



Consumer Federation of America



**NEW SURVEY FINDS AMERICANS RELY ON NEWSPAPERS MUCH MORE THAN OTHER
MEDIA FOR LOCAL NEWS AND INFORMATION:
FCC MEDIA OWNERSHIP RULES BASED ON FLAWED DATA**

JANUARY 2004

PURPOSE AND FINDINGS

A new national survey commissioned by the Consumer Federation of America between January 15th and 18th 2004¹ raises fundamental questions about whether the Federal Communications Commission (FCC) had a rational basis for relaxing its media ownership rules, which are currently under review by the courts. In establishing new standards for when a local broadcaster may own newspapers in a community, the FCC highlighted the need to understand what media people actually use the most to obtain local news and information,² to ensure that its rules accurately reflect the influence of each medium in local markets.³ Unfortunately, the Commission never conducted or found a survey that asked the most important question it claimed to care about: which media people *rely on most* for local news and information.

This paper reports the results of a new national survey designed to find out how people actually use local media. Based on this more detailed local media usage data, we find that newspapers are more than twice as important a source of local news than the FCC found, and that radio and the Internet are less than a third as important as the weight the Commission accorded them. Therefore, the Commission's local media ownership rules are based on faulty information about local media usage.

¹ **The survey instrument was administered by Opinion Research Corporation as part of their Caravan Survey, which consisted of a national sample of 1011 respondents. The margin of error is +/- 2 to 4%**

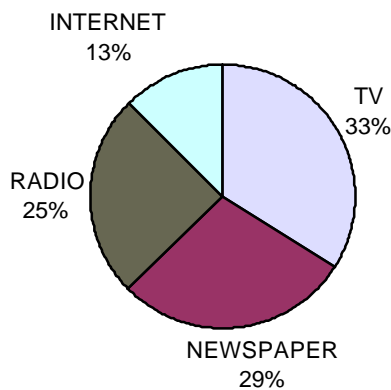
² "Although all content in visual and aural media have the potential to express viewpoints, we find that viewpoint diversity is most easily measured through news and public affairs programming. Not only is news programming more easily measured than other types of content containing viewpoints, but it relates most directly to the Commission's core policy objective of facilitating robust democratic discourse in the media. Accordingly, we have sought in this proceeding to measure how certain ownership structures affect news output." *FCC Report and Order, In the Matter of 2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996, Docket No. 02-277* (hereafter *FCC Ownership Rules Order*, at ¶32.

³ "We have concluded that various media are substitutes in providing viewpoint diversity, but we have no reason to believe that all media are of equal importance. Indeed the responses to the survey make it clear that some media are more important than others, suggesting a need to assign relative weights to the various media," *FCC Ownership Rules Order*, at ¶409.

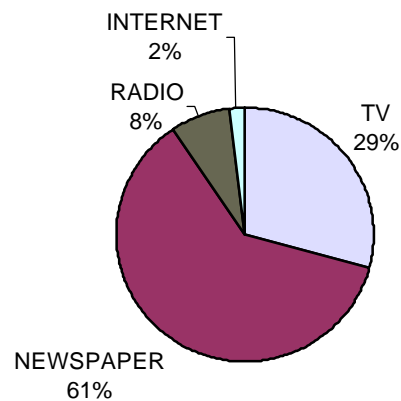
For example the new survey found that, when asked to identify the most important source of local news in determining their opinions:

- 61.3% said newspapers, in contrast to the FCC weight (based on what the Commission believed reflected consumer preferences) of only 28.8%
- 7.5 % said radio, in contrast to the FCC weight of 24.4%
- 2.2% said the Internet, in contrast to the FCC weight of 12.8%
- TV is the only medium that is not grossly misrepresented in the FCC rules, with 29.8% saying it is most important, compared to a FCC weight of 33.8%.

FCC DIVERSITY INDEX MEDIA WEIGHTS



SURVEY IMPORTANCE OF LOCAL MEDIA



The FCC claimed that it was attempting to base its rules on the importance of local sources of news. It did not do so. In fact, the FCC’s Order relaxing media limits admits the fundamental flaw in its approach: the Commission stated that it is critical to examine which media people rely on the most and the frequency with which they use those media, yet it never collected any such data, and proceeded to make rules with admittedly faulty data.⁴

This unfortunate lack of data was a correctible error. The FCC could have asked the proper question by commissioning another survey. In this survey, we corrected this and other

⁴ “If media differ in importance systematically across respondents (e.g. if television were most important to everyone, and everyone made only minor use of radio to acquire news and current affairs information), then it would be misleading to weight all responses equally.”

“Unfortunately, we do not have data on this question specifically with regard to local news and current affairs. The available “primary source” data address local and national news together and do not show that different media have different importance, in the sense that primary usage differs across media.” *FCC Ownership Rules Order*, at ¶¶ 410-411 (emphasis added).

major errors in the FCC's survey approach to media weights.⁵ In fact, we show that the FCC's methodology is extremely misleading.

If the FCC had asked the right questions in the proper manner, it would have reached a dramatically different conclusion about the use and importance of each medium for local news. Because it vastly overstated minor sources of local news (the importance of the Internet and radio has been overstated by a factor of three) and under-weighted newspapers (by more than a factor of two), it vastly underestimated the concentration of local news markets. Had it done the analysis correctly, it would have concluded that many more markets are "at risk," that is, excessively concentrated. It would have been forced to conclude that in these markets, the public interest will clearly be harmed if mergers between major local newspaper and broadcast TV stations are allowed.

THE RIGHT QUESTIONS AND THE RIGHT WAY TO ASK THEM

In its effort to identify the most important sources of news, the FCC asked a question that combined both national and local news. "What single source do you use most often for local or national news and current affairs?" This, of course, destroys the possibility of using this question to specifically assess the importance of local media. Therefore, the FCC fell back on a much weaker question about local sources of news. "What source, if any, have you used in the past 7 days for local news and current affairs."⁶ Obviously, this question doesn't necessarily tell anything about what people use or rely upon the most for local news and information.

We corrected this problem in our survey. We used the identical wording of the FCC, but we ask separate questions about national and local sources of news. To distinguish the national from local object of the question, we give examples. Furthermore, because the criticism of the FCC approach stems in part from reliance on a "weak" question about the frequency of use which failed to directly address the importance of sources, we asked a second question about each source that was intended to get at the importance of the sources in determining public opinion.⁷ In order to accommodate multiple sources of information, we adopted the approach

⁵ More technical and detailed discussions of the survey flaws addressed in this paper as well as other technical flaws in the FCC approach can be found in Mark Cooper, *Media Ownership and Diversity in the Digital Information Age* (Stanford: Center for Internet and Society, Stanford Law School, 2003), Chapters 7 and 8.

⁶ The FCC also asked the question in an unbalanced manner. That is, it directly asked all the respondents who mention a given media in response to the first question, whether they had gotten any news from each of the other sources. The fewer the respondents who gave a medium in response to the first question, the greater the number who were directly prompted about it on the second round. The FCC then gave equal weights to the first and second responses. This has the effect of artificially increasing the weight of the lesser sources (since more people are prompted) especially when the question is about weak exposure to a source.

