PRESERVING LOCAL JOURNALISM IN THE AGE OF BIG TECH

KBA
KENTUCKY BROADCASTERS ASSOCIATION

The Issue:
Local radio and TV stations provide a lifeline to our communities. From investigative reports to breaking news and weather coverage, they invest significant resources to keep Americans informed about critical events. And while misinformation runs rampant on social media, broadcasters utilize fact checking teams to provide the most trusted news to communities.

The overwhelming size and power of Big Tech giants, such as Google and Facebook, dwarf local TV and radio stations and threaten Americans' access to quality local journalism. Not only do they pose major threats to advertising revenue, but they are gatekeepers of online content, exerting power over what internet users access and how advertisers reach them. When Big Tech wins, local communities lose.

Here's why:

Stations Rely on Advertising Revenue to Produce Local News

Local journalism requires significant investment, with some broadcast stations spending one third (or even more) of their total expenses on news costs. Broadcasters rely heavily – almost entirely in some cases – on advertising revenues to produce and support local news. Local radio and TV stations also invest in their websites, social networks, mobile apps and other online platforms to be available anywhere and everywhere their audience may be.

Tech Platforms Divert Ad Revenue and Resources from Local Stations

Tech giants exert enormous influence over what online content is eligible to be monetized. These platforms control the share of revenue they retain and the amount passed on to content providers that ironically bear the costs of producing the quality journalism that financially benefits Big Tech.

For example, local broadcasters see at best a little more than half of the revenue from video ads appearing on their YouTube content, and Facebook reportedly offers the same revenue share for instream ads. In fact, a 2021 report focusing on Google Search and Facebook News Feed found that local broadcasters lose an estimated $1.873 billion annually by providing their content to these platforms.1

Because of the size and power of Big Tech, their policies are almost always "take-it-or-leave-it." Even though they disadvantage local stations, there is little power to negotiate because broadcasters would lose access to hundreds of millions of consumers if they simply declined to publish their content on these platforms.

Tech Giants Act as Gatekeepers, Controlling What Users See on Their Platforms

Beyond diverting advertisers – and crucial revenue – away from local broadcast stations, the digital platforms also control the technologies that power search and content discovery. Whether consumers use search engines, social networks, voice or video platforms, or even broadcasters' own apps to access news and other content, decisions made unilaterally by a few dominant tech giants impede local stations' ability to connect with their audiences online. Big Tech platforms' algorithms can change the rankings of search results, favor certain news sources over others and often steer users towards controversial content over high-quality journalism.

A Troubling Trend: The Loss of Local News

In recent years, tech giants' individual advertising revenues have far surpassed the ad sales of the entire broadcast television and radio industry. Yet, these digital behemoths are allowed largely unregulated and unfettered growth while local stations continue to be subject to archaic rules governing their scale and scope.

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PRESERVING LOCAL JOURNALISM IN THE AGE OF BIG TECH (CONTINUED)

Radio and television stations depend on ad revenue to produce local news, which gives the community its voice. Without someone to shine a spotlight on local government, health care, education, environment and business development, there is less accountability in communities and a less informed electorate. This has been proven to decrease voter turnout and civic engagement.

Broadcast radio and television stations are the last bastion of local and investigative journalism in many communities. Yet, without action by policymakers, these stations may face the same future as other local media and be forced to cut back or even eliminate their investment in local news.

The bottom line:

Recognizing the dominant power of digital giants, with nearly limitless control over the marketplace, some national governments are working to ensure news producers receive fair compensation when their content is posted, shared or distributed on digital platforms. For example, Australian lawmakers recently enacted legislation requiring the largest digital companies to negotiate with media companies for publishing news content on their platforms, a proposal that was endorsed by some tech companies such as Microsoft. In a brazen display of its market power, one of the major platforms shut down news on its platform before the law was even enacted.

In the U.S., Reps. David Cicilline (RI-01) and Ken Buck (CO-04) and Sens. Amy Klobuchar (MN) and John Kennedy (LA) recently reintroduced the bipartisan Journalism Competition and Preservation Act (JCPA) [H.R. 1735, S. 673] to allow broadcasters and other news publishers to jointly negotiate with dominant digital platforms regarding the terms and conditions by which their content may be accessed online.

To ensure a viable and sustainable future for local journalism, broadcasters support the JCPA and urge its swift passage to address the overwhelming market power of Big Tech gatekeepers.

1."Economic Impact of Big Tech Platforms on the Viability of Local Broadcast News," BIA Advisory Services, 2021

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A PERFORMANCE TAX THREATENS LOCAL JOBS IN KENTUCKY

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The Issue:
Congress should not mandate a performance tax on free, local radio stations that would jeopardize local jobs, prevent new artists from breaking into the recording business and harm the hundreds of millions of Americans who rely on local radio.

Broadcasters urge legislators to support the Local Radio Freedom Act, which opposes a performance tax and is supported by more than 230 bipartisan members of the House and Senate. Additionally, broadcasters ask legislators to oppose any performance tax proposal, such as the American Music Fairness Act.

Here's why:

For nearly a century, record labels and performers have thrived from airplay – which is essentially free advertising – from local radio stations. But as the big record labels struggle to keep profit margins high, they are urging Congress to impose a tax on these local radio stations that are, ironically, their greatest promotional tool.

Each Congress, the record labels push policymakers to impose a new fee on local radio stations simply for airing music on the radio. This would financially cripple local radio stations, harming the millions of listeners who rely on local radio for news, emergency information, weather updates and entertainment every day.

Radio's free promotion is worth more than $2.4 billion annually to record labels. Local radio continues to be the top source for listeners seeking new music, far surpassing other sources. Free radio airplay provides the recording industry increased popularity, visibility and sales for both established and new artists. Promotion by local radio goes beyond music to include concert and festival promotion, on-air interviews and social media marketing.

Recognizing the value of free radio airplay, Congress has repeatedly rejected the record labels' attempts to impose a harmful performance tax on local radio stations. Efforts to attach a performance tax to consensus legislation that benefits all stakeholders, such as the Music Modernization Act, have failed once exposed as the poison pill it is.

The Local Radio Freedom Act (H. Con. Res. 33, S. Con. Res. 9), which opposes any new tax, fee or royalty on local radio stations, historically enjoys strong bipartisan support in both chambers. In stark contrast, performance tax proposals have struggled to gather supporters in Congress because members of Congress understand the devastating effect they would have on local radio. This is every bit as true for the 117th Congress's so-called American Music Fairness Act, which would hit radio broadcasters at a time when they're struggling to recover from the financial impact of the pandemic.

Broadcasters have consistently demonstrated good faith in working with the record labels to try to resolve the performance tax issue through private discussions. In the last several years, numerous radio companies and record labels have negotiated private deals that compensate copyright owners and performers, demonstrating the ability of the marketplace to best address the issue.

The bottom line:

Please stand up for your local radio listeners by supporting the Local Radio Freedom Act, which opposes a performance tax. Congress should not enact a government-imposed performance tax on local radio. Broadcasters stand ready to work with Congress and the music industry on a balanced music licensing proposal that promotes innovation and recognizes the benefit to artists and listeners of radio's free, locally focused platform.

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SUPPORT TAX CREDITS TO STRENGTHEN LOCAL JOURNALISM

KENTUCKY BROADCASTERS ASSOCIATION

The Issue:
Legislation recently passed by the House and actively being considered by the Senate would establish tax incentives that would provide much-needed relief for local newsrooms. Specifically, this legislation would create a targeted tax credit for television and radio broadcasters, as well as certain print and digital publications, for the hiring and retention of up to 1,500 full-time local news journalists each year over five years. This tax credit was derived from the Local Journalism Sustainability Act (S. 2434), a bill that was introduced by Sen. Maria Cantwell (WA), chair of the Senate Commerce Committee, along with Sen. Ron Wyden (OR), chair of the Senate Finance Committee, and Sen. Mark Kelly (AZ).

