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FCC RELEASES TWELVE STUDIES ON CURRENT MEDIA MARKETPLACE

Research Represents Critical First Step in FCC's Fact Finding Mission

Washington, D.C. - Today, the Media Bureau of the Federal Communications Commission (FCC) released 12 empirical studies examining the current state of the media marketplace, including how consumers use the media, how advertisers view the different media outlets, and how media ownership affects diversity, localism and competition. The FCC is seeking comment on these studies as part of the third Biennial Regulatory Review of Broadcast Ownership Rules, which was launched on September 12, 2002. At that time, the FCC said the objective of the Biennial Review is to develop ownership rules and policies that reflect the current media marketplace, are based on empirical evidence, and are analytically consistent.

Last November, FCC Chairman Michael K. Powell created the Media Ownership Working Group (MOWG) to study the media marketplace and improve the FCC's knowledge base and ability to make informed media policy decisions. The Group commissioned a series of studies by external and internal experts.

Chairman Powell said, "This effort is the most comprehensive look at media ownership regulation ever undertaken by the FCC. As the courts have made clear, it is critical that the FCC has a solid factual base to support its media ownership rules. Collectively, these studies represent an unprecedented data gathering effort to better understand market and consumer issues so that we may develop sound public policy."

Paul Gallant, chair of the MOWG, said: "These studies are a critical first step in evaluating the FCC's media ownership rules and policies. The next step is public comment on these studies and the Commission's recently launched Biennial Review of media ownership rules. Together, this empirical data will significantly advance our understanding of the key factual areas of media ownership policy."

A summary of the findings of each study is attached. The full text of the studies is available on the FCC web page (www.fcc.gov) under Headlines or at www.fcc.gov/ownership.

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Comments due: December 2, 2002
Reply Comments due: January 2, 2003
MB Docket 02-277
MM Docket Nos. 01-235, 01-317, 00-244
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FCC Media Ownership Working Group Studies

Consumer-Oriented Studies

"A Comparison of Media Outlets and Owners for Ten Selected Markets: 1960, 1980, 2000." Scott Roberts, Jane Frenette, Dione Stearns, Media Bureau, FCC

Authors' findings: The number of media outlets (radio stations, television stations, newspapers, cable systems, and DBS operators) available to consumers in the ten markets surveyed has increased by an average of 195% since 1960, and the number of independent owners of those outlets has increased by 139%.

"Consumer Substitution Among Media." Joel Waldfogel, The Wharton School, University of Pennsylvania

Author's findings: Using a variety of supply side and demand side econometric models, there is the clearest evidence of substitution between the Internet and broadcast TV both overall and for news consumption; between daily and weekly newspapers; and between daily newspapers and broadcast TV news. There is also evidence of substitution between cable and broadcast channels, both overall and for news consumption; between cable and daily newspapers both overall and for news consumption; between radio and broadcast TV for news consumption; and between the Internet and daily newspapers for news consumption. There is little or no evidence of substitution between weekly papers and broadcast TV, between radio and the Internet, or between radio and cable.

"Consumer Survey on Media Usage." Nielsen Media Research

The Media Ownership Working Group developed a series of questions regarding Americans' media usage habits and commissioned Nielsen Media Research to conduct an extensive survey on these questions. Complete results of the survey are available at www.fcc.gov/ownership.

"Local News and Public Affairs Programming on Broadcast Television." Thomas Spavins (Enforcement Bureau, FCC) and Loretta Dennison, Scott Roberts, and Jane Frenette (Media Bureau, FCC)

Authors' findings: This paper evaluates the quality and quantity of local news and public affairs programming on network owned-and-operated (O&O) stations, network affiliates, and the subset of affiliates that are co-owned with a newspaper publisher. With respect to ratings - the first quality measure – O&Os and affiliates were virtually identical during the period tested. With respect to the receipt of RTNDA and DuPont awards for news excellence - the second quality measure - O&Os received those awards at a rate of 231% of the national average and affiliates received them at 87% of the national average. As to total output, O&Os produced an average of 23% more local news and public affairs programming than did network affiliates. Separately, within the overall group of network affiliates, newspaper-owned affiliates outperformed other affiliates in all measures of quality (local news ratings: 8.0 to 6.3; news awards: 260% of national average versus 31%); and total output per week (21.9 hours versus 14.9 hours).

"Viewpoint Diversity in Cross-Owned Newspapers and Television Stations: A Study of News Coverage of the 2000 Presidential Campaign." David Pritchard, Department of Journalism and Mass Communication, University of Wisconsin-Milwaukee

Author's findings: Of the ten commonly-owned newspaper-television combinations studied, five exhibited a similar slant in covering the final weeks of the 2000 Presidential election, while five exhibited divergent slants.

