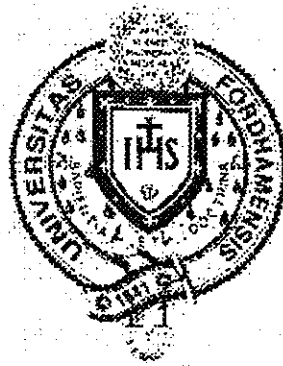


**MEDIA DIVERSITY AND LOCALISM:
MEANING, METRICS, AND THE PUBLIC INTEREST**

CONFERENCE REPORT

CONFERENCE HOSTED BY

**THE DONALD MCGANNON
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**STATEMENTS
OF
CONFERENCE PARTICIPANTS**

DIVERSITY AND MARKET STRUCTURE: PRELIMINARY EVIDENCE FROM BROADCAST TELEVISION NEWS

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1. Diversity and Market Structure

Economic theory regarding diversity and market structure provides competing predictions. For example, some theory (e.g., Steiner) predicts that maximum diversity would be achieved by a monopoly market structure. Other theory (e.g., Beebe) seems to suggest that a competitive structure would promote maximum diversity. Importantly, extant empirical evidence also yields contradictory predictions.

Conceptually, diversity implies difference, but as a practical matter diversity is difficult to define with any precision, let alone measure. However, assuming we have a reasonable measure of diversity, which implicitly assumes we have an adequate definition of diversity, it may be enlightening to relate this measure back to media market structure, as well as various demographic variables. In our work, we calculate a measure of diversity in the content of broadcast news at the national and local level using two databases of news content (one national and one local), and relate the resulting diversity measure back to market structure.

Our measure of local broadcast news diversity is straightforward: For any local broadcast content within a particular designated market area (DMA), we count the output that is unique to a broadcaster within the DMA as contributing to diversity. If any two or more local news broadcasts cover the same story, only the seconds beyond the collective average of the respective overlapping broadcasts are counted as adding to diversity. The diversity measure for national broadcast news is constructed in exactly the same fashion. We do not explore intra-story diversity given the highly subjective nature of this task.

Using a new, local broadcast news database, we develop a measure of diversity, and evaluate the impact of various structural and demographic characteristics on local news diversity. We do the same for national broadcast news using a national broadcast news database.

2. Preliminary Econometric Results

The econometric results relating to structure and demographics are broadly consistent in sign and magnitude across both the local and national databases. Given these similarities (and our time constraint), in Tables 1 and 2 we give only the results of econometric tests on the local news database.

Table 1: OLS Results, Local News Data

Variable	Coefficient	t-statistic	P> t
HHI (log)	- 16.81	- 2.03	0.047
Total Industry Revenue (log)	- 6.76	- 3.23	0.002
Cable Penetration Rate	0.47	4.28	0.000
Average Household Income (log)	31.58	3.28	0.002
Computer Ownership Rate	- 0.33	- 2.04	0.046
Population Density (log)	- 3.91	- 5.06	0.00
Fraction of Population Over 65 Years Old	- 1.18	- 2.50	0.015

Constant	- 27.45	- 0.27	0.786
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**Table 2: Two-Stage Least Squares, Local News Data
(Lagged Values of HHI, Cable Penetration as Instruments)**

Variable	Coefficient	t-statistic	P> t
HHI (log, lagged values)	- 5.04	- 0.51	0.610
Total Industry Revenue (log)	- 4.06	- 1.69	0.098
Cable Penetration Rate (lagged values)	0.496	4.31	0.000
Average Household Income (log)	25.75	2.36	0.022
Computer Ownership Rate	- 0.27	- 1.67	0.100
Population Density (log)	- 3.86	- 4.75	0.00
Fraction of Population Over 65 Years Old	- 1.39	- 2.61	0.012
Constant	- 90.10	- 0.85	0.400

Market Structure Looking at the data in Table 1, there is a *prima facie* case to be made that market structure influences the diversity of the product offerings in broadcast news at both the national and the local level. More precisely, according to these results, increases in the HHI (Hirschman-Herfindahl Index), a standard measure of industry concentration given by the sum of the squared market shares of the firms, are significantly negatively correlated with diversity, i.e., the more concentrated the structure, the less diverse the product offerings. However, as can be seen from Table 2, when we attempt to control for the possible endogeneity of structure, these initial results are no longer robust. Clearly, this indicates that more work must be done to establish what, if any, link there may be between market structure and diversity in this case. Thus, at this time, we remain agnostic on the relationship between structure and diversity in this instance.