⁷ It is worth noting that this is the underlying impetus to public policy concerns about ownership, as the D.C. Circuit Court of Appeals noted in *Sinclair Broadcast Group, Inc. v. FCC*, 284 F.3d 148 (DC Cir. 2002), "the greater the diversity of ownership in a particular area, the less chance there is that a single person or group can have an inordinate effect, in a political, editorial, or similar programming sense, on public opinion at the regional level." First Amendment jurisprudence is driven by the recognition that ownership of media outlets can translate into the ability to affect public opinion on the regional level and diversity of ownership reduces the possibility of "inordinate" influence.

used by the Pew Research Center for People and the Press.⁸ The Interviewer reads the same list of potential sources twice:

Now thinking about national issues, like the Presidential election or the war in Iraq, what single source do you use most often for news and information?

And what do you use second most often?

Which single source is most important in determining your opinion about national issues?

And what source is second most important?

Now thinking about local issues, like the a city council election or school, police and fire department services, what single source do you use most often for news and information?

And what do you use second most often?

Which single source is most important in determining your opinion about local issues?

And what source is second most important?

RESULTS

Sources of Local News Differ Dramatically from Sources of National News

To begin the analysis, we compare our wording and approach to asking people about their most frequent sources of news and information to the Dec. 19, 2003 – Jan. 4, 2004 survey results obtained by The Pew Research Center for The People & The Press.

The results for both the first mentions and the total mentions are very similar. For national news, television dominates in both surveys, getting the first mention over 60% of the time (see Exhibit 1). Newspapers are next, with first mentions in the mid teens. Radio and the Internet are around 10% or slightly less.

In both surveys, newspapers move up as a percentage of total mentions, to the mid-twenties, while TV declines to around or slightly below 50% (see Exhibit 2). Throughout this analysis, whenever we show the sum of first and second mentions, we present them as a percentage of the total mentions. This is essentially what the FCC did by creating an index that summed to 100%. Radio and the Internet remain at around 10%.

⁸ To read the “Perception of Partisan Bias Seen as Growing—Especially by Democrats” Pew survey (released Jan. 11, 2004), go to <http://people-press.org/reports/display.php3?ReportID=200>

In fact, these national results have been quite stable for over a decade (see Exhibit 3). Over the course of the past dozen years, the Internet appears to have reduced newspapers, radio and other sources by a few percentage points.

However, a careful analysis of major sources for local news and information tells a very different story. Our survey shows that the difference between sources of national and local news is quite dramatic and consistent with widely recognized patterns of media usage (see Exhibit 4).

- Newspapers are a much more important source of local news. Local newspapers are the first mentions of 57% of the respondents compared to only 15% for national news.
- Television drops from 62% (for national news) to 27% (for local news).
- The Internet drops from 10% (for national news) to 2% (for local news).
- Radio is constant at just under 10% for both national and local news

For total mentions we found the same pattern (see Exhibit 5). Newspapers are much more frequently mentioned for local news, TV and the Internet much less so. Radio is relatively constant.

The results for the responses to the question asking about “the most important news source” track the results for the responses to “the most often used news source” quite closely. For national news, TV is most frequently cited, followed by newspapers, radio and the Internet (see Exhibit 6). Note that television is somewhat less likely to be cited as important (54% of first mentions) than most used (62% of first mentions). For local news, the pattern of first mentions is almost identical to that for most used (see Exhibit 7).

The New FCC Rules Misrepresent Local Media Markets

This detailed analysis of local sources of news demonstrates the FCC’s rules derived from the weights it used to create a “diversity index” are far off the mark (see Exhibit 8). The index dramatically underestimates the importance of newspapers and dramatically overestimates the importance of radio and the Internet. The Internet is given three to four times the weight it deserves, while radio is given two to three times the weight it deserves. Newspapers should be given one and one-half to two times as much weight. And contrary to the FCC’s claims that this index was only “a tool” in the agency’s rules, the index is being used to define in which markets the Commission will allow newspaper/TV cross-ownership. The Commission’s relaxed media ownership rules also provide no mechanism for citizens to challenge the newspaper/broadcast TV combinations that the index allows.⁹

⁹ See Brief and Reply Brief of Citizen Petitioners and Intervenors, Prometheus Radio Project et al. v. FCC (filed Oct. 21, 2003 and Dec. 22, 2003), on *Petition for Review of an Order of the FCC* (3rd Cir.)(Case Nos. 03-3388 et al.).

The results obtained above reinforce our criticism of the FCC's methodology and analysis in a variety of ways beyond the simple, gross mishandling of weights in the diversity index. For example, it confirms that the Internet is not a major source of local news, a fact that was repeatedly demonstrated in the FCC proceeding, but ignored by the FCC when it created its diversity index. The recent Pew survey did find that the Internet was a particular source of national news for younger respondents (see Exhibit 9). We also find that the Internet is much more likely to be cited as a source of national news among younger respondents than the remainder of the respondents – about three times as often. However, the Internet drops off dramatically as a source of local news even among this younger age group (see Exhibit 10). The percentage of respondents age 18-24 who mentioned the Internet first drops from 28% for national to 6% for local news.

The ability of respondents to distinguish between different media for different types of news is reinforced by their nuanced responses to the television question. Our survey question distinguished between cable and broadcast as a source of news. The FCC acknowledged that it had problems with the responses to these questions on its survey instrument, noting that “[a]lthough the responses to one survey question in MOWG [Media Ownership Working Group] study No. 8 suggests that cable is a significant source of local news and current affairs, other data from the study casts some doubt on this result... Our experience suggests that the local cable news response is too high.”¹⁰

Our questions, which give respondents concrete referents for local and national types of events, solve this problem. Approximately 35% of respondents gave cable as their first mention for national news, but only 6% gave it as their first mention for local news. In contrast, broadcast TV was given as the first mention for national news by 27% of the respondents and 21% mentioned it first for local news. This is consistent with the evidence in the FCC's media ownership record that cable does not provide a significant independent source of local news, while broadcast is a very significant source of local news.

Although the cable/broadcast difference did not play a role in the newspaper/TV cross-ownership rule, it did play a large role in the other FCC ownership rules and repeated claims about the abundance of programming available colored the framework in which all the rules were considered. Our survey shows that the FCC's references to an abundance of national entertainment channels – “hundreds of choices” – is largely irrelevant to the Commission's central obligation to promote diversity and competition in local sources of information.

A properly worded and administered question that effectively measures local sources of news raises a different issue. Weekly newspapers are a more important source of local news than national news (see Exhibit 11). This shifts weight from dailies to weeklies, although the FCC's index under-estimates the importance of dailies by 50%. Our analysis of weeklies shows that they do not de-concentrate the local newspaper market significantly because their circulation is small relative to dailies.¹¹

¹⁰ FCC *Ownership Rules Order* at para 413-414.

¹¹ See Comments and Reply Comments of Consumer Federation of America and Consumers Union, *In the Matter of Cross-Ownership of Broadcast Stations and Newspaper*, FCC Docket No. 01-235 (Feb. 15, 2002).

PUBLIC CONCERNS ABOUT NEWSPAPER-TV MERGERS

If newspapers are an even more important source of local news and information than the FCC believed, and TV remains relatively constant as the second most important source of news and information, mergers between these two media take on even greater significance.

Of the approximately 180 local market areas in which the FCC would allow newspaper-TV mergers, over half are dominated by a leading daily with more than 60% of the circulation.¹² The second largest daily in these cities has, on average, less than 15% of the circulation. At the same time, the largest TV station in these markets has, on average, approximately 40% of the TV market. Thus, the FCC rule would grant no-questions-asked merger approval to cross media mergers that would create media Goliaths that would dominate their local markets.

