

# Industry Studies of Cross-Ownership

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## Abstract

Industry commenters claim that consolidation of TV outlets and creation of newspaper-TV combinations in the same market create benefits such as increases in local news programming. However, these claims do not withstand close scrutiny.

Media General provides a count of hours of non-entertainment programming for matched pairs of TV stations in combinations and TV stations not in combinations. This between market comparison analysis is fundamentally flawed and does not support Media General's claims.

- The matching process used by Media General is flawed.
- Their analysis fails to show a statistically significant increase in the hours of programming.
- Their analysis does not take into account the fact that there are more stations providing news in markets where there are no newspaper-TV combinations.
- Media General chose a biased week of news to sample, rather than constructing an unbiased random sample news week. Three of the combination markets are in Hurricane Alley on the Gulf of Mexico and the mid-September week was likely to be heavy on news coverage in those markets. None of the comparison, non-combination markets are in Hurricane Alley.
- When Media General's analysis is adjusted to account for these flaws, we find that non-combination markets are likely to have between 10 and 25 percent more total news hours.

Tribune presents data on TV ratings and news hours, as well as circulation of newspapers for the five markets in which it owns a newspaper-TV combination. Unlike Media General, it does not provide non-combination comparison markets. However, it does offer before and after data for TV stations and newspapers, some of which are part of a combination and some of which are not part of a combination. This within market comparison analysis fails to demonstrate the benefit of combinations.

- The Tribune data shows that TV news viewing has declined much less than overall TV viewing and that TV news markets remain highly concentrated.
- Although the number of news hours increased more at the combination stations than the non-combination stations, the circulation of combination newspapers declined more than that of non-combination papers. The net effect was a statistically significant decline in the total output of news from the combinations.
- A gain of half an hour of news coverage per station is offset by a reduction in circulation of almost 50,000 papers per day.
- Tribune's newspaper performance was particularly weak compared to both other large dailies and the small dailies, as was its overall performance compared to the local market.

## Introduction

Several of the industry commenters have attempted to justify cross-ownership by providing data that purports to show a benefit from newspaper-TV combinations in the form of increased TV news hours. Throughout these proceedings we have argued that even if it could be shown that these combinations produced a greater quantity of news, the public policy benefit is dubious on two grounds. First, the combination trades an independent voice for the potential of more news hours from a common owner. A gain in quantity comes as a loss of diversity. Second, concentration increases as a result of the mergers, which reduces competition.

The industry studies never consider or measure these costs. In our view, even if there are benefits, they are not worth the costs. However, the industry studies fail to make their case for even more fundamental reasons. Their claim of benefits do not stand close scrutiny, and the benefits are either non-existent or small and statistically insignificant.

## Media General

Media General has submitted a study which concludes that “Convergence Markets Offer More Non-Entertainment Programming.” We have presented matched comparisons and econometric evidence to the contrary. The difference can be readily explained.

The Media General claim is wrong.

First, the difference in the number of hours it finds is not statistically significant. This accords with our analysis, which did not find statistically significant differences.<sup>1</sup>

Second, the study compares average number of hours per station in the markets. It does not calculate the total amount of news programming in the market. In fact, the non-convergence markets have more stations that provide news (see Exhibit 1). The difference in the number of stations providing news is more than twice as large as the difference in the amount of news per station. Therefore, if the all the stations providing news do so at the per station average, the study would show that non-convergence markets have more news than convergence markets. We reach this conclusion whether we use the count of TV stations doing local news provided by the broadcasters in their 2002<sup>2</sup> comments or the count of stations doing local news developed for 2006 in our earlier comments.<sup>3</sup>

Third, the object of study in the Media General analysis is not local news and public affairs. It includes network based national programming – nightly news, morning shows, and

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<sup>1</sup> See comments filed by Consumers Union, Consumer Federation of America, Free Press et.al., *Compendium Study 16, “Consolidation and Conglomeration Diminish Diversity and Do Not Promote The Public Interest: New Evidence”*.

<sup>2</sup> Economists Inc., *Economic Study A: News and Public Affairs Programming Offered by the Four Top-Ranked Versus Lower-Ranked television Stations*, Attachment to *Comments of Fox Entertainments Groups and Fox Television Stations, Inc., National Broadcasting Company, Inc. and Telemundo Groups, Inc., and Viacom*, in the Matter of 2002 Biennial Regulatory Review, etc., MB Docket Nos. 02-277, MM 02-235. 01-317, January 2, 2003.

