Summary of Ideas on Newspaper-Broadcast Cross-Ownership

Leslie M. Marx

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1 Introduction

This document is an attempt to share some thoughts and ideas I have about how the FCC can approach relaxing newspaper-broadcast cross-ownership restrictions. The current rule is that one company may not own a daily newspaper and a TV or radio station in the same market;[1] however, some cross-ownership is grandfathered or waivered, and some cross-ownership occurs without being grandfathered or waivered in the periods between license renewals.

The rough calculations described below suggest that it might be appropriate to drop the restrictions and allow any newspaper-broadcast cross-ownership that respects the broadcast ownership limits. The calculations also leave open the possibility that restrictions might be appropriate in some markets that are small, but not so small that local news and public affairs programming is at risk to be eliminated for economic reasons.

2 Overall approach

In this section, I outline one possible approach to newspaper-broadcast cross-ownership regulation.

In what follows, I assume that cross-ownership has the potential to decrease the quantity and/or quality of news coverage of local public affairs available in local media. If it does not, then one could justify dropping or significantly relaxing the cross-ownership restriction on those grounds alone.[2] In what follows, I assume that cross-ownership has at least some negative impact on the diversity of viewpoints available in local media.

The basic argument is then as follows: In markets with a large number of independent media outlets (particularly news outlets), we would not expect cross-ownership to harm competition, diversity, or localism. And, in very small markets, cross-ownership may be necessary to guarantee the survival of the news outlets that currently exist. This leaves us with the question of whether cross-ownership restrictions are appropriate for medium-sized markets.

I envision an analysis that requires three basic inputs.

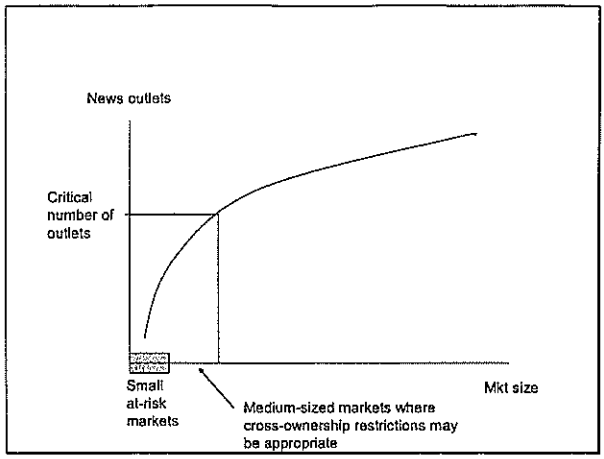
First, we would need to determine the "critical number of outlets" required so that we can be reasonably sure that the goals of competition, diversity, and localism

[1] The rule adopted in the FCC's 2002 Biennial Review was that in markets with three or fewer TV stations, no cross-ownership was allowed; and that in markets with 4–8 TV stations, a newspaper could be combined with one TV station and up to half of the radio station limit for that market, or a newspaper could be combined with up to the radio station limit for that market. For markets with 9 or more TV stations, the 2002 Rules imposed no cross-ownership limits (although the local TV and local radio rules applied).

[2] The proposed study "Effect of Cross-Ownership on Viewpoint/Diversity Variables" would attempt to address this.

are met.[3] Second, we would need to determine what defines markets where we see failures of news operations that could have been prevented through cross-ownership.[4] Third, we would need data on how many independent news outlets there are in various markets.

With these three pieces of information, one could construct the following graph:



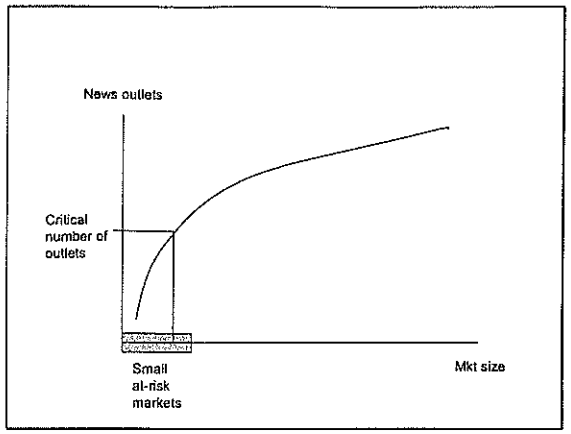
The curve shown in the graph traces out the number of news outlets in markets of different sizes, where market size could be measured by population, number of households, number of TV stations, etc. To the left of the point where the vertical line hits the horizontal axis are markets with fewer than the critical number of news outlets. To the right are markets with more than the critical number of news outlets. The shaded rectangle indicates markets that are sufficiently small as to be "at risk" for losing coverage of local news and public affairs. Note that the vertical line hits the horizontal axis to the right of the shaded box, indicating that there are some medium-sized markets that have fewer than the critical number of news outlets, but that are not "at-risk" markets.

The above figure shows an example of when cross-ownership restrictions might be appropriate for "medium-sized" markets, where "medium-sized" is defined to be markets that are large enough that cross-ownership is not needed for the survival of news outlets, but that are sufficiently small that a reduction in the number of independent news outlets would impact competition, diversity, and/or localism.

[3] The proposed study "Utilization of Media to Acquire Information on News and Public Affairs" would attempt to answer the question: To what extent do consumers use different media outlets for information about local public affairs? This study could be an input to estimating the critical number of outlets.

[4] Another proposed study, "Termination of News Operations by Local Television and Radio Stations," would attempt to answer the question: Have some local television or radio stations closed their news operations and, if so, might a currently-prohibited combination of media have saved those operations? This study should provide useful information in defining what the small, at-risk markets are.

Another possibility is that the data will reveal a world that looks like the figure below.



In the case of the above figure, there is no range of market sizes where cross-ownership restrictions are appropriate. The very small markets are at risk for media failures in the absence of cross-ownership, and the larger markets have sufficient numbers of media outlets that cross-ownership would not be expected to have a detrimental effect on competition, diversity, or localism.

We need to determine which figure applies, and if it is the former, we must define the boundaries of the "medium-sized" markets.

Overall, this approach would identify two sets of markets: first, competitive markets where newspaper-TV cross-ownership restrictions are not needed to ensure the public interest; and second, small markets where newspaper-TV cross-ownership restrictions are harmful to the public interest in that they prevent cost sharing that could make local TV news viable when it would not be otherwise.