Therefore, relaxed ownership rules that allow dominant newspapers to combine with their most likely competitor—local broadcast television stations—are extremely dangerous to the goal of promoting diversity of viewpoints and competition for local news in public debate about important civic issues.

While we have examined this problem in great length in the technical terms of market structure analysis in earlier reports, it is also important to see how the public views the situation.¹³ Accordingly, in our survey we asked three questions about the impact of such a merger on the local community. They are:

For you and your community, if one company owned a major local TV station and leading daily newspaper; Would you say it would be ...very good... somewhat good... no difference... somewhat bad... very bad? (see Exhibit 12).

If a major local TV station and leading newspaper were owned by one company in your community, do you think editorial viewpoints would become... much more diverse... a little more diverse... stay the same... a little less diverse... much less diverse? (see Exhibit 13)

If a major local TV station and leading newspaper were owned by one company in your community, do you think the variety of points of view in covering local news would become... much more diverse... a little more diverse... stay the same... a little less diverse... much less diverse? (see Exhibit 14)

Respondents perceive these mergers to be bad for their community as a general proposition by a two- to one-margin (45% to 23%). Those who believe it would be very bad

¹² See Testimony of Gene Kimmelman before the Senate Commerce Committee *on the Merger of News Corp./DirecTV and Media Consolidation* (May 22, 2003).

¹³ See Dr. Mark Cooper, *Abracadabra! Hocus Pocus! Making Media Market Power Disappear with the FCC's Diversity Index* (July 21, 2003).

outnumber those who believe it would be very good by almost a three-to-one margin (23% to 8%).

There is even a stronger negative perception of the impact on diversity. With respect to editorial diversity, respondents believe that newspaper-TV mergers would result in less diversity by almost a four-to-one margin (58% to 15%). Those who think it would make editorial viewpoints much less diverse outnumber those who think it would become much more diverse by almost six-to-one (35% to 6%).

The negative perception of the impact of TV-newspaper mergers on the variety of points of view in local reporting is also quite strong. Respondents believe it would diminish rather than increase diversity by a 2.5-to-one margin (50% to 20%). Those who think there will be a large negative impact outnumber those who think there will be a large positive impact by four-to-one.

CONCLUSION

It is obvious that consumers use local media to learn about local news and events in ways that deviate dramatically from what the FCC believed when the Commission devised its new media ownership rules. Relaxed rules that would allow local newspapers to combine with local television broadcast stations in about 90% of media markets were based on faulty data that vastly overstates consumers' usage of radio and the Internet as a major source of local news and information. Most significant, the FCC's rules dramatically undercount newspapers as a major source of local news, dangerously minimizing the harm to diversity of viewpoints and competition of ideas when local newspapers merge with their most likely competitor for news – local television stations. We believe that, on the basis of these new survey results, the FCC must go back to the drawing board and develop media ownership limits that reflect consumers' actual dependence on each type of media for local news and information.

EXHIBIT 1:

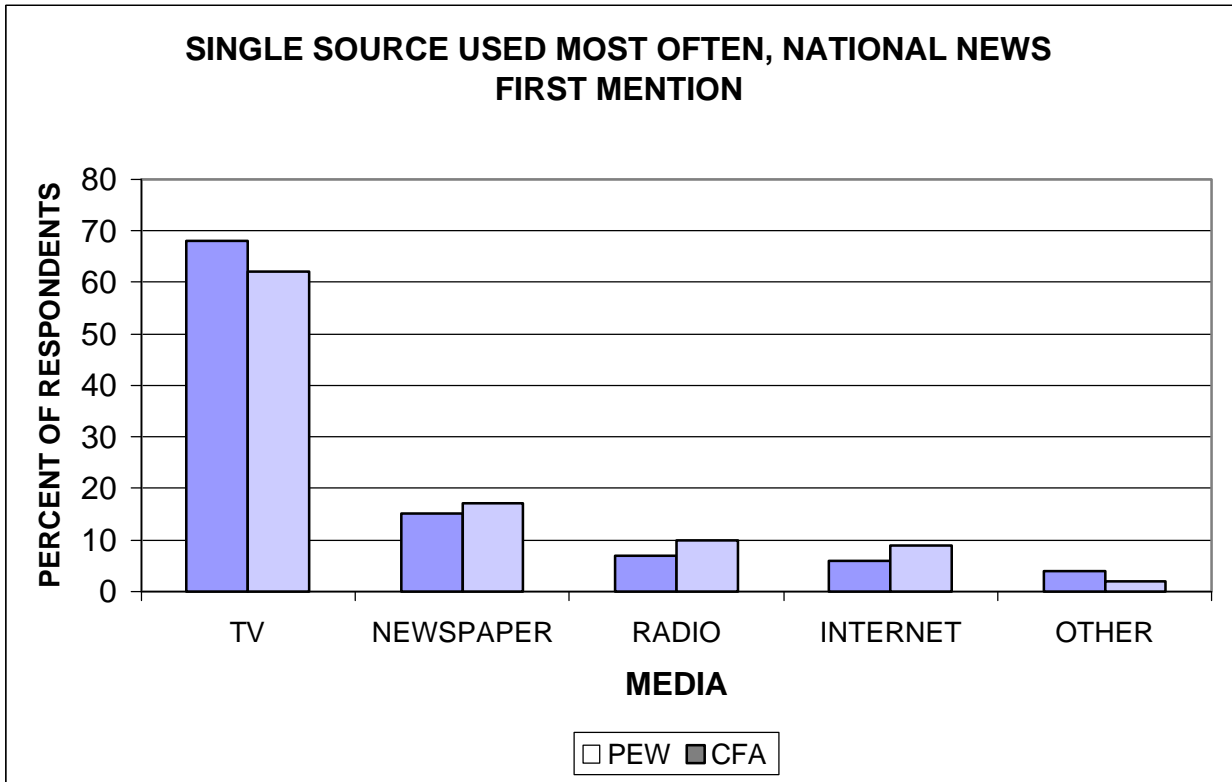


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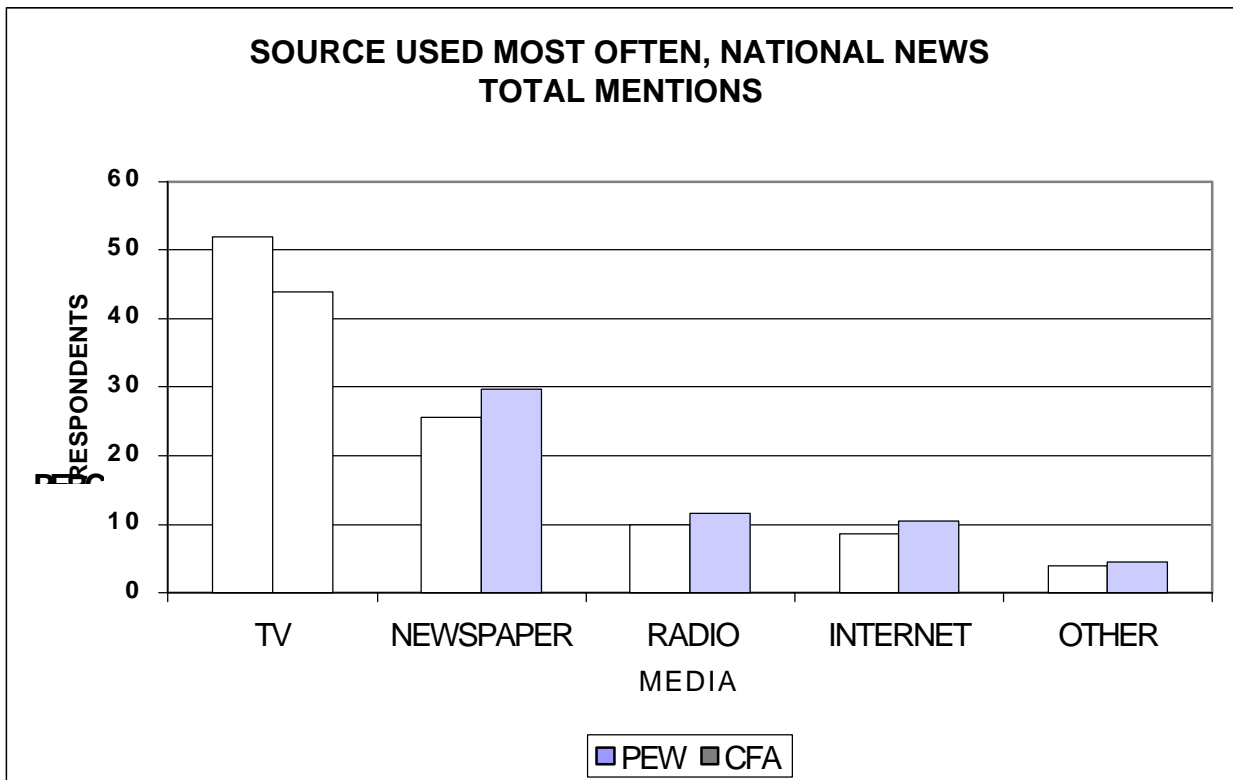


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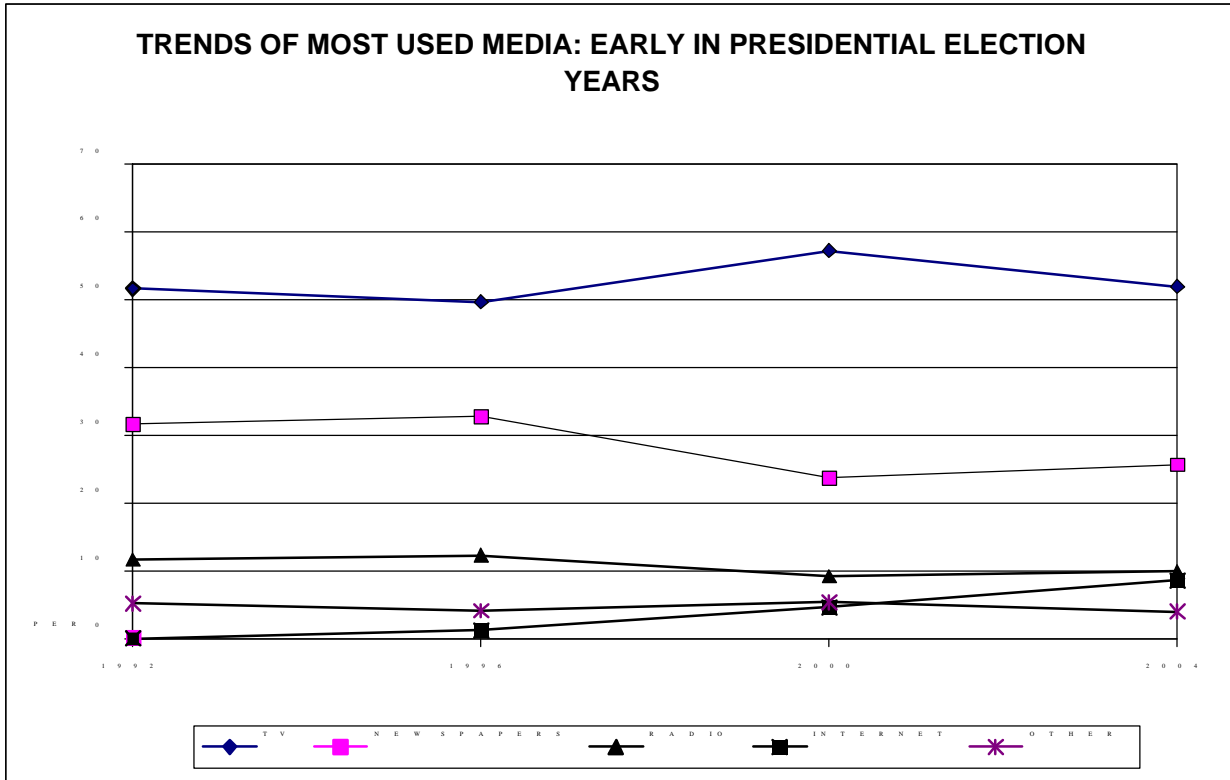


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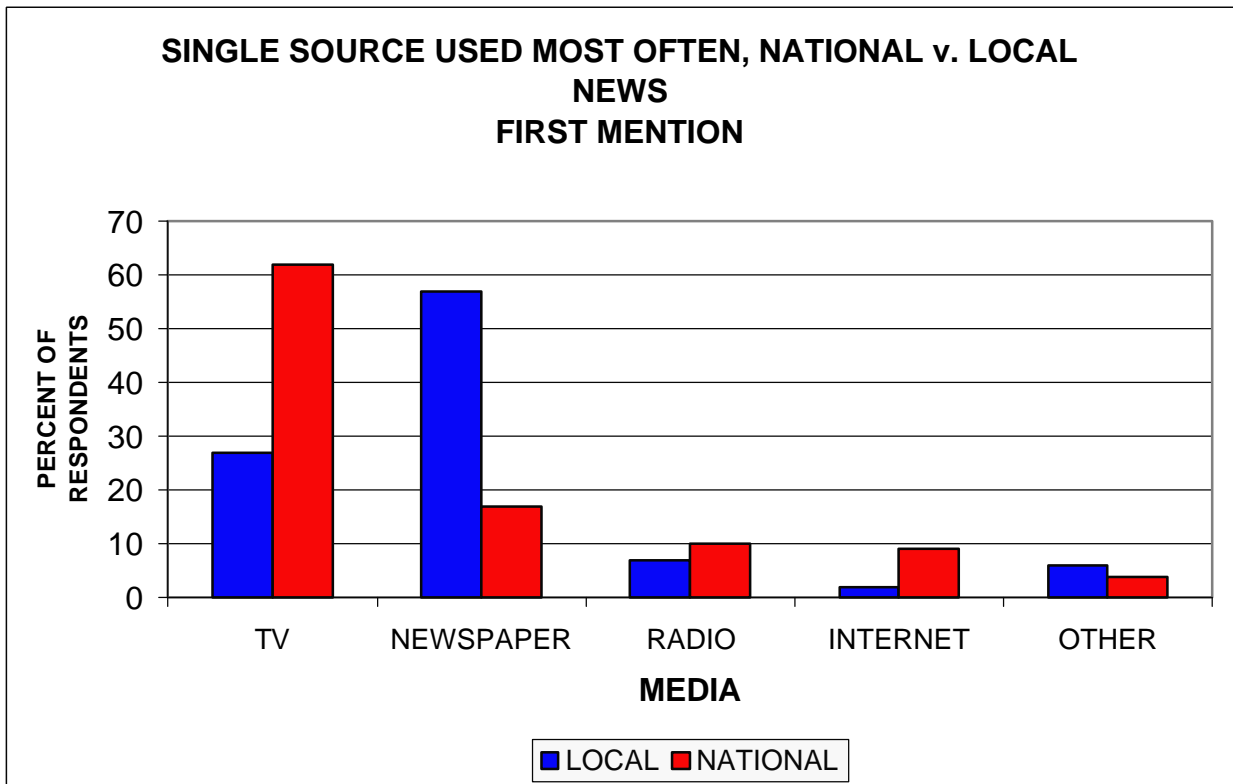