<sup>3</sup> *Compendium Study 12, “Reaching and Serving the Community”*.

primetime magazines, which dominate the totals. Our analysis focused on local news and public affairs, which is the proper object in this proceeding.

There are also methodological problems with the analysis. The matches were problematic both between and within markets.

**Exhibit 1:  
Number of New Hours and Number of News Stations in Media General Analysis**

2002 Station Count  
BASE CASE

NON-XO MARKETS	# of Stations	# of Hours/Sta	Total Hours	XO MARKETS	# of Stations	# of Hours/STA	Total Hours
Detroit	5	62	310	Tampa	7	71.8	502.6
Wichita	3	60	180	Roanoke	5	52.3	261.5
Harlingen	4	46.3	185.2	Tri-cities	4	49.9	199.6
Harlingen	4	46.3	185.2	Baton Rouge	3	52.1	156.3
Colorado Springs	5	53	265	Waco	4	56.8	227.2
Lincoln	4	47	188	Myrtle Beach	2	54.8	109.6
Boise	4	60.8	243.2	Fargo	4	52.6	210.4
La Cross	5	50.8	254	Columbus	4	50.9	203.6
Anchorage	5	53.6	268	Panama C.	2	55.5	111
Minot	2	42	84	Idaho Falls	3	53.3	159.9
Billings	4	65.3	261.2	Qunicy	2	66.5	133
AVG.	4.09	53.37	218.34		3.64	56.05	203.8
Ratio Non/XO	1.13	0.95	1.07				

2006 Station Count  
BASE CASE

NON-XO MARKETS	# of Stations	# of Hours/Sta	Total Hours	XO MARKETS	# of Stations	# of Hours/STA	Total Hours
Detroit	5	62	310	Tampa	7	71.8	502.6
Wichita	5	60	300	Roanoke	5	52.3	261.5
Harlingen	4	46.3	185.2	Tri-cities	4	49.9	199.6
Harlingen	4	46.3	185.2	Baton Rouge	3	52.1	156.3
Colorado Springs	4	53	212	Waco	3	56.8	170.4
Lincoln	5	47	235	Myrtle Beach	4	54.8	219.2
Boise	4	60.8	243.2	Fargo	6	52.6	315.6
La Cross	5	50.8	254	Columbus	4	50.9	203.6
Anchorage	5	53.6	268	Panama City	2	55.5	111
Minot	10	42	420	Idaho Falls	4	53.3	213.2
Billings	3	65.3	195.9	Qunicy	2	66.5	133
AVG.	4.91	53.37	262.01		4	56.05	224.18
Ratio Non/XO	1.23	0.95	1.17				

First, in three of the eleven comparisons, the researchers had to violate their own rule for next largest market. As a result of violating the rule, the analysis used one non-convergence market, Harlingen Texas, twice. This market had the second lowest average number of hours of the 22 markets (see Exhibit 2). Instead of going to the second largest market above the comparison, if the study had chosen the next smallest market, which would have been closer in size, it would have used Colorado Springs twice. Making this one change in the choice of comparison market reduces the claimed advantage for cross-owned stations by almost one quarter, from 2.7 hours to 2.1 hours). Using either the 2001 count of stations providing news or the 2006 count, the total news in the non-combination markets would be substantially higher, assuming that the unreported stations provide the market average amount of news.

Second, in five of the eleven comparisons the study had trouble finding matching stations. It had to exclude some stations or average stations together. In one market, it had to both average and exclude stations. In other words, the study set up a set of simple sampling rules and then violated those rules in almost 80 percent of the comparisons.

Third, the study also commits a fundamental error in using a single week of programming, rather than a random sample representative week (see Exhibit 3). By choosing a single week, the study runs the risk of choosing a week that causes differences in programming because the markets are located in different geographic areas of the country. The difference that the study attributes to cross ownership might be due to the seasonal character of markets or unique events that occur in markets. For example, the study picked the second week in September of 2006. That is the height of the hurricane season, in which cities in hurricane alley may be on high alert and running lots of non-entertainment programming. This is especially the case the year after Katrina/Rita. It turns out that three convergence cities are on the Gulf Coast in Louisiana and Florida, but none of the non-convergence cities are. Excluding those comparisons from the analysis, cuts the claimed advantage of cross-owned markets almost in half, from 2.7 hours to 1.5 hours. This also eliminated the double counting of Harlingen Texas.

