

*Consolidation in the Wake of FCC Decision  
Will Affect Fifth District Media*

MAKING

# WAVES

BY BETTY JOYCE NASH

In 1957, teenager Don Curtis got his first job in radio, selling advertising. By the time he graduated from high school, he was not only selling ads, he was announcing on the radio, too. Today, he heads the Curtis Media Group, a 15-station company based in Raleigh, N.C., with traffic and farm networks and Internet sites, among other properties. Curtis is believed to be the largest independent operator of radio stations, reaching about 900,000 people in the Triangle and Triad areas.

In this media era, a radio geek couldn't do the same thing, Curtis says, and that's a shame. But a cyber-geek could. Consider the Drudge Report, an Internet news site. It often contains gossip, but the young man behind the screen reported the Clinton-Lewinsky story ahead of the nation's biggest news organizations.

Media regulation is tricky, with some believing that only local owners can fulfill community participation roles and produce trustworthy local news. Others, saying that new technologies keep no one out of publishing, believe satellite and Internet access have added competition and diversity to media, eliminating the need for regulation.

### Rules of the Game

In June, the Federal Communications Commission (FCC) approved rules that will permit further consolidation in the television and newspaper industries. While the FCC kept the ban on mergers among the top four broadcast networks, new rules would let a company own more than one television station in some markets. The FCC also increased, from 35 percent to 45 percent, the share of

the nation's television viewers one owner could reach. These rules have set off a chain reaction in Congress. At presstime, the U.S. House of Representatives had passed a bill rolling back some of the changes, with the U.S. Senate poised to do the same. And litigation brought in the wake of the new rules prompted a federal appeals court to block implementation pending the outcome of the lawsuit.

Another element of the new rules affects media companies' convergence strategies. Firms may own both television stations and newspapers in some markets under the new rules. For example, Media General, based in Richmond, Va., could purchase television stations in some of its newspaper territories.

The rules didn't go far enough to suit Media General, but they're better than nothing. "We view it as basically a good thing; we found the old rules to be antiquated and not addressing the realities of the media world," says Raphael Seligmann, Media General spokesman. "We look forward to a more complete repeal of the rules." Seligmann notes there are still small markets, including Charlottesville, Va., where Media General wants television stations but can't buy because the size of the market doesn't fit FCC criteria. Media General's biggest converged market, grandfathered by the FCC, is Tampa, Fla., where it owns WFLA and the *Tampa Tribune*. "We think our success in Tampa owes largely to the fact that the television, newspaper, and associated Web site are together under one roof. We built a facility where they could work together, assign stories, send print reporters out with video cameras, and



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cross promote stories,” Seligmann says. “We think we’re serving the public well and the operations there have won a disproportionate number of national awards for journalism.”

For radio, though, the FCC kept in place limits on the number of stations a company can own. For instance, in markets with 45 or more stations, a company can own only eight stations. And it changed the way a local market is defined in such a way that may make further consolidation more difficult. But radio veteran Curtis says this is like trying to “put the toothpaste back in the tube.”

Massive consolidation overtook radio after the Telecommunications Act of 1996, such that today one firm—Clear Channel Communications Inc.—owns around 10 percent of the 14,000 radio

stations in the United States, five times more than its nearest competitor. The new market definition may prevent Clear Channel from buying up more stations but it will not require the company to divest any it already owns.

### Clear Channel Radio Stations in the Fifth District

Maryland	13
North Carolina	21
South Carolina	16
Virginia	34
Washington, D.C.	8
West Virginia	23
<b>Total</b>	<b>115</b>

SOURCE: Clear Channel Communications Inc.

### Localism: Community and Diversity

People who oppose consolidation say giant firms just can’t care about the community and that it’s dangerous to let media moguls dominate a market. Don Curtis puts it like this: “I think the decisions of publicly held companies are short-term decisions,” he says. “If the price of the stock goes down, all of a sudden they call the general managers and say, ‘Cut two people.’”