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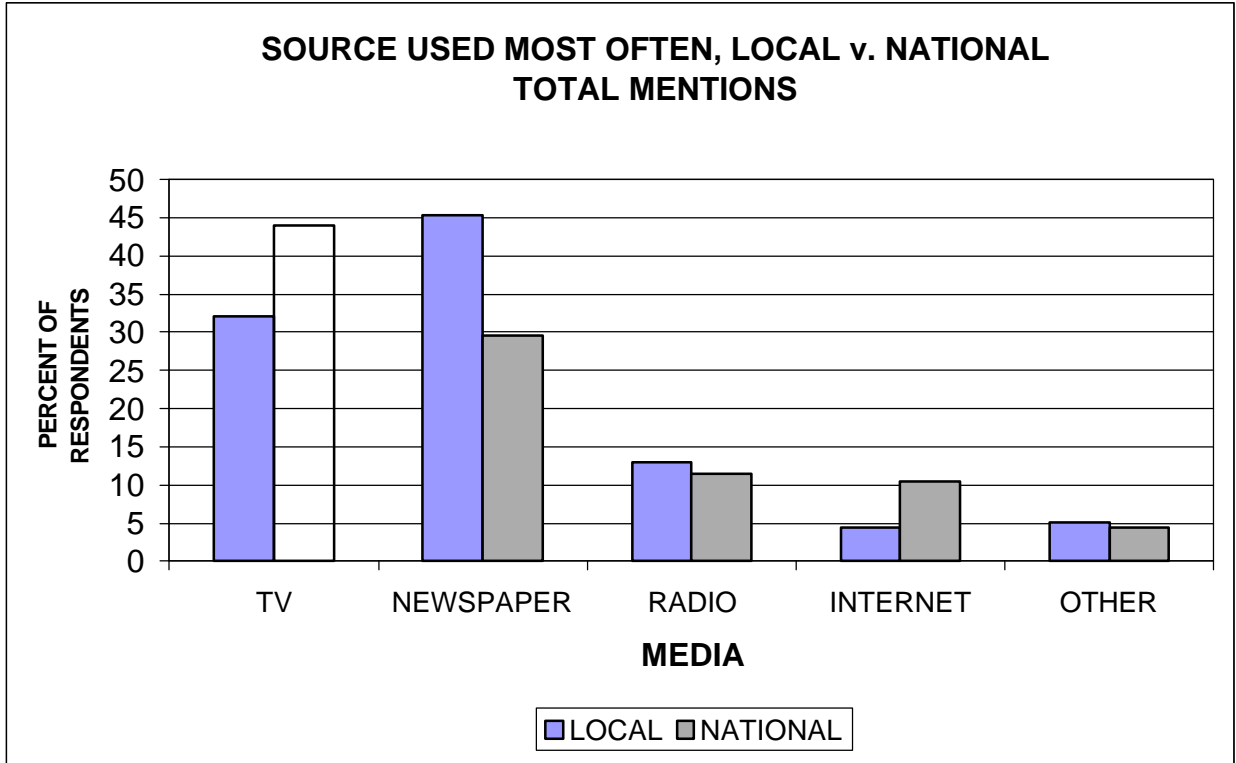


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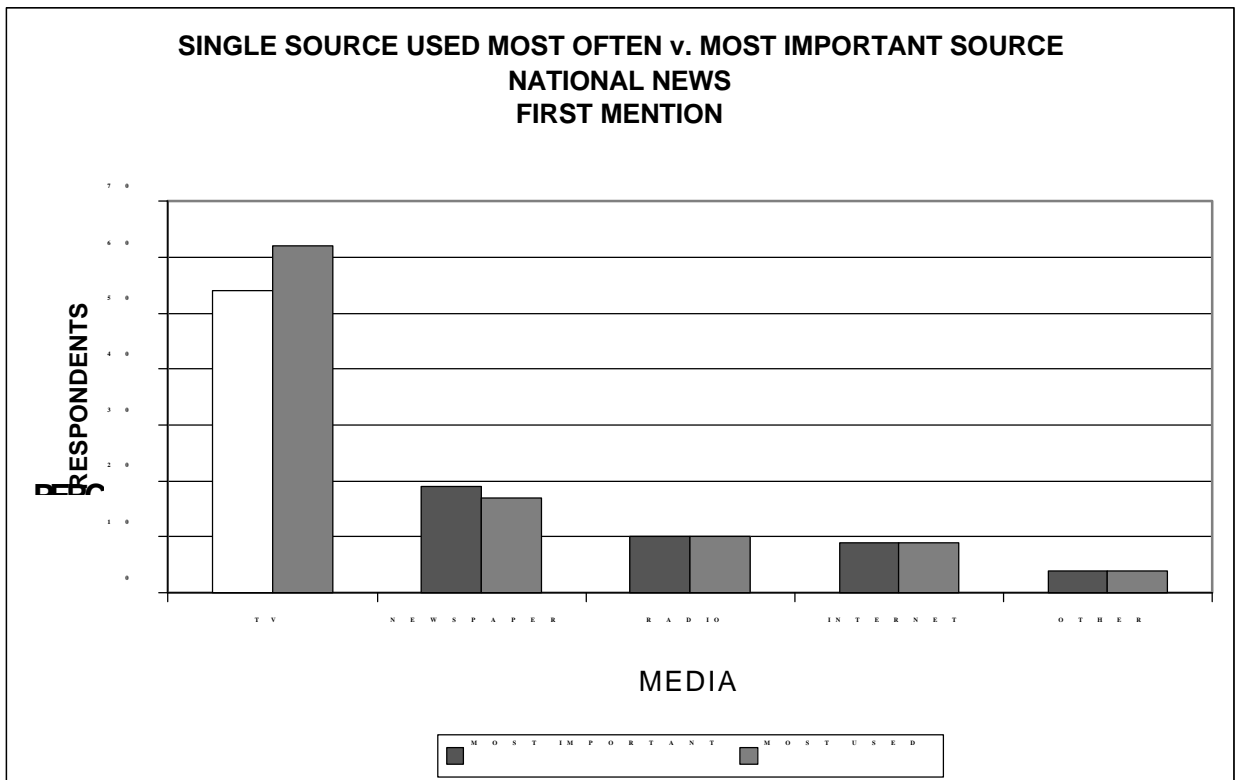