2.1 Identifying the "critical number of outlets"

In this section, I show how one might use standard economic techniques to determine which TV markets are competitive. I would argue that if a TV market, taken by itself, is competitive, then the market for local news and information, which would include TV as well as local newspapers and radio, is certainly competitive. In this case, one would expect competitive forces to ensure that the information consumers need and desire (including sufficient diversity and localism) is provided, and so newspaper-TV cross-ownership should not be considered problematic.

The three approaches I describe below all suggest that markets with six or more commercial TV stations are competitive.

2.1.1 Herfindahl-based approach

Standard economic techniques for assessing whether a market is competitive often involve calculating and analyzing the Herfindahl-Hirschman Index (HHI) or the four-firm concentration ratio (C4).[5] A lower HHI or C4 indicates a more competitive, less concentrated, market. In addition, economists sometimes use other concentration ratios, such as the two-firm concentration ratio (C2) or the eight-firm concentration ratio (C8). As a complement to this, economists might consider whether there are barriers to entry, and if time series data is available, economists might analyze whether market shares tend to be stable over time (less stable markets shares suggest a more competitive market).

In what follows, I calculate the HHIs for broadcast television markets. This is the measure that is regularly calculated by the Department of Justice and Federal Trade Commission in their merger reviews.[6]

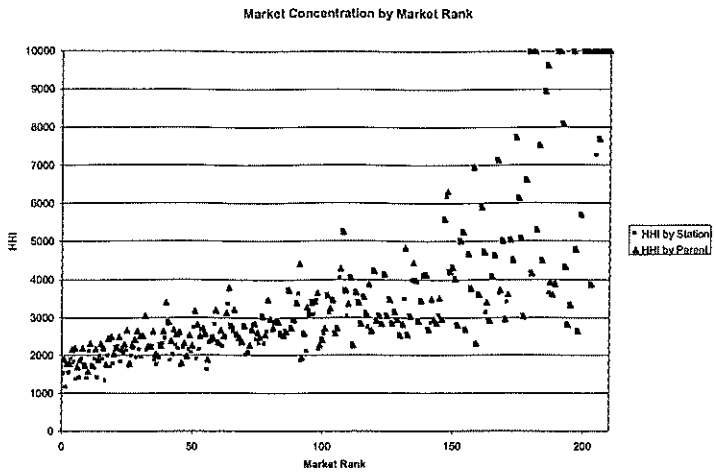
In order to calculate the HHIs, I must define a market, a firm, and a firm's market share. As the markets, I use the 210 Nielsen DMAs (this excludes Puerto Rico, Virgin Islands, Bermuda, American Samoa, and Guam).[7] To define a firm's market share, obvious choices are viewer share or advertising revenue share. Since I have easy access to advertising revenues for commercial stations using the BIA database, I focus on commercial broadcast stations, excluding satellite stations, and I use advertising revenue share as the measure of market share. I will comment later on ways to take account of non-commercial stations. If I had the data, I could easily repeat this analysis using viewer share. I consider two possible definitions of a firm. First, one can view each station as a firm. Second, one could view all the stations belonging to the same parent company as a firm.

Given these assumptions about the markets, firms, and market shares, one can easily calculate the HHIs for the broadcast television markets. The graph below shows the HHIs by market rank. The two series shown in the graph correspond to the two different definitions of a firm.

[5] The HHI is the sum of the squared market shares of the firms in a market. C4 is the sum of the market shares of the largest four firms in the market.

[6] This has appeal because cross-ownership is a merger.

[7] One could argue about whether cable and/or satellite television, or even radio and newspapers, should be considered to be in the same market.



As you can see from the graph, the top-50 markets tend to have HHIs below 3000, but the smaller markets often have substantially higher HHIs. This is consistent with the intuition that the large markets are competitive but the smaller ones are not.

Before continuing, let me describe some reasons why the HHIs I have calculated might understate the competitiveness of the markets. First, non-commercial stations are not included. Second, the BIA database does not have revenue information for the smallest commercial stations. For example, in the New York DMA, four commercial stations are listed in the BIA database as having zero revenue. I assume this is because Nielsen does not collect information from these stations. Third, to the extent that we want to look at the market for local news and information, it includes more than just local broadcast television stations.

This leads us to the question of where the cutoff is between the competitive and non-competitive markets. This is something that economists have argued about quite a bit. The 1992 "Horizontal Merger Guidelines," produced by the FTC and DoJ,[8] describes markets with HHIs greater than 1800 as highly concentrated. The merger guidelines say that "Mergers producing an increase in the HHI of more than 50 points in highly concentrated markets post-merger potentially raise significant competitive concerns, depending on the factors set forth in Sections 2–5 of the Guidelines. Where the post-merger HHI exceeds 1800, it will be presumed that mergers producing an increase in the HHI of more than 100 points are likely to create or enhance market power or facilitate its exercise."

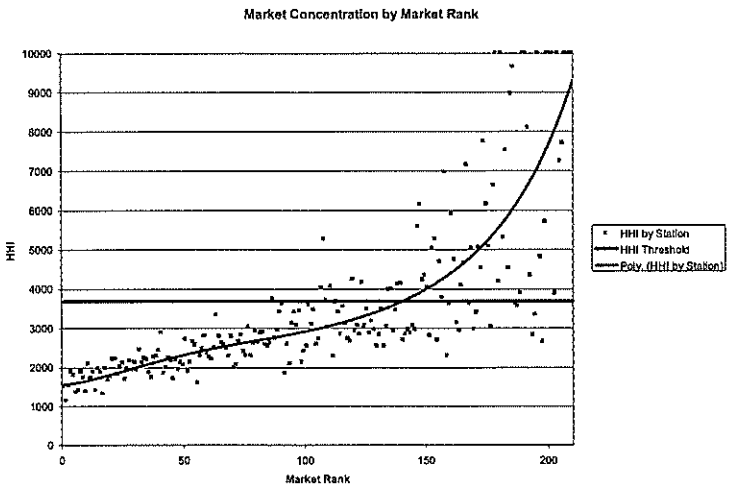
This suggests that an HHI of 1800, or rounding up a bit, perhaps 2000, might be a reasonable threshold. However, recent articles by Malcolm Coate of the FTC show that the FTC tends not follow the guidelines, but rather tends to use higher thresholds for the competitiveness of a market. In Coate's data, the average post-merger HHI for mergers that were challenged based on the theory of "collusion" was 3775, and the

[8] http://www.usdoj.gov/atr/public/guidelines/horiz_book/15.html.

average for mergers that were not challenged was 2472.[9] This suggests that perhaps an HHI above 3000 is an appropriate threshold. Coate states, "a collusion case with a post-merger HHI of 3712 has a 50% change of a challenge."[10]

In order to have a concrete number to work with, in what follows I use an HHI of 3700 as the threshold for markets to be competitive (markets with lower HHIs would be considered competitive and markets with higher HHIs would not). Obviously, the analysis could be repeated using different thresholds.

