

## Chairman Dingell, Subcommittee on Telecommunications and the Internet hearing entitled, "The Role of Private Equity in the Communications Marketplace"

Statement of Congressman John D. Dingell, Chairman  
Committee on Energy and Commerce

SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET HEARING ENTITLED, "THE ROLE OF PRIVATE EQUITY IN THE COMMUNICATIONS MARKETPLACE"  
March 11, 2008

Rep. John D. Dingell (D-MI), the Chairman of the Committee on Energy and Commerce, today inserted the following statement into the hearing record at a Telecommunication and the Internet Subcommittee hearing.

During the last several years, more private equity firms have been investing in and acquiring publicly held communications companies. Recent examples include the purchase of Clear Channel, Univision, and Alltel. Today's hearing will examine the implications of this growing trend for communications services that are an integral part of our daily lives. The question for this hearing is whether these transactions serve the public interest.

Is private equity ownership of telecom and media companies a positive development, a negative development, or a bit of both?

On the one hand, private equity ownership suggests a financial management style focused on cutting costs, increasing revenues, and ultimately reselling a more efficient enterprise. Private equity ownership allows for a more nimble management structure than is possible with a publicly-held company. It can also shield companies from Wall Street pressures to produce ever-higher earnings each quarter. Communications and media companies that must sacrifice short-term earnings in order to make long-term investments could benefit from the financial approach associated with private equity. From a purely economic standpoint, the advent of private equity ownership could be viewed as beneficial.

On the other hand, communications properties, especially media outlets, have intrinsic values that are not easily reduced to pure dollars and cents. Congress has enshrined these non-economic values, such as localism and diversity, as cornerstones of our statutory and regulatory structures. Thus, cost-cutting measures that result in the paring down or removal of local news broadcasts would most certainly not serve the public interest. Nor would the public interest be served by private equity's failure to provide adequate service quality due to insufficient investment in a telecommunications network.

Because there is typically little transparency about private equity firms' ownership and management structure, private equity ownership of communications properties also raises serious questions about ensuring compliance with the Federal Communication Commission's media and foreign ownership rules, as well as other regulatory requirements.

Telecommunications and media firms must be able to survive and thrive in today's marketplace. Private equity ownership may provide an attractive alternative to strengthen a company's long-term financial security. Congress and the FCC must, however, remain vigilant to ensure that private equity firms manage communications properties in ways that serve the public interest and preserve core values such as localism and diversity that are at the heart of our communications regulations. I will be watching the FCC to be sure it is mindful of these matters as it considers transactions involving

private equity ownership.

Prepared by the Committee on Energy and Commerce  
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