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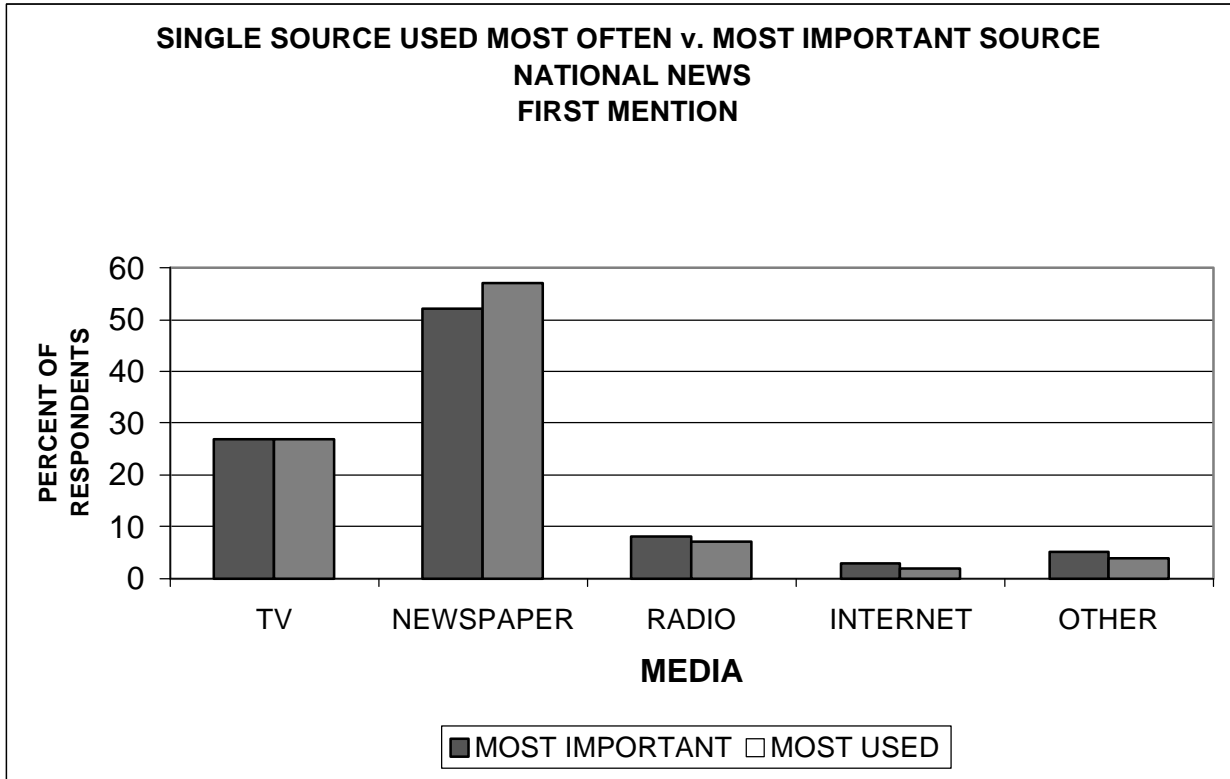


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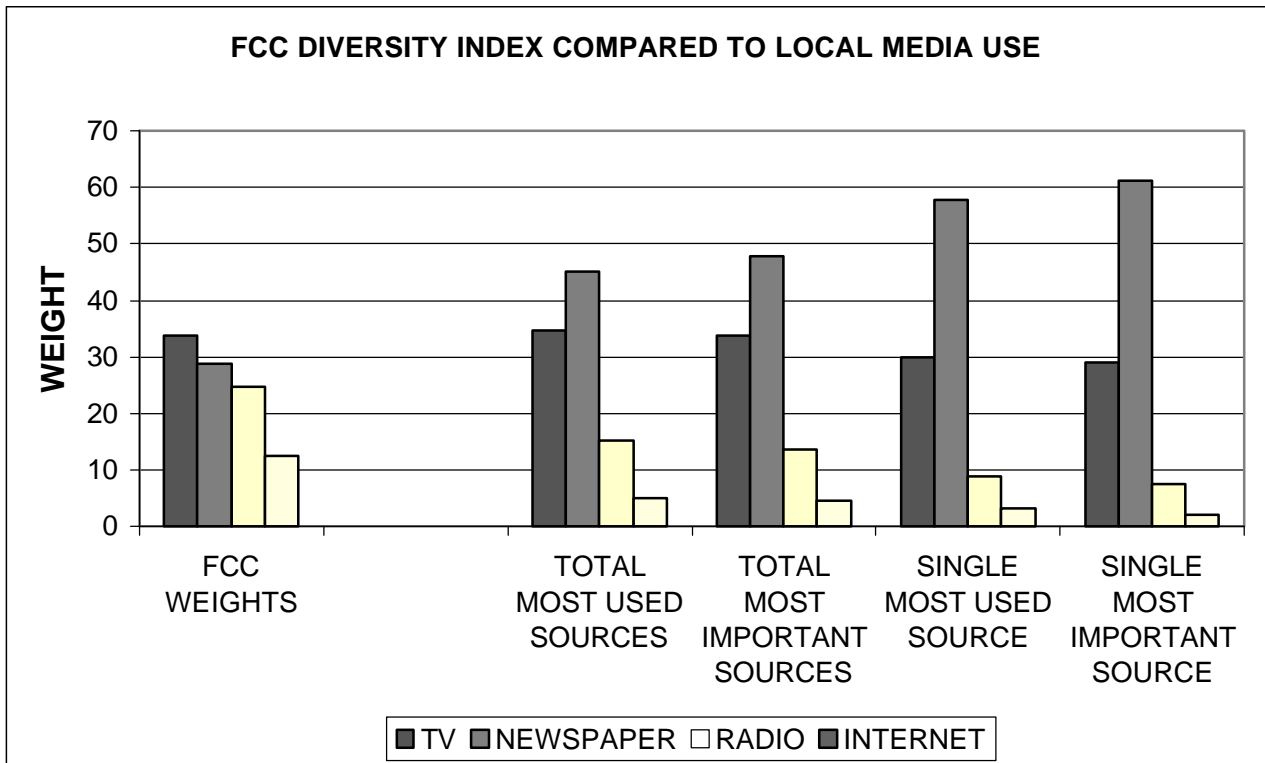