Thus, contrary to the claim of Media General, it is reasonable to conclude that the non-convergence market provide between 10 and 25 percent more of non-entertainment programming.

**Exhibit 2:  
Number of News Hours and Number of News Stations in Media General Analysis,  
Duplicate Cities Handled Differently**

**2002 Station Count  
BASE CASE**

NON-XO MARKETS	# of Stations	# of Hours/Sta	Total Hours	XO MARKETS	# of Stations	# of Hours/STA	Total Hours
Detroit	5	62	310	Tampa	7	71.8	502.6
Wichita	3	60	180	Roanoke	5	52.3	261.5
Harlingen	4	46.3	185.2	Tri-cities	4	49.9	199.6
Colorado Springs	5	53	265	Baton Rouge	3	52.1	156.3
Colorado Springs	5	53	265	Waco	4	56.8	227.2
Lincoln	4	47	188	Myrtle Beach	2	54.8	109.6
Boise	4	60.8	243.2	Fargo	4	52.6	210.4
La Cross	5	50.8	254	Columbus	4	50.9	203.6
Anchorage	5	53.6	268	Panama City	2	55.5	111
Minot	2	42	84	Idaho Falls	3	53.3	159.9
Billings	4	65.3	261.2	Qunicy	2	66.5	133
AVG.	4.18	53.98	225.74		3.64	56.05	203.8
Ratio Non/XO	1.15	0.96	1.11				

**2006 Station Count  
BASE CASE**

NON-XO MARKETS	# of Stations	# of Hours/Sta	Total Hours	XO MARKETS	# of Stations	# of Hours/STA	Total Hours
Detroit	5	62	310	Tampa	7	71.8	502.6
Wichita	5	60	300	Roanoke	5	52.3	261.5
Colorado Spr.	4	53	212	Tri-cities	4	49.9	199.6
Harlingen	4	46.3	185.2	Baton Rouge	3	52.1	156.3
Colorado Spr.	4	53	212	Waco	3	56.8	170.4
Lincoln	5	47	235	Myrtle Beach	4	54.8	219.2
Boise	4	60.8	243.2	Fargo	6	52.6	315.6
La Cross	5	50.8	254	Columbus	4	50.9	203.6
Anchorage	5	53.6	268	Panama City	2	55.5	111
Minot	10	42	420	Idaho Falls	4	53.3	213.2
Billings	3	65.3	195.9	Qunicy	2	66.5	133
AVG.	4.91	53.98	265		4	56.05	224.18
Ratio Non/XO	1.23	0.96	1.18				

**Exhibit 3:  
Number of News Hours and 2002 Number of News Stations  
in Media General Analysis Hurricane Alley Eliminated**

NON-XO MARKETS	# of Stations	# of Hours/Sta	Total Hours	XO MARKETS	# of Stations	# of Hours/STA	Total Hours
Wichita	3	60	180	Roanoke	5	52.3	261.5
Harlingen	4	46.3	185.2	Tri-cities	4	49.9	199.6
Colorado Springs	5	53	265	Waco	4	56.8	227.2
Lincoln	4	47	188	Myrtle Beach	2	54.8	109.6
Boise	4	60.8	243.2	Fargo	4	52.6	210.4
La Cross	5	50.8	254	Columbus	4	50.9	203.6
Minot	2	42	84	Idaho Falls	3	53.3	159.9
Billings	4	65.3	261.2	Quincy	2	66.5	133
AVG.	3.88	53.15	207.58				
Ratio Non/XO	1.11	0.97	1.1				

NON-XO MARKETS	# of Stations	# of Hours/Sta	Total Hours	XO MARKETS	# of Stations	# of Hours/STA	Total Hours
Wichita	5	60	300	Roanoke	5	52.3	261.5
Colorado Spr.	4	53	212	Tri-cities	4	49.9	199.6
Colorado Spr.	4	53	212	Waco	3	56.8	170.4
Lincoln	5	47	235	Myrtle Beach	4	54.8	219.2
Boise	4	60.8	243.2	Fargo	6	52.6	315.6
La Cross	5	50.8	254	Columbus	4	50.9	203.6
Minot	10	42	420	Idaho Falls	4	53.3	213.2
Billings	3	65.3	195.9	Quincy	2	66.5	133
AVG.	3.64	39.26	142.78		2.91	39.74	115.6
Ratio Non/XO	1.25	0.99	1.24				

**Tribune's Data**

Like Media General, Tribune also presents data to support its claim that the media ownership limits should be relaxed. Like Media General, Tribune focuses on cross-ownership and provides data on hours of news programming. The Tribune data also includes ratings, and because of the markets chosen, a number of duopolies are included.

