ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives

Committee on Energy and Commerce

Washington, DC 20515–6115

JOHN D. DINGELL, MICHIGAN
CHAIRMAN

July 12, 2007

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Mr. Chairman:

We are writing with respect to the growing trend of private equity ownership of communications-related entities, including mass media outlets. We seek your assistance in ascertaining whether there are policy implications for this trend and whether the Federal Communications Commission's current attribution rules for ownership and control of Commission licenses is adequate.

Private equity firms have acquired many publicly held entities in the last several years. For instance, the Carlyle Group purchased the Hawaiian phone company from Verizon in May 2004. Moreover, on March 27, 2007, the Commission approved the sale of Univision Communications to a group of private equity firms. Subsequently, on May 18, 2007, the shareholders of Clear Channel Communications agreed to be acquired by a group of private equity investors. On that same day, Radio One announced that it had agreed to sell 10 radio stations to a private equity firm. Finally, just two days later, Alltel announced that it, too, had accepted an acquisition offer by private equity firms.

We are eager to obtain your views as to the implications that private equity ownership of entities subject to the Commission's jurisdiction could have on Commission regulations and the public interest. For instance, some observers note that, as a generalization, the history of private equity ownership suggests a financial management style focused on cutting costs, increasing revenues, and the ultimate resale of the enterprise. Such ownership intentions may run contrary, for example, to the historic role of broadcast and other Commission licensees as trustees of the public's airways. On the other hand, supporters of greater private equity involvement in the marketplace assert that by taking entities private, these equity firms are better insulated from the insulated from the financial market pressures to post ever-higher earnings each quarter. This insulation, it is argued, permits the private equity groups to take a more comprehensive approach to the long-term health of the commercial endeavor.

History also suggests that private equity ownership is marked by a management structure that is not overly transparent and by fluid asset management where actual holdings and control may vary significantly, as properties are bought and sold. These historical styles may not be consistent with many of the core public interest and localism values that Congress has assigned to local media outlets and may implicitly undermine the Commission's media ownership rules.

We believe that the trend of increased private equity ownership is deserving of the Commission's attention. Accordingly, please provide the Committee with written responses to the attached questions by July 20, 2007. If you have any questions, please feel free to call us or have your staff contact Tim Powderly or Colin Crowell with the Committee staff at (202) 226-2424.

Sincerely,

John D. Dingell
Chairman

Edward J. Markey
Chairman
Subcommittee on Telecommunications and the Internet

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

Questions for Chairman Martin

1. Does the Commission compile data on private equity ownership and control of entities subject to the Commission's jurisdiction in a manner different from information requested from other licensees?

2. Does the Commission compile data on private equity ownership or control for wireless licensees, including broadcast media, in a manner different than that which may be utilized for ownership and control of telecommunications carriers, or other non-wireless entities, subject to the Commission's jurisdiction?

3. Has the Commission considered the impact of private equity ownership on localism? If not, should the Commission specifically do so?

4. Has the Commission considered the impact of private equity ownership on consumer protection and quality of service for telecommunications carriers?

5. Has the Commission fully considered the impact of private equity ownership on the media ownership rules, particularly as it relates to attribution?

6. Do you believe the Commission's "debt-plus-equity" attribution rules need to be revised to more accurately understand actual private equity ownership and control of broadcast properties?

7. Has the Commission encountered any problems concerning the management and financial transparency of licensees and entities that are owned by private equity firms?

8. What issues, in your view, related to private equity ownership, should the Commission be actively aware of and considering? Should the Commission initiate a proceeding to consider these issues?

ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515–6115

JOHN D. DINGELL, MICHIGAN
CHAIRMAN

July 12, 2007

APPROVED
D.B.F. ✓
G.A.R. ✓
S.E.D. ✓

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Mr. Chairman:

We are writing with respect to the growing trend of private equity ownership of communications-related entities, including mass media outlets. We seek your assistance in ascertaining whether there are policy implications for this trend and whether the Federal Communications Commission's current attribution rules for ownership and control of Commission licenses is adequate.

Private equity firms have acquired many publicly held entities in the last several years. For instance, the Carlyle Group purchased the Hawaiian phone company from Verizon in May 2004. Moreover, on March 27, 2007, the Commission approved the sale of Univision Communications to a group of private equity firms. Subsequently, on May 18, 2007, the shareholders of Clear Channel Communications agreed to be acquired by a group of private equity investors. On that same day, Radio One announced that it had agreed to sell 10 radio stations to a private equity firm. Finally, just two days later, Alltel announced that it, too, had accepted an acquisition offer by private equity firms.

We are eager to obtain your views as to the implications that private equity ownership of entities subject to the Commission's jurisdiction could have on Commission regulations and the public interest. For instance, some observers note that, as a generalization, the history of private equity ownership suggests a financial management style focused on cutting costs, increasing revenues, and the ultimate resale of the enterprise. Such ownership intentions may run contrary, for example, to the historic role of broadcast and other Commission licensees as trustees of the public's airways. On the other hand, supporters of greater private equity involvement in the marketplace assert that by taking entities private, these equity firms are better insulated from the insulated from the financial market pressures to post ever-higher earnings each quarter. This insulation, it is argued, permits the private equity groups to take a more comprehensive approach to the long-term health of the commercial endeavor.

History also suggests that private equity ownership is marked by a management structure that is not overly transparent and by fluid asset management where actual holdings and control may vary significantly, as properties are bought and sold. These historical styles may not be consistent with many of the core public interest and localism values that Congress has assigned to local media outlets and may implicitly undermine the Commission's media ownership rules.

We believe that the trend of increased private equity ownership is deserving of the Commission's attention. Accordingly, please provide the Committee with written responses to the attached questions by July 20, 2007. If you have any questions, please feel free to call us or have your staff contact Tim Powderly or Colin Crowell with the Committee staff at (202) 226-2424.

Sincerely,

John D. Dingell
Chairman

Edward J. Markey
Chairman
Subcommittee on Telecommunications
and the Internet

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

Questions for Chairman Martin

1. Does the Commission compile data on private equity ownership and control of entities subject to the Commission's jurisdiction in a manner different from information requested from other licensees?

2. Does the Commission compile data on private equity ownership or control for wireless licensees, including broadcast media, in a manner different than that which may be utilized for ownership and control of telecommunications carriers, or other non-wireless entities, subject to the Commission's jurisdiction?

3. Has the Commission considered the impact of private equity ownership on localism? If not, should the Commission specifically do so?

4. Has the Commission considered the impact of private equity ownership on consumer protection and quality of service for telecommunications carriers?

5. Has the Commission fully considered the impact of private equity ownership on the media ownership rules, particularly as it relates to attribution?

6. Do you believe the Commission's "debt-plus-equity" attribution rules need to be revised to more accurately understand actual private equity ownership and control of broadcast properties?

7. Has the Commission encountered any problems concerning the management and financial transparency of licensees and entities that are owned by private equity firms?

8. What issues, in your view, related to private equity ownership, should the Commission be actively aware of and considering? Should the Commission initiate a proceeding to consider these issues?