent stock owner is itself a corporation, each of its stockholders, directors, and "executive" officers (president, vice president, secretary, treasurer, or their equivalents) is considered a holder of an attributable interest, unless an exhibit establishing that an individual director or officer will not exercise authority or influence in areas that will affect the corporate respondent or the station is submitted.

we identified several weaknesses that limit the usefulness of the Form 323 data.[48]

- **Filing exemptions.** Sole proprietors, partnerships, and noncommercial stations are not required to file the Form 323.[49] Since the data from Form 323 do not include stations owned by sole proprietors, partnerships, or noncommercial stations, it is not possible to use the Form 323 data to identify either the full universe of broadcast stations owned by minorities and women or the number of minority and women owners. FCC also does not require the filing of the Form 323 for low-power stations.

- **Data quality procedures.** According to FCC officials, FCC does not verify or periodically review the gender, race, and ethnicity data submitted on the Form 323. According to these officials, a staff person from FCC's Video Division reviews submitted Form 323s and this staff person focuses on ensuring compliance with the commission's multiple ownership and citizen ownership rules. These officials told us that station owners were responsible for determining the accuracy of their Form 323 submissions. Should an error be found by the owner, FCC requires the owner to submit an additional Form 323.

- **Data storage and retrieval.** Companies must file the Form 323 electronically. However, FCC allows owners to provide attachments with their electronic filing of the Form 323. These attachments may include the gender, race, and ethnicity data. Since these data are not entered into the database, the data are unavailable for electronic query. Of further concern, the database retains all submitted Form 323s, even forms that contain incorrect information and have since been updated with a corrected Form 323. Thus, any aggregation or summary of the Form 323 records through electronic query is unreliable according to FCC officials.

FCC has taken some steps to address concerns with the Form 323 data, but overall some weaknesses remain. According to FCC officials, FCC added an amendment process to the Form 323 interface, thereby allowing owners to modify information on a previously submitted Form 323. FCC also put in place edit checks that preclude owners from skipping

[48]For its broadcast ownership proceeding, FCC commissioned three studies assessing the status of minority and women broadcast ownership; all three studies explored the adequacy of FCC's Form 323 data records and found the aggregate data to be unreliable.

[49]Noncommercial stations are required to file a Form 323-E, which does not collect data on gender, race, or ethnicity.

questions, including questions on the owners' gender, race, and ethnicity. However, FCC still allows attachments for Form 323s to be submitted and has no regular review mechanism for these attachments to determine if the owners provided correct information biennially as required. Moreover, there are no consequences for misfiling that would encourage accurate, complete, and timely submission of the Form 323. On December 18, 2007, FCC adopted a Notice of Proposed Rulemaking that seeks comment on how the commission can best improve its collection of data regarding the gender, race, and ethnicity of broadcast licensees.[50]

Ownership of Broadcast Outlets by Minorities and Women Appears Limited

While reliable government data on ownership by minorities and women are lacking, ownership of broadcast outlets by these groups appears limited. According to the industry stakeholders and experts we interviewed, the level of ownership by minorities and women is limited. Recent studies generally support this conclusion. Three reports commissioned by FCC as part of its broadcast ownership proceeding found relatively limited levels of ownership of television and radio stations by minorities and women. Further, in a 2006 report, Free Press found that for full-power television stations, women and minority ownership was about 5 percent and 3 percent, respectively.[51] Specifically, the report noted that women owned a majority stake in 67 of 1,349 full-power commercial television stations and minorities owned 44 stations, 9 of which were owned by one company. In another report, Free Press estimated that women owned approximately 629 of 10,506 (or 6 percent) of full-power radio stations and minorities owned 812 stations (or 8 percent) of full-power radio stations.[52]

Minorities and Women Encounter a Variety of Barriers to Ownership of Broadcast Outlets

According to prior government reports and industry stakeholders and experts we interviewed, three factors help explain the relatively small percentages of minority and women broadcast owners.

[50]"FCC Adopts Rules to Promote Diversification of Broadcast Ownership," FCC News Release, Dec. 18, 2007.

[51]Free Press, *Out of the Picture: Minority & Female TV Station Ownership in the United States* (Washington, D.C., October 2006).

[52]Free Press, *Off the Dial: Female and Minority Radio Station Ownership in the United States* (Washington, D.C., June 2007).

Scale of ownership. In 2000, FCC and the National Telecommunications and Information Administration (NTIA) released separate reports suggesting that the current scale of ownership had been detrimental for minority and women ownership of broadcast outlets. In 2000, FCC commissioned a report that found industry deregulation in 1996 and the resulting consolidation had produced significant barriers to new entry and to the viability of small, minority- and women-owned companies.[53] The report cited inflated station prices and disparate advertising revenues. NTIA's report included similar observations about the impact of consolidation on station prices and advertising revenue.[54]

Industry representatives and experts we interviewed also identified the scale of ownership as a barrier for minorities and women. Thirty-six of 56 interviewees who mentioned barriers to ownership reported that the consolidation of broadcast ownership had been detrimental for minority and women ownership. According to these industry representatives and experts, the scale of current ownership mattered in several important ways. First, few stations are made available for purchase, limiting opportunities for the entry of new owners, such as minorities and women. Second, incumbent owners may prefer to trade stations with other incumbent owners rather than sell stations. Given the limited ownership by minorities and women today, trading does little to expand their ownership. Third, when stations become available for sale, investors and other financing entities prefer multiple station purchases rather than single station purchases in order to capture economies of scale. Like trading, such transactions favor incumbent companies that are well-established over new entrants such as minorities and women. Lastly, the scale of the industry affects the viability of current and prospective minority and women owners, since these owners must often compete with large conglomerate owners with sizable market share and greater resources.

Access to capital. Both FCC's and NTIA's reports on minority and women ownership also included discussion and findings on the role of

[53]Ivy Planning Group LLC, *Who's Spectrum Is It Anyway?: Historical Study of Market Entry Barriers, Discrimination and Changes in Broadcast and Wireless Licensing 1950 to Present* (Rockville, MD, 2000).

[54]U.S. Department of Commerce, *Changes, Challenges, and Charting New Courses: Minority Commercial Broadcast Ownership in the United States* (Washington, D.C., 2000).

capital and the lack thereof for minorities and women. According to FCC's commissioned report, access to capital was the barrier most often cited by study participants. The report found that banks often repeatedly rejected minority broadcast owners as applicants for a variety of reasons, ranging from racial discrimination to a lack of familiarity with the industry on the part of the bank. Similarly, NTIA's report noted the importance of access to capital and described public and private sources of financing for minorities and women. The report concluded that despite these sources, access to capital continued to be a key concern.

Industry stakeholders and experts we interviewed also mentioned the importance of access to capital and financing and the challenge it presents to minority and women ownership. Thirty-five of 56 interviewees reported that a lack of access to capital impeded greater entry by minorities and women into the broadcast industry. In particular, these industry representatives and experts described two ways in which the barrier posed by a lack capital is compounded by the nature of station sales and FCC rules. First, since stations generally do not advertise their properties for sale, individuals and companies looking to purchase a station must have cash on hand. Prospective buyers cannot wait for an announced sale and then acquire financing. This is a challenge for minority and women broadcasters, who often lack information on upcoming station sales and generally have fewer financial resources. Second, sellers are deterred from working with buyers who lack capital since any equity remaining in the station would be considered attributable interest under FCC's rules. Retaining attributable interest in one property could make it difficult for these owners to buy different properties in the same market, due to FCC's local ownership limits. Consequently, sellers would forgo working with prospective buyers who lack readily available capital rather than assume any risk to potential future acquisitions.

Repeal of the tax certificate program. From 1978 to 1995, FCC operated a tax certificate program under section 1071 of the Internal Revenue Code that provided for the seller of a broadcast station to defer capital gains taxes on the sale if the station was sold to a minority-owned company. In 1995, the Congress repealed this program. During this period, FCC issued a total of 328 tax certificates for use in broadcast station transactions (285 for radio station sales and 43 for television station sales). Both FCC's and NTIA's reports on minority and women ownership cited the importance of the tax certificate as an incentive for incumbent broadcast owners to advertise and work with prospective minority buyers. FCC's commissioned report described the tax certificate program as the "single most effective program in lowering market entry barriers and providing opportunities for minorities to acquire broadcast licenses in the secondary market."[55] NTIA's report also found that the program fostered minority ownership. Many experts we interviewed also agreed that this program was important for promoting minority ownership. Twenty-five of 56 stakeholders we interviewed said that the elimination of the tax certificate program was a factor in the current limited level of minority-owned broadcast stations.