There are fundamental flaws in the Tribune argument and analysis. First, while Media General at least attempted to provide a basis for policy analysis by providing matched comparison markets, (although the matching did not work very well and the results were not statistically significant) Tribune failed to provide such a match.

Second, the Tribune data is restricted to a very narrow range of markets, with four of the five falling in the top twenty markets and all five markets falling in the top 38 markets.

Third, the Tribune data is also flawed for before-after comparisons. Several of the duopolies and cross ownership situations were formed well before the gathering of the initial data for news production, while others were formed after.

Fourth, the presentation of outlets is careless with respect to geographic boundaries. Newspapers are presented as crossing DMA boundaries, even though their natural market is much smaller, as we demonstrated in our initial comments. Radio outlets are discussed at the DMA level, when Arbitron markets are well recognized as the more appropriate, smaller market for radio.<sup>4</sup>

Finally, Tribune does not present systematic structural analysis. The data is presented as a laundry list of outlets. Thus, for the purposes of assessing the impact of specific types of consolidation on the broad range of policy issues, the Tribune data must be analyzed with caution.

However, the longer term perspective on ratings offered by the Tribune data is instructive with respect to trends in the industry. Statistical analysis can be done on this data. As a snapshot of the changes in major markets between 1975 and 2006, rather than a test of the impact of specific duopolies, the data is informative. Here there is a credible before-after comparison to be made.

## **Long Term Trends**

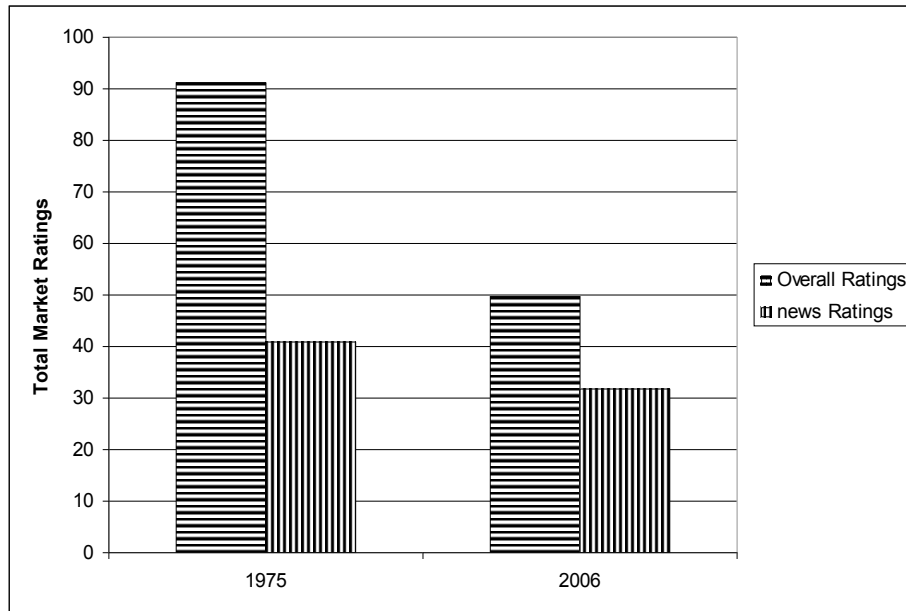
### **Changes in the TV Market**

It is notable that the decline in the overall ratings of television shows is much larger than the decline in ratings for news shows (see Exhibit 4). To the extent that the broadcasters push for the Commission to change its ownership limits because of changes in the industry, it is notable that the change in news viewing is much smaller than the overall industry. Moreover, to the extent that these ratings include both national and local news, it should be kept in mind that a significant part of the loss of news viewing may be a shift to cable viewing for national news, which, in the case of Fox and NBC, does not constitute a loss of viewers, but a shift from over-the-air to through-the-wire. These observations also help to explain our findings that television remains the leading source of local news.