But what really bugs Curtis is cross ownership. While his firm is maxxed out on the number of radio stations he can own—12 in Raleigh—that’s OK, he says, because there are some 56 other viable stations in the market. “Let’s say I’ve got a company that controls the two daily newspapers, two TV stations, the cable system and the radio station.

Who gets my public service announcements if I’ve got all this control? Now I’ve got all sorts of vehicles that I can really use to sway public opinion. I’m not sure any of that will ever happen. But it’s been illegal to this point and now it’s legal. That bothers me more than anything else.”

And there’s community involvement. Until the 1990s, most of the radio stations in Raleigh were locally owned, he says, adding that the owners were involved, civic-minded, and “less concerned about the bottom line.”

The media industry is unique, says Curtis. Opening, say, a clothing store may be simply a matter of attracting investors and having a sound business plan. “In radio you’ve gotta have a frequency—and they’re all gone.”

### The Media Marketplace

Nevertheless, competition has thrived in recent decades, say some of the people who study media. One of those is Benjamin Compaine, who has researched the media for the academic and corporate worlds. Compaine is a research consultant at the Massachusetts Institute of Technology’s Program on Internet and Telecoms Convergence and the author or co-author of numerous books on the media, including *Who Owns the Media? Competition and Concentration in the Mass Media Industry*.

Compaine points out that dozens of networks have proliferated. There used to be just “30 minutes of evening news on three networks,” he says. “Today, [it’s] those plus four national 24-hour news networks: CNN, CNN Headline News, Fox, and MSNBC.” Add regional news networks, such as New England Cable News, to PBS-like networks, such as the History Channel, the Discovery Channel, and the Learning Channel, and the number of choices becomes quite large. “Even with cross ownership there are orders-of-magnitude more variety and competition on television.”

Compaine says that in the 1970s, the three networks had about 90 percent of the prime time audience. Today, there are four major broadcast networks with less than half. Further, the 20 largest broadcasters had revenue

of \$18.9 billion in 1994. By 1997 (after the Telecommunications Act of 1996), they had \$23.9 billion. But the share of the four largest fell from 72.6 percent to 70.9 percent and the top 10 from 87.8 percent to 86.7 percent. “[It’s] not much, but it belies this mantra of more and more concentration,” he says.

Radio, Compaine says, is a different story. Still, there’s only one group that owns more than 1,000 stations: Clear Channel.

Most convincingly, Compaine says, research has found no consistent evidence that viewers and listeners or readers are being ill-served by the large companies. Evidence suggests there’s more diversity in news formats than before.

Internet radio, for example, in which broadcasters old and new can stream content online, offers even more choice. In 2001, nearly 86 percent of the 12,500 radio stations in the United States had an Internet site, and one-fourth were available in real time via the Internet, according to the Radio Advertising Bureau. And access to spectrum is not an issue. “With a limited spectrum available, new broadcasters must apply for a license to that spectrum, often a long and costly process that serves as a significant hurdle for many would-be broadcasters,” Compaine writes in a paper examining Internet radio.

### Local News

News organizations such as Media General say there’s no way they could survive if they ignored local news coverage.

“Big companies with a lot of money ... need to provide news to keep their market,” says Seligmann. “People look to them for news about their own lives. The theory that a media company that owns a TV station and a newspaper would skimp on local news and force material from company headquarters ... we don’t believe that’s a model for success at all.”

There is the story, though, of a chemical spill near a small town in North Dakota last year. When officials tried to get a message on the radio to let people know, there was no one to

answer the telephones at the stations. Clear Channel owned six out of the seven. (It is possible to broadcast without actually having a person in the studio, by beaming a signal from afar.)

This sort of voice tracking can be a useful tool, says Curtis, like filling in around the edges of a little newspaper with wire copy. But, he notes, "We do very little voice tracking," Curtis says. "Occasionally we may do some overnight shows on stations that may not be on the air otherwise."

