Statement by Commissioner Jonathan Adelstein
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"The Impact of Media Ownership Rules on Minority Broadcasting"

Thank you, Sophia and Deborah Lathen, for that introduction, and thanks to David Honig and the Minority Media and Telecommunications Council for inviting me to participate. This is an extraordinary gathering of leaders who are seeking to advance minorities' use of the nation's airwaves – a goal I strongly share. It's an honor to follow Congresswoman Watson, who chairs the Congressional Entertainment Caucus and has been an outstanding advocate to overturn our recent rule changes. I'd also like to recognize the leadership of former FCC Commissioners like Gloria Tristani on issues of concern to minorities in the media. I was honored to fill her seat last December. Sitting at her desk – quite literally, the desk she picked out – I feel a special obligation to ensure that these issues get the attention from the Commission that they deserve. And it's great to know public officials like Congresswoman Watson and Congressman Becerra are working hard on Capitol Hill for these same goals.

It's a pleasure to look out at this audience today. Your presence represents hope that the diverse nature of America will be represented on the public's airwaves. I say hope because right now hope, courage, and vigilance is needed to achieve diversity in our media. Let me be blunt: I believe the recent changes to the FCC's media ownership rules are a disaster for smaller and new entrants. Small and start-up broadcasters are the big losers – and that spells trouble for minority ownership. It is no exaggeration to say that the ruling reduces the free and full exchange of diverse ideas and opinions on which a healthy democracy depends.

The situation for minorities and new entrants will likely go from bad to worse. Minorities and females are already underrepresented in media ownership. The radio deregulation of the late 90's has been a setback for black-owned and other minority broadcasters, who since 1996 have faced escalating costs and lack of access to capital. While minorities represent more than 29 percent of the U.S. population, minority broadcasters own a mere 4 percent of the nation's commercial radio stations and 1.9 percent of the nation's commercial television stations. That's the lowest level of minority television ownership since the government began tracking the data. Unfortunately, the Commission's recent decision will only accelerate this alarming trend by astronomically raising the already high barriers for entry into the field of broadcasting. The field will grow increasingly dominated by giants.

Ownership of a license to use our nation's public airwaves carries with it the ability to promote the ideas, news, culture, and language of the owner's choosing. And it carries a substantial premium on Wall Street. One TV station in California sold for $823 million, another for $650 million. An AM radio station could cost $30 to $80 million in a top-10 market and between $1 and $5 million in mid-sized markets.

Increased concentration will likely raise the costs of buying a station even higher, which will discourage would-be broadcasters from entering the field. Consolidation will also make raising capital more difficult. Small or single-station entrants will find themselves increasingly competing with large, consolidated group owners who are in a position to offer attractive packages to advertisers.

This means fewer owners will control the exclusive rights to use our nation's airwaves, which could lead to even less local programming. It will mean fewer entrepreneurs breaking in and innovating in the broadcast field, and fewer minority employees within the industry. And it may force the few remaining minority-owned broadcasters to fight just to survive in this business.

The June 2nd ruling glossed over these challenges. In its only nod to these concerns, the new rules grandfathered big clusters of radio stations that exceed the revised radio ownership limits, but said they could only be sold, at least at first, to certain small businesses. This is well intentioned. But in the broader scheme of a ruling that deeply undercuts the ability of minorities and women to gain access to broadcast outlets, this meager exception does little to offset the real harm. A systematic solution such as tax credits for station sales to minority or female owners would really help. But the transfer of entire grandfathered clusters to small entities will only happen rarely, if ever. Smaller and new entrants would have benefited more from a decision not to grandfather any above-cap combinations. That way, a seller would have to spin off the stations that exceed the cap, making the spun-off stations an affordable and attractive avenue for small businesses.