The graph below shows the HHIs by market rank using a station as a firm. The graph also shows the 3700 threshold and a polynomial trend line fitted to the data. This suggests that, generally speaking, markets 150–210 would not be considered competitive, but larger markets would be considered competitive.



If we do the analysis using parent companies to define firms, the results are similar.

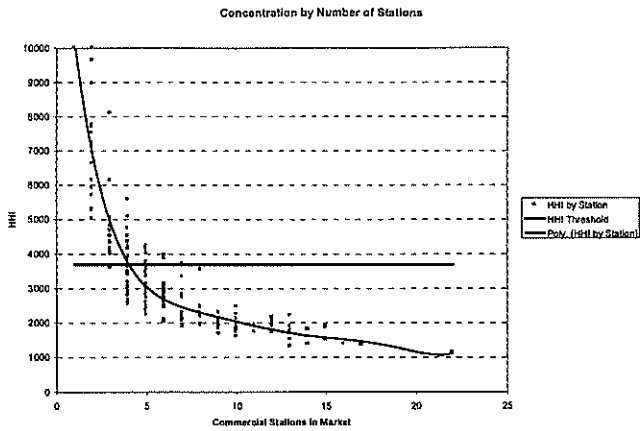
Although, generally speaking, market 150 is the cutoff market based on this measure, different policy goals might require different cutoffs. For example, if we want to set the cutoff so that cross-ownership restrictions are imposed in all non-competitive markets, then the cutoff market would be market 87. If we want to set the cutoff so that we avoid imposing restrictions on markets that are competitive, the cutoff would be market 198.

Alternatively, instead of defining a cutoff market, one could just use the HHI criteria directly. Based on the HHIs calculated by station, there would be 60 non-competitive markets. These markets are listed in Appendix A.

[9] There are also mergers challenged based on the theory of "unilateral effects." For these, the average post-merger HHI for those challenged was 6856, and the average for those not challenged was 3557.

[10] Coate, Malcolm B. (2005), "Empirical Analysis of Merger Enforcement Under the 1992 Merger Guidelines," Review of Industrial Organization 27: 279-301, at 299.

One could also consider ordering markets by the number of stations in the market rather than by the market rank. This approach gives us the following graph, which suggests that markets with fewer than four commercial stations tend not to be competitive. It also suggests that almost all markets with six or more stations are competitive and that almost all markets with three or fewer stations are not competitive. Results for HHIs defined relative to parent companies are similar. Thus, one might want to view markets with six commercial stations as sufficiently large that newspaper-broadcast cross-ownership restrictions can be relaxed.



Finally, one could order markets by the number of TV households. Taking this approach, suggests a cutoff of approximately 167,000 TV households, which corresponds to market 140.

As I mentioned above, I believe these HHIs understate the competitiveness of the markets. In an attempt to correct for this, I recalculated the HHIs under the assumptions that commercial stations shown in the data to have zero advertising revenue actually have a 1% share of the market and that non-commercial stations have a 0.5% share of the market. I can easily recalculate using different assumptions, but I wanted to illustrate something one might do to correct for the data problems.

The HHIs under these assumptions are only slightly below those under the original assumptions (the graphs are virtually unchanged). Even if we assume 5% market share for zero-revenue commercial stations and for non-commercial station, the threshold market only moves to approximately market 160.

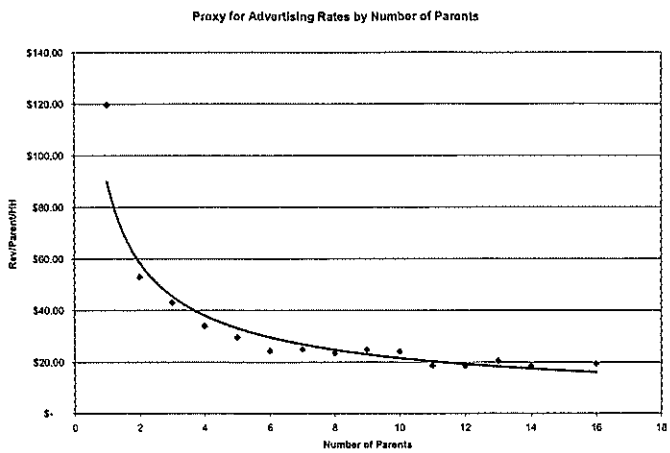
To conclude, this type of analysis might be used to argue that cross-ownership restrictions could be relaxed in markets with six or more commercial stations, or alternatively in markets ranked 1–150. The argument would be that these markets are competitive, so allowing newspaper-TV cross-ownership should not be problematic because competitive forces will drive the market to provide an appropriate level of local news and information, diversity, and localism.[11]

[11] For example, based on historical FTC data, the FTC would typically not challenge a merger in

2.1.2 Advertising rates approach

Another approach to identifying the competitive markets involves analyzing advertising rates charged in the different markets.

As a first pass at this, for each market, I constructed a measure of advertising rates. Presumably better data is available, but for this exercise, I used the advertising revenue per parent company per household. When you look at these numbers, you see a break between markets with five or fewer parents and markets with six or more parents. (Note that I only consider parents of commercial stations.)



This measure of advertising rates increases rapidly as you have fewer than six parents and stays fairly constant, although drifting down, as the number of parents increases above six. Roughly speaking, this suggests that markets with six or more parents tend to be competitive, but markets with five or fewer parents tend not to be as competitive.

The breakpoint is the same when you use the number of commercial stations rather than the number of commercial parents to describe the markets. (In markets with six or fewer stations, most parent companies own only one station.)

If markets with six or more commercial stations are competitive, then one would not expect newspaper cross-ownership to have a significant negative impact on these markets.

2.1.3 Paired market approach

The paired market approach involves matching markets with n stations with similar markets with $n-1$ stations and comparing advertising rates in the two markets to see how much higher are advertising rates in the market with only $n-1$ stations,

these markets.

relative to the market with only n stations. (Note that I only consider commercial stations.)