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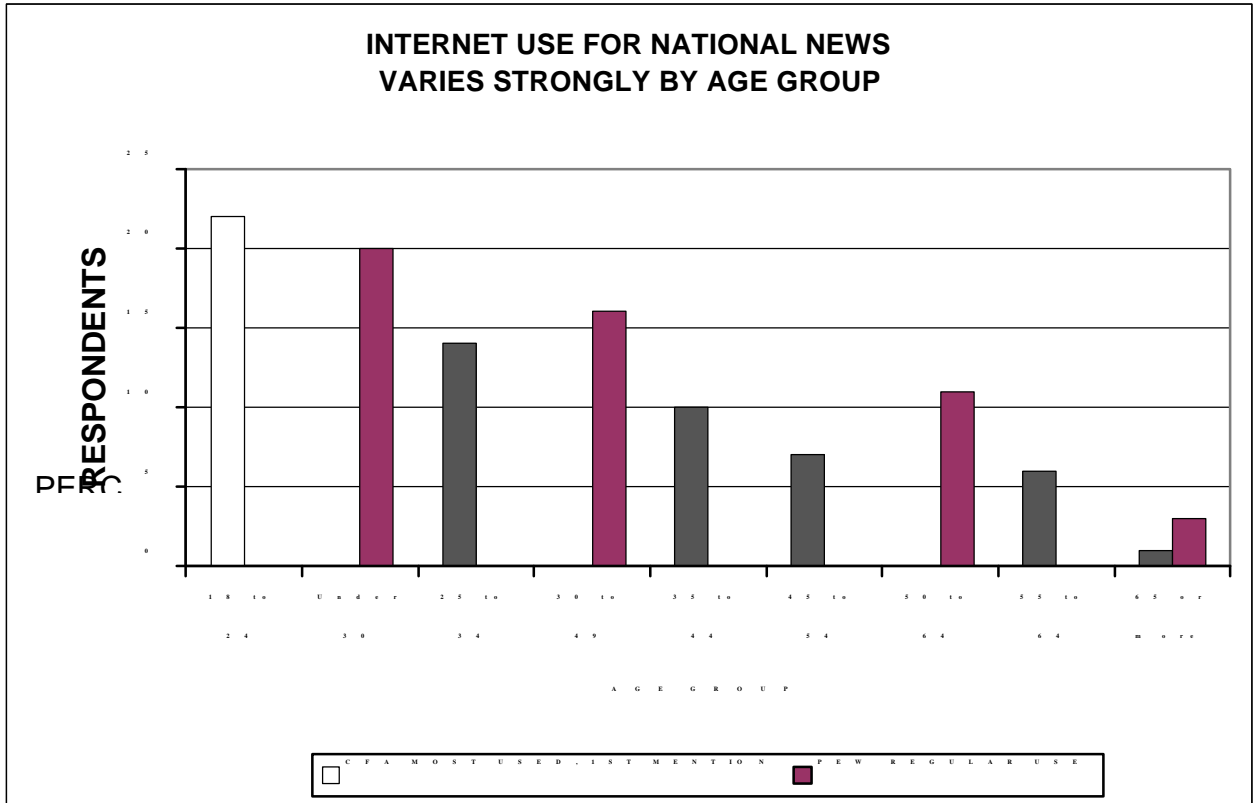


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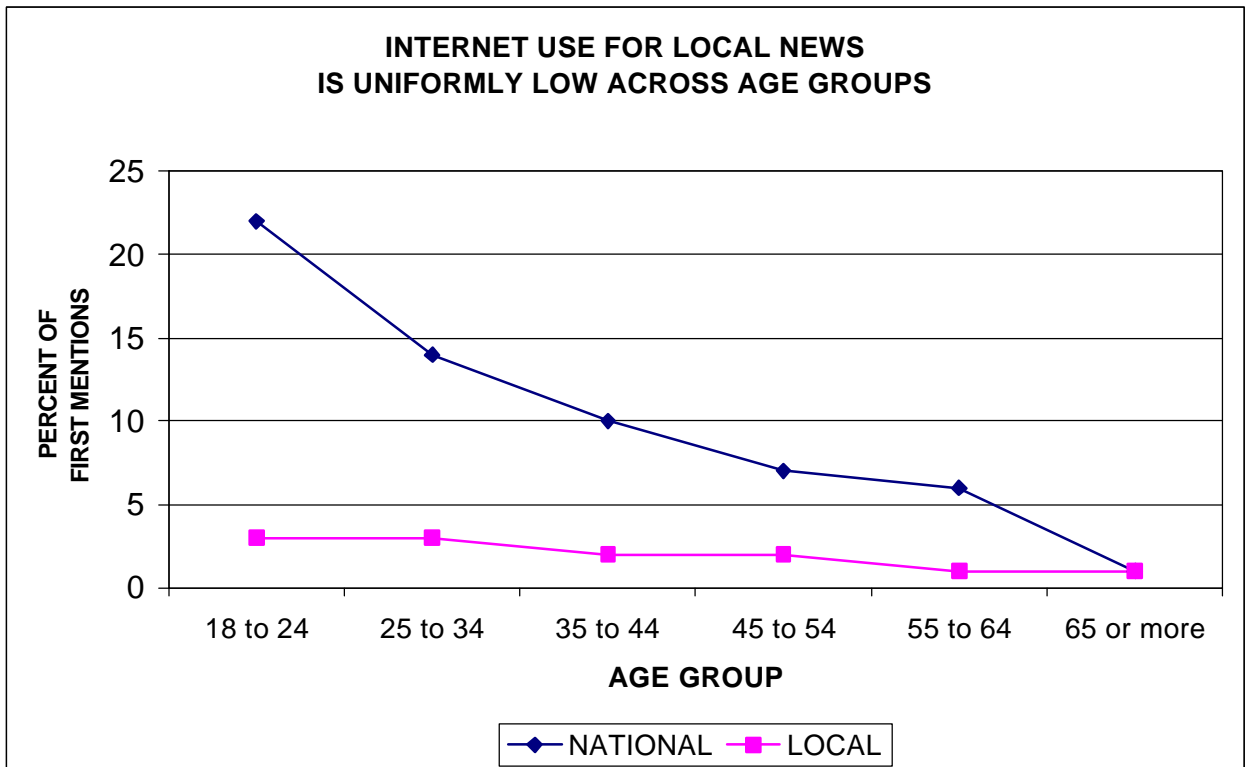


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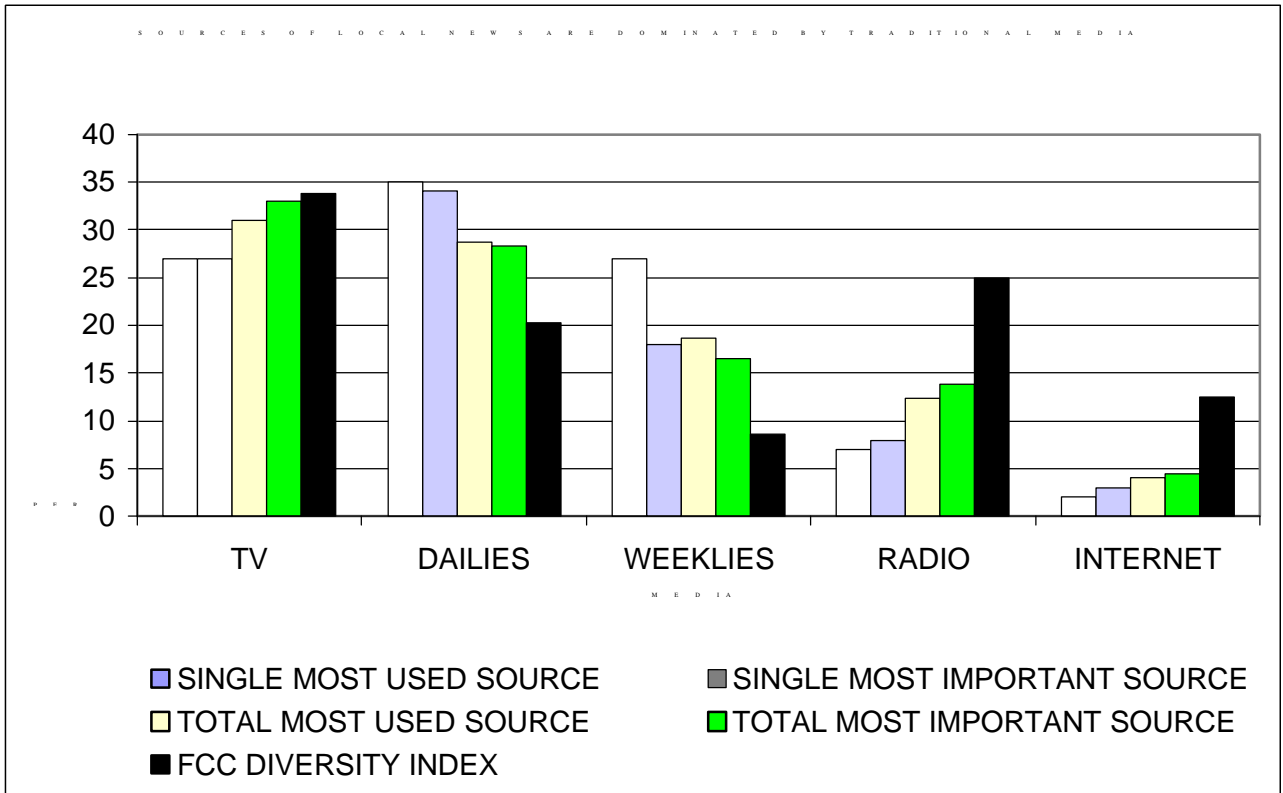