A Variety of Economic, Legal and Regulatory, and Technical Factors Influence Media Ownership

Economic factors—including high fixed costs and the size of the market—influence the number of media outlets available in markets, the presence of operating agreements between outlets, and incentives for firms to consolidate their operations. Legal and regulatory factors appear to influence ownership of media outlets as well, by constraining the number and types of media outlets that a single entity can own. Lastly, technological factors, such as the emergence of the Internet, appear to facilitate entry by allowing entry with limited investment; however stakeholders' opinions varied on the significance of these entrants on media markets.

High Fixed Costs and Local Market Size Are Important Economic Factors that Influence the Number and Ownership of Media Outlets

We found that fixed costs are prevalent in the media industry and are an important economic factor influencing the number and ownership of media outlets. Fixed costs refer to those costs that do not change with the number of units produced or sold. Fifty-two of 102 stakeholders we interviewed mentioned that high fixed costs are a factor influencing media ownership, and the academic literature also highlighted the importance of fixed costs. For example, in broadcast network television, two stakeholders reported that the fixed costs of producing 1 hour of programming range from $3 million to $5 million—regardless of how many viewers the programming attracts. Similarly for newspapers, the costs of purchasing a printing press and producing and editing news stories are not very sensitive to the number of copies a newspaper produces or sells. Stakeholders also reported high fixed costs for radio and television stations, cable television, and DBS.

[55] FCC has recommended the adoption of a tax deferral program to replace the former tax certificate program that would focus on socially and economically disadvantaged businesses and extend the program to telecommunications.

The size of the local market also is an important economic factor influencing the number and ownership of media outlets, since market size broadly determines an outlet's potential for generating advertising revenues. For example, several stakeholders reported that although the costs of operating television and radio stations are similar regardless of market size, smaller markets have smaller audiences and fewer local advertisers for station operators to pursue. Accordingly, stakeholders reported that owners are less likely to sell stations in large markets than in smaller markets. According to data from Bear, Stearns and Company, Inc., 4 of the 137 television station transactions announced in the first two quarters of 2007 involved stations broadcasting in the top three markets. Conversely, stakeholders representing a large radio group owner and a national television broadcaster both reported that their companies are currently selling stations in smaller markets.

Both high fixed costs and market size have implications for the number of outlets in a given market, the presence of operating agreements between outlets, and incentives for firms to consolidate their operations in local and national markets.

- **Number of outlets.** Market size and fixed costs influence the number of outlets in a market. The size of the market broadly determines the advertising revenues available to outlets in the market. In addition, costs in the media industry do not vary considerably between large and small markets. Therefore, large markets can generally support more outlets than small markets. Twenty-six interviewed stakeholders mentioned that the size of the market influences the number of outlets available, and 10 stakeholders reported that markets with larger populations and advertising revenues can support more media outlets and owners than smaller markets. For example, in New York—the largest market—we identified 21 television stations and 15 separate owners for those stations. In contrast, in Harrisonburg, Virginia—the smallest market in our review—we identified only 2 broadcast television stations and 2 separate owners, one of which was a public television station. Similarly, in the newspaper industry, several stakeholders reported that most newspaper markets can support only one daily newspaper because of high fixed costs in the industry. Accordingly, 9 of the 16 markets we evaluated had one daily newspaper, and 4 markets supported two newspapers.[56]

- **Operating agreements.** The size of a local market and high fixed costs produce incentives for media outlets to enter into operating agreements with other local outlets. Specifically, we found that outlet owners in markets with smaller advertising revenues have incentives to enter into operating agreements with other outlets to spread fixed costs across multiple outlets to maximize their profitability. Thirty interviewed stakeholders reported that the size of the market can influence the need for such operating agreements. In our case study analyses, we identified 9 operating agreements between 17 television stations in 5 markets. [57] We found these arrangements in a variety of markets, but not in the top three markets. It appears that medium-size markets are better suited to these arrangements than small markets because they offer a larger pool of potential outlet partners than would be available in smaller markets. Furthermore, two stakeholders reported that these agreements may increase the number of outlets available in a market by helping weaker stations remain in operation and by bringing new broadcasting networks into a market.

- **Local and national consolidation.** The combination of high fixed costs and market size also encourages media consolidation both within local markets and nationwide. Because competition for advertising revenues among radio and television broadcast stations occurs at the local level, nine stakeholders representing television, radio, and newspaper companies reported that their industries have incentives to consolidate operations across multiple outlets to reduce their fixed costs and claim a larger share of available advertising revenues. For example, six stakeholders reported that owning multiple stations in a local market allows a single owner to program its stations with diverse formats to reach a larger share of local listeners and provide multiple channels for advertisers. Media firms likewise have incentives to seek economies of

[56]Seven of 16 case study markets had more than one daily newspaper. However, this ratio is indicative of the selection process for our case study markets in which we selected the three largest DMAs (New York, Los Angeles, and Chicago),which each had more than one daily newspaper, as well as Tucson, which had a joint operating agreement between two daily newspapers. In markets with more than one daily newspaper, we did not evaluate circulation share.

[57]Case study markets with operating agreements were Nashville (1), Wilkes Barre/Scranton (4), Springfield (2), Myrtle Beach/Florence (1), and Terre Haute (1). We also identified two operating agreements for radio stations in Nashville and Harrisonburg.

scale and consolidate their operations nationally. For example, stakeholders reported that the cable industry has consolidated in recent years to cluster local systems into wider regional networks to reach larger audiences and serve a wider range of advertisers. Stakeholders also reported that serving a wider network of subscribers gives cable operators greater leverage in negotiating agreements to carry programming produced by broadcast and cable television networks. In the newspaper industry, one national newspaper company reported that it publishes almost 1,000 nondaily newspapers across the country, which enables the company to offer flexible advertising packages to national and local advertisers.

Stakeholder Perspectives Vary on the Influence of Legal and Regulatory Factors on Media Ownership

In addition to economic factors, several legal and regulatory policies appear to have influenced media ownership, including local television and radio station ownership limits, the newspaper-broadcast cross ownership ban, and the 1996 Act. However, stakeholder perspectives varied on the extent to which the individual policies may have influenced current ownership.

- **Local television and radio station ownership limits.** FCC's rules limit the number of radio stations, television stations, and combinations of radio and television stations that a single entity can own; as such, the rules influence the ownership of these media outlets. Twenty-three of 29 industry stakeholders we spoke with cited either the local radio or television limits as a factor influencing the ownership of media outlets. Several stakeholders reported that the local television ownership limit—which permits ownership of two television stations in larger markets—allows over-the-air television stations to better compete with other media outlets, including cable television and DBS providers, which have significantly more channels and air time to sell advertising. Several other stakeholders reported that this rule would be more beneficial if it were permitted in smaller markets to preserve struggling outlets, rather than in large markets where advertising revenues are greater. With regard to radio, several industry stakeholders reported that the local ownership caps limit consolidation in markets where companies were operating at the ownership limits.

- **Newspaper-broadcast cross ownership ban.** By limiting the markets where a single entity can have common ownership of a daily newspaper and a broadcast outlet, FCC's rules affect the ownership of these media outlets. Stakeholders from three companies with newspaper holdings reported that the potential synergies and economic benefits to cross-ownership are overstated; two stakeholders reported that differences between television and newspaper cultures and products limit collaboration between the two platforms. On the other hand, three companies owning both newspapers and television stations in the same market reported that cross-ownership offers synergies such as improved sharing of resources and information between outlets. Similarly, stakeholders from two companies indicated that cross-ownership has helped their outlets produce more in-depth, local news than they would otherwise be able to provide.

- **Telecommunications Act of 1996.** The 1996 Act loosened restrictions on the ownership of radio stations—allowing greater ownership of local radio stations and eliminating nationwide limits on ownership of radio stations. Twenty of 45 nonbusiness stakeholders, such as academics, industry associations, and think tanks, identified the 1996 Act as a factor influencing media ownership; 9 of 57 business stakeholders similarly identified the 1996 Act. Three stakeholders reported that the changes in the 1996 Act brought capital, business expertise, and content diversity to the radio industry, as new entrants sought to invest in underfunded radio stations. Alternatively, several other stakeholders reported that the 1996 Act resulted in overconsolidation in the radio industry, as many small operators were bought out by conglomerate owners.