Here's why:

Local broadcast journalists and newspaper reporters are on the ground covering the news that impacts every community, including lifesaving information during times of crisis. These journalists provide investigative stories that shine a light on government and hold those in power accountable.

Local broadcast stations provide these critical services for free, over the air, to their communities and are the most trusted source of news and reporting in the country. But the sourcing, reporting and production of this news is very costly. In most stations, news costs alone account for more than a third of total expenditures. For some stations that cost approaches half of their expenses.

Much of a local media outlet's budget comes from local advertising revenue. But over the past decade many of those dollars are being diverted to, and consumed by, a handful of massive online technology platforms. While these companies are taking the lifeblood of local journalism, they are not providing any of the critical local news reporting that Americans depend upon. Instead, these tech companies provide untrustworthy platforms where misinformation runs rampant.

Providing a tax credit for the hiring and retention of local news journalists would help stabilize local newsrooms during a time when these local outlets are facing the economic impact of advertising dollars going to massive technology platforms, and the pandemic's blow to local businesses that don't have the resources to advertise with local media.

The bottom line:

There has never been a more critical time for trusted local journalism – the very survival of newsrooms is being threatened. Providing and paying for high-quality local news coverage has become increasingly difficult when dwindling advertising dollars – already being diverted to massive, multi-national technology platforms – have taken a drastic hit as a result of the COVID-19 pandemic.

The tax credit for the hiring and retention of local journalists, as outlined in the Local Journalism Sustainability Act, would provide a much-needed boost to local newsrooms. To ensure the continued viability of local journalism and the vital services broadcasters and newspapers provide, Congress should support the swift passage of this tax credit.

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ENCOURAGE DIVERSITY IN BROADCASTING: REINSTATE THE TAX CERTIFICATE PROGRAM

KENTUCKY BROADCASTERS ASSOCIATION

The Issue:
The Federal Communications Commission (FCC) established the Minority Tax Certificate Program, which provided a tax incentive to those who sold their majority interest in a broadcast station to minorities in 1978. From that time until 1995, the program was highly effective in leveling the playing field for underrepresented broadcasters, increasing diverse ownership in broadcast stations by more than 550%.

Unfortunately, Congress repealed this program in 1995. Broadcasters opposed this repeal because of the program's dramatic and positive impact on increasing ownership of broadcast stations for people of color. The tax certificate has proven to be an effective mechanism for bringing more people of color into station ownership and should be reinstated.

Here's why:

During the 117th Congress, the Expanding Broadcast Ownership Opportunities Act (H.R. 4871) was introduced in the House by Rep. G.K. Butterfield (NC-01) and Rep. Steven Horsford (NV-04). Additionally, Sen. Gary Peters (MI) and Sen. Robert Menendez (NJ) introduced the Broadcast Varied Ownership Incentives for Community Expanded Service Act, also known as the Broadcast VOICES Act (S. 2456), in the Senate. These bills which would reinstate the Tax Certificate Program at the FCC, would encourage investment in broadcast station ownership for women and people of color and dramatically help underrepresented voices realize their dreams of radio and television station ownership.

In addition to NAB's support, the Expanding Broadcast Ownership Opportunities Act and the Broadcast VOICES Act has the backing of the Asian Americans Advancing Justice (AAJC), Hispanic Federation, League of United Latin American Citizens, Multicultural Media, Telecom and Internet Council (MMTC), National Association of Black Owned Broadcasters (NABOB), National Urban League and the United States Black Chambers.

The bottom line:

Congress should pass legislation reinstating the tax certificate to ensure owners of broadcast stations are as diverse as the communities they serve.

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