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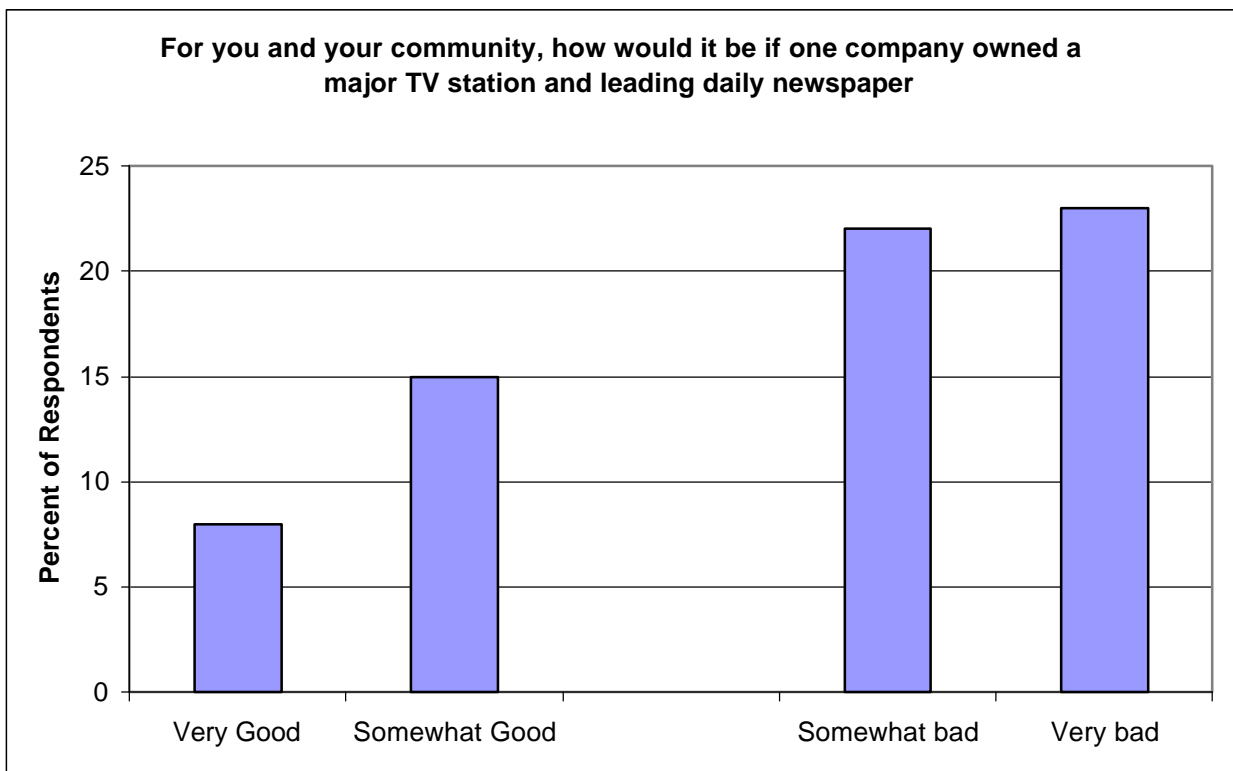


EXHIBIT 13:

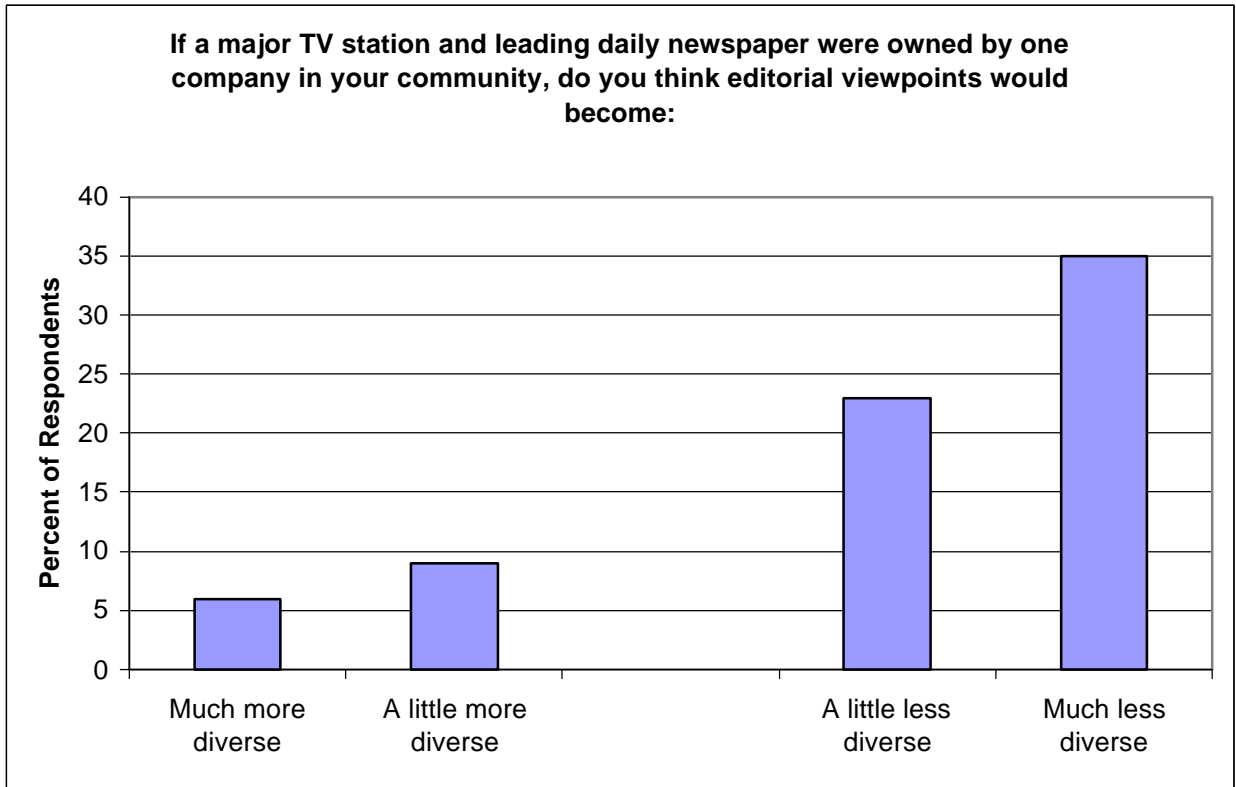


EXHIBIT 14:

