

FCC En Banc Hearing Brian Rich Comments

First, I'd like to thank the Commission for having me here this afternoon. The fact that we have this opportunity to discuss minority ownership in media and telecommunications is an important step in increasing diversity.

My comments relate to my experiences as a banker and investor in the media and telecommunications space, and in both conventional, minority and small business controlled transactions.

1. The blunt fact is that there is virtually zero diversity left in U.S. communications ownership (the actual numbers hover between zero and 1-2% in every industry category – TV/ Radio/ Wireless/cable/etc.) -- at one time it was 5% to 10% and growing – this might be contrasted with the percentages and rates of growth of minority populations in the U.S.,
2. Changing those numbers, especially in largely consolidated industry segments, requires not just conferences such as this, but rather concerted FCC programs,
3. Capital, whether equity or debt in nature, seeks the highest return for the lowest risk. As I previously mentioned, capital has not been drawn to minority ownership transactions under the status quo,
4. The most effective – perhaps in the big picture, the only effective – programs have been those that included genuine economic benefits to attract equity capital,

5. The only such programs have been the tax certificates and the Designated Entity program – both of which are no longer operative as a practical matter (tax certificates were removed by Congress; DE benefits were essentially eliminated by FCC rule changes in 2006 through the ten yr. hold rule and restrictions on wholesaling,
6. The Commission, if it seeks to promote diversity of ownership, should utilize programs with financial incentives or similar advantages, police them diligently, and recognize that it takes time to build businesses in this sector and that they need to have the same ability to react to market conditions as other capital (e.g. to sell or merge without the burden of a ten year hold requirement). There will always be some vibrant but smaller success stories without such action, but those just don't move the needle as a national policy success.
7. The Commission should also recognize that we are living in the digital age and in an environment in which consumption patterns are shifting dramatically. The Commission should therefore look at the problem holistically to include digital and next-generation forms of content distribution.

Thank you.