"Program Diversity and the Program Selection Process on Broadcast Network Television." Mara Einstein, Department of Media Studies, Queens College, City University of New York

Author's findings: This study examines program diversity on broadcast network television in the years surrounding the implementation and repeal of the FCC's financial interest and syndication (fin-syn) rules. Using a variety of statistical measures of program genre, the study finds that the fin-syn rules did not improve program diversity. The paper also addresses the program selection process at broadcast networks and concludes that networks are influenced to a significant extent by the financial incentives associated with the ownership of programming.

Market-Based Studies

"Broadcast Television: Survivors in a Sea of Competition." (OPP Working Paper) Jonathan Levy, Anne Levine, Marcelino Ford-Livene

Authors' findings: Broadcast television's viewing share continued its decline over the last 11 years, dropping during the 1990-2001 period by 31 percent all-day and 33 percent in primetime over all households. The broadcast share of video advertising revenues also dropped, but by only 21 percent, and the actual level of broadcast advertising revenues rose in every year since 1990 with the exception of 2001. DBS and the expansion in cable availability and channel capacity have created an increasingly competitive environment for television broadcasting. This will lead to continuing audience fragmentation and further pressure on broadcast advertising revenues. The increasing competition for program production resources has led to an increase in production costs. The future profitability of the broadcast industry will depend on how it responds to competition and cost pressures, and on whether it can harness new technologies such as DTV and interactive services to its benefit.

"On the Substitutability of Local Newspaper, Radio, and Broadcast Television Advertising in Local Business Sales." C. Anthony Bush, Office of General Counsel, FCC

Author's findings: The paper examines data from 45 randomly-selected DMAs to ascertain the extent to which local radio, local television, and daily newspapers compete for advertising dollars from local businesses. The evidence generally suggests weak substitutability among the three media tested. Specifically, with respect to the three media pairs studied, the paper finds: (1) The elasticity of substitution between newspaper and radio advertisements is 1.16936. This number is small but statistically significant; (2) The elasticity of substitution between newspaper and television advertisements is 0.91459. This number also is small but statistically significant; and (3) The elasticity of substitution between local radio and local television is 0.3094, which is not statistically different from zero.

"Radio Industry Review 2002: Trends in Ownership, Format, and Finance." George Williams and Scott Roberts, Media Bureau, FCC

Authors' findings: Between 1996 and 2002, the average number of radio station owners in each market decreased from 13.5 to 9.9. During same period, the average number of formats remained virtually unchanged (10.1 formats in 1996 vs. 10.2 in 2002). In 1996, the largest station owner in each market received an average of 35.6% of radio advertising revenue. In 2002, the largest owner receives 46.8% of such revenue.

"Consolidation and Advertising Prices in Local Radio Markets." Keith Brown and George Williams, Media Bureau, FCC

Authors' findings: Increased concentration of ownership in local radio markets between 1996 and 2001 explains 3-4% out of the 68% increase in real advertising rates during this period. Economic growth explains much of the other 65%. National concentration does not appear to drive the increase in advertising prices. Finally, a greater presence of large national owners in a local market appears to decrease the advertising rates paid by national and regional advertising agencies.

"Radio Market Structure and Music Diversity." George Williams, Keith Brown, and Peter Alexander, Media Bureau, FCC

Authors' findings: This study applies a unique playlist-based measure of product diversity for radio stations and applies that measure to radio station playlists to examine changes in diversity since 1996. During the 1996-2001 period, the average measure of diversity for the nationwide sample increased slightly from 9.26 to 9.32, or 0.74%. The study also finds a decrease of 2.4% in the diversity of songs within the same format across local markets. In addition, the study finds an increase of 11.48% in the diversity of songs within the same format within each local market.

"A Theory of Broadcast Media Concentration and Commercial Advertising." Brendan M. Cunningham (Department of Economics, U.S. Naval Academy) and Peter J. Alexander (Media Bureau, FCC)

Authors' findings: This paper develops a model to estimate how consumers, advertisers, and broadcast outlets interact to determine the level of advertising when ownership structures in radio or television markets become more concentrated. The analysis finds that increased levels of concentration in broadcasting markets are likely to result in an increase in the proportion of non-programming material (commercials, PSAs, etc.) among those outlets with an increased market share. However, consumers' response to such increases is an important consideration for broadcasters in determining the extent to non-programming material can be increased profitably.

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