



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

Brendan Carr
Commissioner

December 21, 2024

Mr. Robert A. Iger
Chief Executive Officer
The Walt Disney Company

Re: Disney/ABC's Ongoing Negotiations with Local Broadcast TV Stations

Dear Mr. Iger,

Americans no longer trust the national news media to report fully, accurately, and fairly. Indeed, a recent Gallup survey showed that only 31% of Americans have a great deal or even a fair amount of trust in the mass media, which includes ABC.¹ This is a historic low for your industry and represents a steady decline from a high of over 70%.² Describing this free fall, Jeff Bezos, owner of another national news media outlet, The Washington Post, recently stated that "Our profession is now the least trusted of all. Something we are doing is clearly not working."³

ABC's own conduct has certainly contributed to this erosion in public trust. For instance, ABC News recently agreed to pay \$15 million to President Trump's future presidential foundation and museum and an additional \$1 million in attorney fees to settle a defamation case.⁴ President Trump brought the case against ABC and its anchor George Stephanopoulos for statements Mr. Stephanopoulos made during a national ABC News interview. ABC has now appended a note to its original story in which ABC News and Mr. Stephanopoulos state that they now "regret statements regarding President Donald J. Trump made during an interview by George Stephanopoulos."

When we talk about trust in media, though, it is important to draw a distinction between national programming outlets—like ABC—and the many local broadcast TV stations that are working to serve their local communities. Indeed, Americans view those two types of media entities very differently.

¹ Gallup, *Americans' Trust in Media Remains at Trend Low* (Oct. 14, 2024) (showing that only 31% of Americans say that they have a great deal or a fair amount of trust in mass media), <https://news.gallup.com/poll/651977/americans-trust-media-remains-trend-low.aspx>.

² *Id.*

³ Jeff Bezos, *The Hard Truth: Americans Don't Trust the News Media*, The Washington Post (Oct. 28, 2024), <https://www.washingtonpost.com/opinions/2024/10/28/jeff-bezos-washington-post-trust/>.

⁴ Megan Lebowitz, *ABC to Pay \$15 Million Legal Settlement in Trump Defamation Case*, NBC News (Dec. 14, 2024), <https://www.nbcnews.com/media/abc-news-pay-15-million-legal-settlement-trump-george-stephanopoulos-rcna184269>.

On the one hand, you have the local broadcast TV stations that are licensed by the FCC. Those stations are required by federal law to operate in the public interest—that includes a requirement for those broadcast TV stations to serve the needs of their local communities.⁵ In sharp contrast to national news media outlets, Americans largely hold positive views of their local media outlets.⁶ Indeed, majorities of both major parties say that the local media in their area are doing their jobs well.⁷ And Americans still see value in local news and local journalists.⁸ A large majority of Americans say that local journalists in their area are mostly in touch with their community and are doing well at key roles, including reporting the news accurately, covering the most important stories, and being transparent.⁹

On the other hand, you have the national news media and programmers, which include ABC, NBC, and CBS. Those national programmers, which so many Americans no longer trust, supply many of the shows and content that local broadcast TV stations air. But ABC is also focused on distributing its national content over direct-to-consumer subscription streaming services, like Disney+ and Hulu.

It is against this backdrop—the vast divide in trust between the national news media and local outlets—that I write you today. As a national programmer, ABC is in the midst of renegotiating the terms of many of its affiliate agreements. As you know, affiliate agreements establish the contractual terms that govern many features of ABC’s relationship with the dozens of licensed local broadcast TV stations across the country, including the national or ABC programs that air on those broadcast TV stations (everything from ABC’s Good Morning America and World News Tonight with David Muir to NFL football and Jimmy Kimmel’s late night show) as well as the financial compensation that local broadcast TV stations must pay ABC for the right to air ABC content. Again, there are unique features to ABC’s negotiations that are not present with every affiliate negotiation, including national news programming and the apparent subsidization of direct-to-consumer subscription streaming services.