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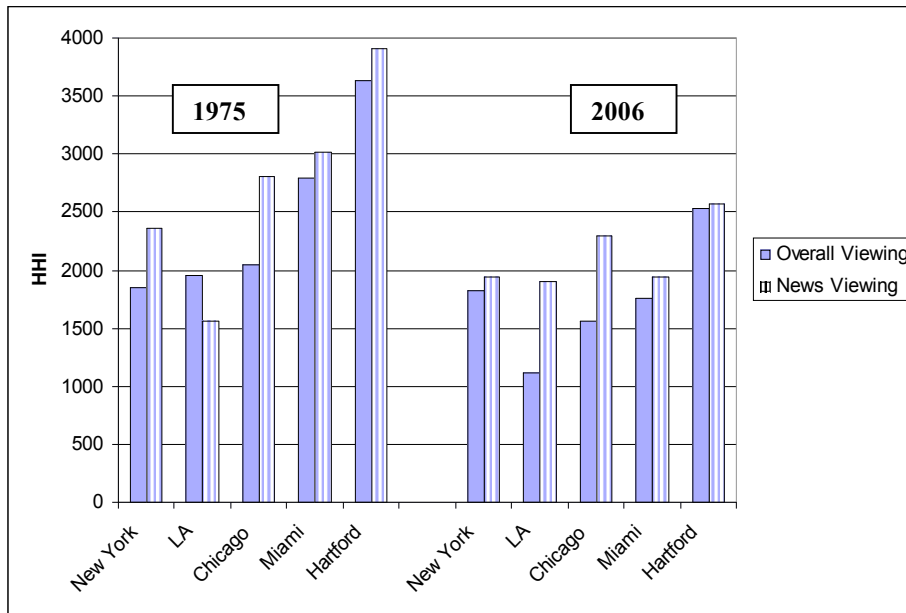
<sup>4</sup> Mark Cooper, Study 21, Building a Reasonable Measure of Market Structure, attached to *Initial Comments of the Consumer Federation of America, Consumers Union and Free Press*, In the Matter of 2006 Quadrennial Regulatory Review, etc., Docket Nos., MB 06-121, 02-277,01-235, MM 01-317, 00-244.

**Exhibit 4:  
The decline in TV news viewing has been much smaller than  
the decline in overall TV viewing**



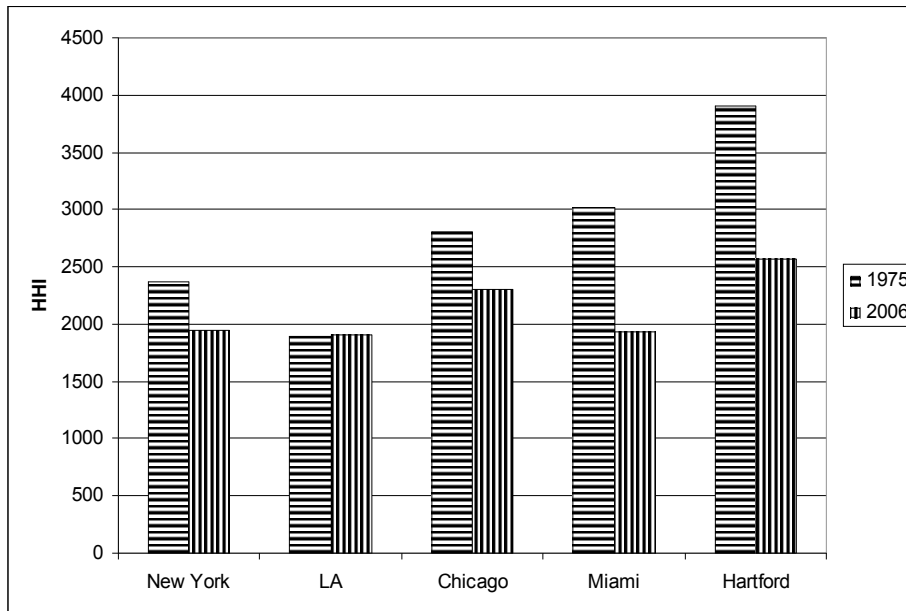
A second observation on the data is that the news viewing generally was and remains more concentrated than overall viewing (see Exhibit 5). This reflects the fact that many stations do not provide news, even in the large markets on which the Tribune data focuses.

**Exhibit 5:  
TV news viewing has always been more concentrated than overall TV viewing**



A third factor worthy of note in the Tribune data is that the decline in concentration of TV news viewing has been moderate at best (see Exhibit 6). TV news viewing remains highly concentrated, while overall viewing remains concentrated. As noted above, to the extent that the broadcasters claim de-concentration of markets as a justification for changing the limits on television ownership, this is less true of news television relative to overall TV.

