August 1, 2014

Ms. Jane Mago
Executive Vice President and General Counsel
Legal and Regulatory Affairs
National Association of Broadcasters
1771 N Street, N.W.
Washington, D.C. 20036

Dear Ms. Mago:

Thank you for appearing before the Subcommittee on Communications and Technology on June 11, 2014, to testify at the hearing entitled "Media Ownership in the 21st Century."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on Friday, August 15. Your responses should be mailed to Charlotte Savercool, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515 and e-mailed in Word format to Charlotte.Savercool@mail.house.gov.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Greg Walden
Chairman
Subcommittee on Communications and Technology

cc: Anna Eshoo, Ranking Member, Subcommittee on Communications and Technology

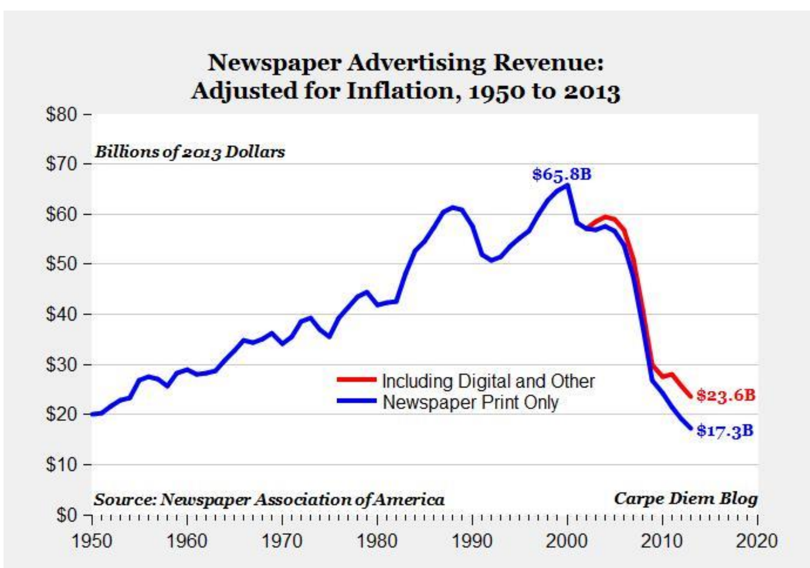
The Honorable Greg Walden

1. You mention in your testimony that current broadcast ownership rules are out of touch with the reality of the media marketplace and limit broadcasters' ability to respond to market forces. Could you explain more specifically how the local market for advertising has changed since 1975, when the cross-ownership rules were adopted? Could you provide a more in-depth picture of now versus then?

Thank you for the opportunity to elaborate on this important point. The local market for advertising has changed dramatically since 1975 primarily because the number of available options for advertisers has grown exponentially. Consider the difference from the perspective of the advertiser. In 1975, an advertiser had limited options - basically local TV, local radio, a few newspapers and the Yellow Pages. There was no Internet, no serious cable competitor, the phone company only connected calls and "twitter" mattered only to birdwatchers. Today, of course, advertisers have a multitude of new options to reach consumers in addition to everything they had in the 1970s. More importantly, as consumers have migrated to new mediums like the Internet and pay TV, so have advertisers. In 2011, the local advertising market share of the Internet passed local TV's market share for the first time ever. SNL Kagan projects that trend will continue, and that by next year, *the Internet will be the dominate medium in local advertising*, passing the market share of the daily newspaper as well. Meanwhile, SNL Kagan projects that local advertising on mobile will continue its growth for the next decade – surpassing both local TV and radio by 2019.

Several of the FCC ownership rules that limit broadcaster flexibility appear to be based on the notion that combinations of local stations could lead to higher advertising prices. In response to the FCC's 2014 quadrennial ownership review, NAB recently submitted a detailed empirical study from economists Hal J. Singer and Kevin W. Caves that proves the opposite – local broadcasters do not charge higher advertising prices in markets with common ownership or joint arrangements and there is some evidence that common ownership can lead to lower advertising prices. According to Drs. Singer and Caves, broadcasters compete for local advertising against a variety of non-broadcast alternatives, including cable television.

Among all the ownership limitations, the so-called cross-ownership rules that prevent combinations of radio and TV properties and newspapers and broadcast stations are probably the most wildly out of touch with current reality. The



cross-ownership restrictions should have been eliminated years ago, when it was obvious to everyone that the radical growth of the information economy would put aggressive pressure on newspaper and broadcast revenues. Newspapers have clearly suffered the most severe declines, as this chart dramatically illustrates. Broadcasters have seen, at best, stagnant growth while competitors like cable, the Internet and mobile have seen, and will continue to see, rapid growth. And while large cable companies grow even larger through mergers, and Internet companies like Facebook and Google move even more aggressively into the local advertising space, the cross-ownership limitations remain only a burden for broadcasters, shackled by 1970s rules trying to compete in a 21st century environment. Anyone who believes in the free market, as I know you do Chairman Walden, has to agree that this is simply unfair. No rational, empirically-based argument can be made in defense of maintaining the cross-ownership rules.