Cable Penetration Rate The cable penetration rate has a strong positive correlation with increased diversity. More generically, the presence of an outside viewing option (by which we mean alternative programming of a variety of types) is correlated with increased diversity in the offerings of broadcast news outlets at both the national and the local level. This might imply that broadcast news is broadly responsive to the presence of alternative programming choices available to potential viewers. Thus, diversification of content may be one means by which local news broadcasts fight for viewers.

Demographic Influences As can be seen in Table 1, various demographic variables, including age, population density, average household income, and computer ownership, are also significantly correlated with diversity in the offerings of broadcast news. These variables retain their significance under the specification given in Table 2.

Age, in this case the fraction of the population over 65, is negatively correlated with diversity, possibly the result of a (homogenizing) cohort effect. Population density is also negatively correlated with diversity. This implies that the greater the population density, the lesser the overall diversity. Average income has a significant positive effect on diversity. This implies that diversity is a normal good, i.e., as income increases, demand for diversity increases. The computer ownership rate is negatively related to diversity. This result suggests that computer ownership (and implicitly potential internet access) is weakly related to increased diversity in broadcast news. This hints at complementarity rather than substitutability between broadcast news and computer ownership.

STATEMENT OF SHERILLE ISMAIL, FEDERAL COMMUNICATIONS COMMISSION

Introduction

I was pleased to see Phil Napoli's comment in one of the background briefing papers that the FCC engaged in a "virtually unprecedented effort to strengthen the empirical record on diversity and localism." That's a nice thing to say about the work of my FCC colleagues, but I don't think any of us believe that our work is done.

Your involvement, as members of the academic community, is going to be crucial in the months and years ahead. Gatherings such as this fill a vital need. And the challenge for policymakers is to create opportunities for you to make your voices heard in the decision-making process.

Two opportunities to immediately get involved arise in the work of the Federal Advisory Committee on Diversity in Communications in the Digital Age that Chairman Powell formed earlier this year and in the work of the Localism Task Force, that my colleague Royce Sherlock will talk about.

Definitions

To start with, since the title of this panel is "Defining and Measuring Diversity and Localism," let me spend a few moments on definitions. As part of the effort Phil mentioned, the Commission identified five possible types of diversity: viewpoint, outlet, program, source, and female and minority ownership:

"Viewpoint diversity" means setting limits on ownership and ensuring ownership by multiple firms. Although viewpoints can be expressed in many different forms, the Commission concluded that it is most easily measured through news and public affairs programming.

"Outlet diversity" means that there are multiple independently-owned firms in any given market. The Commission concluded that outlet diversity was not an end in itself but rather part of the goal of achieving viewpoint diversity.

"Program diversity" refers to a variety of programming formats and content. The Commission concluded that programming diversity is best achieved through "competition among delivery systems rather than through government regulation."

"Source diversity" refers to the availability of content through a variety of content producers. Today, given the explosion of programming now available to most consumers, the FCC takes the position that government regulation is not needed to ensure source diversity.

Finally, diversity includes the goal of increasing ownership of broadcast facilities by women and minorities through a variety of policies.

Federal Advisory Committee on Diversity in the Digital Age

While the definitions and the Commission's order dealt with ownership issues exclusively, the Advisory Committee has a broader mandate. First, it covers all areas of communications, not just the media. The FAC's mandate is to present recommendations to the

Commission for policies that increase minority and female participation and ownership in the communications industries. Second, it deals with employment and career advancement in addition to access to capital and transparency in transactional opportunities. Third, I just want to stress that we are extremely fortunate to get the involvement of top caliber people from industry, the financial sector, and advocacy groups. This is a tremendously positive effort, aimed at seeking creative solutions. The level of commitment has been tremendous. Chairman Powell and the Commissioners have been fully supportive and we expect that the Committee will generate ideas that move the process forward.

