



Future of Music Coalition

1615 L Street NW, Suite 520, Washington, DC 20036 • 202.429.8855

FMC Response to NAB "Fact Sheet"

On Friday, November 15, the National Association of Broadcasters (NAB) released a response to our study, which had not yet been released. The NAB's so-called fact sheet contains a skewed version of the state of the radio industry. Here we present our rebuttal to the NAB's claims.

Findings by other researchers

The NAB fact sheet directs journalists to a series of reports with a perspective differing from ours. We encourage reporters to read these studies – while noticing the questions that are absent from the analysis contained in them. These studies never engage the public policy issues that have emerged from radio deregulation.

Furthermore, we would encourage reporters to read the studies of the radio industry by organizations and writers that the NAB failed to cite. In particular, we would recommend the FCC's recently-released study "Radio Industry Review 2002: Trends in Ownership, Format, and Finance." You'll find that our statistical findings about the extreme consolidation now present in the radio industry are consistent with the FCC's. Unlike the FCC reports, however, our report does not stop short of making policy conclusions. In our report we connect the dots between all the facts we discovered about radio after deregulation.

To make their case, the NAB cites reports by an industry consulting firm, an industry survey firm, and an investment bank. In the wake of Enron and Worldcom, we know we need not caution journalists to read critically when reading the reports of investment bankers.

Listenership HAS decreased: even according to an industry-owned business

The NAB claims that consumers are not dissatisfied with radio and that listenership is still high. It's difficult for us to determine exactly which industry-conducted studies the NAB is citing to support this claim in their fact sheet, even after a thorough search of both Arbitron and Edison's list of collaborative reports.

But we have determined that a study by Arbitron/Edison contains some of the findings to which the NAB refers. However, as in other surveys conducted by Arbitron/Edison, this study did not use a "random sample." Instead, it used a random sample of *Arbitron diary keepers*. But selections from a truly random sample must be uncorrelated with anything

else to meet that definition. In the case of this study, survey respondents were selected based on whether they fill out Arbitron ratings surveys. This means that some demographic groups may have been underrepresented in the survey samples.

We would also note that it's not surprising that an industry-conducted survey found results favorable to the industry. After all, Dr. Ed Cohen, Arbitron's Director of Domestic Radio Research, was most recently employed as Vice President of Research for Clear Channel Communications.

What *is* surprising is that an industry-conducted survey – a different one, cited in the FMC report – found results very *unfavorable* to the industry. In September 2002, Duncan's American Radio reported listenership has hit a 27-year low. (Incidentally, Duncan's is owned by Clear Channel, by far the largest owner of radio stations in the U.S. This makes it hard to claim its findings are biased against the industry.) According to the Duncan's study, radio listenership has fallen steadily, dropping nearly 17 percent over the last 13 years.

Format variety is stagnant

The NAB cites our study's finding that format variety increased from 1996 to 2000. We do indeed report this result as a preface for our next conclusion; that format variety is not a substitute for true measures of format diversity. Our study puts this first finding into a broader context. We point out that format variety has been stagnant over the last two years. The other studies of format variety cited by the NAB overlook or obscure the issue. The NAB never acknowledges or responds to this important finding.

Format variety vs. programming diversity

Format variety is a *surface* measure. It measures the variety of labels on programming – not the diversity of the actual programming content. All the studies cited by the NAB equate variety of formats with diversity of programming. This approach overlooks the major issue of format homogeneity – the overlap between formats. These NAB-cited reports do not recognize that slicing and dicing the same songs over and over again does not increase diversity.

In our study, we focus on the incredibly high *level* of format homogeneity. Some formats – like Urban and CHR/Rhythmic – overlap by as much as 76 percent according to chart data from *Radio and Records*. We also note that format homogeneity has either remained high or stayed the same, depending on the formats in question. This finding is consistent with another FCC report, cited by the NAB itself, "Radio Market Structure and Music Diversity."

The fact that format homogeneity is high and holding at a high level is significant. It exposes the superficiality of using format variety as a measure of programming diversity. What matters for listeners and musicians is the diversity of songs played on the air.

Radio is an oligopoly

The NAB's claim that radio is less consolidated than other industries is a diversionary tactic. The term "oligopoly" refers to the degree of concentration in a single industry. And according to that definition radio is an oligopoly. Comparing radio to other, extremely concentrated media industries is not an effective way to deflect scrutiny.

The NAB claims that the top 10 owners control only 49 percent of industry revenue. We find that the top 10 firms control 67 percent of industry revenue, based on data from BIA Financial Networks. Calculating market share involves the simple mathematical operations of addition and division. Anyone with the BIA database could reproduce our results. The burden lies on the NAB to explain where their number comes from.

Furthermore, the NAB sites the 4,000 separate companies that own radio stations without mentioning the fact that only 10 control 67 percent of revenue. The number of owners does not counteract the dangerous implications of this level of market concentration, nor does it address the local origins of the medium. Section 307(b) of the Communications Act specifies that radio stations are licensed to particular communities and are charged with servicing those communities. In other words, principles of localism are deeply embedded in the Communications Act. Therefore, any notion that you can improve local service by regionalizing and nationalizing is in many ways fundamentally at odds with one of the basic goals of the communications licensing process.

Radio consolidation is MORE worrisome because other media are more consolidated

The NAB lamely attempts to assuage any worries about radio consolidation because other media are even more consolidated. What the broader media context *really* tells us is that horizontal consolidation across media has become a pressing problem. Three examples of the Top 10 radio companies – Clear Channel, Viacom, and Disney/ABC Radio – have major holdings in other media and other industries as well. These holdings include network television, cable television, motion picture studios, music recordings, billboard advertising, etc. Horizontal consolidation reduces diversity *even further*.

Furthermore, many of these other industries do not rely on public spectrum to operate. Haphazardly comparing radio to these other, very different industries blurs the important issue of radio's democratic ownership. The spectrum belongs to the public, making the consolidated control of spectrum a uniquely public concern.

Not all minorities are well-served by radio

The NAB mentions that more Spanish-language stations exist than existed in 1996. True as that may be, this does not prove that highly consolidated industries serve all customers well. Radio might serve some minority ethnic groups in some ways. But many groups that are *in the minority* are not being served: those who prefer classical music, those who prefer jazz, those who prefer world music, those who prefer a multiplicity of news sources, and so on.

Our analysis asks the right questions

We asked two objective questions: (1) how has radio consolidation affected consumers? (2) How has radio consolidation affected musicians? If the radio broadcasters don't wish these questions to be asked and don't wish these questions to be answered by anyone besides them, one can understand that – given the overwhelming evidence against their claims. We urge reporters and citizens to inform themselves fully, and not be distracted by industry propaganda.

We used the industry's own numbers to conduct our research. We played ball on their home field. That the industry's own data sources implicate radio as an increasingly consolidated and less diverse medium lends even more credence to our claims.

The NAB has claimed that we did "shoddy" analysis and have an "activist" agenda that biased our research. Our study contains extensive in-text and footnotes explanations of its methodology. The report is written so that anyone can re-create and check its results. We stand behind our work.