The Honorable Anna Eshoo

1. You both pointed to "growing competition" from online news sources. But most evidence suggests that the majority of local news online comes from newspapers and broadcasters. If most online local news content comes from traditional sources, how is this enhancing competition and diversity for local information?

Thank you for the opportunity to clarify this issue. While it is true, as shown in the most recent Pew Local Community Report, that local TV news operations continue to provide the highest percentage of local content relative to local political news, breaking news, weather and traffic, and that newspapers are a top source for information about civic affairs, such as the conduct of local government, taxes and crime, it is also true that there are a growing number of other sources of news and information. Those new sources are contributing to competition and diversity in local information.

Digital platforms of broadcasters and daily newspapers certainly are part of today's information mix, but they are far from the only players and they are not the only sources of local news, information and entertainment. Government sources and political candidates and campaigns, for example are directly accessible to citizens thanks to the Internet. And, it is commonplace for local churches, businesses, and social clubs to maintain websites or communicate through social media, as do a wide variety of neighborhood-based news and information blogs, listservs, and social media sites. By one recent estimate, the number of websites stands at more than 750 million, with more than 14.3 trillion webpages. It is simply unrealistic to pretend that these sites do not compete with traditional media.

It is particularly noteworthy that younger consumers are tending to bypass traditional media outlets. A good number show a disinclination to look directly to professional media outlets for information and instead often prefer social media sources that allows for peer evaluation, recommendations, and prompts. PEW RESEARCH CENTER, NEWS VIDEO ON THE WEB: A GROWING, IF

UNCERTAIN, PART OF NEWS 13 (2014). There now are now a wide variety of platforms – many of which are ad-supported – that allow consumers to gain and share information through friends, family, neighbors and/or complete “non-professional” strangers in the same age or interest cohort. For example, consumer-review services such as Yelp are highly popular for delivering “news you can use” on an individually tailored basis.

Data shows that consumers increasingly turn to sources other than TV, radio, or daily newspapers for news and information on several key topics for daily life, including local information about housing, schools, jobs, businesses, health care and social services, and entertainment and culture. The Pew Research Center’s detailed 2011 analysis, “*How People Learn About Their Local Community*,” reported survey results demonstrating that

> different platforms serve different audience needs…. The [survey] result is a more complex portrait of how people learn and exchange information about community. The new data explodes the notion, for instance, that people have a primary or single source for most of their local news and information.

The data are consistent with common sense: People go to many different sources of information to fulfill many different information and entertainment needs. Moreover, consumers are savvy enough not to expect any one source to serve all their needs and interests, and have proven quite capable of finding their way to the information they want. There is, in fact, growing competition for delivery of local news and information.

The Honorable Henry Waxman

1. In your testimony, you claim that today’s media environment is so different that it requires a different regulatory approach. However, the FCC adopted its new rule on Joint Sales Agreements in light of its increasing use and impact on media markets and you challenged the rules. How can you ask the FCC to better tailor its rules on one hand, and oppose such efforts by the FCC on the other hand?

The FCC’s decision to limit joint sales agreements (JSAs) among local broadcasters was not better tailoring of its rules, it was, in our view, simply wrong. It limits local broadcasters’ ability to adjust to a highly dynamic and increasingly competitive marketplace. The FCC’s decision presumes that TV broadcasters compete in a vacuum, only against themselves. A recent study NAB submitted with the FCC by economists Hal Singer and Kevin Caves of Economists Incorporated shows how this presumption is incorrect. Their study, based on a large data set, proves that joint operating agreements between broadcasters did not lead to higher advertising prices, and, in some cases, actually lead to lower ad prices. Broadcasters compete against an ever-growing cast of well-financed rivals like Google, Facebook and Time Warner, all of which are moving more aggressively into the local advertising space. That is the reality of today’s marketplace. And yet the FCC’s broadcast ownership restrictions remain, handcuffing only broadcasters while their competitors grow and combine and take away more of their financial lifeblood. The better tailoring that NAB seeks is to have the FCC to alter its rules as it is required to do under Section 202(h) – in response to changing competition in the media marketplace.

2. When the FCC last reported its broadcast ownership data, much of it was incomplete. For example, nearly 1 in 6 Class A television stations, 2 out of 5 LPTV stations, and 1 in 6 AM and FM commercial radio stations did not report ownership data. The large quantity of missing data makes it very difficult to assess the state of minority and female ownership in the broadcast industry. Will your members commit to working with the FCC in providing the ownership data necessary for the Commission to properly conduct its Quadrennial Review?

NAB has encouraged and will continue to encourage its members to report ownership data. It should be noted that some of the stations you mention in your question, including many Class A and LPTV stations, are not NAB members.