Members of the Federal Advisory Committee on Diversity:

Jenny Alonzo, President, National Association for Multiethnicity In Communications
Decker Anstrom, President, COO, Landmark Communications
Andrew Barrett, Managing Director, The Barrett Group, Inc.
Matthew Blank, Chairman, CEO, Showtime Networks
Maria Brennan, Executive Director, American Women in Radio and Television
Benita Fitzgerald Mosley, President of Women in Cable and Telecommunications
A. Anthony Gee, General Partner, Carthage Venture Partners
Joan Gerberding, President Nassau Radio Network
Steve Hillard, President, CEO Council Tree Communications
Priscilla Hill-Ardoin, Senior VP, Regulatory Compliance, SBC
David Honig, Executive Director, Minority Media and Telecommunications Council
Jamie Howard, COO, BigBand Networks, Inc.
Julia Johnson, President, NetCommunications
Ginger Lew, CEO, Telecommunications Development Fund
Alfred C. Liggins, President & CEO Radio One
Vonya McCann, Sr. VP, Federal External Affairs, Sprint
Francisco R. Montero, Fletcher, Heald & Hildreth
Henry Rivera, Partner, Vinson & Elkins
Riley Temple, Partner, Halprin, Temple, Goodman & Maher
Lauren Tyler, Partner, Quetzal/JP Morgan Partners, L.P.
Terdema Ussery, President, CEO, Dallas Mavericks, President, HDNet
Alex Wallau, President, ABC Television Network
Kelvin Westbrook, President, CEO Millenium Digital Media
Jim Winston, President, National Association of Black Owned Broadcasters
Roscoe Young, CEO, COO, KMC Telecom

Subcommittees:

Financial Issues -- chaired by Andrew Barrett. The objectives for this subcommittee are to (a) identify the obstacles to capital access faced by minorities and women in the telecommunications industries; (b) assess current practices regarding the access to capital; (c) develop recommendations and identify "best practices" to address these obstacles; and (d) focus both on industry-specific measures, as well as issues that extend across the telecommunications sectors.

Transactional Transparency & Related Outreach -- chaired by Steve Hillard. The objectives are to (a) identify what enhancements or additions are needed, and develop suggested "best practices" in order to increase the participation of minorities and women; (b) assess current practices of how potential investment opportunities in telecom industries are identified and how that information is disseminated; and (c) focus both on industry-specific measures, as well as

recommendations extending across the telecom sectors.

Career Advancement -- chaired by Jenny Alonzo. The objectives are to (a) assess current executive training programs and other career development programs that target minorities and women in the telecom industries; (b) identify recommendations and "best practices" that would facilitate opportunities in upper level management and ownership; and (c) focus both on industry-specific measures, as well as recommendations extending across the telecom sectors.

New Technologies -- chaired by Roscoe Young. The objectives are to (a) assess what ownership and career advancement opportunities are available in new and emerging technologies (e.g., broadband, digital television, cable, satellite, low power FM) and the convergence of these technologies; and (b) develop recommendations for facilitating opportunities for minorities and women in new industries as they form.

Research agenda

Several years ago, the Dean of the Newhouse School of Communications at Syracuse University told the *New York Times*:

"it is unclear either how minority ownership or employment influences programming. There is very little research yet determining how their presence in the programming and news-making process affects decisions on news coverage and entertainment... The assumption has been that it would. But others feel that the medium and career pressures mold the individuals."

Studies on this nexus are mandatory for any federal preferential programs to survive constitutional challenges. In 2000 the FCC conducted a series of ground-breaking studies on these questions. The studies look at:

the nexus between race of broadcast licensees and programming content?

whether the Commission may have discriminated against minorities in issuing broadcast licenses using the comparative hearing method and wireless licenses using auctions;

to what extent discrimination in the capital markets affected applicants for broadcast licenses;

anecdotal evidence of discrimination among license applicants since the 1950's.

There is definitely the need to update and build on this record. Independent scholarly analysis, coupled with the work done previously, can build a solid record that is the necessary foundation of any policy in this area.

Finally, it may be helpful to have a good solid analysis of the scope of what is constitutionally permissible. *Grutter v. Bollinger*, for example, which deals with the Supreme Court's most recent pronouncement on affirmative action-type remedies, is generating a lot of interest because it held that voluntary efforts to promote diversity, at least in the context of a university admissions program, are permissible. Specifically, the Court held that diversity is a compelling state interest that justifies preferential treatment. How far does this go? Is there a case that similar voluntary programs in the media context should also be permissible? Research and analysis would be helpful.