My initial rough calculations suggest rates are:

- 50% higher in markets with 3 parents than in markets with 4 parents
- 36% higher in markets with 4 parents than in markets with 5 parents
- 26% higher in markets with 5 parents than in markets with 6 parents
- 3% higher in markets with 6 parents than in markets with 7 parents.

These rough calculations suggest that the reduction in the number of commercial parents (and also stations since for markets of this size, most parent companies own only one station) stops having a significant effect on advertising rates once you have six or more commercial parent companies.

2.2 Identifying the "at-risk" markets

Now consider the set of non-competitive markets and analyze whether there is evidence that local television news is being curtailed in these markets because of the small size of the markets, in which case joint ownership between a local newspaper and a local TV station might provide benefits to consumers by preventing further curtailment of television news.

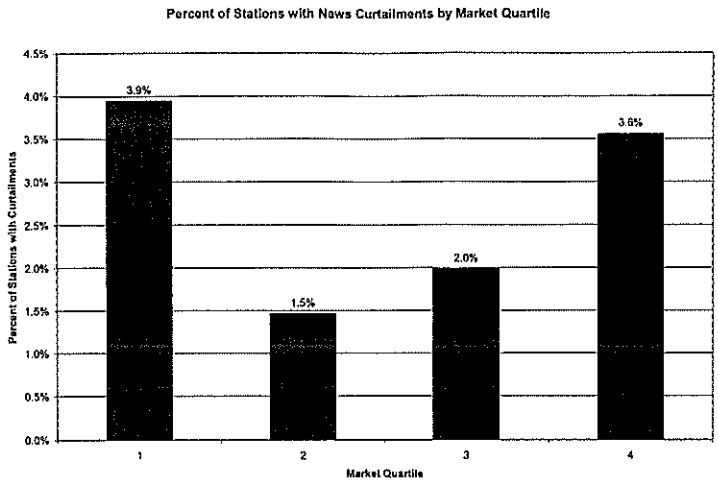
As a first pass at identifying which TV markets are more likely to see the curtailment of local TV news programming, we collected information on such curtailments from press reports.[12] We used information provided by Media General as a starting point and added information on additional curtailments as we could find it.[13]

As the following graph shows, the percentage of stations in our data with curtailments is highest in the first and fourth quartile of markets, and lower in the middle two quartiles. One explanation for this pattern might be that there are curtailments

[12] Diego Ruiz and Andrew Harrison were involved in this effort.

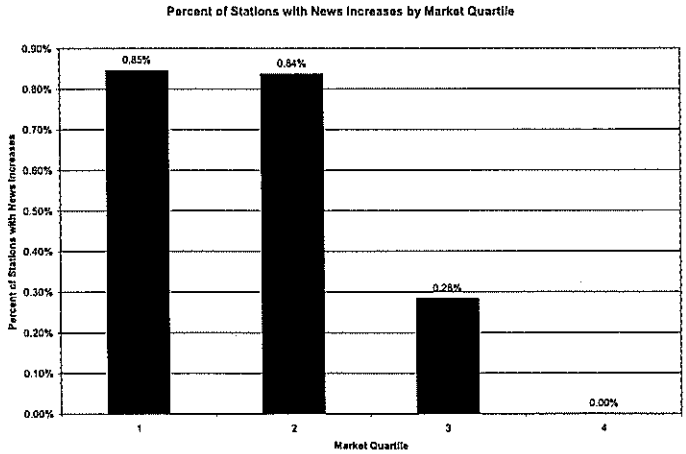
[13] Media General produced a report to argue that newspaper-broadcast cross-ownership restrictions should be lessened if not eliminated. As part of that report, they included a list of 45 TV stations with curtailments in local television newscasts between November 1998 and January 2003. This list is based on news reports in a wide variety of media (the report contains a list of all the sources). The list does not claim to include ALL curtailments that occurred during the period and does not contain examples of news expansions. There is one duplication in Media General's list, and two of the stations (WKPT in Kingsport, TN, and WKFT in Raleigh/Durham, NC) do not appear in the BIA database. Working with the remaining 42 stations and assuming that they are representative of the distribution of curtailments across markets, which may be a big assumption, we find that curtailments are relatively more likely in the largest and smallest markets than in the middle 100 markets. Note that the data may be biased in favor of finding curtailments in the largest markets because these may be the ones most likely to show up in the kinds of media outlets that Media General would notice.

in the largest markets due to competition and curtailments in the smallest markets due to difficulty covering costs, but relatively few curtailments in the middle-sized markets.



In addition, curtailments tend to be in stations that are in the bottom half of the commercial stations in their market, based on revenue. Curtailments in the smallest markets tend to be in the bottom quarter of the commercial stations in their market, based on revenue.

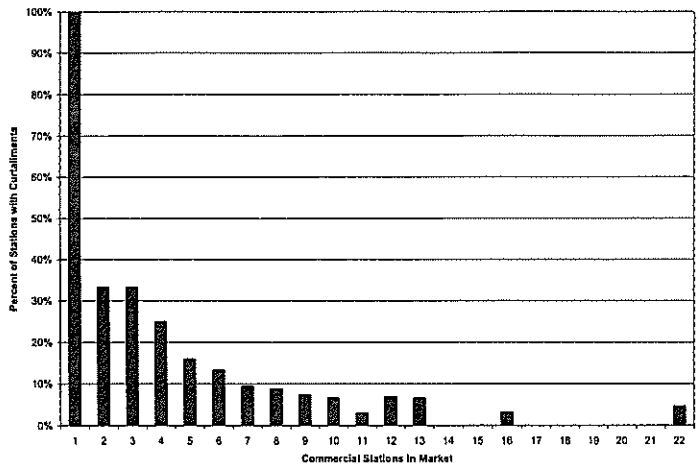
In contrast, if we look at the percent of stations in our data with increases in local news programming, the picture is quite different, with increases concentrated in the largest markets.



As a rough first cut, this seems to suggest that the quartile of smallest markets are at relatively greater risk for curtailments of local news programming. This quartile consists approximately of markets 150-210.

Combining these results with the preliminary analysis of which markets are competitive from Section 2.1, one could justify a policy of no cross-ownership restrictions at all based on the following argument: markets 1-150 are sufficiently competitive that cross-ownership is not a threat to competition, localism, or diversity; and stations in markets 150-210 are at risk for news curtailments, which could potentially be prevented by allowing cross-ownership.

