Opening Remarks of Commissioner Deborah Taylor Tate
FCC *En Banc* Hearing and Conference on Barriers to Communications Financing
Hearing on Access to Capital
Tuesday, July 29, 2008

Good afternoon. I would like to join my colleagues in welcoming our distinguished witnesses and thanking them for their participation in today's hearing— an idea I've been championing for more than a year. I appreciate the hospitality of the Schomburg Center in hosting this historic event. There are many women and minorities in the media industry – many of you here today – who are demolishing gender and racial barriers and achieving new levels of corporate influence. Thank you all for joining us to share your own template for success in this dynamic and ever-changing sector, as well as perhaps some of your failures. We can learn from both. Whether behind the microphone, in front of the camera, in the boardroom, control room, or green room, we need to see more women and minorities in all spheres of influence— from production to management to ownership. Our distinguished moderator, Erin Burnett, is a great example of this.

<u>Lack of Access</u>

In our hearings across the country, it has become clear that one of the primary hurdles women and minorities face in the broadcast industry is the lack of access to financing. In fact, the National Association of Broadcasters identified access to capital as "the largest roadblock to a more diverse broadcast industry." While I have appreciated the accolades by many for championing this forum, I want to set the record straight and actually note that Former Chairman Wiley, along with Dr. Ben Hooks, initiated a 1975 forum nearly identical to this one. They invited representatives from the financial industry, broadcasters, brokers, and advertisers. One of the real-world outcomes of their work was the Tax Certificate program, which I continue to express interest in today. Just last week, Senator Menendez announced that he will soon introduce a bill to reinstate this tax certificate policy, and extend it to include telecommunications (unlike the 1978-1995 version which only covered broadcasting and cable.)

The FCC's Diversity Committee, MMTC, and many others have also recommended these forums; and companies like Clear Channel have hosted "fly in" meetings, where female and minority entrepreneurs can learn more about the stations that Clear Channel is selling, and receive training on due diligence, business planning, capital formation, and broadcast regulatory issues. I want to applaud Clear Channel, not only for providing this opportunity to potential buyers, but also for making it a priority.

I am extremely pleased that today the FCC has re-initiated this convocation and conversation, and I hope this will launch perhaps an annual event, not only here in New York, but in other financial and media centers like Los Angeles, San Francisco, Chicago, Dallas, and Atlanta. Here, we bring to life tangible opportunities – not merely recommendations that sit on a shelf – for real-world prospective female and minority media entrants to meet with sophisticated and well-informed Wall Street investors to discuss financing opportunities. This conference is a very real first step– and one that I hope we can build upon – toward the realization of our goal of promoting women and minority broadcast ownership.

Why is this so important?

Because we value and want to encourage the diversity of voices and opinions. We live in a country where women comprise more than half of the population, and yet the rate of women in ownership and leadership positions is strikingly low – just 3.4% of radio stations and 5% of full-power television stations. Only 7% of the directors of the 14 largest radio companies are women – despite the fact that over 50% of all radio station formats skew to female listeners. In television, less than 5% of stations are owned by women.

The story is strikingly similar, yet even more dramatic, for minorities. Minorities own 3% of all broadcast television stations and 7.8% of commercial radio stations. Hispanics comprise 14% of the entire U.S. population, but own barely over 1% of all stations nationwide. African Americans comprise 13% of the entire U.S. population, but only own 1.3% of all stations. Finally, Asians comprise 4% of the entire U.S. population, but only own 0.44% of total stations.

These numbers are disturbing to me as a woman, as mother of a daughter, as a policymaker, and as a consumer. They should be especially disturbing for a city like New York, which has the largest African-American media market and the second-largest Asian and Hispanic media markets. The challenge before us is to find practical solutions to meet the marketplace demand by advancing diversity among broadcast owners *in concrete ways*.

The disturbingly low numbers of women and minorities is not just a problem in the media and broadcasting industries. Overall, only 10 Fortune 500 companies are owned by women. In other positions, the trend is more encouraging. There are

38 African-American general counsels among the Fortune 500 companies, and 12 Asian Americans.

Market Fears

Many of you may be wondering whether capital is still available for new media entrants in the midst of a struggling economy. Rest assured – opportunities do still exist for broadcast entrepreneurs, especially in the mid to small markets, to acquire stations and outperform industry growth. Although large radio markets are struggling across the country, the small and medium markets are showing gains in revenue. This is also true in television where station revenues in 2008 are predicted to rise 11% -- a ten-year high – due to the political advertising surrounding the upcoming elections. Despite the inevitable risks for any entrepreneurial venture, the broadcast market still promises investors potential for great reward. I am very encouraged by the opportunities still available for investment in broadcasting.