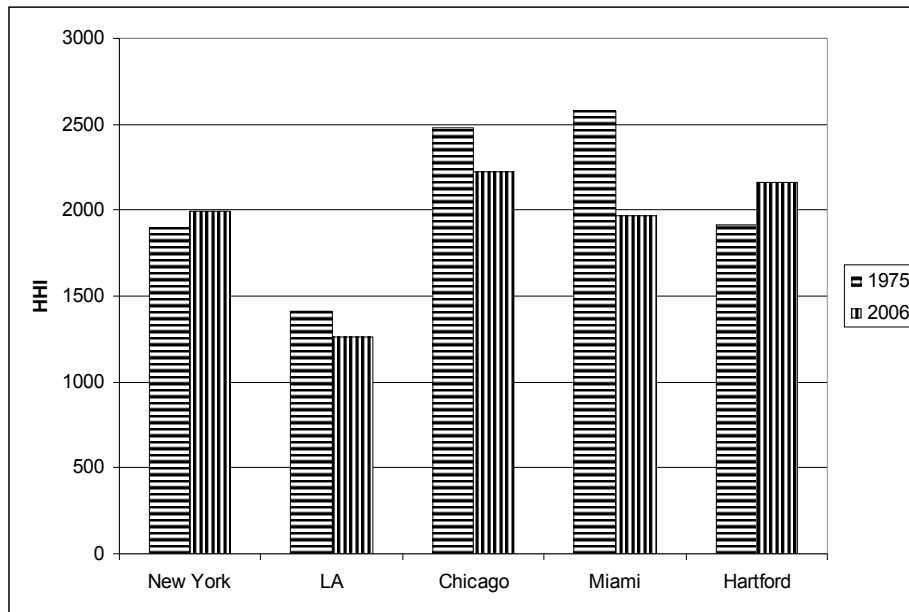
**Exhibit 6:  
The decline in concentration of news television viewing has been modest  
between 1975 and 2006 and markets are still highly concentrated**



### The Traditional Media Market

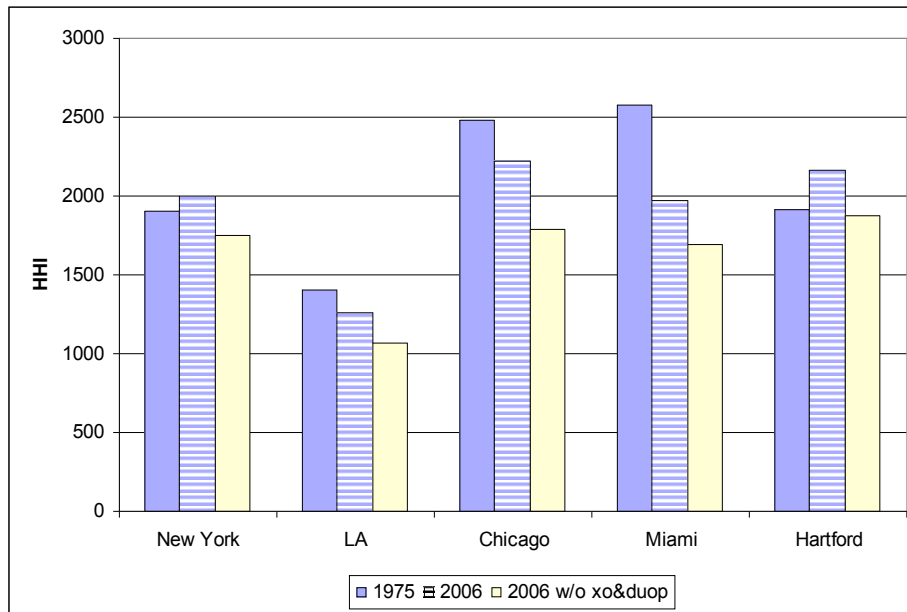
In order to examine the overall performance of the dominant news media, i.e. television and daily newspapers, for which Tribune provided data, we have calculated the concentration ratio (HHI) by combining the two media with equal weights. Our research shows that this is their relative weighting today. TV ratings are expressed as a percentage of all TV households, but newspaper circulation is expressed as an absolute number. To make the two comparable, we converted the ratings numbers to households watching TV. We used population growth between 1980, 2001 and 2004 to estimate the number of TV households in 1975 and 2001. Combining the TV and daily newspaper products into the traditional news market, we find a pattern that is similar to the TV news market (see Exhibit 7). Declines in concentration, where they exist, have been moderate at best.