If we want to define markets by the number of commercial stations in a market, then we can calculate the percentage of stations experiencing curtailments in markets with different numbers of commercial stations.



As the above graph shows, in markets with six or fewer commercial stations, 10% or more of the stations experience curtailments. This suggests that one might justify a policy of no cross-ownership restrictions based on the following argument: markets with six or more commercial TV stations are sufficiently competitive that cross-ownership is not a threat to competition, localism, or diversity; and stations in markets with fewer than 6 commercial stations are at risk for news curtailments, which could potentially be prevented by allowing cross-ownership.

2.2.1 Talking points related to "at-risk" markets

- Media reports suggest that a number of TV stations have stopped producing local news or have curtailed their local new broadcasts over the last several years. While this is potentially a concern no matter where these closures are occurring, anecdotal evidence suggests that the smallest markets are disproportionately affected by closures and curtailments of local television newscasts.

- Gathering and producing local news is costly. It is generally the costliest activity that a local TV station engages in. It is therefore often the first item to get eliminated in times of budget cutbacks or advertising revenue slowdowns.

- Indeed, anecdotal evidence suggests that over the last several years—which have corresponded with periods of tightening station operating budgets—dozens of TV stations across the country have curtailed news operations or eliminated newscasts entirely.

- These cut-backs in news operations appear to affect large markets and small markets alike. News consumers of every stripe—in markets large and small, in rural, urban and suburban communities—suffer when there is a decrease in the options available to them for local news and information.

- As the Commission revisits the issue of newspaper/broadcast cross-ownership, it is important that we examine the extent to which allowing cross-ownership may help to forestall this erosion in local news coverage by enabling companies to reduce duplicative costs and amortize their news product over multiple platforms.

- Aside from eliminating duplicative expenditures, newspaper/broadcast cross-ownership would not be expected to affect significantly the cost of covering a story (a reporter would still need to be assigned; background research would still need to be done), but cross-ownership would be expected to increase significantly the benefits of more in-depth coverage of existing stories and the provision of coverage of new stories because, under cross-ownership, that information can be provided to consumers through multiple outlets.

3 Economic studies to support newspaper-broadcast cross-ownership limits

In this section I discuss some studies that might provide valuable inputs to support a relaxation of newspaper-broadcast cross-ownership limits.[14]

In order to establish cross-ownership limits for newspapers, one would want to have the answer to the following question:

How does newspaper cross-ownership affect diversity?

There are a number of ways to try to answer this question, but one way is by seeking answers to the following four questions:

1. (supply) How does newspaper cross-ownership affect the quantity and quality of news coverage of local public affairs?

[14] When designing any economic studies, we should keep in mind that the FCC also needs to address radio-TV cross-ownership.

A study that shows that newspaper cross-ownership increases or does not significantly decrease the quantity and quality of news coverage of local public affairs would suggest that cross-ownership restrictions are not important for this measure of diversity.

2. (demand) To what extent do consumers use different media outlets for information about local public affairs?

   In order to determine the "relevant product market" for viewpoint diversity, it is necessary to know how citizens/consumers utilize the media and to what extent the different media are substitutes for one another. A study that shows that consumers use multiple sources of information for news about local public affairs, particularly sources such as the Internet or cable that would not be affected by cross-ownership between a newspaper and a local TV or radio station, would suggest that cross-ownership, even if it did reduce ownership diversity, would not have a significant detrimental effect on consumers. In addition, a study that shows that few consumers use newspaper and TV (or radio) as their primary and secondary sources of information for local public affairs would suggest that newspaper-TV (or newspaper-radio) cross-ownership would have little effect on the diversity of information available in consumers' primary and secondary sources of information.

3. (viability) Have some local television or radio stations closed their news operations and, if so, might a currently-prohibited combination of media have saved those operations?

   A study that finds evidence that TV stations in small markets tend to shut down their news divisions would suggest that cross-ownership in small markets would not reduce diversity and would potentially increase the dissemination of local news.

4. (supply—more subjective) How does newspaper cross-ownership affect viewpoint diversity with respect to political issues?

   A study that shows that co-owned newspaper and TV stations express viewpoint diversity that is similar to that of comparable newspaper-TV pairs that are not co-owned would suggest that cross-ownership does not reduce viewpoint diversity. This type of study could evaluate assertions that co-owned media maintain independent editorial policies.

3.1 Proposed Studies

The four studies described briefly below are designed to answer the four questions above. For more details on each study, see Appendix C.

3.1.1 Study 1: Effect of Cross-Ownership on Viewpoint/Diversity Variables

This study would analyze the effect of cross-ownership on various measures of the quantity and quality of news or news and public affairs programming on TV and radio using a cross-sectional regression analysis approach. Potential dependent variables are hours of relevant programming, ratings of relevant programming, awards won, and local voter participation. Regression analysis would be used to measure the impact on the dependent variables of market size and structure, including the incidence of cross-ownership.

3.1.2 Study 2: Utilization of Media to Acquire Information on News and Public Affairs

This study would survey consumers about their use of media. It would be similar to the 2002 Nielson Media Research study, but with questions designed to elicit information about sources of local news and current affairs programming, and with questions designed to identify separately the primary and secondary sources of local news and current affairs programming. One might expect the reliance on the Internet to have changed since the Nielsen data was collected.

3.1.3 Study 3: Termination of News Operations by Local Television and Radio Stations

This study would collect data on radio and television stations that have terminated their news operations and relate these data to the structure of the markets in question. This study could give some sense of the magnitude of local news output that markets of different sizes could sustain.

3.1.4 Study 4: Viewpoint Diversity in Cross-Owned Newspapers and Television Stations

This study would assemble a "matched sample" by matching cross-owned newspapers and TV stations with non-cross-owned newspapers and TV stations with similar characteristics. The study would construct a measure of "slant" for a chosen political issue for each newspaper and TV station in the sample. It would then analyze whether cross-owned newspapers and TV stations are more likely than their non-cross-owned counterparts to have divergent "slants" on the political issue considered.

3.2 Commentary

- Study 1: Some (more or less subjective) choices would need to be made on econometric techniques, which may be a reason to out source the study, but

otherwise it seems like something that could be done in house if the resources were available.

