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POLITICS

FCC to Ease Limits on Local Media Ownership

Agency to vote to lower barriers to controlling multiple outlets in same market

FCC Chairman Ajit Pai PHOTO: RON SACHS/CNP/ZUMA PRESS

By John D. McKinnon and Keach Hagey

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WASHINGTON—The Federal Communications Commission is planning to make sweeping changes to media-ownership rules next month, eliminating or scaling back longstanding limits on local ownership of TV stations and newspapers, its chairman said Wednesday.

The plan by FCC Chairman Ajit Pai, a Republican, would eliminate or reduce several regulatory barriers—including some from the 1970s—that limit ownership of multiple media outlets in the same market. Mr. Pai outlined aspects of the plan at a congressional hearing on Wednesday.

Television station owners have complained that federal rules—originally enacted in part to ensure a diversity of views—have hindered their efforts to grow and compete at a time when online competitors have made major inroads.

In recent years, the local TV station business has consolidated rapidly, driven by both the growing fees that cable and satellite companies pay for the right to retransmit broadcast signals—bigger station groups can extract higher fees—and increasing competition from the internet. That has led to the emergence of a handful of "super groups" like Sinclair Broadcast Group , which today reaches 45.6% of television households, according to Kagan, a media research group within S&P Global Market Intelligence.

Since President Donald Trump tapped Mr. Pai as FCC commissioner, the pace of consolidation has accelerated. One of Mr. Pai's first moves as chairman was to change how station owners count certain television stations toward their national ownership caps. In the wake of that change, Sinclair announced the purchase of many more television stations, including those owned by major station group Tribune Media. That deal is currently being reviewed by the FCC.

Relaxing regulations on local TV station ownership likely would spark a "bonanza" of dealmaking among station owners, according to station broker Larry Patrick, particularly among the independent station groups that don't share ownership with broadcast networks like ABC or Fox.

For instance, the proposed rules would make it possible for a single company to more completely dominate a local television market by owning two of its top four stations if the FCC decides it is in the public interest—for example, if a financially strong station proposed to buy a financially weak fourth-ranked station.

In an interview, Mr. Pai said the changes overall will promote the economic health of local media, including newsgathering operations, by removing what he said are arbitrary regulatory barriers.

"I think the biggest impact is going to be simply that the FCC will not be pre-emptively dictating market structure in every market in the U.S.," Mr. Pai said. "Overall I think the effect is going to be more local newsgathering...and more news for consumers."

Station groups are eager for consolidation because it would allow them to save money on overlapping functions, from the costs of running newsrooms to IT and HR, while giving them more clout in negotiations with advertisers and pay-TV providers.

While the relaxed rules may allow some station groups to get bigger, much of the dealmaking is likely to be in "swaps" of stations between groups that would give each of them more control of a market. Stations owned and operated by broadcast networks like NBC and CBS are less likely to be affected.

Mr. Patrick expects major independent TV station owners like Tegna Inc., Hearst Corp., Sinclair and Nexstar Media Group , which own local affiliates of broadcast networks, would all want to look at bulking up in certain markets, if Mr. Pai's proposed changes are approved.

Hearst declined to comment. Sinclair didn't immediately respond to a request for comment. A Tegna spokeswoman said the company is "pursuing an aggressive growth strategy" and expects "to be a strategic and disciplined consolidator at this pivotal time of positive regulatory change." A Nexstar spokesman said the company isn't looking to do another large deal, but rather "surgical and select tuck-in deals."

For newspapers, relaxing local-ownership rules will have come too late to afford much economic benefit, experts said. Between 2000 and 2015, newspaper advertising revenue fell from about $60 billion to below $20 billion, according to the Newspaper Association of America, as advertisers shifted their money to online companies like Google and Facebook.

The plan is sure to draw criticism from Democrats and others who worry that it will lead to more concentration of power, less diversity and a loss of locally generated content.

The plan also is likely to face legal challenges.

Democratic FCC Commissioner Mignon Clyburn said in prepared testimony for Wednesday's hearing that the expected changes likely would "roll back the best elements of our media ownership rules." She said the "already consolidated broadcast media market will become even more so, offering little to no discernible benefit for consumers."

Mr. Pai announced in a speech in April that the agency would take on the media-ownership rules.

The FCC plans to vote on the new rules at its Nov. 16 meeting and agency officials said they would take effect soon after that.

One proposed change would eliminate the rule that generally prohibits a single individual or company from possessing a daily newspaper and a radio or TV station in the same market. A related change would eliminate a similar rule regarding cross-ownership of radio and TV stations.

Other changes would make it somewhat easier for a company to own two TV stations in a market. For example, Mr. Pai's plan would eliminate a rule known as the "eight-voices test" that says an owner can buy a second station in a market only if there would be eight independently owned stations following the purchase.

The changes also would ease restrictions on combinations for stations that have joint sales agreements.

The plan includes adoption of an incubator to promote more diversity in broadcasting, although the FCC will consider various ideas for how to structure it.

The rule changes are focused on local-market restrictions, and don't address another standard that limits a TV station group to a 39% national audience share.

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