

**OPENING STATEMENT OF  
FCC CHAIRMAN KEVIN J. MARTIN  
PUBLIC HEARING ON MEDIA OWNERSHIP  
CHICAGO, ILLINOIS  
SEPTEMBER 20, 2007**

Good afternoon. Thank you for joining us today.

We began a comprehensive review of our rules governing media ownership in the summer of 2006. This hearing is the fifth in a series of six media ownership hearings the Commission intends to hold across the country. The goal of these hearings is to more fully and directly involve the American people in the process. As I have said many times before, public input is critical to our process and will inform our thinking on these issues. I appreciate all of you being here today.

The decisions we will make about our ownership rules will be as difficult as they are critical. The media touches almost every aspect of our lives. We are dependent upon it for our news, our information and our entertainment. Indeed, the opportunity to express diverse viewpoints lies at the heart of our democracy. A robust marketplace of ideas is by necessity one that reflects diverse perspectives and viewpoints.

Our media ownership rules are intended to further three core goals: competition, diversity and localism. Many who have commented in this proceeding, including at hearings such as this one, express significant concern about increased consolidation and preservation of diversity in the media. And I anticipate hearing more about this from many of you tonight.

Also critical to our review of the media ownership rules is exploring and understanding the competitive realities of today's media marketplace. Many of you here are likely familiar with the changes taking place at your local paper, the Chicago Tribune. You might also know then that some of our rules have not been updated for years and may no longer reflect the current marketplace. Indeed, the Third Circuit recognized this fact when it upheld the Commission's elimination of the newspaper/broadcast cross-ownership ban. It is our task to respond to the court by ensuring that our ownership rules take into account the competitive environment in which media companies operate as well as ensuring we continue to promote localism and diversity.

I would like to return for a moment to the issue of diversity in the media. In order to ensure that the American people have the benefit of a competitive and diverse media marketplace, we need to create more opportunities for different, new and independent voices to be heard.

The Commission needs to be committed to expanding opportunities for entry into media ownership and media programming, as well as other communications services. Indeed, at our previous ownership hearings, many people argued that the impact of the media consolidation that has already occurred has had several negative impacts. First, they argued that consolidation has

limited the number of channels available to minorities and new entrants. Second, they argued that it has made it more difficult for independent programmers. And third, they argued that it has made it easier for large media companies to advertise products by integrating them into programs without notice.

Regardless of whether the Commission makes any changes to its ownership rules, these are important issues that the Commission should address.

First, the limited number of channels available in the broadcast television and radio spectrum bands and the high start-up cost of building a station are significant barriers to entry into broadcasting. It can be very difficult for anyone – especially a new voice – to find an available channel and gather enough capital to build a new broadcast station. I believe the Commission that should help small and independently-owned businesses overcome these obstacles by allowing them to lease some of an existing television station’s broadcast spectrum to distribute their own programming.

As we have just heard, all television broadcasters are required to begin broadcasting in digital in 2009. This conversion to digital enables broadcasters to fit a single channel of programming into a smaller amount of spectrum. Often, there is additional spectrum left over that could be used to air additional channels. Small and independently owned businesses should be able to take advantage of this extra unused capacity and operate their own broadcast channel. This new station would be able to air its own programs and obtain all the accompanying rights and obligations of other broadcast stations, such as public interest obligations and carriage rights on cable and satellite systems. Moreover, we have had similar policies with low-power FM and leased access to create additional opportunities in radio and cable.

There is already a real world example of a similar type of arrangement. Post-Newsweek provides for carriage of Latino Alternative TV (LATV) programming on its multicast channels in Miami, Orlando, Houston, and San Antonio. The Commission currently is considering adopting this idea of allowing small and independently owned businesses and other qualified designated entities to use some of broadcasters’ digital capacity.

In this same rulemaking, the Commission is also seeking comment on several other proposals to allow “qualified designated entities” to more easily get into broadcasting such as by allowing them to purchase expired construction permits and be allotted additional time to construct the broadcast facilities.

Second, many argue that in today’s media environment it is oftentimes difficult for independent and niche networks to get carried by cable and satellite providers. For example, the Black Family Channel recently announced it was becoming an online-only channel and would no longer be shown on TV. Rick Newberger, chief executive of the Black Family Channel, was quoted in one newspaper article about the announcement saying, “Today, if you want to start a cable network, it might be easier to schedule a ride to the moon.”

I believe the Commission could take several steps to make it easier for independent programmers. For example, just last week, the Commission asked whether we should limit the ability of large

media companies to tie or bundle their programming. I also believe offering cable and satellite channels on a more a la carte basis such as in smaller bundles or themed tiers could benefit minority consumers and increase programming diversity. In addition, I also think the Commission should reexamine the cable leased access rules to better encourage independent programmers.

Eliminating tying and giving consumers more choice would be an important step toward leveling the playing field between independent programming voices – those not affiliated with the large broadcast, cable and satellite distributors – and competing channels that are owned by cable and satellite. Under the current system, many cable and satellite-owned networks are bundled into the offerings not necessarily because viewers are demanding them, but because the distributor has a financial interest in maximizing their distribution. Under a system in which viewers do the choosing, those channels that do not benefit from a corporate parent will be able to attract viewers on a more equal footing.

But you don't have to take my word on it. In a joint letter to the U.S. Congress Consumers Union, Consumer Federation of America, Free Press and Communications Workers of America said it the best: "Cable companies act as gatekeepers over the programming allowed into the expanded basic package, preventing independent content producers from reaching viewers. By allowing consumers to vote with their wallets rather than forcing them to buy channels they never watch, the marketplace will respond by providing more diverse and higher quality programming that consumers demand."

While I believe all consumers would benefit from channels being sold in a more a la carte manner, minority consumers, such as those living in Spanish speaking homes, might benefit most of all. For example, cable providers often require subscribers to purchase dozens if not hundreds of channels in order to get Spanish language programming – and then they must often pay an additional cost. Under a la carte, however, Spanish speaking homes could purchase only Spanish language channels without having to pay for numerous other channels they may not be interested in.

Finally, I want to highlight one other media issue that is increasingly affecting consumers. At our very first media ownership hearing in Los Angeles, several witnesses raised concerns about the issue of product integration. TiVos and DVRs now allow viewers to more easily skip commercials. As a result, networks may be turning to more subtle and sophisticated means of incorporating commercial messages into traditional programming. As these techniques become increasing prevalent, there is a growing concern that our sponsorship identification rules fall short of their ultimate goal: to ensure that the public is able to identify both the commercial nature of the programming as well as its source. I believe it is important for consumers to know when someone is trying to sell them something and that it is appropriate for the Commission to examine these issues. Accordingly, I recently circulated a Notice of Proposed Rulemaking to my colleagues seeking comment on the relationship between the Commission's sponsorship identification rules and increasing industry reliance on embedded advertising techniques. Specifically, this Notice seeks comment on whether it is necessary to amend the Commission's sponsorship identification rules to ensure adequate disclosure to the public. I hope that the Commission moves forward quickly on initiating this inquiry.

In closing, I want to say again, how pleased I am that we are holding our hearing here in Chicago. I look forward to hearing your thoughts and insights on the subject of our media ownership rules. Thank you for your participation today.

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