- Study 2: The previous Nielsen survey indicates that as a source for local news, consumers use: Internet 34.2%, magazines 20.0%, newspaper 78.7%, radio 67.9%, television 92.1%. However, reliance on the Internet may have increased since that study. In addition, the previous survey does not give us information on consumers' primary and secondary sources for local news and current affairs. If, for example, the primary or secondary source is the Internet (and is not simply the website for a local newspaper or TV station), then one could argue that cross-ownership of a local newspaper and local TV station should not affect the diversity available in consumers' primary and secondary sources for local information. Also, one could argue that newspaper-TV cross-ownership would have the largest effect on consumers whose primary and secondary sources are newspaper and TV, so it might be useful to know how many consumers are like this. (Similarly for newspaper-radio.)

- Study 3: If we anticipate arguments about cross-ownership being important for keeping news alive on local TV in small markets, then Study 3 seems useful.

- Study 4: This study would be quite involved and would be directed at a particular question: whether cross-owned media maintain separate editorial views. It would need to be outsourced.

3.3 Possible additional studies

Two additional studies could easily be done in house. They are:

1. Review of cross-ownership restrictions in other countries;

2. Review of the relevant theoretical economics literature.

A Appendix: Markets with HHI greater than 3700 based on stations as firms

Albany, GA
Alexandria, LA
Alpena, MI
Bangor, ME
Beaumont-Port Arthur, TX
Bend, OR
Biloxi-Gulfport, MS
Binghamton, NY
Bluefield-Beckley-Oak Hill, WV
Bowling Green, KY
Butte-Bozeman, MT
Charlottesville, VA
Clarksburg-Weston, WV
Dothan, AL
Elmira, NY
Fairbanks, AK
Gainesville, FL
Glendive, MT
Great Falls, MT
Greenwood-Greenville, MS
Harrisonburg, VA
Hattiesburg-Laurel, MS
Helena, MT
Jackson, TN
Jonesboro, AR
Juneau, AK
Lafayette, IN
Lafayette, LA
Lake Charles, LA
Lima, OH
Macon, GA
Mankato, MN
Marquette, MI
Meridian, MS
Monroe, LA-El Dorado, AR
Myrtle Beach-Florence, SC
North Platte, NE
Ottumwa, IA-Kirksville, MO
Palm Springs, CA

Panama City, FL
Parkersburg, WV
Presque Isle, ME
Quincy, IL-Hannibal, MO-Keokuk, IA
Salisbury, MD
San Angelo, TX
Sherman, TX - Ada, OK
South Bend-Elkhart, IN
Springfield-Holyoke, MA
St. Joseph, MO
Tallahassee, FL-Thomasville, GA
Terre Haute, IN
Topeka, KS
Twin Falls, ID
Tyler-Longview, TX
Utica, NY
Victoria, TX
Watertown, NY
Wheeling, WV- Steubenville, OH
Wilmington, NC
Zanesville, OH

B Appendix: Stations with curtailments

This table below shows the stations with curtailments in news that are in our data. They are sorted by ownership.

MARKET	CALL LETTERS	OWNERSHIP	AFFIL
Anchorage, AK	KTVA	Alaska Broadcasting	CBS
Fayetteville, NC	WKFT	Bahakel Communications	IND
Midland, TX	KOSA-TV	CBS Broadcasting	CBS
Chicago, IL	WBBM-TV	CBS Broadcasting	CBS
Los Angeles, CA	KCBS-TV	CBS Broadcasting	CBS
Evansville, IN	WEVV	CBS Broadcasting	CBS
Twin Falls, ID	KMVT	CBS Broadcasting	CBS
Detroit, MI	WWJ-TV	CBS Broadcasting	CBS
Austin, TX	KEYE-TV	CBS Broadcasting	CBS
Meridian, MS	WMDN	CBS Broadcasting	CBS
Boston, MA	WSBK-TV	CBS Corporation	UPN
Tampa, FL	WTOG	CBS Corporation	UPN
Youngstown, OH	WYTV	Chelsea Broadcasting	ABC
Watertown, NY	WWTI	Clear Channel Communication	ABC
Utica, NY	WUTR	Clear Channel Communication	ABC
Orlando, FL	WESH	Decisionmark Corp.	NBC
Los Angeles, CA	KCOP-TV	Fox Television Stations	UPN
Chattanooga, TN	WDSI-TV	Fox Television Stations	FOX
Green Bay, WI	WLUK-TV	Fox Television Stations	FOX
Topeka, KS	KTKA-TV	Free State Communications	ABC
Chattanooga, TN	WTVC	Freedom Broadcasting	ABC
Duluth, MN	KDLH	Granite Broadcasting	CBS
Fort Wayne, IN	WISE-TV	Granite Broadcasting	NBC
Topeka, KS	WIBW-TV	Gray Television Group	CBS
Parkersburg, WV	WTAP-TV	Gray Television Group	NBC
Manchester, NH	WMUR-TV	Hearst-Argyle	ABC
Wichita Falls, TX	KAUZ-TV	Hoak Media	CBS
Kingsport, TN	WKPT-TV	Holston Valley Broadcasting	ABC
Minneapolis, MN	KSTP-TV	Hubbard Broadcasting	ABC
Minneapolis, MN	KSTC-TV	Hubbard Broadcasting	IND
Battle Creek, MI	WOTV	Lin Television, Inc.	ABC
Hattiesburg, MS	WHLT	Media General	CBS
Los Angeles, CA	KNBC	NBC Universal	NBC
Fort Lauderdale, FL	WTVJ	NBC Universal	NBC
Cleveland, OH	WUAB	Raycom Media	UPN
Marquette, MI	WBUP	Scanlan Television Inc.	ABC
Cleveland, OH	WEWS-TV	Scripps Howard Broadcasting	ABC
Tampa, FL	WTTA	Sinclair Broadcasting	WB
Winston Salem, NC	WXLV-TV	Sinclair Broadcasting	ABC
Tallahassee, FL	WTWC-TV	Sinclair Broadcasting	NBC
St. Louis, MO	KDNL-TV	Sinclair Broadcasting	ABC
Cincinnati, OH	WSTR-TV	Sinclair Broadcasting	WB
Greensboro, NC	WUPN-TV	Sinclair Broadcasting	WB
Milwaukee, WI	WVTV	Sinclair Broadcasting	WB
Tampa, FL	WTTA	Sinclair Broadcasting	WB
Buffalo, NY	WNYO-TV	Sinclair Broadcasting	WB
Pittsburgh, PA	WPGH-TV	Sinclair Broadcasting	FOX
San Antonio, TX	KVDA	Telemundo Group Inc.	Telemundo
Miami, FL	WAMI-TV	Univision	Telefutura
Detroit, MI	WKBD	Viacom Stations	UPN

C Appendix: Details and Requirements of Proposed Studies

C.1 Study 1: Effect of Cross-Ownership on Viewpoint/Diversity Variables

This study would attempt to answer the question: How does newspaper cross-ownership affect the quantity and quality of news coverage of local public affairs?