Technological Factors Appear to Facilitate New Entry

New technologies appear to facilitate entry, thereby promoting new content and competition. In particular, the Internet provides new opportunities for individual citizens and companies to produce their own Internet publications with little investment. For example, individuals and companies no longer need to acquire a broadcast license and invest in broadcast facilities to distribute content to a wide audience. Forty-four stakeholders told us that the Internet creates an abundance of outlets, while only 17 disagreed. The Pew Internet & American Life Project, an Internet-focused research center, found that in 2003, “more than 53 million American adults had used the Internet to publish their thoughts, respond to others, post pictures, share files and otherwise contribute to the explosion of content available online.” Additionally, 67 of 102 stakeholders mentioned competition from new entrants from the Internet or new telecommunications services as a factor influencing media ownership. For example, six newspaper industry stakeholders reported that industry revenues have suffered from the availability of low-cost or free classified advertising services available on the Internet.

While many stakeholders reported that the Internet creates an abundance of outlets, opinions varied as to the significance of these outlets. For example, several stakeholders cited increases in the number of outlets available on the Internet, such as blogs, but said there is little evidence that these outlets are widely read or are journalistic substitutes for newspapers. Similarly, several other stakeholders estimated that a significant portion of the content available on these Web sites originates from large, established media firms such as newspapers.

Stakeholders' Opinions Varied on Modifications to Media Ownership Rules, but Business Stakeholders Were More Likely to Favor Deregulation

The stakeholders we interviewed seldom agreed on proposed modifications to media ownership rules. However, most business stakeholders expressing opinions on these rules were more likely to report that they should be relaxed or repealed. In contrast, nonbusiness stakeholders who expressed opinions on the rules were more likely to report that the rules should be left in place or strengthened. Both business and nonbusiness stakeholders who expressed an opinion on the previously repealed tax certificate program supported either reinstating or expanding the program to encourage the sale of broadcast outlets to minorities.

- **Newspaper-broadcast cross-ownership ban.** As mentioned earlier, on December 18, 2007, FCC modified its rules to permit common ownership of a daily newspaper and broadcast outlet in some markets. Prior to FCC's action, the stakeholders we spoke with were fairly evenly divided on whether FCC should modify its rule prohibiting cross-ownership of newspapers and broadcast outlets in the same local area. Of the 50 stakeholders expressing an opinion on the matter, 27 reported that the rule should be repealed and 23 said that the rule should either be left as is or strengthened. However, among business and nonbusiness stakeholders interviewed, there were clear differences in opinion on this issue. Fourteen of 20 nonbusiness stakeholders were in favor of strengthening or leaving the rule in place. In contrast, 21 of 30 business stakeholders were in favor of repealing the regulation. For example, 13 of 14 stakeholders from multisector media companies stated the rule should be repealed.

- **Local television and radio ownership limits.** Stakeholders were fairly evenly divided on whether FCC should alter rules limiting the number of broadcast television and radio stations a single entity can own in a local market. Of the 50 stakeholders expressing an opinion on the matter, 27 said that the rules should be repealed and 23 said that the rule should either be left as is or strengthened. However, opinions within stakeholder segments were more consistent. Fourteen of 19 nonbusiness stakeholders were in favor of strengthening or leaving the rules in place, while 22 of 31 business stakeholders were in favor of repealing the regulations.

- **National television ownership cap.** The majority (65 of 102) of stakeholders expressed no opinion on this issue. Of the 37 who did express an opinion, 22 said that the cap should be left as is or lowered, further restricting ownership, while 15 favored raising or repealing the cap. But these results differed for nonbusiness and business stakeholders. Whereas 11 of 15 nonbusiness stakeholders stated that the cap should be left as is or lowered, further restricting ownership, 11 of 22 business stakeholders indicated that the cap should raised or repealed.

- **Reinstitution of minority tax certificate program.** Of the 102 stakeholders interviewed, most (72) expressed no opinion as to whether the minority tax certificate program should be reinstated. However, among the 30 stakeholders who mentioned this issue, there was broad consensus in favor of reinstating some version of this program. Twenty-eight of these 30 stakeholders indicated that the program should be either reintroduced without changes or expanded, and 2 said that the program was not needed and should not be reinstated.

Conclusion

The media serve an important function in American life through their role in disseminating news, information, and entertainment. Though media options vary by local market, the overall growth in the communications industry and the emergence of the Internet have provided unprecedented levels of media choices to the American public. At the same time, economic forces appear to encourage local and national consolidation and operating agreements that reduce the number of independent voices. Moreover, though smaller owners, including minorities and women, have opportunities to enter the media industry by way of Internet-based and niche publications, these groups continue to face long-standing challenges to the ownership of radio and television stations. Since 1999, FCC has collected data on the gender, race, and ethnicity of radio and television station owners. In undertaking this effort, FCC noted that it was appropriate to develop “precise information on minority and female ownership of mass media facilities” and “annual information on the state and progress of minority and female ownership,” thereby positioning “both Congress and the Commission to assess the need for, and success of, programs to foster opportunities for minorities and females to own broadcast facilities.” Yet, data weaknesses stemming from how the data are collected, verified, and stored limit the benefits of this effort. Further, more accurate and reliable data would allow FCC to better assess the impact of its rules and regulations and would enable the Congress to make more informed legislative decisions about issues such as whether to reinstate the tax certificate program. While FCC recently adopted a Notice of Proposed Rulemaking regarding its data on broadcaster licensee gender, race, and ethnicity, this process has only recently begun and its outcome is unclear.

Recommendation for Executive Action

To more effectively monitor and report on the ownership of broadcast outlets by minorities and women, we recommend that the Chairman, FCC, identify processes and procedures to improve the reliability of FCC's data on gender, race, and ethnicity so that these data can be readily used to accurately depict the level, nature, and trends in minority and women ownership, thereby enabling FCC and the Congress to determine how well FCC is meeting its policy goal of diversity in media ownership.

Agency Comments

We provided a draft of this report to FCC for its review and comment. FCC provided technical comments that we incorporated where appropriate. FCC did not provide comments on our recommendation. FCC's written comments appear in appendix IV.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies of this report to the appropriate congressional committees and to the Chairman of the Federal Communications Commission. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or heckerj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Contact information and major contributors to this report are listed in appendix V.

Sincerely yours,

JayEtta Z. Hecker
Director, Physical Infrastructure Issues

Appendix I: Scope and Methodology

To assess the current ownership of media outlets, we used a case study methodology. The case studies consisted of the largest city in 16 Nielsen Designated Market Areas (DMA). To select the case study DMAs, we used a stratified random sample. We obtained the 2007 list of DMAs from the Nielsen Media Research Web site. We stratified the DMAs by size and randomly selected four large, four medium-size, and four small markets for the case study analysis. We defined large markets as those with 500,000 to 3 million households; medium-size markets as those with 150,000 to 499,999 households; and small markets as those with fewer than 150,000 households. In addition to the 12 random selections, we selected the top three markets (New York, Los Angeles, Chicago) as a separate take-all stratum and selected Tucson as a test market in which to count outlets because of its large Hispanic population.

Within each market, we counted the number of television stations, radio stations, newspapers, and multichannel video programming distributors (MVPD) and the owners of these outlets. We considered outlets available to residents in the largest city to avoid counting multiple outlets not present throughout the market; outlets not counted primarily consist of weekly suburban newspapers not published in the largest city. Below we discuss our approach to counting television stations, radio stations, newspapers, and multichannel video programming distributors.

Television stations. We used the Warren Television and Cable Factbook: Online to count the number of full-power television stations located in each market. We included both commercial and noncommercial full-power television stations in our count of stations. We used company Web sites and ownership data that stations filed with the Federal Communications Commission (FCC) through its Form 323 to determine the ownership of the station. For commercial stations, we counted the owner as the ultimate legal entity on whose behalf the ownership was registered with FCC. This provided an accurate count of group ownership, as well as identified any multiple station ownership within a single market.

Radio stations. We first determined the largest city located within each television market. Some selected case study markets had multiple core cities; we used Miami for the Miami/Fort Lauderdale DMA, Scranton for the Wilkes Barre/Scranton DMA, Florence for the Myrtle Beach/Florence DMA, and Cedar Rapids for the Cedar Rapids/Waterloo/Iowa City/Dubuque DMA. We used FCC data to determine the number of full-power commercial and noncommercial radio stations located within close listening distance of the city.[1] Due to its large geographic area and sparse population, we identified the four most populous counties in the Sherman/Ada DMA and determined the number of radio stations located within 20 miles of the largest town in each county.[2] We adopted this approach because the market is too small to have an Arbitron radio market.[3] The Sherman/Ada market also is located between the Oklahoma City and Dallas/Fort Worth markets, so we used an atlas to ensure that the radio stations located within 20 miles of Ada, Oklahoma, and Sherman, Texas, both located on the geographical edge of the DMA, were physically located inside the Sherman/Ada DMA.

Our methodology produced counts of radio stations that may not match the actual number of full-power radio stations located in a DMA for one or both of the following reasons. First, the DMA may contain more than one Arbitron radio market, such as in the Cedar Rapids/Waterloo/Iowa City/Dubuque DMA and we counted radio stations from only one radio market. Second, the DMA is geographically large and the number of full-power commercial and noncommercial radio stations located within close listening distance of the core city does not capture all of the radio stations.

Newspapers. We used *Bowker's News Media Director*y to identify the daily, weekly, ethnic, religious, and special interest publications whose area of dominant influence included the core urban area. We counted daily and weekly newspapers separately and combined the ethnic, religious, and special interest publications into the "other" category. We also surveyed Web sites of the major daily newspapers in the core urban area of each of our case study markets to determine if there were any additional publications not contained in *Bowker's News Media Directory*. We also used the directory from the New American Media organization to identify additional ethnic publications available in New York, Los Angeles,

[1]In smaller urban areas, we defined "close listening distance" as a station which was located within 20 miles of the city or a station located in the Arbitron radio market whose signal contour band covered the urban area. For very large cities, such as Miami, Los Angeles, Chicago, and New York, we used just the signal contour band coverage criteria.

[2]These towns and counties are Sherman, Grayson County, Texas; Ada, Pontotoc County, Oklahoma; Ardmore, Carter County, Oklahoma; and Durant, Bryan County, Oklahoma.

[3]An Arbitron radio market is a geographically contiguous area in which the listnership of radio stations is surveyed for ratings.

Chicago, Miami, Charlotte, Nashville, and Chattanooga.[4] This source did not list publications for the other case study markets. Fieldwork in the Nashville and Tucson markets turned up additional publications that were missing in our data source. Our data sources likely undercount small local weeklies and other types of independent journals.

Multichannel video programming distributors. We obtained the list of cable operators in each state from FCC's database of registered cable operators (http://www.fcc.gov/mb/engineering/liststate.html). We used the Warren Television and Cable Factbook to verify that a cable company listed in the FCC database provided service in the core urban area. If the market contained more than one urban area, we used the largest city (e.g., Miami). In addition to cable companies, we included both direct broadcast satellite companies (DirecTV and EchoStar). The minimum MVPD count a market could have with this methodology is three. Any number greater than three reflects the presence of a cable overbuilder or a telecommunications company that is offering subscription television services in the core urban area of the DMA.

In addition to case studies, we reviewed the relevant literature and conducted interviews to assess the current ownership of media outlets. We identified studies through a general literature review. We interviewed agency officials at FCC and the National Telecommunications and Information Administration (NTIA) about media ownership policies. We also identified 102 stakeholders in academia, think tanks, nonprofits, and media companies and interviewed them to obtain their views on FCC's ownership policies and issues affecting media ownership. We used the same structured interview for all interviewees and analyzed the content of the interview responses. To ensure consistent analysis of the interview responses, we had two reviewers independently apply the content analysis tool to each interview write-up and standardized the coding to ensure reliability. We cross-tabulated the interview content to determine patterns in responses and the extent to which interview subjects supported particular positions.

To identify the economic, legal and regulatory, and technological factors affecting media ownership, we reviewed the relevant literature, studies,

[4] *National Ethnic Media Directory*, online version (San Francisco, California: New America Media, Pacific News Service, 2007). http://news.newamericamedia.org/news/view_custom.html?custom_page_id=263 (downloaded Sept. 28, 2007, through Nov. 6, 2007).

and regulations and conducted interviews. We obtained and analyzed data on the radio and television industries from Bear, Stearns and Company, Inc. We obtained data from the Census Bureau's 2006 American Community Survey to study the economic and demographic characteristics of households in the metropolitan statistical area around the central city in each case study DMA. We obtained data on the average household effective buying income for each DMA from the Television Bureau of Advertising for all 210 DMAs; we also obtained the list of top 25 Hispanic, African-American, and Asian media markets from the bureau. We reviewed the relevant economic literature and studies on media ownership. We reviewed relevant legislation and FCC notices, orders, and reports to assess legal factors. We also obtained information on economic, legal and regulatory, and technological factors from industry stakeholders as part of the structured interview process.

To describe the levels of minority and women ownership of broadcast outlets, to identify factors that help explain these levels, and to assess FCC's data collection efforts, we reviewed relevant reports, interviewed agency officials and industry stakeholders, and analyzed FCC's forms and processes. To describe the levels of minority and women ownership of broadcast outlets, and factors affecting their ownership, we interviewed industry stakeholders, FCC and NTIA officials, and members of FCC's Advisory Committee on Diversity for Communications in the Digital Age. We also reviewed relevant reports prepared by or for FCC, NTIA, and nongovernment organizations (such as Free Press). To determine FCC's data collection efforts, we reviewed the relevant regulatory forms (such as FCC's Form 323), and FCC documents and commissioned reports. Additionally, we interviewed FCC officials responsible for collecting the Commission's data on broadcast ownership about the completeness and quality of the information in their databases. Because of inadequacies in the FCC ownership data, evidence suggesting limited ownership of media outlets by minorities and women comes from stakeholder opinions, as well as studies commissioned by FCC and prepared by NTIA and nongovernment organizations.

We conducted this performance audit from February 2007 through March 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Results from Case Study Locations

To study the nature and level of media ownership, we randomly selected 12 case study markets, including 4 from each of three market strata—large, medium, and small. In addition, we selected the three largest markets as a separate stratum and judgmentally selected an extra market from the medium stratum (Tucson) to test our methodology for data collection and structured interviews. Information about the markets we selected for case study analysis appears in table 7. These media markets account for about 20 percent of all television households in the United States. For information about our methodology for counting outlets in each media market, see appendix I.

Table 7: Local Media Markets Selected for Analysis

2007 Nielsen size rank	Designated market area	Number of TV households	Percentage of U.S. market	Stratum
1	New York, N.Y.	7,366,950	6.616	Very Large
2	Los Angeles, Calif.	5,611,110	5.039	Very Large
3	Chicago, Ill.	3,455,020	3.103	Very Large
16	Miami-Ft. Lauderdale, Fla.	1,538,620	1.382	Large
26	Charlotte, N.C.	1,045,240	0.939	Large
30	Nashville, Tenn.	944,100	0.848	Large
53	Wilkes Barre-Scranton, Pa.	590,170	0.530	Large
70	Tucson (Sierra Vista), Ariz.	433,310	0.389	Medium
76	Springfield, Mo.	402,310	0.361	Medium
86	Chattanooga, Tenn.	347,380	0.312	Medium
89	Cedar Rapids-Waterloo-Iowa City & Dubuque, Iowa	333,270	0.299	Medium
105	Myrtle Beach-Florence, S.C.	272,340	0.245	Medium
151	Terre Haute, Ind.	144,880	0.130	Small
161	Sherman-Ada, Tex., Okla.	124,330	0.112	Small
174	Jackson, Tenn.	95,070	0.085	Small
181	Harrisonburg, Va.	87,630	0.079	Small

Source: GAO analysis of Nielsen 2007 television ratings data.

The Three Largest Media Markets

New York, New York (1)

The New York City designated market area (DMA) is the largest media market in the United States, with over 7 million households. This media market comprises 13 counties in northern New Jersey, 1 county in southwest Connecticut, 1 county in northeastern Pennsylvania, and 14 counties in New York, including all those on Long Island and the five boroughs. The New York City DMA is the largest African-American media market, the second-largest Asian media market, and the second-largest Hispanic media market in the United States. In terms of average household disposable income,[1] the New York City DMA ranks fourth highest in the United States, making it a very attractive market for a broadcast media outlet.

The four major networks (ABC, CBS, FOX, and NBC) own and operate their local broadcast television affiliates in New York. (In smaller television markets, the major networks are less likely to own and operate their local affiliates.) One company owns three television stations, all of which broadcast in Spanish. There are seven noncommercial Public Broadcasting Service (PBS) affiliates, several independent stations, and three Spanish-language network affiliates among the remaining broadcast television stations.

The owners of radio outlets in the New York media market include several large national media companies with five or six outlets each and 28 entities with a single outlet in the market. Therefore, about two-thirds of the owners in the New York City DMA are operating a single radio outlet.[2] The majority of the radio stations in this market broadcast in English, several broadcast in Spanish, and one broadcasts in Cantonese. In the aggregate, the 73 radio stations in the New York media market provide listeners with a wide variety of content.

There is more cross-ownership of newspapers and broadcast outlets in the New York market than in other media markets, but there is also more diversity in specialty publications. News Corporation owns *The Wall Street Journal*, *The New York Post*, and two broadcast television stations (WWOR and WNYW); The New York Times Company owns *The New York*

[1]When we refer to “disposable” income, we mean effective buying income, and our source for this information is the Television Bureau of Advertising. The household average effective buying income is a bulk measurement of market potential that indicates the ability to buy and is essential for selecting, comparing, and grouping markets.

[2]That is, a single owner within this particular market only. Most of the commercial radio station owners in the New York City DMA also own numerous stations elsewhere in the United States.

Times daily newspaper and a radio station (WQXR); and Tribune Company owns one Spanish-language daily newspaper (*Hoy*) and one television station (WPIX). New York is the center of the publishing industry in the United States and far more specialty publications are located here than in other media markets.

Table 8: Numbers of Outlets and Owners by Media Sector for the New York City DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	21	15
Radio	73	44
Newspaper[a]		
• Daily	5	5
• Weekly	41	18
• Other[b]	177	136
Multichannel video program distributor[c]	4	4

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory.*

[a]Reflects availability in New York City. In addition to those newspapers identified by Bowker's, we found 51 other newspapers listed for New York City in the online version of the National Ethnic Media Directory, but were not able to identify the ownership for all of the newspapers. These 51 newspapers are not included in the table because of this.

[b]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[c]Three cable companies operate in New York City, but their service territories do not overlap. A representative household has one of these companies available plus an overbuilder (i.e., a competing cable company in a market formerly licensed exclusively to another cable company) and both satellite television companies, DirecTV and EchoStar.

Los Angeles, California (2)

The Los Angeles DMA is the second-largest media market in the United States, with over 5.6 million households. It includes eight counties in southern California and stretches from the Pacific Coast east to Nevada. The Los Angeles DMA is the largest Hispanic media market, the largest Asian media market, and the sixth-largest African-American media market in the United States. This media market ranks 24th in the nation for average household disposable income, the lowest ranking among the three largest media markets.

The four major networks (ABC, CBS, FOX, and NBC) own and operate their local broadcast television affiliates in the Los Angeles DMA, just as they do in the New York City DMA. One of these networks owns three stations in this market while two other networks each own two stations. Los Angeles has more broadcast television stations than New York; more stations broadcast in Spanish and there are two Asian-language stations in Los Angeles.

The Los Angeles DMA is the largest radio market in the country. According to advertising data for 2005, radio stations in the Los Angeles DMA[3] competed for over $1 billion of advertising revenue, exceeding the advertising revenue for the next largest (New York) and the third-largest (Chicago) radio advertising markets by over $200 million and about $500 million, respectively. The Los Angeles DMA is somewhat more concentrated: one owner has reached the FCC cap of eight stations and another is close to the cap with seven stations. By contrast, no radio station owner in New York has reached the eight-station cap. Fewer stations are operated by a single owner in Los Angeles (20) than in New York (28), yet over half the Los Angeles station owners (about 59 percent) operate a single station. The large number of radio stations in Los Angeles provides a wide variety of content, and about a quarter of the stations broadcast in a language other than English, including 13 in Spanish, 3 in Korean, and 2 in Chinese. Stations located in Mexico and in neighboring U.S. media markets can also be heard in all or portions of the Los Angeles DMA, enhancing the market's diversity.

Fewer newspapers are located in Los Angeles than in the New York DMA, yet the number is still large compared with other media markets. There is one instance of cross-ownership: Tribune Company owns the *Los Angeles Times* and a broadcast television station (KTLA) in this market.

Table 9: Numbers of Outlets and Owners by Media Sector for the Los Angeles DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	24	19
Radio[a]	69	34
Newspaper[b]		
• Daily	2	2
• Weekly	15	5
• Other[c]	73	59
Multichannel video program distributor[d]	4	4

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[3]Bear Stearns & Co. Inc., *Bear Stearns Radio Fact Book 2006* (New York, NY, 2006), p. 137.

[a]Does not include four Mexican stations whose broadcasts are retransmitted in Los Angeles or stations from neighboring media markets whose broadcasts can be heard in portions of the Los Angeles DMA.

[b]Reflects availability in the city of Los Angeles. In addition to the newspapers in the listed sources, we found 54 other newspapers listed for the city of Los Angeles in the online version of the National Ethnic Media Directory, but we were not able to identify the ownership for all of them. These 54 newspapers are not included in the table because of this.

[c]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[d]Four cable companies operate in the city of Los Angeles, but their service territories do not overlap. A representative household has one of these companies available plus a telephone company offering fiber optic service and both satellite television companies.

Chicago, Illinois (3)

The Chicago DMA is the third-largest media market in the United States, with over 3.4 million households. It contains 11 counties in northern Illinois and 5 counties in northwest Indiana. Chicago is the third-largest African-American media market, the fifth-largest Asian market, and the fifth-largest Hispanic media market in the United States. The Chicago DMA has the seventh-highest average household income in the nation.

The Chicago DMA has eight fewer broadcast television stations than the Los Angeles DMA; there are four fewer Spanish-language, no Asian-language, and three fewer independent English-language stations in Chicago. The Chicago DMA also has five fewer television stations than the New York DMA. Radio outlet ownership is similar to that in Los Angeles—there are 2 owners that operate seven stations each in this market. Radio ownership is characterized by a few companies operating near the FCC ownership limit while 27 of the 38 owners (or 71 percent) own and operate a single radio station.

Chicago has one instance of cross-ownership—under a waiver from FCC, Tribune Company owns two daily newspapers, the *Chicago Tribune* and *Hoy*, a Spanish-language daily; a television station, WGN; and a radio station, WGN-AM, in this media market.

Table 10: Numbers of Outlets and Owners by Media Sector for the Chicago DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	16	13
Radio	65	38
Newspaper[a]		
• Daily	3	3
• Weekly	17	11
• Other[b]	52	47
Multichannel video program distributor[c]	4	4

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Reflects availability in the city of Chicago. In addition to the newspapers in the listed sources, we found 35 other newspapers listed for Chicago in the online version of the National Ethnic Media Directory, but were not able to identify the owners of all of them. These 35 newspapers are not included in the table because of this.

[b]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[c]Two cable companies operate in the city of Chicago, but their service territories do not overlap. A representative household has one of these companies available plus an overbuilder and both satellite television companies.

Large Media Markets

After the top three markets, we defined large media markets as those with between 500,000 and 3 million households. There are 59 media markets in this size category, ranging from Philadelphia (4) to Tulsa (62). We randomly selected four of these markets for case study analysis.

Miami/Fort Lauderdale, Florida (16)

The Miami/Fort-Lauderdale DMA includes 1.5 million households, making it the 16th-largest media market in the nation. It is the 3rd-largest Hispanic media market in the United States, after New York and Los Angeles; the 10th-largest African-American media market; and the 23rd-largest Asian media market. The average household disposable income for the DMA ranks 33rd in the nation, yet the advertising revenue for radio ranks 11th.

Although the Miami/Fort Lauderdale DMA has about 2 million fewer households than the Chicago DMA, both markets support 16 broadcast television outlets. In Miami, these include affiliates of the eight primary English-language commercial networks,[4] five Spanish-language stations, and three public television stations. Three of the English-language

[4]The eight primary commercial English-language broadcast television networks are ABC, CBS, CW, FOX, ION, MMT, NBC, and TBN.

affiliates are owned and operated by two of the four major television networks. Commercial television stations that are owned and operated by the major networks are characteristic of our large case study media markets. Sixteen, or two-thirds, of the radio station owners operate a single outlet in the Miami/Fort Lauderdale DMA—the same proportion as in the New York City DMA. One company owns seven radio stations.

This city supports two Spanish-language daily newspapers in addition to the English-language newspaper. Among the other newspapers available to residents are several Spanish-language weeklies and an African-American-focused weekly.

Table 11: Numbers of Outlets and Owners by Media Sector for the Miami/Fort-Lauderdale DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	16	13
Radio	47	24
Newspaper[a]		
• Daily	3	2
• Weekly	5	5
• Other[b]	10	10
Multichannel video program distributor[c]	4	4

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Reflects availability in Miami. In addition to the newspapers in the listed sources, we found 14 other newspapers listed for Miami in the online version of the National Ethnic Media Directory, but were not able to identify the ownership for all of them. These 14 newspapers are not included in the table because of this.

[b]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[c]One cable company operates in Miami. A representative household has this company available plus a telephone company offering digital cable and both satellite television companies.

Charlotte, North Carolina (26)

Charlotte is the 26th-largest media market in the United States, with over 1 million households. It is the 16th-largest African-American media market, but is not among the top 25 Hispanic or Asian media markets in the United States.

The broadcast television market here includes a higher percentage of noncommercial stations and more duopolies—one company owning two stations—than do the case study media markets described thus far. Specifically, 4 of the DMA's 12 broadcast television stations, or 33 percent, are noncommercial and are affiliated with PBS. Among the 8 commercial television stations, there are two duopolies, and 2 of the noncommercial PBS stations have one owner, a local university. All of the commercial stations broadcast in English, meaning that residents in this DMA who desire media content in languages other than English must subscribe to a cable or satellite television service.

In terms of radio advertising revenue, Charlotte is the 29th-largest market. Fewer radio stations are located within listening distance of the core city limits than in Miami or Nashville. Ownership of radio outlets is more concentrated in Charlotte than in the larger markets. There are 17 owners, including 1 large national media company that owns 7 radio stations in this market and 10 commercial and noncommercial owners that each operates a single station in the market.

Table 12: Numbers of Outlets and Owners by Media Sector for the Charlotte DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	12	9
Radio	37	17
Newspaper[a]		
• Daily	1	1
• Weekly	0	0
• Other[b]	11	11
Multichannel video program distributor[c]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Direct*ory.

[a]Reflects availability in the city of Charlotte. In addition to the newspapers in the listed sources, we found five other newspapers listed for Charlotte in the online version of the National Ethnic Media Directory, but were not able to identify the owners of all of them. These five newspapers are not included in the table because of this.

[b]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[c]One cable company operates in the city of Charlotte. A representative household has this company available plus both satellite television companies.

Nashville, Tennessee (30)

The Nashville DMA is the 30th-largest media market in the United States, with over 940,000 households. Covering 49 counties in Tennessee and Kentucky, this DMA covers a wide geographic area. Nashville is not among the top 25 media markets for African Americans, Asians, or Hispanics. In terms of average household disposable income, the DMA ranks 43rd among all media markets in the United States, and it ranks lower for television advertising revenue than for population size.

Two of the Nashville DMA's 12 broadcast television stations are noncommercial public television stations. One company owns 2 of the commercial broadcast television stations and has a local service agreement to run a third station with another outlet owner. All 12 television stations broadcast in English.

With 52 radio outlets, Nashville has more radio stations than Miami, Charlotte, and Wilkes Barre/Scranton, the other three case study media markets in our large-size category, and radio ownership is much less concentrated. Twenty-four, or 69 percent, of the station owners operate a single station in this market; two companies own five stations each and the remaining nine companies own the rest. One of the group owners with five radio stations also has a joint sales agreement with a radio station owned by another company in Nashville.

Table 13: Numbers of Outlets and Owners by Media Sector for the Nashville DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	12	11
Radio	52	35
Newspaper[a]		
• Daily	2	2
• Weekly	4	3
• Other[b]	9	9
Multichannel video program distributor[c]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Reflects availability in Nashville. In addition to the newspapers in the listed sources, we found one other newspaper listed for Nashville in the online version of the National Ethnic Media Directory. Since we could not identify the ownership for all of the newspapers found in the National Ethnic Media Directory, we did not include them in the case study market count tables.

[b]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[c]One cable company operates in the city of Nashville. A representative household has this company available plus both satellite television companies.

Wilkes Barre/Scranton, Pennsylvania (53)

The Wilkes Barre/Scranton DMA covers 17 counties in northeastern Pennsylvania and is the 53rd-largest media market in the country, with over 590,000 households. This DMA is unusual in that it has no large core city, but rather a series of large- and medium-size towns located in the valleys of this mountainous region. The DMA ranks 148th in the nation for average household disposable income.

With about 350,000 fewer households than the Nashville DMA, the Wilkes Barre/Scranton DMA also has fewer broadcast television stations and radio stations. The DMA contains seven commercial stations, all of which are broadcast network affiliates, and one PBS affiliate. There are no full-power independent television stations in this media market. Difficulties in the local economy—and a television advertising market that, according to industry sources we spoke with, is smaller than warranted for a DMA of its population size—have encouraged cost-sharing arrangements between the commercial broadcast television stations. Two of the stations have a single owner, and this owner has a local service agreement with a third station. Two other stations have a local service agreement under which they share everything except programming and finances. The remaining two commercial television stations have a joint sales agreement. Thus, the seven commercial television stations in this DMA operate in three loose commercial groupings.

Ten of the 14 owners of radio outlets in the Wilkes Barre/Scranton DMA, or 71 percent, own and operate a single radio station in the market. One company owns five stations, another owns four stations, and two companies own the remaining five stations. Because of the mountainous terrain in this DMA, rebroadcasting of other stations' signals occurs frequently.

Table 14: Numbers of Outlets and Owners by Media Sector for the Wilkes Barre/Scranton DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	8	7
Radio[a]	24	14
Newspaper[b]		
• Daily	1	1
• Weekly	1	1
• Other[c]	4	3
Multichannel video program distributor[d]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Includes all stations identified by FCC data at or within 20 miles of Scranton, the largest town in this DMA. Does not include stations that rebroadcast the signal of another radio station.

[b]Reflects availability in Scranton.

[c]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[d]One cable company operates in the city of Scranton. A representative household has this company available plus both satellite television companies.

Medium-Size Media Markets

After the top three markets and large markets, we defined medium-size media markets as those containing from 150,000 to 499,999 households. There are 86 media markets in this size category, ranging from Lexington (63) to Salisbury (148). We randomly selected 4 of these markets for case study analysis. In addition, before making our random selection, we judgmentally selected the Tucson, Arizona, DMA as a test market for our data collection and structured interview methodology because of its large Hispanic population.

Tucson, Arizona (70)

The Tucson DMA is the 70th-largest media market in the United States, containing over 433,000 households. It is also the 25th-largest Hispanic media market in the United States, with over 115,000 Hispanic households. This DMA ranks 74th for average household disposable income.

The Tucson DMA includes six commercial television stations affiliated with English-language networks, three commercial television stations affiliated with Spanish-language networks, and two public television stations. There are two duopoly owners of commercial stations—one of English-language stations and one of Spanish-language stations.

Radio outlet ownership is relatively concentrated in Tucson, with one media company operating six radio stations in this market and two media companies operating five stations each. In total, 7 owners operate more than one station and 10 owners, or 59 percent, operate a single station in the market.

The Tucson DMA has two daily newspapers, the *Arizona Daily Star* and the *Tucson Citizen*. They operate together under a joint operating agreement allowed by the Newspaper Preservation Act of 1970.

Table 15: Numbers of Outlets and Owners by Media Sector for the Tucson DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	11	8
Radio	38	17
Newspaper[a]		
• Daily	2	2
• Weekly	2	2
• Other[b]	5	5
Multichannel video program distributor[c]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Reflects availability in the city of Tucson.

[b]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[c]One cable company operates in the city of Tucson. A representative household has this company available plus both satellite television companies.

Springfield, Missouri (76)

The Springfield, Missouri, DMA includes 31 counties in Missouri and Arkansas and is the 76th-largest media market in the country, with just over 402,000 households. In terms of average household disposable income, this DMA ranked 183rd out of 210 media markets in the United States.

Five commercial television broadcasting stations and one public broadcasting television station serve this DMA. Two of the commercial television stations have a local service agreement under which they share everything in their business operations except programming and finances, and another two commercial stations operate together under a shared service agreement.

Five companies own 20 radio outlets, including two companies with 5 radio stations each. Six owners each operate a single radio station in this market. One company controls the primary daily newspaper in the DMA and one of the weeklies in Springfield itself.

Table 16: Numbers of Outlets and Owners by Media Sector for the Springfield DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	6	6
Radio	26	11
Newspaper[a]		
• Daily	2	2
• Weekly	1	1
• Other[b]	2	2
Multichannel video program distributor[c]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Reflects availability in the city of Springfield.

[b]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[c]One cable company operates in the city of Springfield. A representative household has this company available plus both satellite television companies.

Chattanooga, Tennessee (86)

The Chattanooga DMA covers 17 counties in Tennessee, Georgia, and North Carolina; includes over 347,000 households; and is the 86th-largest media market in the United States. This market supports six commercial television broadcasting stations, all affiliated with a commercial network, and two public television broadcasting stations. Five radio outlet owners control 17 radio stations, including two owners that control 4 stations each. Fifteen owners, or 75 percent, each operate a single station. There is no cable overbuilder in this DMA.

Table 17: Numbers of Outlets and Owners by Media Sector for the Chattanooga DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	8	8
Radio	32	20
Newspaper[a]		
• Daily	1	1
• Weekly	2	1
• Other	0	0
Multichannel video program distributor[b]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Reflects availability in the city of Chattanooga. In addition to the newspapers in the listed sources, we found one other newspaper listed for Chattanooga in the online version of the National Ethnic Media Directory. Since we could not identify the ownership for all of the newspapers found in the National Ethnic Media Directory, we did not include them in the case study market count tables.

[b]One cable company operates in the city of Chattanooga. A representative household has this company available plus both satellite television companies.

Cedar Rapids/Waterloo/Iowa City/Dubuque, Iowa (89)

The Cedar Rapids/Waterloo/Iowa City/Dubuque DMA includes 21 counties in Iowa, contains over 333,000 households, and is the 89th-largest media market in the country. Like the Wilkes Barre/Scranton DMA, the Cedar Rapids/Waterloo/Iowa City/Dubuque DMA does not contain a single core urban area. However, unlike the Wilkes Barre/Scranton DMA, this DMA is subdivided among three radio markets. To ensure comparability with other case study media markets, we counted stations located in the Cedar Rapids radio market because Cedar Rapids has the largest population of the four towns.

The Cedar Rapids/Waterloo/Iowa City/Dubuque DMA supports more broadcast television outlets than comparably populated media markets. There are six affiliates of national broadcast networks, two public television stations, and one independent television station, all of which broadcast in English. Two large national radio companies own 6 radio stations each, and 6 of the 11 radio outlet owners in the DMA, or 55 percent, each operate a single radio station. There is one daily newspaper in Cedar Rapids.

Table 18: Numbers of Outlets and Owners by Media Sector for the Cedar Rapids DMA

Industry segment	Number of outlets	Number of owners
Broadcast television[a]	9	8
Radio[b]	25	11
Newspaper[c]		
• Daily	1	1
• Weekly	0	0
• Other	0	0
Multichannel video program distributor[d]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Includes all broadcast television outlets whose signal reaches Cedar Rapids, the largest city in the DMA. Does not include one full-power broadcast television station in Dubuque whose signal does not reach Cedar Rapids.

[b]Includes all radio outlets within 20 miles of Cedar Rapids.

[c]Includes all newspapers located in Cedar Rapids.

[d]One cable company operates in the city of Cedar Rapids. A representative household has this company available plus both satellite television companies.

Myrtle Beach/Florence, South Carolina (105)

The Myrtle Beach/Florence DMA consists of eight counties in South Carolina and southeastern North Carolina. With over 272,000 households, this DMA is the 105th-largest media market in the United States, and in terms of average household disposable income, it ranks 176th out of 210 media markets. This television market DMA contains two medium-size towns that are geographically separated. Florence is the more populous of the two, so we counted the radio stations and newspapers located in this town.

The Myrtle Beach/Florence media market has six broadcast television outlets and five owners. The duopoly owner is an educational association that operates two public television stations. Two commercial television stations operate under a local marketing agreement that enables them to share fixed operating costs.

In the Florence radio market (the larger of the two radio markets in the Myrtle Beach/Florence DMA), there are four owners of a single station and two group owners. One group station owner controls five stations in this market, while the other controls four stations.

Table 19: Numbers of Outlets and Owners by Media Sector for Florence

Industry segment	Number of outlets	Number of owners
Broadcast television	6	5
Radio[a]	13	6
Newspaper[b]		
• Daily	1	1
• Weekly	1	1
• Other	0	0
Multichannel video program distributor[c]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory.*

[a]Based on FCC data for full-power radio stations located at or within 20 miles of Florence.

[b]Based on data for Florence.

[c]One cable company operates in the city of Florence. A representative household has this company available plus both satellite television companies.

Small Media Markets

The smallest media markets are those with fewer than 150,000 households. There are 61 media markets in this size category, ranging from Palm Springs, California (149), to Glendive, Montana (210). We randomly selected 4 of these markets for case study analysis.

Terre Haute, Indiana (151)

The Terre Haute DMA includes five counties in eastern Illinois and nine counties in western Indiana. There are fewer than 145,000 households in this market, making it the 151st-largest media market, and in terms of average household disposable income, it ranks 174th out of 210 media markets.

Three commercial television stations and two public television stations operate in this market. Two of the commercial stations operate under a joint operating agreement that allows them to share operating costs. As noted, cost-sharing arrangements also existed in the other four case study markets where we found a large difference between the population rank and the average household disposable income rank. Three owners operate 10 radio stations in this market, including two owners that operate 4 stations each, and eight owners each operate a single radio station in this market.

Table 20: Numbers of Outlets and Owners by Media Sector for the Terre Haute DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	5	5
Radio	18	11
Newspaper[a]		
• Daily	1	1
• Weekly	0	0
• Other[b]	1	1
Multichannel video program distributor[c]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Reflects availability in the city of Terre Haute.

[b]Includes data for specialty publications, religious newspapers, and ethnic newspapers.

[c]Two cable companies operate in the city of Terre Haute, but their service territories do not overlap. A representative household has one of these companies available plus both satellite television companies.

Sherman, Texas/Ada, Oklahoma (161)

The Sherman/Ada DMA contains 10 counties in southern Oklahoma and 1 county in northern Texas. Sherman is the largest community within this media market, with about 37,000 residents. This media market contains just over 124,000 households and is the 161st-largest media market. This market contains a higher proportion of Native American residents than any of our other case study markets.

Although there are two broadcast television stations in this market, there is no public television station. The two commercial stations are local affiliates of two different major broadcast networks, and one of these stations carries a third major broadcast network on its second digital signal. Residents of this DMA who own a digital television thus have free access to three of the four major broadcast networks.

While a distinct television market, the Sherman/Ada DMA does not constitute a separate radio market.[5] Six owners operate more than one radio station in this market, including one owner that operates four stations and two owners (one of whom is the Chickasaw Nation) that operate three stations each. Seven owners each operate a single radio station in this market.

Table 21: Numbers of Outlets and Owners by Media Sector for the Sherman/Ada DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	2	2
Radio	23	13
Newspaper[a]		
• Daily	1	1
• Weekly	0	0
• Other	0	0
Multichannel video program distributor[b]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Based on data for Sherman, Texas.

[b]One cable company operates in the city of Sherman. A representative household has this company available plus both satellite television companies.

[5]Determining the number of radio stations in this DMA was difficult because the DMA is small (too small for Arbitron to rate stations within it), yet it is close enough to core urban areas in surrounding DMAs, including the Oklahoma City, Tulsa, and Dallas/Fort Worth markets, to receive signals from stations that are physically located in these markets. We identified the four most populous counties in the Sherman/Ada DMA and selected the largest town within each of these four counties—Sherman, Grayson County, Texas; Ada, Pontotoc County, Oklahoma; Ardmore, Carter County, Oklahoma; and Durant, Bryan County, Oklahoma. Then we counted all radio stations within 20 miles of each town and checked the list against an atlas to make sure the station was physically located in a county within this DMA.

Jackson, Tennessee (174)

The Jackson DMA includes the town of Jackson and six counties in Tennessee to the east and northeast of Memphis. With just over 95,000 households, this media market is the 174th-largest in the nation. The DMA has two commercial broadcast television stations, both of which are local affiliates of major networks, and one public television station. Neither of the two commercial television stations broadcasts a second major network on its second digital signal. Five radio station owners operate more than one station, including two companies that operate four stations each and another that operates three stations in this market. Six owners each operate a single radio station in this market.

Table 22: Numbers of Outlets and Owners by Media Sector for the Jackson DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	3	3
Radio	21	11
Newspaper[a]		
• Daily	1	1
• Weekly	0	0
• Other	0	0
Multichannel video program distributor[b]	4	4

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory*.

[a]Based on data for Jackson.

[b]Two cable companies operate in the city of Jackson. A representative household has a choice between one of these companies or both satellite television companies.

Harrisonburg, Virginia (181)

With just over 87,000 households, the Harrisonburg DMA is the smallest media market we selected for case study analysis. Located northwest of Richmond, this DMA is the 181st-largest media market in the country and comprises two counties in Virginia and one county in West Virginia. This market contains one commercial television station and one public television station. The commercial television station is an affiliate of a major broadcast network for its analog signal, but it broadcasts programming from two other broadcast networks and its analog affiliate on its digital signals. Residents of this DMA who have a digital television thus have free access to the programming of three broadcast networks. Four radio station owners operate more than one station, including one company that operates five stations and another that operates four stations in this media market. Three owners each operate a single station in this market.

Table 23: Numbers of Outlets and Owners by Media Sector for the Harrisonburg DMA

Industry segment	Number of outlets	Number of owners
Broadcast television	2	2
Radio	16	7
Newspaper[a]		
• Daily	1	1
• Weekly	0	0
• Other	0	0
Multichannel video program distributor[b]	3	3

Source: GAO analysis of FCC data, Warren Online Cable and Television Factbook, and *Bowker's News Media Directory.*

[a]Based on data for Harrisonburg.

[b]One cable company operates in the city of Harrisonburg. A representative household has this company available plus both satellite television companies.

Appendix III: Organizations and Individuals Interviewed

We conducted interviews with the following individuals and representatives from the following organizations.

Table 24: Organizations and Individuals Interviewed

Access Tucson
AfraGenesis Communications
The Alliance for Community Media
American Women in Radio and Television, Inc.
C. Edwin Baker, University of Pennsylvania Law School
Bear, Stearns & Co. Inc.
Belo Corp.
Brewer Broadcasting
Carolyn M. Byerly, Howard University
Angela J. Campbell, Georgetown University Law Center
Capitol Broadcasting Company, Inc.
CBS Corporation
Chattanooga Times Free Press
Citadel Broadcasting Corporation
The City Paper (Nashville, Tennessee)
Clear Channel Communications, Inc.
Clear Channel Communications, Inc. (Tucson, Arizona, radio stations)
Comcast Corporation
Benjamin Compaine, Northeastern University
Consumer Federation of America
Consumers Union
Council Tree Communications, Inc.
Cox Enterprises, Inc.
Cumulus Media Inc. (Nashville, Tennessee, radio stations)
Democracy Now!
DIRECTV
EchoStar Communications Corporation
FCC Advisory Committee on Diversity for Communications in the Digital Age
Fisher Communications, Inc.
Free Press
Future of Music Coalition
Gannett Company, Inc.
Juan Gonzalez, New York Daily News columnist
James T. Hamilton, Duke University

Thomas W. Hazlett, George Mason University School of Law
Hubbard Broadcasting Inc.
Independent Film & Television Alliance
Independent Press Association
Journal Broadcast Group (Tucson, Arizona, radio and television stations)
JPMorgan Chase & Company
Michael L. Katz, University of California, Berkeley
KHRR (Tucson, Arizona, television station)
KMSB, KTTU (Tucson, Arizona, television stations)
KTTB-FM (Edina, Minnesota, radio station)
KUAT (Tucson, Arizona, television station)
KVOA (Tucson, Arizona, television station)
KWBA (Tucson, Arizona, television station)
KXCI (Tucson, Arizona, radio station)
Mark Lloyd, Center for American Progress
Robert W. McChesney, University of Illinois at Urbana-Champaign
The McClatchy Company
Media Access Project
Media General, Inc.
Minority Media and Telecommunications Council
Philip M. Napoli, Fordham University School of Business
Nashville Community Newspaper Alliance
Solidus Co., NashvillePost.com
National Association for Multi-Ethnicity in Communications
National Association of Black Owned Broadcasters
National Association of Broadcasters
National Cable and Telecommunications Association
National Federation of Community Broadcasters
National Hispanic Media Coalition
National Telecommunications and Information Administration
NBC Universal
News Corporation
Newspaper Association of America
The Newspaper Guild-Communications Workers of America
The New York Times Company
Nexstar Broadcasting Group, Inc.
Eli M. Noam, Columbia University
NRG Media

Bruce M. Owen, Stanford University
Parents Television Council
Pennsylvania Public Television Network
The Philadelphia Daily News
The Philadelphia Inquirer
Project for Excellence in Journalism
Prometheus Radio Project
Prudential Financial, Inc.
Publishers of Tucson, Arizona, area newspapers: Tucson Weekly, Inside Tucson Business, The Daily Territorial, Vail Sun (Wick Communications), Explorer, and Desert Leaf
The Pulse (Chattanooga, Tennessee)
Reclaim the Media
LaVonda N. Reed-Huff, Syracuse University School of Law
The Seattle Times Company
ShootingStar Broadcasting, WZMY-TV (Derry, New Hampshire)
Sinclair Broadcasting Group, Inc.
South Central Radio Group, WJXA, WCJK (Nashville, Tennessee, radio stations)
Adam D. Thierer, The Progress and Freedom Foundation
Time Warner, Inc.
Times-Shamrock Communications
Tribune Company
Tucson Citizen
Joel Waldfogel, The Wharton School, University of Pennsylvania
The Walt Disney Company
The Washington Post Company
WDEF, WDOD (Chattanooga, Tennessee, radio stations)
Steven S. Wildman, Michigan State University
Women in Cable Telecommunications
WSMV (Nashville, Tennessee, television station)
WTCI (Chattanooga, Tennessee, television station)
WTVC (Chattanooga, Tennessee, television station)
WTVF (Nashville, Tennessee, television station)
XM Satellite Radio, Inc.
Young Broadcasting, Inc.

Source: GAO.

Appendix IV: Comments from the Federal Communications Commission

Federal Communications Commission
Washington, D.C. 20554

February 15, 2008

Ms. JayEtta Z. Hecker
Director, Physical Infrastructure Issues
United States Government Accountability Office
Washington, D.C. 20548

Re: GAO-08-383

Dear Ms. Hecker:

Here are our comments on a draft copy of GAO-08-383, "Economic Factors Influence the Number of Media Outlets in Local Markets, While Ownership by Minorities and Women Appears Limited and Is Difficult to Assess." The report examines the current state of media ownership and recommends that the Commission take steps to improve the reliability of its data on the gender, race, and ethnicity of broadcast outlet owners. It also concludes that, while there are weaknesses in the Commission's current data, ownership of broadcast outlets by women and minorities appears limited.

Strengthening the diverse and robust marketplace of ideas that is essential to our democracy has long been a fundamental Commission goal. I would like to emphasize, as the report acknowledges, that on December 18, 2007, the Commission adopted a *Report and Order and Third Further Notice of Proposed Rulemaking*, which includes several measures designed to foster participation in the broadcasting industry by new entrants and small businesses, including minority- and women-owned businesses, by expanding ownership opportunities and increasing access to capital. For example, the item:

- Affords eligible entities – an entity that would qualify as a small business consistent with Small Business Administration ("SBA") standards for its industry grouping, based on revenue – that acquire an expiring construction permit, additional time to build out the facility;

- Modifies the Commission's equity/debt plus attribution standard, to facilitate investment in eligible entities;

- Encourages local and regional banks to participate in SBA-guaranteed loan programs to facilitate broadcast and telecommunications-related transactions.

- The item also specifically seeks comment on methods for enhancing the accuracy and reliability of data collection on the gender, race, and ethnicity of broadcast licensees. The Commission will take appropriate action after reviewing the comments received.

I would also like to make a few observations concerning the report's description of the rules governing ownership of broadcast outlets adopted by the Commission on December 18, 2007. First and foremost, while the report states that the Commission "adopted several revisions to its media ownership rules," only the rule banning newspaper/broadcast cross-ownership was, in fact, revised. The Commission retained all other rules as they currently are in effect. Moreover, the report fails to note that applicants seeking to overcome a negative presumption about a proposed newspaper/broadcast combination need to demonstrate by clear and convincing evidence that post-merger, the merged entity will increase the diversity of independent news outlets (e.g., separate editorial and news coverage decisions) and increase competition among independent news sources in the relevant market. The Commission will use the following factors to inform its evaluation: (1) the level of concentration in the DMA; (2) a showing that the combined entity will significantly increase the amount of local news in the market; (3)

a showing that the newspaper and the broadcast outlets each will continue to employ its own news and editorial staff and that each will exercise its own independent news judgment; and (4) the financial condition of the newspaper or broadcast station in the proposed combination, and if the newspaper or station is in financial distress, the proposed owner's commitment to invest significantly in newsroom operations.

Second, the 39 percent national television ownership cap is statutory, having been enacted as part of the Consolidated Appropriations Act, 2004. Similarly, the numerical limits contained in the local radio ownership rule track the numerical limits passed by Congress in the Telecommunications Act of 1996.

Thank you for the opportunity to comment on the draft report.

Sincerely,

for Monica Desai
Chief, Media Bureau

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

JayEtta Z. Hecker, (202) 512-2834 or heckerj@gao.gov

Staff Acknowledgments

Individuals making key contributions to this report include Michael Clements (Assistant Director), Carl Barden, Matt Barranca, Steve Brown, Ted Burik, Elizabeth Eisenstadt, Brandon Haller, Madhav Panwar, Friendly Vang-Johnson, and Mindi Weisenbloom.

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