

**Remarks of FCC Chairman Kevin J. Martin**  
**Newspaper Association of America**  
**2006 Annual Convention**  
**April 4, 2006**  
*As Prepared for Delivery*

Thank you for that kind introduction and for the invitation to be with you today.

The previous panel addressed the issue of “publishing in a time of crisis.” I want to take a few minutes this morning to recognize the tremendous service that newspapers and other media outlets in the Gulf Coast region performed for residents in the wake of Hurricane Katrina.

Take for example what we just heard from the Times Picayune. Before the hurricane struck, 240 employees and their relatives gathered at their office to wait out the storm. Even during the storm, they were able to publish an on-line version of that newspaper using a generator. And when the floodwaters entered the Picayune building, the employees boarded delivery trucks and drove to Baton Rouge, where they continued to feed material to journalists stationed at a small paper in Houma, Louisiana. With the help of the Houma Courier, the Picayune produced a print edition by the end of the first week following the storm. The newspaper was distributed for free in shelters all over Louisiana and as far away as Houston. Another example is the Biloxi Sun Herald. Working with the Columbus Ledger-Enquirer, the Sun Herald published a print edition just days after the hurricane and trucked copies to Biloxi to be distributed for free.

These are but a few of the examples of employees at media outlets across the region who, despite the fact that their own homes, towns and cities were destroyed, worked tirelessly to provide critical news and information to their subscribers and audiences. You have proved that you will be there when your readers and neighbors need you the most. I commend the newspaper industry for its extraordinary work during this time of great need.

More generally, events like those last fall serve to emphasize the role that newspaper publishers and other media outlets play in our local communities by keeping us connected and informing us about the challenges we face. The Commission is looking at how to ensure that the media continues to be there for the public in times of crisis, including whether news outlets should be given higher priority in terms of access to the supplies needed to continue their operations.

During Katrina, the Commission took quick and decisive action to assist in the preservation and restoration of broadcast and communications services to areas in Katrina’s path. We established special procedures to expedite emergency authorizations and issued public notices to inform broadcasters how to seek the Commission’s help. We granted stations more than 70 special temporary authorizations and granted more than 100 temporary frequency authorizations to permit emergency workers, relief organizations, and companies to communicate in the affected areas and to shelters around

the country. I am extremely proud of the efforts and dedication of the FCC staff that helped us during that time.

The Commission performed well in the wake of Hurricane Katrina. It acted swiftly, responded to people's needs and recognized that changed circumstances required flexible rules.

Unfortunately, the FCC is not always so adept. Since 1996, the Commission has repeatedly found that the newspaper/broadcast cross-ownership ban needs to be reviewed and revised. Yet the rule prohibiting a newspaper from owning a broadcast property in the same market has not changed since it was put in place in 1975.

Much has changed since the days of disco and leisure suits, including the media marketplace. Over the last 30 years, we have seen an explosion in media outlets and other sources of news and information. The rule that is in place today was based on a market structure that bears little resemblance to the current environment. That rule was adopted in an era with little cable penetration, no local cable news channels, fewer broadcast stations, and no Internet. In 1975, cable television served fewer than 15% of television households. And satellite TV did not even exist. Today, by contrast, fewer than 15% of homes do not subscribe to cable or satellite. Similarly, there were only about 7,500 radio stations in 1975, but by the end of 2005, there were almost 14,000. In 1975 there were only 952 television stations. Today, the number of TV stations has almost doubled to more than 1,750 TV stations. Finally, the Internet as we know it today did not even exist in 1975, whereas more than 180 million Americans last year turned to the Internet for their news and information. Companies like Microsoft, Google and Yahoo! – companies that did not even exist in 1975 – operate some of the most visited sites.

While there has been an explosion of new sources of news and information over the last thirty years, the number of newspapers has actually declined. At least 300 daily papers have stopped publishing since the cross-ownership rule was adopted. As you all know better than I, newspapers are struggling financially. Newspaper circulation has declined steadily for more than 10 years. Losses accelerated last year. The big city metro papers seem to be the hardest hit. Of the 20 largest U.S. newspapers, 18 reported declines during the six-month period ending September 30, 2005. For example the San Francisco Chronicle reported a loss of 16.6 percent of its readers, while the Boston Globe indicated it lost 8.3 percent. With the proliferation of the Internet and other new media, this downward trend shows no sign of abating.