**Exhibit 7:  
Between 1975 and 2006 the decline in concentration of the dominant news mass media  
was modest in some markets and non-existent in others**



The paltry reductions in concentration in the traditional media markets, in spite of the increase in the number of stations available, stems in large measure from the policies that allowed traditional media outlets to merge (see Exhibit 8). Markets would have been substantially less concentrated had the mergers not been allowed. All but one of the cross-ownership mergers in the markets analyzed by the Tribune are of recent origin. Five of the six cross-ownership situations involve Tribune. On average, about half of the potential decline in concentration has been offset by duopolies and combinations.

**Exhibit 8:  
The decline in concentration in the traditional mass news media between 1975 and 2006  
was thwarted by the creation of duopolies and newspaper-TV combinations**



## **The Impact of Duopolies and Cross-Ownership**

### **Building a Database to Test the Claims for Media Duopolies and Cross-Ownership**

Subject to the caveats expressed in the introduction about the misfit between the performance measures and the formation of duopolies and cross-ownership combinations, this section examines the recent changes in the marketplace. The central claim of the industry commenters is that they must be allowed to consolidate so that they can compete better against the alternative media, especially Internet-based platforms. We have pointed out the *non sequitur* in the claim that physical space consolidation is the answer to cyberspace competition in our initial comments. The second claim of broadcasters is that concentration enables them to do more with the resources they expect to garner. We constructed a database from the Tribune data to test these claims, keeping in mind that the sample is very small, lacks comparison markets and is limited to large markets.

The Tribune database provides two measures of performance for TV, ratings and hours of news. It provides the circulation of the major daily newspapers in each market.

The systematic data presented by Tribune was not complete, even for the short 2001-2002 period. Two out of twenty papers were missing data, even among the major urban dailies. Moreover, Tribune cited 2006 circulation figures for many smaller papers, but did not give figures for 2001. In the following analysis, we first use the data set for major urban dailies as presented by Tribune, which covers the period 2001-2006 for all TV stations and 19 newspapers. Based on a database used earlier in this proceeding, we also analyze the full complement of newspapers mentioned by Tribune for the 2002-2006 period. The Tribune

data provides before and after data for 2001-06 for 19 papers, which had a combined circulation of about 6.8 million or about one-eighth of the national total. Filling in missing values and adding the smaller dailies for the 2002-06 comparison raises the total to 33 papers with a circulation of just over 8.2 million, or almost one-sixth of the national total.

We introduced market control variables (dummy variables for each market). We then tested the significance of the change in performance between 2001 and 2006.

## Concentration and Performance

The Tribune data shows, when subject to careful scrutiny, the claims of benefits do not hold up (see Exhibit 9). We found that duopolies do not exhibit statistically significant increases in either market share or hours of news. The coefficients are either zero or negative, although none are statistically significant.

**Exhibit 9:  
Multiple Regression Analysis of Performance of Consolidation Characteristics**

Dependent	Duopoly		Cross-Ownership	
	Beta	Significance	Beta	Significance
<b>Change 01-06</b>				
<b>Ratings</b>				
Overall	-0.73	0.424	-0.04	0.982
News	0	0.991	0.23	0.757
TV Hours	-0.8	0.521	3.39	0.046
Circulation	N/A	N/A	-0.01	0.682
Total Market	0	0.906	-0.2	0.076
<b>Change 02-06</b>				
Circulation	N/A	N/A	-0.047	0.053

For cross-ownership the picture is somewhat more mixed. There is a statistically significant positive effect on the number of hours of TV news, but a negative effect on circulation (not significant) and a negative effect on total audience, which is statistically significant. The negative effect on circulation in the larger data set for the 2002-2006 period is larger than in the smaller data set and statistically significant. The circulation of cross-owned newspapers *declined* over the four year period, substantially more than the non-cross-owned papers, with the coefficient indicating a loss of 47,000 papers per day in circulation due to cross-ownership.