## Technology

There's little doubt that communities can sometimes lose when local media owners sell their companies, just as there is little doubt that they can sometimes gain. Innovation, for example, often comes out of small firms. Jim Goodman, chief executive officer of Capitol Broadcasting Company Inc., in Raleigh, has pioneered digital television, paying nearly \$1 million for spectrum in a government auction. In 1996, WRAL-TV received the first experimental HDTV license in the country. He has aggressively promoted digital television and worked closely with the FCC and CBS to work out problems. But under the new FCC rules, CBS could buy out local affiliates such as Capitol, a company committed to Raleigh and its people. (Goodman, it should be noted, serves on the Board of Directors of the Charlotte branch of the Federal Reserve Bank of Richmond.)

Goodman has spoken against these regulatory changes, arguing that they will lead to less diversity in the media marketplace. "If you have more owners, you have more points of view, more ideas, more opinions, different approaches to everything that's going on." What's more, he says, the FCC is charged with licensing airwaves that are publicly owned. "Nobody has a right to a TV station. You know, we make a deal, 'Here's the license, Jim. Serve the public interest. You're the only one's going to run Channel Five in Raleigh.'"

## Playing Catch Up

But consolidation has been going on for years, says Adam Thierer of the Cato Institute.

"In general, the real advantage of loosening these rules is that it brings them in line with emerging marketplace realities," he says. "There's little doubt among those following the entertainment and media business, that there's a fair amount of continued consolidation going on, some of which has been in violation of existing rules. Rationalization for these rules is ... basically an attempt by FCC to catch up with marketplace realities."

A second reason the FCC revised rules is because the courts have been breathing down their necks looking for reasonable justification, Thierer says. And there are First Amendment issues. "If you are eliminating a number of affiliates and outlets, you are essentially limiting the soap box you can stand on to speak to the American people. We would not think it would be reasonable to limit the number of printing presses *The New York Times* uses to print its newspapers, why therefore would we limit the number of television or radio stations a company can own to transmit to people?"

After all, even in a tightly regulated environment, media is "extraordinarily expensive" to enter. "Many economists have said the FCC has created an artificial scarcity. There's no such thing as a free market in spectrum licenses," Thierer says.

"The other part of the problem is simple economics," he says. "The world of mass media is mass, big, and expensive with big sunk costs."

In the modern media marketplace, however, there's the Internet, and that has brought smaller players into the media, creating more competition. "People say the Internet is not a TV or radio station. The barriers to entry, though, are far lower [and] less expensive. Nothing that regulators or legislators can do will change that underlying market reality."

## The Global Village

Consolidation is an old demon faced by small, family-owned newspapers for the last 20 years, says Jay Pace, editor and publisher of the *Hanover Herald-Progress*, a twice-weekly newspaper with a circulation of 8,000 in Ashland, Va.

He thinks continued consolidation is unhealthy. "But I don't think you're going to see in properties like ours any kind of direct hit."

News operations that are totally driven by the bottom line are less effective and less of a resource to the community. "Sometimes in this business you have to confess that black ink is secondary to carrying out your purpose and mission," Pace says. "My title is editor and publisher which means ... as an editor there are times I have to punch the publisher out."

Although the Internet may provide significant and diverse sites, the content is rather anonymous, with many of the heavily used sites run by conglomerates. But Pace meets his readers on the street every day. "I hear people quoting the Drudge Report, for crying out loud, and maybe they get two-thirds of their reports right," Pace says. "If I did that I'd be out of business in two months."

Pace's turf is small-town America. People from nearby cities and suburbs flock to the town on parade days, hungry for a taste of village life. But when it comes to news, it's a global village and people prefer the big picture, Thierer says, noting the popularity of *USA Today*. "Those people voting with their eyeballs and ears and wallet are making the shift toward a national program." **RF**

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