Small businesses will find it difficult to raise enough capital to buy expensive, large clusters, if they ever even come on the market at all. This is especially true given that the seller could peel off one or two stations and then sell both the remaining cluster and the spun-off stations with no restrictions to an unlimited pool of potential buyers. But even assuming any cluster sales actually happen, after only three years, the small business can flip the grandfathered cluster to any large radio or media conglomerate. Real disadvantaged businesses may have to bid against companies that plan to sell to well-capitalized radio giants. This raises the cost of the clusters even more and makes it ripe for abuse. So the ultimate beneficiaries of this approach could be the largest group owners like Clear Channel and Infinity.

I hope that I'm proven wrong, but in my view, this narrow exception doesn't come close to counteracting the overall damage done by the loosening of our media ownership rules. The sad reality is that small businesses, including those owned by minorities and women, are going to find it even tougher in more concentrated and expensive media markets to raise capital, own outlets, or have their unique voices heard.

But we shouldn't lose hope. There are opportunities here, which this conference is designed to seize upon. Today's gathering is a way to start identifying and reclaiming opportunities that appear to have been taken away. We shouldn't let the FCC's recent ruling undercut our efforts to make progress. The success of people like Alfred Liggins should be a beacon of hope to others.

For one thing, this proceeding demonstrated the profound anger of the American public with one-stop-shopping in the media. I learned at public hearings across the country that the American people are profoundly concerned about their media. They're angry about homogenization, violence and crassness, and the lack of local news coverage on the radio dial. And they connect the problems they see to the growth of big media companies. All told, nearly 2 million people contacted us to tell us to stop more media concentration.

There remains an important role for broadcasters that offer better local coverage and programming to specialized audiences, including ethnic minorities. There's an eager audience out there for something fresh and invigorating, something that sounds different from the blandness of other channels. There is an opportunity waiting for entrepreneurs in creating and refining local and niche operations that will stand apart from their consolidated competitors. I grew up in an era of public interest broadcasters who stood out in their communities as model citizens. These broadcasters are dwindling fast. And the public can tell when their interests gets subsumed by the corporate interest. They can tell when programming is designed to appeal to a national, if not global, audience over their local tastes. People are watching their television and listening to their radio intensely, and when given an opportunity, they will express their displeasure with lowest-common denominator programming.

But you're not just niche players. Some minority broadcasters have succeeded in building clusters or breaking into a range of formats catering to wider audiences and more advertising dollars. Minority broadcasters must quickly acknowledge the new environment of further consolidation and plan for future growth. Make an aggressive push to acquire clusters if they come on the market. Merge with other like-minded companies and build upon the other's strengths. Take advantage of opportunities like the attribution of Joint Sales Agreements within two years as possible avenues for spinoffs. Then position yourselves to be in the deal – to know what is happening and when. Let people know you are out there and you want to be informed of deal making opportunities.

And participate in and demand more from your regulatory body – the FCC. The Supreme Court recently stated loudly and clearly that promoting diversity is an important government function. That Court has always acknowledged the fundamental role of the FCC in encouraging the widest possible diversity of viewpoints over the public airwaves. Demand that the FCC monitor the state of the media as more consolidation begins, particularly the state of minority ownership. The FCC is increasingly seeking to base its analysis in empirical foundations, but even the majority on June 2nd realized that we have a need for more reliable data. The FCC is in the best position to gather the relevant data, but we rely too much on the industry to let us know the effect of our rules, or on the

NTIA to document minority broadcast ownership trends. The FCC can do more to ensure that it understands the full impact of consolidation on minority ownership, minority employment, issue coverage, and the portrayal of minorities. And I will demand that we do more.

A recent study by the Directors Guild of America found that the broadcast networks have made little progress over the past 3 years in hiring more women and minority directors for their high-profile shows. Eighty-two percent of the top-40 prime time dramas and comedies are directed by Caucasian males, 11 percent by women, 5 percent by African Americans, 2 percent by Latinos and 1 percent by Asians. These numbers don't even remotely reflect the diversity of this country. And in my travels across the country, I've sensed that the minority segments of broadcast journalism are eager to play a more active, leadership role. They understand that the media is the link to civic participation in our society.