This study would attempt to answer the question: How does newspaper (and radio-TV) cross-ownership affect the quantity and quality of news coverage of local public affairs?

This study would analyze the effect of cross-ownership on measures of the quantity and quality of news and public affairs programming that is broadcast over TV and radio. It would expand significantly on the 2002 study of Spavins et al. by using a cross-sectional regression analysis approach. In addition, a separate case-study analysis could be done using the small number of newspaper-broadcast combinations that were in effect temporarily pending the station's license renewal.

The Television Component Rather than measure viewpoint diversity directly, the study would focus on relevant related outputs. Per the Spavins study, these could include the quantity of news or news and public affairs programming measured in minutes, the size of audiences attracted by such programming as measured by ratings, or the "quality" of the programming as measured by journalism awards won. Because viewpoint diversity is important as in input to good citizenship, and because voting is one indicator of citizens' meeting their responsibilities, the voter participation rate in local elections could also be used as an "output" relevant to the Commission's diversity goal.

Regression analysis would be used to measure the impact on the various dependent variables of market size and structure, including the incidence of cross-ownership. Ideally, the sample would include all of grandfathered and other existing newspaper-television cross-ownership cases, as well as some radio-television combinations and standalone stations.

The Radio Component A similar approach could be used for radio. The journalism awards and political participation dependent variables could be used on a sample that includes all of the grandfathered and other existing radio-newspaper combinations. It is not clear that the relevant data would be available to measure the quantity of and ratings for radio news or news and public affairs programs.

The Temporary Cross-Ownership Component A station's compliance with the newspaper cross-ownership prohibition is apparently monitored only at license renewal. Since the license period is eight years, it is possible that there have been some newspaper-broadcast combinations created since the rule went into effect and that lasted for some years. The study could identify them and compare their performance before and after the combination with respect to the outputs mentioned above. It

is unlikely that there will be enough of these to support detailed statistical analysis, but some case studies could be useful.

This study would involve substantial data collection and econometric work. It could be done internally as long as someone with the necessary econometric skills was assigned to the project. It could also be outsourced to a group with the required econometrics skills and experience and with some institutional knowledge of broadcast media and/or newspapers.

The following is a list of the research components of this project:

1. Assemble a database for an appropriately chosen sample of markets. For each market, identify the market size. For each TV station in the market, identify the owner, rating and share for evening local news programs, quantity of local news and public affairs programming, and quantity of locally produced public affairs programming. For each newspaper in the market, identify the owner, frequency (daily, weekly, etc.), circulation, and subscribership. If possible, identify a measure of the quantity of locally produced news and public affairs content.

2. Assemble a database of Radio and Television News Directors Awards and A.I. DuPont Awards for local TV programming.

3. Classify TV stations as network owned and operated stations or as affiliates. Subdivide affiliates into stations held in common ownership with the publisher of a daily newspaper in the same market or the publisher of a daily newspaper in a different market or the publisher of some other category of newspaper.

4. (Extension to radio) For each radio station in the market, identify the owner. If possible, identify a measure of the quantity of locally produced news and public affairs content. Repeat #2 above for radio. Classify radio stations into stations held in common ownership with the publisher of a daily newspaper in the same market or the publisher of a daily newspaper in a different market or the publisher of some other category of newspaper.

5. (Extension to voter participation) For each market, identify the voter participation rate for local elections.

6. Use the data to construct measures of the quantity and quality of local news programming and use cross-sectional regression techniques to evaluate the effects on these measures (and on voter participation if doing that extension) of market size and structure.

7. (Extension to temporary cross-ownership) Identify any temporary newspaper-broadcast combinations and compare their performance before and after the combination with respect to the outputs mentioned above.

8. Produce a report, supported by appropriate data, charts, graphs, or other materials addressing the question of how newspaper cross-ownership affects the quantity and quality of news coverage of local public affairs.

C.2 Study 2: Utilization of Media to Acquire Information on News and Public Affairs

This study would attempt to answer the question: To what extent do consumers use different media outlets for information about local public affairs?

This study would attempt to answer the question: To what extent do consumers use different media outlets for information about local public affairs?

This study would consist of a phone survey similar to the 2002 Nielsen Media Research study "Consumer Survey on Media Usage" that was used extensively in the June 2003 decision. The Nielsen survey data was collected in August and September of 2002 and is now three years old. It would be useful to have updated data if media usage patterns have changed since then, especially with regard to the Internet.[15]

In addition to updating the data, a new survey would also allow for improvement in the survey instrument. In particular, although the June 2003 decision focused on local viewpoint diversity, the survey did NOT ask respondents for their primary source of local news and current affairs programming. (It asked for their primary source of all news programming and for their separate lists of sources used for national and for local news and current affairs programming.) In addition, the June 2003 decision concluded that some respondents may have confused local news on cable channels with local news on broadcast channels retransmitted by cable. In these and other areas, a new survey would allow for improved question design.[16]

The 2002 study by Nielsen Media Research involved a sample of approximately 10,000 consumers, with approximately 3,000 responding. The cost to the FCC was $50,000. The new study need not be done by Nielsen, but it would probably have a similar cost to the 2002 study.

The following is a list of the research components of this project:

1. Design and execute a survey, conducted with no fewer than 10,000 (?) persons regarding issues relating to consumers' use of the media to acquire information regarding local news and public affairs. Design of the survey questions should be done in conjunction with the FCC. The Contractor shall identify the target survey recipients, develop the methodology for and administer the survey. Following completion, the Contractor shall oversee the collection and compilation of survey responses.

[15] The Nielsen survey reports that 34.2% of respondents who had accessed local news and current affairs in the past 7 days used the Internet as a source, but the survey does not identify whether the Internet is a primary, secondary, or less important source. (Table 97)

[16] For example, one would want to distinguish news obtained from the website of a local newspaper or TV station from news obtained from other Internet sites.

2. Following the completion of the survey, the Contractor shall perform an in-depth analysis of the results.

3. The Contractor shall deliver a report, accompanied by the analysis source materials, applying the data to the question of the extent to which consumers use different media outlets to acquire information on news and public affairs.