Advertising Industry

I've been interested to see that advertisers have recognized the need for increased minority involvement in their industry. According to a recent *New York Times* article, 15 advertising agencies set forward a plan with distinct goals, including being monitored for 3 years on minority practices. Thus far they have met 24 of the 30 goals they set for themselves in 2007. The 15 agencies originally aimed to have 18% of total managerial and professional positions held by minorities. In reality, that number reached 25%! I would love to see a number of media companies step forward and commit to create such a voluntary program. Perhaps that can be the next step, having the ad firms provide a template and assist their media partners in adopting a similar program.

Adoption of Diversity Order

In December of last year, the FCC unanimously adopted an Order Promoting Diversification of Ownership in the Broadcasting Services. The Commission adopted several specific initiatives to advance women and minority ownership. All in all, thirteen items were adopted, but those that are most significant in this setting include: (1) extension of the timeline for construction permits, (2) revamping our own longitudinal research studies so that we actually have data within the FCC, (3) requiring non-discrimination provisions in all advertising contracts, (4) development and creation of a guidebook on diversity, and – another initiative I strongly supported – (5) modification of our Equity-Debt Plus attribution rule, which too often caused potential investors to cautiously avoid investments that might be combined to approach the ownership limit. While December's Diversity Order does not repeal the rule entirely, it relaxes the rule, allowing an interest holder to exceed the 33% ownership limit without triggering attribution. These can have both an immediate and lasting impact on improving opportunities for minorities and women.

Roadmap-MMTC

Last week MMTC unveiled its much-anticipated "Roadmap for Telecommunications Policy." I applaud the continued excellent work of this organization. The suggestions contained in this document – legislative priorities and proposed FCC rules – create a blueprint for breaking down the remaining barriers to entry for minorities and women. A few of the FCC policy suggestions include: share-time proposals, extending EEO rules to all MVPDs and telecom carriers, rejecting *a la carte* mandates, and a top to bottom reform of the Designated Entity Program. (Just last week I insisted on applying the broadcast EEO rules to SDARS licensees, a policy I believe will provide consistency among radio broadcasters.)

Other public policy suggestions I continue to press personally are:

1. Track investments and the performance of investments by gender, race, and ethnicity, as well as geographic location in all venture funded companies.

2. Encourage investors to make diversity a priority in their overall portfolios. Encourage investors to have a positive impact on public policy, and make good investments by seeking out and considering investment in women and minority-led ventures.

3. For those investors whose portfolios include family businesses, we can encourage them to establish a set-aside to assist women and minorities. Those who are females and minorities at the top of their firms should make this a priority– from the top down-- to value and invest in diversity.

4. Create programs to educate and prepare women to lead fast-growth businesses – whether high tech or not. This could even help add more women and minorities to the financial and investment sectors as well.

5. Encourage and educate women and minorities to participate in the investment process through sponsor forums like Springboard 2000, sponsored by the National Women's Business Council and the Forum for Women Entrepreneurs. Springboard 2000 was the first ever venture capital forum to showcase women entrepreneurs. It was a national initiative designed to increase investment channels and facilitate deals for women-led companies. At the forum, the entrepreneurs were able to present their business plans to angel, venture, and corporate investors, and event sponsors. These women were introduced to funding opportunities that they may not have previously considered.

6. Encourage and sponsor additional research to examine the process by which men, women, and minority-led ventures are screened by angel and venture capital firms, to determine if there are any differences.

7. Enlist marketing experts, corporate coaches, as well as PR and image consultants to assist in helping borrowers/buyers present their "best case scenario."

8. Encourage and sponsor research to examine the extent to which venture capitalists, angels, and limited partners (pension funds, endowments, and insurance companies) perceive investments in women and minority-led ventures as more risky investments- and then develop educational programs like the one we are holding today, for decision-makers to learn about success stories and mitigating risk-adverse decision-making.

9. Encourage all states and large corporations to follow the lead of states like California, which sets aside funds for women and minority investments. California does this by utilizing funds from a pension fund to invest in capital venture funds that focus on minority media ownership. So far, eight Hispanic broadcast companies have benefited. Examples like this further emphasize the growing number of innovative programs states and companies can use to support women and minority broadcast companies.

10. Establish internships to help women and minorities get into the pipeline so they can eventually be considered for leadership and ownership positions.

Conclusion

While I have laid out a series of suggestions, we are really here to listen. I continue to believe that there are many other concrete ways to advance women and minority roles in the media marketplace, and I look forward to hearing from some of the "success stories" here today as well as from those of you in the investment sector. Together, we can help promote diversity at all levels of media, from management to ownership to other spheres of influence; creating a media industry that reflects the diversity of America.