Turning to the status of the ABC negotiations, reporting indicates that certain of ABC’s affiliate agreements are set to expire at the end of this year, unless ABC and the local broadcast TV stations reach new agreements. The approach that ABC is apparently taking in these negotiations concerns me. My understanding is that ABC is attempting to extract onerous financial and operational concessions from local broadcast TV stations under the threat of terminating long-held affiliations, which could result in blackouts and other harms to local consumers of broadcast news and content.

⁵ See, e.g., 47 U.S.C. § 307; see also 47 U.S.C. § 309. The FCC has an obligation to ensure that broadcasters meet their public interest obligations, and the Communications Act provides remedies for broadcasters that fail to do so.

⁶ Pew Research Center, Americans’ Changing Relationship With Local News (May 7, 2024) (finding that “Americans largely hold positive views of local news organizations”), <https://www.pewresearch.org/journalism/2024/05/07/americans-changing-relationship-with-local-news/>.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

For example, it appears that ABC is attempting to use something commonly called “reverse retrans” fees—where the national programming network takes a percentage of the retransmission consent fees negotiated in good faith by local broadcast TV stations—to siphon more and more money away from local broadcast TV stations for, in ABC’s case it appears, the purpose of underwriting investment in ABC’s direct-to-consumer subscription streaming services. Stepping back from the specifics of ABC’s negotiations for a moment, reporting indicates that reverse retrans fees could, in some cases, exceed 100% of a broadcast TV station’s annual retransmission consent revenue. At the same time, ABC is reportedly pulling the marquee programming, including local sports, from broadcast TV stations in favor of co-owned cable networks or those same subscription streaming services.

This is not how Congress envisioned the retransmission consent process working. When Congress enacted the current retransmission consent process in the 1992 Cable Act—a statutory regime that gives the FCC authority over the process—Congress sought to promote the continued viability of local broadcast TV stations by ensuring that they are compensated by cable companies for the retransmission of their broadcast signals. While the nature and extent of the compensation has evolved over time, the purpose has remained the same—to provide local broadcast TV stations with an important revenue source for programming that serves the *local* community. It is therefore antithetical to the will of Congress that the retransmission consent process be used to impose burdensome financial demands on local broadcast TV stations for the benefit of a network’s direct-to-consumer subscription streaming service. The fact that a massive trust divide has emerged between local news outlets and national programmers like ABC only increases the importance of retransmission consent revenues remaining available for local broadcast TV stations to invest in their local news operations and content that serves their communities.

Moreover, the increasing ability of certain national programming networks with direct-to-consumer subscription streaming services to impose onerous and restrictive conditions on local broadcast TV stations through the terms of affiliate agreements suggests that the network/affiliate relationship is out of balance. Indeed, the Commission has long been concerned about the balance of power between networks and affiliates and has recently noted that the upward trend in reverse compensation is evidence of growing national network power over the local affiliates.¹⁰ Reported restrictions on negotiating carriage on streaming platforms and provisions that restrict a station’s ability to compete for local sports rights are further evidence of this growing imbalance. Not only does this raise localism concerns under the FCC’s statutory public interest standard, but it calls into question the extent to which some national programming networks are able to influence station operations and whether the various terms of network affiliation agreements could unduly inhibit the ability of local broadcast TV stations to make programming decisions that best reflect the needs and interests of their communities.

Taken together, the FCC clearly has an interest in and the authority to facilitate the proper functioning of the retransmission consent process and to ensure that local broadcast TV stations retain the economic and operational independence necessary to meet their public interest

¹⁰ 2018 *Quadrennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996*, Report and Order, 38 FCC Rcd 12782 (2023) (Commissioner Carr dissenting on separate grounds).

obligations. If the network/affiliate relationship is jeopardizing either of those objectives, then the FCC will be compelled to act, particularly considering the American peoples' interest in trusted local news outlets.

I want you to know that I will be monitoring the outcome of your ongoing discussions with local broadcast TV stations to ensure that those negotiations enable local broadcast TV stations to meet their federal obligations and serve the needs of their local communities. A fair agreement would do just that.



Sincerely,

Handwritten signature of Brendan Carr in blue ink.

Brendan Carr

TheDesk.net