**Tribune’s Reverse Logic:**

**‘Because we do so poorly, there is no harm to the public interest’**

The Tribune cites its poor performance as an indicator of the reduction of its market power and, therefore, a justification to eliminate or relax the media ownership limits:

Newspaper circulation trends for these four newspapers show growth from 1975 to 2001; after 2001, *The New York Post* has increased its circulation while *The New York Times* has held steady and *Newsday* and *The Daily News* have seen circulation declines. These composite and individual declines have occurred at the same time that the population of the New York metropolitan area has grown by more than 2.3 million residents. *Newsday’s* daily circulation has declined during the past five years at a faster rate than the *Daily News*, notwithstanding its common ownership with WPIX, which commenced in 2000. These results strongly suggest that ownership of a television station in New York does not provide any competitive advantage to the newspaper, and that readers and viewers have many alternative options for obtaining their news and information (p. 42)

In short, cross-ownership has not helped Tribune to increase its position in this market. It should be noted that in New York it owns the fourth largest paper (that was the third prior to its acquisition by Tribune), with a market share of 22 percent in the newspaper market. In the other four markets it has a market share of over 50 percent of the newspaper market.

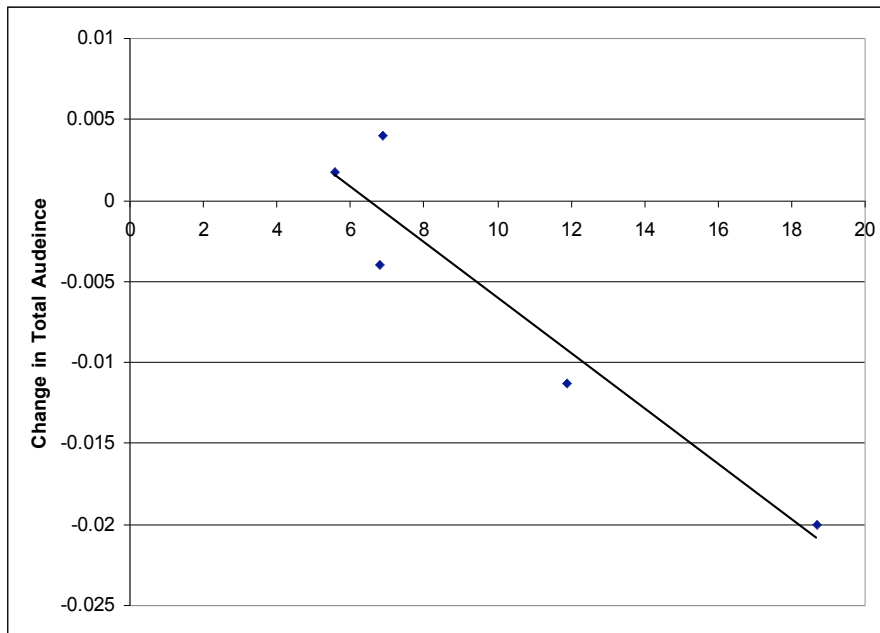
New York is not the only market where Tribune under-performed the other papers in the market (see Exhibit 10). The Tribune papers have performed worse than the other large dailies in their markets. The large dailies have generally performed worse than the smaller dailies.

**Exhibit 10:  
Change in 2002-2006, All Dailies in DMA (in %)**

	New York	Los Angeles	Chicago	Michigan	Hawaii
Tribune	-26.0	-11.3	-16.0	2.8	-9.2
Large Non XO Dailies	-4.0	8.5	-16.4	1.6	-4.0
Smaller Dailies	-6.0	47.8	-1.9	N/A	N/A

Moreover, there is a strong negative association between the Tribune market share and the performance of the market in terms of total traditional audience (Exhibit 11).

**Exhibit 11:  
Tribune market share and total market performance  
are correlated because of Tribune's Poor Performance.**



The suggestion by Tribune is that, 'since newspaper -TV combinations have not helped us to increase our market share, why should public policymakers worry.' We see the poor performance of cross-owned papers as an indictment of the conglomerate model. In most other areas, we would let these entities do harm to themselves by pursuing consolidation and conglomeration, but when it comes to broadcast licenses there is an overriding public interest in promoting competition, diversity and localism.

Thus, a careful examination of the data provided by Tribune casts serious doubt on the claims made by the broadcasters and newspaper owners. Indeed, this analysis reinforces the finding in our initial comments that concluded that consolidation and conglomeration are not the solution to the challenge facing the industry. They do not improve performance in economic terms, while they detract from the goal of the "widest possible dissemination of information from diverse and antagonistic sources." Consolidation and conglomeration detract from those goals, without the redeeming value of improved economic performance. The restriction on duopolies and combinations should remain in place.