

Do Radio Companies Offer More Variety When They Exceed the Local Ownership Cap?

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Executive Summary

- The method by which the FCC defines markets shapes how the local ownership caps will actually be enforced.
- From 1992 until 2004, the FCC's signal-contour market definition allowed more consolidation than Arbitron's market definition would have allowed.
- Because of mergers allowed during the signal-contour market definition era, in 104 markets there is now at least one radio company or organization that exceeds the local ownership cap.
- Station groups that are over the cap and station groups that are exactly at the cap offer less variety in programming formats than station groups that are under the cap.
- Relatively uncommon or "niche" formats like classical, jazz, folk, tejano, and gospel are least common among station groups that are over the cap or exactly at the cap—even though those station groups have the most spectrum to spend on niche formats—while being much more common among station groups that are under the cap.

Introduction

In 1996, the U.S. Congress passed a law that launched the transformation the radio industry over the course of just a few years. The Telecommunications Act eliminated the limit on how many stations one entity could own nationally and raised the limits on how many stations one entity could own locally.¹ Advocates of the bill argued that a radio industry with larger firms would be better for business and for the public.² Before Congress relaxed the previous restrictions on radio-station ownership, radio was an industry of small, "mom-and-pop" radio companies, with a few regional companies as well. By 2001, radio had become an oligopolistic industry populated by national and multinational media conglomerates, large regional companies, and a now-smaller group of "mom-and-pop" companies.³

Now, a decade after the Telecommunications Act of 1996, we can assess the more complex aspects and consequences of the legislation. The FCC's Local Radio Ownership Rule, although relaxed by Congress in the Telecommunications Act,⁴ still limits the number of stations that one

¹ Telecommunications Act of 1996 § 202(a), (b), Pub. Law No. 104-104, 110 Stat. 56 (codified in scattered sections of 47 U.S.C.).

² See PETER DICOLA & KRISTIN THOMSON, RADIO DEREGULATION: HAS IT SERVED CITIZENS AND MUSICIANS? 5-16 (2002), at <http://www.futureofmusic.org/research/radiostudy.cfm>

³ Cf. GEORGE WILLIAMS & SCOTT ROBERTS, RADIO INDUSTRY REVIEW 2002: TRENDS IN OWNERSHIP, FORMAT, AND FINANCE (Federal Communications Commission, Media Ownership Working Group Study No. 11, 2002).

⁴ Telecommunications Act of 1996 § 202(b).