FCC's Review of the Broadcast Ownership Rules

FCC Consumer Facts

Background

Based on authority granted by Congress, the Federal Communications Commission (FCC) sets media ownership rules that restrict how many media outlets (newspapers, radio, or TV stations) a single entity may own. Congress also requires that the FCC periodically review its broadcast ownership rules to determine "whether any of such rules are necessary in the public interest as a result of competition" and to "repeal or modify any regulation it determines to be no longer in the public interest."

In December 2007, the FCC completed the latest review of its broadcast ownership rules. This review involved an analysis of the current marketplace in which radio, television, and newspapers operate along side of – and sometimes compete with – other media such as cable TV, satellite TV and radio, and the Internet. As a part of the review, the FCC also addressed a 2004 court decision that blocked several ownership rule changes the FCC approved in 2003. (The major changes made in that year were more extensive than the 2007 rule changes, but because of the court decision, those 2003 rule changes never took effect.) 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. Details of the latest rules are summarized below. The latest rules are now being challenged in court by several parties.

Newspaper/Broadcast 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 will evaluate 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.

To make its review standards clear, the FCC established a complex framework for its analysis. The analysis begins with a set of presumptions that distinguish 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 will presume that a combination of a newspaper and a radio station is in the public interest. The FCC also will presume 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

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

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 will presume that a proposed newspaper/broadcast combination is not in the public interest – meaning that proposed pairings in such markets will 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 will be required to report to the FCC each year to show they are in compliance.

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

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

- 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 TV 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 left the other rules, which have been in effect since the 1990s, unchanged. Details are provided below.

National TV Ownership. The current 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).

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 two TV stations in the same DMA if either (1) the service areas – known as "Grade B 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.

Additional Ownership Rules (cont'd.)

Local Radio/TV Cross-Ownership. The rule allows common ownership of up to two TV stations and several radio stations in a market, so long as the entity's combination complies with the local radio and local TV ownership limits. In the largest markets, an entity may own up to two TV stations and six radio stations (or one TV station and seven radio stations).

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 are in the same service; (3) in a radio market with between 15 and 29 radio stations, an entity may own up to six radio stations, no more than four of which are 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 are in the same service, as long as the entity does not own more than 50 percent of all stations in that market.

For More Information

For information about other telecommunications issues visit the Consumer & Governmental Affairs Bureau Web site at www.fcc.gov/cgb, or contact the FCC's Consumer Center by e-mailing fccinfo@fcc.gov; calling 1-888-CALL-FCC (1-888-225-5322) voice or 1-888-TELL-FCC (1-888-835-5322) TTY; faxing 1-866-418-0232; or writing to:

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