GAO Highlights

Highlights of GAO-14-558, a report to the Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate

June 2014

MEDIA OWNERSHIP

FCC Should Review the Effects of Broadcaster Agreements on Its Media Policy Goals

Why GAO Did This Study

Local television stations play an important role in educating, entertaining, and informing the citizens they serve. FCC limits the number of television stations an entity can own or control to advance its media policy goals of competition, localism, and diversity. Competing television stations are entering into agreements to share or outsource services, and some policymakers are concerned about the effects of these agreements on competition and programming.

GAO was asked to review issues related to broadcaster agreements. This report examines (1) the uses and prevalence of broadcaster agreements; (2) stakeholders' views on the effects of broadcaster agreements; and (3) the extent, if at all, that FCC has regulated these agreements.

To address these objectives, GAO reviewed relevant FCC proceedings; conducted a literature review; interviewed officials from FCC, industry, and consumer associations; and conducted nongeneralizable case studies in 6 markets (3 with agreements and 3 without) selected from small and medium-sized markets.

What GAO Recommends

FCC should determine whether it needs to collect additional data to understand the prevalence and context of broadcast agreements and whether broadcaster agreements affect its media policy goals of competition, localism, and diversity. FCC agreed with the recommendation and noted that it has taken initial steps to address the recommendation, including proposing disclosure of sharing agreements.

View GAO-14-558. For more information, contact Mark L. Goldstein at (202) 512-2834 or goldsteinm@gao.gov.

What GAO Found

Local television stations use broadcaster agreements to share services with one another, but data are limited on the prevalence of these agreements. Stations use agreements to share or outsource a range of services, such as selling advertising time and producing local news. Agreements are referred to by a variety of names and two—joint sales agreements and local marketing agreements—have regulatory definitions; other types of agreements have commonly been referred to as shared service agreements or local news service agreements. Stations may participate in more than one type of agreement. Federal Communications Commission (FCC) officials and industry representatives could not identify a central data source that tracks all broadcaster agreements. Station owners and financial analysts said that agreements are more prevalent in small markets because they have lower advertising revenues than large markets. Further, FCC officials and stakeholders said that agreements are becoming more prevalent, and stakeholders stated that economic factors, including declining advertising revenues, drive the use of agreements.

Stakeholders expressed mixed views on the effects of broadcaster agreements. Consumer groups raised concerns that agreements in which stations share news resources can lead to duplicative content in local newscasts. Station owners counter that the agreements are needed to allow some stations to continue providing news and allow other stations that previously did not provide news to begin doing so. In addition, some agreements include provisions that allow stations to jointly negotiate for their signals to be carried by cable and satellite providers. Cable and satellite providers argue that these agreements increase stations' negotiating leverage and thereby contribute to higher prices for cable and satellite service. In contrast, station owners counter that these concerns are overstated. Comprehensive data are not available to evaluate this issue, because the negotiations are subject to nondisclosure agreements, and there is no data source identifying which stations participate in agreements.

FCC evaluates broadcaster agreements that occur in the context of a merger or acquisition, but it has not collected data or completed a review to understand the use and effects of broadcaster agreements. FCC's recent regulatory approach has been to evaluate broadcaster agreements that occur as part of a merger or acquisition and to propose specific remedies as needed. To promote its media policy goals of competition, localism, and diversity, FCC established media ownership rules that limit the number of stations an entity can own or control in a local market. Station owners and consumer groups said that broadcaster agreements are used in situations where common ownership of stations is prohibited by FCC's media ownership rules. FCC has stated that it is unable to determine the extent to which broadcaster agreements affect its policy goals and media ownership rules. Specifically, FCC does not collect data and has not completed a review on the prevalence of agreements, how they are used, or their effects on its policy goals and media ownership rules. Yet federal standards for internal control note the importance of agencies' having information that may affect their goals. Without data and a fact-based analysis of how agreements are used, FCC cannot ensure that its current and future policies on broadcaster agreements serve the public interest.