Media Ownership in the 21st Century

Testimony of the Newspaper Association of America

House of Representatives
Committee on Energy & Commerce
Subcommittee on Communications and Technology
June 11, 2014

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EXECUTIVE SUMMARY

The Federal Communications Commission's ban on newspaper-broadcast cross-ownership in the same market is outdated, and ultimately results in a reduction in investment in local journalism. The FCC enacted the ban in 1975, out of concern that a single owner could control the primary sources of local news in a city. Today's media landscape looks nothing like it did 39 years ago. Consumers have more sources of news than ever, as online news sites continue to emerge and compete with newspapers and television stations. These changes completely undercut the FCC's original rationale for the newspaper-broadcast cross-ownership ban, and discriminate against newspapers solely because they publish their news in print, rather than only online.

This regulation is not only outdated and discriminatory–it ultimately harms the public interest by depriving local journalism of a much-needed source of new capital. Newspapers have experienced a massive shift in their business models, as print advertising revenues have fallen by more than 50 percent in the past six years. Newspapers are constantly innovating to develop new ways to fund newsgathering. The cross-ownership ban prevents the owner of a local broadcaster, who has an investment in the community and shares a similar value in journalism, from owning a newspaper.

The cross-ownership ban also categorically prohibits a business model that has proven to result in exceptional local journalism. In the handful of markets where newspapers and broadcasters are exempt from the cross-ownership ban due to grandfathered arrangements, the cross-owned properties have collaborated on breaking news and investigative projects. For instance, cross-owned newspaper-television station combinations in Phoenix and Dayton were the first to report many of the key revelations in the recent Veterans Affairs scandal.

The newspaper-broadcast cross-ownership ban has outlived its initial purpose, and full repeal of this harmful regulation is long past due.

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Good morning and thank you for the opportunity to appear before you to discuss media ownership in the 21st Century. I am Paul Boyle, senior vice president of public policy at the Newspaper Association of America, which represents the publishers of nearly 2,000 newspapers in the United States and Canada.

I commend the subcommittee for examining media ownership, an issue that affects how every American accesses news about local communities, the nation, and the world. Your focus on media ownership in the 21st Century is particularly appropriate. Many of our ownership regulations are creatures of the 20th Century, and are no longer appropriate for today's multi-media world. My testimony today will focus on one such outdated regulation: the newspaper-broadcast cross-ownership ban.

The Federal Communications Commission adopted the newspaper-broadcast cross-ownership ban in 1975. The rule prohibits investors from owning both a daily newspaper and a television or radio station in the same market. At the time, the Commission justified the regulation because it concluded that consumers had few other choices for local news than newspapers and broadcast stations. The Commission feared that one owner could control all of the news and editorial viewpoints in a community.

Many ideas that sounded perfectly reasonable in 1975 now appear behind-the-times. A single nationwide telephone company. Gasoline rationing. Bellbottoms. Today's media ownership regulations must reflect *today's* media. You recognized this need when – in 1996 – you required the FCC to conduct a comprehensive review of its media ownership regulations every four years, and to "repeal or modify any regulation that it determines to be no longer in the public interest."

In 2003, the U.S. Court of Appeals for the Third Circuit concluded that a "reasoned analysis" supported the Commission's determination that the blanket ban on cross-ownership was no longer in the public interest. The Third Circuit came to this conclusion *three years* before the launch of the iPhone and *seven years* before the iPad. As the FCC wraps two quadrennial reviews into one (2010 / 2014), the NAA is getting ready to file comments in the Commission's *eighth* proceeding in the past 20 years examining the validity of the 1975 cross-ownership ban. Remarkably, none of these proceedings has resulted in any changes in the rule, creating a seemingly endless cycle of regulatory uncertainty for newspapers and broadcasters.

We all know that American consumers have access to more information and viewpoints today than ever before. According to a report published earlier this year by the American Press Institute, the Associated Press and the NORC Center for Public Affairs Research, nearly seven out of 10 Americans regularly receive news on their computers, more than five out of 10 get their news on a cell phone, and three out of 10 get their news on a tablet.

The growth of media across all platforms has also created a much broader range of news sources for consumers. According to the API/AP/NORC study, the average American recalled getting her news from four or five different sources in a week, and nearly half of those surveyed had received their news from online-only sources. The endless capacity of the Internet has allowed well-funded online news sites such as Vox, First Look Media and BuzzFeed to come on to the national scene, while a rich breeding ground exists for regional and local news sites such as Voice of San Diego and ArlNow.com, across the Potomac in Arlington, Virginia. As the Pew Project for Excellence in Journalism summarized in its State of News Media 2014 report, digital players "have exploded onto the news scene, bringing technological knowhow and new money and luring top talent." Quite simply, there are no longer any barriers to entry in local journalism, and newspapers face more competition than ever.

The competition and diversity of news sources is remarkable, and it demonstrates why the newspaper-broadcast cross ownership ban makes no sense today. Just think about it: a popular news website with significant market penetration can purchase a television station in the same city in which it is located. But if that news website also prints news on paper at least four times a week, it cannot own the same station. In an era when the nation's largest cable company can purchase one of the Big Four television networks, and is attempting to acquire the nation's second-largest cable company, it makes little sense to prohibit a 10,000-circulation newspaper in the Midwest from being owned by the same company that owns a television station in that town.

In-depth and investigative reporting requires a substantial commitment of resources. The economic recession and increased competition in the media marketplace have upended the economic system that has funded journalism for decades. Indeed, when Congress last held a hearing on the newspaper-broadcast cross-ownership ban in 2007, newspaper print and digital advertising revenues totaled $45.3 billion. These advertising revenues in support of journalism have fallen by 54 percent to $17.3 billion in 2013.

Newspapers are quickly adapting to this new reality by innovating and diversifying their revenue streams. Circulation revenue recorded a second consecutive year of growth, as consumers have embraced digital subscriptions. And newspapers are driving new revenue by offering digital marketing services to small and media sized businesses, and developing award-winning news apps for mobile platforms. Every day, newspapers develop new ways to innovate so that communities nationwide continue to get the robust journalism that has been a cornerstone of our democracy since our nation's inception.

The government should encourage this innovation, but at the very least, not stand in the way. The nearly 40-year-old newspaper-broadcast cross-ownership ban stifles innovation by categorically prohibiting an ownership structure that would bring new capital to local journalism.

Repeal of this ban will not lead to a massive wave of mergers. But in light of the rapid changes in media consumption, some newspapers likely will come on the market. The cross-ownership ban effectively reduces the number of potential buyers from investing in a newspaper and the community it serves, including a local broadcaster with deep resources and a shared value in journalism. And when local television broadcast stations become available for sale, the only media companies that are categorically barred by federal law from bidding for them are newspaper companies – companies that have had a long history of producing local news in that community.

Some of the nation's top journalism has occurred in the handful of communities that have cross-owned newspapers and broadcast stations due to grandfathered arrangements. Cross-ownership enables journalists at newspapers and stations to collaborate on investigative projects and share breaking news tips. These collaborations regularly lead to exceptional public service journalism and are recognized by Pulitzers and Peabodys. For example, two of the primary news sources that broke the story about the mismanagement of the Department of Veterans Affairs were newspaper/television combinations. The initial revelations of deaths resulting from delays in medical treatment arose from a long-term investigation by the *Arizona Republic* and KPNX-TV in Phoenix. And in Dayton, Ohio, journalists at the *Dayton Daily News* and WHIO-TV worked together to analyze the quality of care that veterans were receiving, and discovered that the VA had paid a total of $36.4 million to settle claims arising from treatment delays.

The VA revelations are not anomalies. According to FCC-commissioned research, a cross-owned television station produces 50 percent more local news, devotes 40 percent more time to candidates' speeches and comments, and airs 30 percent more coverage of state and local political candidates.

The newspaper-broadcast cross-ownership ban has long outlived its purpose, and stifles much-needed investment in local journalism.

We look forward to working with this Subcommittee and the full Energy & Commerce Committee as you move forward.

Thank you for the opportunity to testify. I look forward to your questions.