FCC's Review of the Broadcast Ownership Rules

FCC Consumer Facts

Background

The Federal Communications Commission (FCC) sets limits on the number of broadcast stations (radio and TV) an entity can own, as well as limits on the common ownership of broadcast stations and newspapers. As required by Congress, the FCC reviews its media ownership rules every four years to determine whether the rules are in the public interest and to repeal or modify any regulation it determines does not meet this criteria.

In December 2007, the Commission completed the 2006 quadrennial review of its media ownership rules. This review involved an analysis of the then current marketplace in which radio, television and newspapers operated along side of – and sometimes provided similar programming – as other media such as satellite TV and radio, cable TV and the Internet. As a part of the review, the FCC also addressed a 2004 court decision that blocked several ownership rule changes the Commission adopted in 2003. The FCC in 2007 voted to modestly relax its existing ban on newspaper/broadcast cross-ownership, which had been in effect for more than 30 years. It left the other existing rules intact as they existed pre-2003. Details of the current rules are summarized below. They are currently being challenged by several parties in court.

To kick off the 2010 quadrennial review, the FCC held public workshops between November 2009 and May 2010 (Washington, DC; Columbia, SC; Tampa, FL; and Stanford, CA). The workshops were held to get input from the public, academics, industry stakeholders and the public interest community on a range of media ownership issues and the methods the FCC should use to analyze them. Each workshop focused on a different aspect of the media ownership rules. On May 25, 2010, the Commission released its Notice of Inquiry (NOI) in the 2010 quadrennial that officially asks for comment on the current media ownership rules. The NOI takes a fresh look at the rules to determine whether they serve its public interest goals of competition, localism and diversity going forward in today's marketplace. In addition, the FCC has commissioned economists and academics from universities around the country to conduct nine economic studies to help inform its review of the media ownership rules. The 2010 quadrennial review is ongoing and is expected to be completed in 2011.

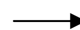
Newspaper and Broadcast Station Cross-Ownership

Beginning in 1975, FCC rules banned cross-ownership by a single entity of a daily newspaper and television or radio broadcast station operating in the same local "market." Under the 2007 revised rule, the FCC evaluates a proposed cross-ownership combination on a case-by-case basis to determine whether it would be in the public interest – specifically, whether it would promote competition, localism and diversity.

Newspaper and Broadcast Station Cross-Ownership (cont'd.)

The FCC established a set of presumptions that distinguishes between the largest media markets in the country and all the rest. In the top 20 markets – as measured by Nielsen's "Designated Market Areas" (DMAs) – the FCC presumes that a combination of a newspaper and a radio station is in the public interest.

(More)



Newspaper and Broadcast Station Cross-Ownership (cont'd.)

The FCC also presumes that a combination of a newspaper and a TV station is in the public interest if: (1) the TV station is not ranked among the top four stations in the DMA; and (2) at least eight independently owned major media voices (major newspapers and/or full-power TV stations) would remain in the market following the transaction.

In DMAs ranked 21 and smaller, the FCC presumes that a proposed newspaper/broadcast combination is not in the public interest – meaning that proposed pairings in such markets face a heavy burden in attempting to win approval. The negative presumption can be reversed, however, in two special circumstances: (1) if the newspaper or broadcast station is "failed" or "failing," as defined in longstanding FCC rules; or (2) if the proposed combination results in a new source of a significant amount of local news in a market, defined as a station that for the first time begins offering at least seven hours of local news programming per week. Broadcasters in combinations approved under this "new news programming" standard are required to report to the FCC each year to show they are in compliance.

No matter which presumption applies, all proposed combinations also are reviewed under a four-factor analysis. The Commission considers:

- the extent to which the combination will increase the amount of local news in the market;
- whether each media outlet in the combination will exercise independent news judgment;
- the level of concentration in the DMA; and
- the financial condition of the newspaper or broadcast station, and whether the new owner plans to invest in newsroom operations if either outlet is in financial distress.

Additional Ownership Rules

The FCC's December 2007 action generally adopted the pre-2003 rules with minimal changes, which had been in effect since the 1990s. Details are provided below.

National TV Ownership. The rule does not limit the number of TV stations a single entity may own nationwide so long as the station group collectively reaches no more than 39 percent of all U.S. TV households. For the purposes of calculating the "national audience reach" under this rule, TV stations on UHF channels (14 and above) count less than TV stations on VHF channels (13 and below). The National TV Ownership rule is no longer subject to review in the FCC's quadrennial review proceeding.

Dual TV Network Ownership. The rule prohibits a merger among any two or more of these television networks: ABC, CBS, Fox and NBC.

Local TV Multiple Ownership. The rule allows an entity to own up to two TV stations in the same DMA if either (1) the service areas – known as "Grade B signal contours" – of the stations do not overlap; or (2) at least one of the stations is not ranked among the top four stations in the DMA (based on market share), and at least eight independently owned TV stations would remain in the market after the proposed combination.

Local Radio/TV Cross-Ownership. The rule imposes restrictions based on a sliding scale that varies by the size of the market: (1) in markets with at least 20 independently owned "media voices" (defined as full power TV stations and radio stations, major newspapers, and the cable system in the market) an entity can own up to two TV stations and six radio stations (or one TV station and seven radio stations); (2) in markets with at least ten independently owned "media voices" an entity can own up to two TV stations and four radio stations; and (3) in the smallest markets an entity may own two TV stations and one radio station. In all markets, an entity must comply with the local radio and local TV ownership limits.

Additional Ownership Rules (cont'd.)

Local Radio Ownership. The rule imposes restrictions based on a sliding scale that varies by the size of the market: (1) in a radio market with 45 or more stations, an entity may own up to eight radio stations, no more than five of which may be in the same service (AM or FM); (2) in a radio market with between 30 and 44 radio stations, an entity may own up to seven radio stations, no more than four of which may be in the same service; (3) in a radio market hosting between 15 and 29 radio stations, an entity may own up to six radio stations, no more than four of which may be in the same service; and (4) in a radio market with 14 or fewer radio stations, an entity may own up to five radio stations, no more than three of which may be in the same service, as long as the entity does not own more than 50 percent of all radio stations in that market.

For More Information

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