

Questions for the Record
To
Mr. Michael Scurato
“Broadcast Ownership in the 21st Century”
December 3, 2015

The Honorable Anna G. Eshoo

In your previous testimony you highlighted two primary reasons why the Internet has yet to match the power of broadcasting: 1) the lack of home broadband access for many Americans and 2) a plethora of online news sources that simply mirror traditional media sources.

Question 1. How can Congress and/or the FCC address these challenges?

Response 1. There are several steps the federal government must take to alleviate the many barriers to the Internet reaching its full potential as a challenger to broadcasting. First, it is true that dwindling broadband adoption numbers have prevented the Internet from becoming as pervasive as broadcasting. Overall, broadband adoption has declined nationwide since 2013, from 70 percent to 67 percent, most affecting low-to-middle income families. Hispanics and African-Americans are far less likely to access broadband than their white counterparts, at rates of 50 percent and 54 percent, respectively.¹ Comparatively speaking, in the National Hispanic Media Coalition’s (NHMC) home of Los Angeles, California, over 95 percent of the population listens to the radio during the week in the morning to midday hours, including 98 percent of Latinos and almost 99 percent of Spanish-speaking Latinos.² It would therefore come as no surprise that broadcasting outlets would currently play a more critical role in disseminating news and information than their online counterparts.

One way that Congress and the Federal Communications Commission (FCC) can address this challenge is to prioritize making broadband more affordable and spurring broadband adoption in underserved communities as a form of economic empowerment. Many barriers exist to getting non-adopters online, but none more so than the high cost of broadband: 33 percent of non-adopters cite monthly broadband subscription cost as main reason for lacking home broadband.³ The FCC has taken a very important step towards making broadband more affordable by working through the process of modernizing the Lifeline program to also help defray the high cost of broadband for low-income consumers. Lifeline is the only federal effort providing direct-to-consumer support addressing the affordability barrier to adopting communications services, and it is invaluable in providing a pathway out of poverty for millions who would otherwise be unable to access education, employment, healthcare, civic participation, and public safety resources. Lifeline is well positioned for an update, as measures implemented

¹ John B. Horrigan and Maeve Duggan, “Home Broadband 2015,” Pew Research Center at 8 (December 21, 2015), available at <http://www.pewinternet.org/files/2015/12/Broadband-adoption-full.pdf> (“2015 Broadband Report”).

² Southern California Broadcasters Association, Los Angeles Metro Report (2010), <http://rope.zscb.fimc.net/pdfs/LA%20Metro%20Profile.pdf>.

³ 2015 Broadband Report at 16.

since 2012 have improved program integrity. There is no better initiative able to immediately expanding broadband access today than Lifeline, and Congress should fully support any potential FCC actions to modernize the program.

Moreover, in our comments before the White House's Broadband Opportunity Council last year, NHMC urged the federal government to conduct and promote research on broadband deployment, adoption, and competition. Research aimed at the impact of varying levels of competition, adoption, and availability in certain markets can specifically inform policy that can help foster new entrants into the marketplace and potentially lower prices for consumers. Moreover, any insight into the financial cost of broadband service can help the federal government craft better adoption programs and set appropriate subsidy amounts in relevant current or future programs.

Additionally, even as online media continues to grow, many voices continue to be the same that have dominated journalism for decades. According to a study in Baltimore by the Project for Excellence in Journalism, 95 percent of digital stories with original information came directly from traditional media sources, such as newspaper or television outlet. In and of itself, this phenomenon is not necessarily problematic. However, when these traditional platforms lack diverse perspectives and voices, this practice serves to create an echo chamber with diverse viewpoints and stories left out. According to the FCC's media ownership data, Latinos held a majority interest in only three percent of full power commercial television stations, and African-Americans held a majority interest in only nine stations total. Even when people of color do own these stations, they tend to be smaller outlets in large markets, with only 46 percent of stations owned by people of color located outside of the top four ranked stations in the largest 20 DMAs. According to the same analysis, people of color are often single owners in markets with widespread consolidation, making financial distress much more likely and creating pressure to exit the market, perhaps through the upcoming incentive auction.⁴

Part of promoting source and viewpoint diversity should include creating opportunities for broadcasters of color to enter the market. NHMC recommends the FCC abandon any plans to relax media ownership rules without thoroughly examining how such rules impact ownership diversity. Further, the FCC should continue recent effort to improve the collection of ownership data (including Form 323), which would allow the agency to move forward with creating proactive diversity policies that would not otherwise be preempted by court decisions. Congress must also pass legislation to reinstate the "minority tax certificate," which from 1978 to 1995 empowered many people of color to own broadcast stations at record rates.

One other solution to this lack of diverse voices is for Congress to support and defend the FCC's Open Internet rules, which will help foster new online voices and their audiences. By ensuring that online content creators continue to enjoy low barriers to online dissemination, the federal government can promote new and diverse perspectives in the online media space. While traditional broadcast models have required significant up-front costs, the Internet provides a space for any entrepreneur or content creator to reach millions with little capital investment outside a broadband connection. NHMC has long championed such rules as a way of ensuring that Latinos have an outlet through which to share their own stories without having to deal with the traditional media gatekeepers.

⁴ Comments of Free Press, MB Docket Nos. 09-182, 07-294, filed Dec. 21, 2012, available at <http://apps.fcc.gov/ecfs/document/view?id=7022089263> ("Comments of Free Press").

Question 2. Do you envision a day when the Internet will rival traditional bastions of 20th century media as a primary source for local news, public information and weather?

Response 2. NHMC hopes that the Internet can one day achieve the prominence of traditional media outlets, but unfortunately far too many barriers currently exist. The foundation of an open Internet is in place for non-traditional voices to reach large audiences with limited barriers, but as mentioned in the previous response, many consumers continue to lack access to true home broadband networks. Such entrepreneurs stand to gain little from an open Internet without access in the first place.

There is little doubt that many Americans are becoming more aware of the impairments faced by those who lack daily access to home broadband. In fact, according to a recent Pew study, 52 percent of Americans believe that broadband non-adopters are at a “*major* disadvantage when it comes to accessing job opportunities or improving their career skills,” and 46 percent said that “lacking broadband is a *major* disadvantage for accessing or learning about government services.” Importantly in this context, 63 percent believe those without home broadband are at a disadvantage when it comes to keeping up with news and information.⁵ By ensuring more Americans gain the ability to go online, the federal government can help reinforce the “virtuous circle” phenomenon of the Internet—as more and more people get online, they create a feedback loop in growing the demand for content and need for more content creators. Subsequently, as more diverse voices grow online, the Internet will grow as a desirable platform for finding alternative sources of information. Likewise, entrepreneurs who find financial success online will be able to create more content and grow their audiences further.

This phenomenon demonstrates one way that the Internet has a leg up on broadcasting – it is an open platform with low barriers to participation for entrepreneurs and content producers. The FCC’s Open Internet rules, adopted in February 2015, have gone a long way towards protecting this platform. Whereas a person of color may find it difficult to raise the capital and obtain the licenses and permits necessary to start a broadcast station or be unable to navigate the behemoth gatekeepers in place that hinder new and independent cable networks, it is relatively easy and inexpensive to produce and promote an online video or podcast and reach a wide audience.

However, we recognize that this openness is constantly under attack. Recently, one party to litigation opposing the FCC’s rules suggested that broadband providers have a First Amendment right to be treated more like a traditional news source – a newspaper – and that it should be free to impose its gatekeeper power on content producers by picking and choosing the content it wants to “publish.” Should the FCC’s rules be reversed, the value of the Internet as a platform for new and diverse voices could be lost. Congress must work to ensure the Internet remains accessible by protecting the FCC’s open Internet rules. Within the Internet, non-traditional voices face very few hurdles to reaching large audiences, as opposed to seeking out publication via broadcast. Whereas conventional mediums require significant capital and social connections, a free and open Internet allows anyone with a broadband connection to share his or her message the world over.

⁵ 2015 Broadband Report at 11.

The promise of the Internet is real, and there are things that we all must do to safeguard its existence, but there is more work to be done to ensure that it can become the primary distribution platform for news and information in communities across the country.