Again, as you all know better than I, newspapers' struggles have not gone unnoticed by Wall Street. In 2005, shares of newspaper stocks fell an average of 20 percent. These financial struggles were not limited to the smallest papers. Some of the largest companies with the most storied histories, such as the Chicago Tribune and the New York Times, saw their stock price fall over thirty percent.

Perhaps most troubling, these results have led to cuts in papers' newsgathering operations. For instance, the number of people working in the newsrooms of U.S. daily newspapers dropped 4.1 percent between 2001 and 2005. In 2005 alone, newspapers announced layoffs and buyouts of over 700 news people. Most of these cuts occurred at large metropolitan papers and more are expected this year.

Since 1996, the Commission has repeatedly recognized that the news business was changing and that the new media landscape warranted a revision of the cross-ownership rule. In 1996, then-Chairman Hundt observed that "the newspaper/broadcast cross ownership rule is right now impairing the future prospects of an important source of education and information: the newspaper industry." Unfortunately, despite this rhetoric, the Commission did not start a rulemaking,

In 1998, under then Chairman Kennard, the Commission again found that the newspaper/broadcast cross ownership rule should be modified. The Commission specifically concluded that "there may be situations in which the rule may not be necessary to protect the public interest in diversity and competition." Again the Commission promised to initiate a rulemaking proceeding to begin this process, but did nothing.

For a third time in 2000, the Commission promised to determine whether to modify the cross-ownership rule to address contemporary market conditions. And again, it did nothing.

In 2003, the Commission finally eliminated this rule, replacing it with a general cross-media ownership limit. But as you all know, the Third Circuit overturned our order, finding that the Commission's actions were not fully justified.

So where does this leave us? Despite the three previous Chairmen - two Democrats and one Republican - publicly committing to revise our newspaper rule, and despite a court approving the elimination of the cross-ownership prohibition, a newspaper today cannot buy even a radio station in its market because the old rule still applies. After more than a decade of promises to revise the rule and significant changes in the marketplace, nothing has changed. The Commission needs once again to try to update our rules to account for the dramatically changed media landscape.

Given the financial difficulties faced by newspapers in markets of all sizes, the continued prohibition on newspaper/broadcast cross-ownership may adversely impact the quality of news and localism. As the Commission revisits the issue, it is important that we examine the extent to which allowing cross-ownership may help to forestall the erosion in local news coverage by enabling companies to reduce duplicative costs and amortize their news products across multiple platforms.

We must take into account the fact that newspaper/broadcast combinations may result in a significant increase in the production of local news and current affairs, as well as an improvement in the quality of programming provided to their communities. As the

Commission noted in its 2003 order, newspaper-owned stations provide more news and public affairs programming and also appear to provide higher quality programming as measured by ratings and industry awards.

And we must remember that the Commission has relaxed its other media ownership rules, increasing the number of other media outlets one company can own. Newspapers are the only media entities prohibited from owning a single broadcast station in the markets they serve. For example, in the largest markets, two broadcast television stations can combine and own up to six radio stations and the local cable system. Yet, newspapers remain prohibited from owning even a single radio station. We should correct any imbalance in our rules, create a level playing field, and give newspapers the same opportunities other media entities enjoy.

As you all may remember, I previously urged the Commission to act on the newspaper/broadcast cross-ownership rule before it took up the Commission's other media ownership rules. The Commission, however, chose to act on all of the rules at the same time. While the Third Circuit affirmed our decision to eliminate the newspaper/broadcast cross-ownership prohibition, it overturned the Commission's new cross-media ownership limit and sent it back to us. As a result, we now need to start the regulatory process all over again. In order to get this process underway, the Commission should issue a neutral notice of proposed rulemaking that seeks to address all of the issues that the Court sent back to us. In fact, I tried to get the Commission to issue such a notice last summer. Once we have a record, we will look at whether it makes sense to address all of the rules together or if it makes more sense to address issues separately.

As the Commission embarks on another review of its media ownership rules, our challenge is to ensure that these rules take into account the competitive realities facing newspapers and broadcasters while ensuring that localism and diversity are promoted. The public needs to understand both the value that your papers offer and the struggles you face in continuing to provide news in an increasingly competitive media marketplace. Indeed, the failure of the Commission to modify our rules is not our fault alone. The public has not been convinced of the need for change.

Finally, let me say that despite these challenges, I am optimistic about the industry. News continues to be central to our everyday lives. And no one is better situated to take advantage of all that technology – from mobile technology to the Internet – to deliver that information into the hands of readers whenever and wherever they want it. While it will take work, you are up to the challenge. As you always have been.

Thank you.