C.3 Study 3: Termination of News Operations by Local Television and Radio Stations

This study would attempt to answer the question: Have some local television or radio stations closed their news operations and, if so, might a currently-prohibited combination of media have saved those operations?

This study would attempt to answer the question: Have some local television or radio stations closed their news operations and, if so, might a currently-prohibited combination of media have saved those operations?

In markets with relatively few media outlets, any combination has a significant impact on market structure. This is the reasoning behind the June 2003 decision's prohibition on cross-ownership in markets with few outlets (specifically in those with fewer than three television stations). However, small markets are likely to have the economic base to support fewer independent outlets than larger markets, so cross-ownership may in some cases be the only way that certain outlets can remain viable. This consideration may justify a less stringent cross-ownership limit in small markets. It may also affect the decision on a waiver standard for cross-ownership rules in small markets.

This study would gather information on radio and television stations that have terminated their news operations, probably from the Radio and Television News Directors Association.[17] These data would then be related to the structure of the markets in question. This could give some sense of the magnitude of local news output that markets of different sizes could sustain.

The study would also compare data on markets in which radio and television stations terminated their news operations with data for all markets to analyze what percentage of all markets might be at risk for losing a source of local news.

The study could potentially be done in house. The study would probably not require sophisticated econometrics, and the number of cases involved would probably not be very large.

The following is a list of the research components of this project:

1. Gather information on radio and television stations that have terminated their news operations, probably from the Radio and Television News Directors Association.

[17] It may also be useful to look at the NAB's annual TV Financial Reports.

2. For each market in which there is a radio or television station that has terminated its news operation, and for a large sample of other markets, collect data on the size and structure of the market, which particular attention to cross-ownership of media.

3. Produce a report applying the data to the questions: What magnitude of local news output can markets of different sizes sustain? Might a combination of media have saved those news operations that closed? What percentage of all markets might be at risk for losing a source of local news?

C.4 Study 4: Viewpoint Diversity in Cross-Owned Newspapers and Television Stations

This study would attempt to answer the question: How does newspaper cross-ownership affect viewpoint diversity with respect to political issues?

This study would attempt to answer the question: How does newspaper cross-ownership affect viewpoint diversity with respect to political issues?

This study would be similar in flavor to the 2002 study by David Pritchard, "Viewpoint Diversity in Cross-Owned Newspapers and Television Stations: A Study of News Coverage of the 2000 Presidential Campaign."[18] The 2002 study by Pritchard finds that 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. Commenters stated generally that since the study was based on only 10 case studies and there was no "control group" of independently-owned broadcast stations and newspapers for comparison, the results could not be generalized to all broadcast/newspaper combinations. (See the 2002 Biennial Review at 361-63.)

The proposed study would begin with a sample (preferably all) of the grandfathered/waivered cross-owned newspapers and TV stations. This sample would include approximately 20 entities. These entities would then be characterized in terms of their market size, number of competitors, geographic location, subscribership, advertising revenues, cross-ownership with other TV stations or radio stations, etc.

Then the study would collect data on the same set of characteristics for a sample (preferably large) of newspaper and TV stations that are not cross-owned. Then an algorithm would be used to select for each cross-owned entity a non-cross-owned newspaper and TV station that share a market and that match the characteristics of the cross-owned pair as closely as possible. The construction of the "matched pairs" would follow standard techniques in the economics literature.

For each newspaper/TV pair (both cross-owned and non-cross-owned), it would be determined whether the outlets exhibited similar or divergent slants in covering a particular national political event, for example the coverage of the final weeks of

[18] Available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-226838A7.pdf.

the 2004 Presidential election. A method for evaluating and scoring the slant of each newspaper and TV station would have to be developed and defended. For example, the Pritchard study looked at all available non-advertising content related to the 2000 Presidential campaign in the newspapers and late-evening local newscasts in the last fifteen days of the campaign and coded each item as "favorable to Gore," "favorable to Bush," or "neutral," and then a slant coefficient between -100 and 100 was calculated.

Standard economic techniques for analyzing a matched sample would then be used to assess whether cross-owned newspaper/TV pairs exhibit more or less viewpoint diversity than non-cross-owned pairs.

This study would involve substantial data collection and econometric work and would have a subjective component. It would need to be outsourced to a group with sufficient manpower, the required econometrics skills, and familiarity with techniques for matched samples.

The following is a list of the research components of this project:

1. Identify the grandfathered/ waivered cross-owned newspapers and TV stations. Characterize these entities in terms of their market size, number of competitors, geographic location, subscribership, advertising revenues, cross-ownership with other TV stations or radio stations, etc.

2. Collect data on the same set of characteristics for a sample (preferably large) of newspaper and TV stations that are not cross-owned.

3. Select for each cross-owned entity a non-cross-owned newspaper and TV station that share a market and that match the characteristics of the cross-owned pair as closely as possible. The construction of the "matched pairs" should follow standard techniques in the economics literature.

4. For each newspaper/TV pair (both cross-owned and non-cross-owned), determine whether the outlets exhibited similar or divergent slants in covering a particular national political event. Develop a method for evaluating and scoring the slant of each newspaper and TV station.

5. Use standard economic techniques for analyzing a matched sample to assess whether cross-owned newspaper/TV pairs exhibit more or less viewpoint diversity than non-cross-owned pairs.

D Appendix: Possible authors for studies

- Study 1: Effect of Cross-Ownership on Viewpoint/Diversity Variables

  If it is useful to have more smaller studies rather than one large study, you could break off the radio component (Sweeting or Stromberg would be good choices for that) and/or the political participation component (Waldfogel or Gentzkow would be good choices for that). The people listed below are in order by my preference.

  - A List
    Steven Berry, Yale University
    Austan Goolesbee, University of Chicago
    Ken Hendricks, University of Texas at Austin
    Scott Stern, Northwestern University
  - Past Work/Interest in Media
    Joel Waldfogel, University of Pennsylvania
    Philip Napoli, Fordham University
    Steve Wildman, Michigan State University
    Matt Gentzkow, University of Chicago
    David Waterman, Indiana University
    Andrew Sweeting, Northwestern University
    David Stromberg, University of Stockholm

- Study 4: Viewpoint Diversity in Cross-Owned Newspapers and Television Stations

David Pritchard, University of Wisconsin at Milwaukee
Andrei Shleifer, Harvard University
Sendhil Mullainathan, Harvard University
Jeffrey Dubin, California Institute of Technology