For example, the fast-growing, increasingly influential Hispanic population is having a significant effect on our modern media marketplace. The media and advertisers are increasingly targeting this growing population. The FCC's ruling was premised upon needing to update our rules for the current media marketplace. Well, times have changed for Spanish-language broadcasting, and FCC media policy should account for these changes. Recent census figures reveal the extraordinary scope of the multicultural Hispanic population –13.3 percent of the U.S. population, nearly 38.8 million people. Spanish-language media caters not only to bilingual Spanish speakers but also to the nearly 50 percent of Spanish speakers who speak exclusively or predominantly Spanish. But the FCC's rules do not account for this. In fact, a non-English newspaper is counted for cross-ownership purposes only when the language is the dominant language in the community.

I believe the FCC must conduct a more thorough examination of Spanish-language media in a public forum as soon as possible. Convening such a forum will help us collect data and analyze the media needs of the Spanish-speaking population. One critical question facing the Commission is whether the Spanish language is simply a format like smooth jazz, hip hop or other entertainment formats, or is it a distinct component of the general media marketplace deserving its own protections against concentration. This and other questions should be answered only after a broad inquiry into the demographics and trends of the burgeoning U.S. Hispanic population.

A forum will enable us to hear from academics and other experts who have analyzed the effect of increased consolidation on Spanish speakers' access to local news and information. For example, is it sufficient to say that English programming which is dubbed into Spanish is adequate, or does ownership and control over the programming selection and portrayal of minorities matter? According to Mario Rodriguez, President of Entertainment at Univision Television Networks, the top-ranked English-language television shows earlier this year – Joe Millionaire, Friends, and CSI – barely register in Hispanic households. And imagine for the news – would Hispanic households prefer a dubbed English-language newscast or a newscast focused on matters of cultural relevancy to them? Language and the media form a communications link to civic participation in our society. To me, the difference between Spanish-language and English-language media appears to be more than a mere program format.

There is much more fact finding and analysis to be done. I am pleased that the Chairman created a federal Advisory Committee on Diversity in May. Yet I fear that it may be too late to offset the damaging effect of the media ownership rules on preventing further entry into the media by minorities and women. But I am an optimist. The formation of this Committee was a long time coming, so let's not waste this opportunity. I hope that the Committee will be given the recognition and Commission support to make it an effective partnership with the Commission in advancing minority ownership and entry into the media and other communications fields. I look forward to a major examination of how to promote opportunities for minorities and women. Let's all work together to ensure that the Committee undertakes a thorough analysis and forms concrete recommendations for the Commission and Congress to reverse the trends of declining minority ownership of our media.

For starters, MMTC has called on the Committee to revisit the media ownership proceeding and our EEO rules. And MMTC put forth other worthwhile proposals in the media ownership rulemaking that the Committee should examine, including enhanced outreach and equal transactional opportunities so minorities are aware of broadcast properties for sale. There are also worthwhile legislative solutions such as Senator McCain's tax certificate proposal.

So I leave you with a mixed message – the gutting of the FCC's media ownership rules is not a good thing for anyone, except for big media companies. It is especially damaging for minorities, but as Einstein said, "in the middle of difficulty lies opportunity." The mounting public outrage with centralized ownership and homogenized content may ultimately give you in this room an edge in offering better community-oriented programming.

Back in 1982, Henry Rivera's Committee identified financing as the single greatest obstacle in advancing minority media ownership. That remains a huge obstacle, and is only compounded by consolidation. As we're now in the 21st Century, it's time to progress in advancing minority ownership of the media. Events like this conference, which brings together minority broadcasters and entrepreneurs with brokers and financial institutions, is exactly what is needed. We all must work together.

Our nation's airwaves should reflect the diversity of the people, views and cultures within our borders. I implore you to continue the battle to reverse these fundamentally undemocratic rules. We need hope, courage and vigilance to overcome the media barriers that prevent our media from accurately reflecting America.

Muchas gracias and good luck.