

Testimony of

Jason Kint
Chief Executive Officer, Digital Content Next

Before the
Subcommittee on Communications and Technology
Committee on Energy and Commerce
United States House of Representatives

“Broadcasting Ownership in the 21st Century”

Chairman Walden, Ranking Member Eshoo and the members of the Subcommittee, it is my honor to appear before you today. I am the CEO of Digital Content Next (DCN), formerly known as the Online Publishers Association (OPA). We are the only trade organization dedicated to serving the high-quality digital content companies that manage trusted, direct relationships with consumers and marketers. By way of background, I have spent over 20 years in the digital media business in a number of executive roles with both established media brands and digital natives that often evolve into multiplatform brands in a short period of time based on consumer demands. I am proud to represent media companies from every segment of the market, from large to mid-sized companies to newer entrants that are carving out niche markets in the delivery of original content over the Internet. The members of DCN reach 230 million unique visitors or 100% of the U.S. online population and they are leading the evolution of the marketplace.

Current Landscape

In the late 1990's, consumers turned to the disruptive power of the internet because of the ease of access to content and the availability of this content on new platforms in rich and colorful ways. As we have all witnessed, over the course of the nearly two decades since the beginning of this transformation, the current media landscape looks vastly different than it once did.

This observation is supported by surveys that detail consumer preference for and interaction with digital content over traditional media. According to Deloitte's Ninth Digital Democracy Survey, streaming content has overtaken live programming as the viewing method-of-choice, with 56 percent of consumers now streaming movies and 53 percent of consumers streaming television on a monthly basis, as compared to 45 percent of consumers watching television programs live. Moreover, younger viewers have moved to watching TV shows on mobile devices rather than on traditional televisions. Among Trailing Millennials (age 14-25), nearly 60 percent of time spent watching movies occurs on computers, tablets and smartphones, making movie viewing habits decidedly age-dependent.¹

When we examine where consumers turn for news and information, even more consumers are turning online. According to the 2015 Reuters Institute

¹ <http://www2.deloitte.com/us/en/pages/about-deloitte/articles/press-releases/digital-democracy-survey.html>

for the Study of Journalism Digital News Report, 74 percent of survey respondents got their news online, compared to 64 percent on TV, 26 percent on radio, and 23 percent from print media.² If you look at the under 35 audience, less than 25 percent still get news from television.

These statistics inform the debate about media ownership in a changing landscape and the robust competition my members face in the creation and distribution of their content.

The underlying intent of the media ownership rules is to ensure a diversity of independent voices is available to consumers. However, the rules have also served to limit investment in media companies, which, for newspapers in particular, has hindered their transition to a digital world.

As the members of this Committee are well aware, the Federal Communications Commission maintains media ownership rules and since 1996 has been required to review those rules every two and later every four years to determine whether each rule is “necessary in the public interest as the result of competition.” Under that Congressional directive, the Commission has worked over the last almost decade to make modifications to the rules. The 2006 Quadrennial Review Order, which relaxed newspaper/broadcast cross-ownership, was ultimately remanded to the Commission in 2011 for failing to comply with the notice and comment provisions of the Administrative

² <http://www.digitalnewsreport.org/survey/2015/sources-of-news-2015/>

Procedures Act. The Commission initiated its 2010 Quadrennial Review with a Notice of Inquiry in which it asked some core questions on the analytical framework under which should review its rules. That review was later combined with the 2014 review and remains pending.

Changing Dynamics

With the advent of the Internet and consumers choosing a diverse array of content to access on a daily basis, media ownership rules need to be reviewed regularly to ensure that they are not becoming anachronistic and continue to reflect the on-the-ground reality that exists in the market. In its 2010 review, the FCC recognized just this evolution. The FCC stated at that time “the proliferation of broadband Internet and other new technologies has had a dramatic impact on the media marketplace. Consumers are increasingly turning to online and mobile platforms to access news content and audio and video programming.” The Commission also recognized the potential of broadband for the broadcast and newspaper industries, noting that broadband and other media platforms present both challenges to established business models and provide opportunities to reach new audiences and generate new revenue streams.

At its core, the Internet is an innovative, and importantly, open platform that has produced a diverse ecosystem that allows businesses large and small

to engage with consumers in a myriad of ways – limited only by their creative capacity. As such, it has allowed a variety of consumer and professional voices to flourish. Recognition of what the Internet delivers and its potential is critical to analyzing the media ownership rules.

I understand that developing the rules in this environment is difficult. On the one hand, consumers are increasingly moving online for their news and entertainment, as shown in the earlier data I mentioned. On the other hand, broadband adoption to power the access to that content is not ubiquitous, although that is changing.

Moreover, there has been a decades-long decline in ad revenue for newspapers that digital ad revenue has not offset. That decline has resulted in job cuts and other reductions impacting their available news resources. However, there are new digital native news sites providing coverage from a variety of perspectives. Pew estimates that as many as 400 new digital native news sites now exist.³ Of course others suggest that absent the ownership rules the growth in digital news sites may have been even greater. Balancing these competing data points and many others that speak to the levels of competition, localism, and diversity in media should provide an impetus for the FCC to decide what modifications to the media ownership rules should be made to reflect the new reality.

³ <http://www.journalism.org/2015/04/29/digital-news-audience-fact-sheet/>

Conclusion

In a new digital age, consumers have even more access to a diverse amount of content today than 20 years ago. DCN members have been at the forefront of this change. We have venerable institutions attempting to reform their business models and adapt their trusted brands to the continually evolving digital ecosystem. We also have new, digital-native companies challenging the assumptions for how news should be covered and delivered. The Internet has been the great equalizer as content creators are able to access markets on a global scale while still having the ability to reach hyperlocal markets with original and compelling content.

As any DCN member can tell you, there is no business model that can succeed long term without being built around consumer demand. It should be no different in this case – it starts with the consumers. The key to any assessment of media ownership rules should be rooted in the answer to this question: are consumers getting the news and content they want and are those business models sustainable? My answer is that they are and that the offerings and offerors continue to proliferate.

It is important to the marketplace, and ultimately consumers, that the Commission update and relax the ownership rules to reflect the media landscape as it exists today. I fear that expansion of outdated regulations to

the online environment could stunt the growth of online content in a way that will prove detrimental to the consumer experience.

DCN looks forward to working with the Committee and engaging with policymakers and regulators on this issue and I thank you for the opportunity to testify before you today.