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Hotel Monaco
Washington, D.C.

**Remarks of Henry M. Rivera
Chair
Minority Media and Telecommunications Council**

**New Media Entrepreneurship Conference
May 6, 2010
Washington, D.C.**

THANK YOU FOR GIVING ME THE OPPORTUNITY TO ADDRESS THE PROFOUNDLY IMPORTANT ISSUE OF MINORITY NEW MEDIA ENTREPRENEURSHIP. THIS IS AN ISSUE MMTc TAKES UP EVERY YEAR AT OUR ACCESS TO CAPITAL AND TELECOM POLICY CONFERENCE, AND I'D LIKE TO INVITE EACH OF YOU TO RETURN TO WASHINGTON ON JULY 19-20 FOR THIS EXTRAORDINARY EVENT SO THAT YOU CAN INTERACT WITH MANY OF THE NATION'S LEADING INVESTORS, LENDERS AND PROCUREMENT OFFICERS. YOU CAN FIND THE AGENDA AND REGISTRATION MATERIALS ONLINE, OF COURSE – AT WWW.MMTCONLINE.ORG.

NEW MEDIA ENTREPRENEURSHIP CAN PROVIDE A VEHICLE FOR PEOPLE TO DEVELOP A BUSINESS THAT CAN REVOLUTIONIZE THE WAY MEDIA IS DELIVERED, REDEFINE HOW MEDIA CONTENT IS DELIVERED, OR SIMPLY STREAMLINE AND SIMPLIFY EXISTING DELIVERY MECHANISMS.

THE NEW DIGITAL AGE PROVIDES MANY OPPORTUNITIES FOR MINORITY NEW MEDIA ENTREPRENEURS LOOKING TO START NEW VENTURES OR EXPAND EXISTING BUSINESSES. THE INTERNET HAS ESSENTIALLY REDEFINED MEDIA'S ROLE AS A SOURCE OF INFORMATION AND DRIVER OF OPINION, AND IT OFFERS A TRULY UNIQUE WINDOW OF

OPPORTUNITY FOR MINORITY BUSINESS DEVELOPMENT. HOWEVER, THIS OPPORTUNITY DOES NOT COME WITHOUT ITS SHARE OF CHALLENGES. WHILE MINORITY ENTREPRENEURS HAVE AN ABUNDANCE OF CREATIVITY AND COMPETITIVE AND INNOVATIVE BUSINESS MODELS, THEY GENERALLY DON'T HAVE ACCESS TO INHERITED WEALTH, AND THUS THEY FIND IT DIFFICULT TO COMPETE AGAINST ESTABLISHED INCUMBENT MEDIA COMPANIES. THE PEW RESEARCH CENTER HAS PLACED THE RACIAL WEALTH GAP AT 14:1, WHICH EXPLAINS WHY MINORITY ENTREPRENEURS SO OFTEN LACK SEED MONEY AND WORKING CAPITAL. THIS FACT CREATES AN INHERENT BIAS IN HOW BUSINESS IS CONDUCTED AND POSES SIGNIFICANT CHALLENGES FOR MINORITY ENTREPRENEURS AND THEIR ABILITY TO GAIN ACCESS TO THE RESOURCES NECESSARY TO EFFECTIVELY PENETRATE THE MARKET AND TO SUCCEED IN THE MEDIA AND TELECOMMUNICATIONS INDUSTRIES. IN ADDITION, MINORITY ENTREPRENEURS ARE OFTEN UNABLE TO COMPETE DUE TO CLASSIC MARKET ENTRY BARRIERS: OBSTACLES IN OBTAINING REQUIRED LICENSING AND BONDING, BUNDLING OF SMALL CONTRACTS THAT COULD HAVE BEEN PERFORMED BY SMALL BUSINESSES (HAD THE CONTRACTS BEEN DISAGGREGATED), AND THE INHERENT PREFERENCE THAT NATIONAL AND REGIONAL LENDERS GIVE TO LARGER CORPORATE TRANSACTIONS. BUT, THE NUMBER ONE PROBLEM IS THE LACK OF ACCESS TO CAPITAL. SINCE 1982, WHEN I CHAIRED THE FCC'S ADVISORY COMMITTEE ON MINORITY BROADCAST FINANCING, THE COMMISSION

HAS RECOGNIZED THAT THE INABILITY TO ACCESS CAPITAL IS THE PRIMARY MARKET ENTRY BARRIER. FEW LENDERS ARE WILLING TO PARTICIPATE IN TRANSACTIONS UNDER \$20 MILLION, AND EVEN FEWER LOCAL AND REGIONAL LENDERS ARE WILLING TO LEND TO ANY MEDIA BUSINESSES. LIMITATIONS ON ACCESS TO CAPITAL, COMBINED WITH THE CUMBERSOME PROCESS OF OBTAINING FCC LICENSES PLACES MINORITY ENTREPRENEURS AT AN INHERENT DISADVANTAGE.

FROM 1973 TO 2000, THE FCC TOOK MODEST STEPS TOWARDS ADDRESSING MINORITY OWNERSHIP CONCERNS. UNFORTUNATELY, OVER THE PAST TEN YEARS, THE FCC HAS DONE LITTLE BUT ACCUMULATE RECOMMENDATIONS ON HOW TO FIX THE PROBLEM. PRESENTLY SITTING BEFORE THE COMMISSION ARE 75 SPECIFIC PROPOSALS BY MMTc OR THE FCC'S ADVISORY COMMITTEE ON DIVERSITY FOR COMMUNICATIONS IN THE DIGITAL AGE THAT ADDRESS THESE CONCERNS. WHILE THE FCC WORKED DAY AND NIGHT IN 2009 TO PRODUCE AN OUTSTANDING NATIONAL BROADBAND PLAN, IT SLEPT ALL YEAR ON MINORITY ENTREPRENEURSHIP ISSUES.

THEREFORE, THREE MONTHS AGO, MMTc LED A COALITION OF 23 ORGANIZATIONS, INCLUDING MOST OF THE NATION'S LEADING CIVIL RIGHTS ORGANIZATIONS, WHICH WROTE TO CHAIRMAN GENACHOWSKI (AND I QUOTE):

MINORITY OWNERSHIP AND EMPLOYMENT IN OUR INDUSTRIES ARE *DE MINIMIS* AND IN MANY RESPECTS NEARING EXTINCTION. MINORITY TELEVISION OWNERSHIP HAS DECREASED BY 50% SINCE 1999. MINORITY RADIO OWNERSHIP HAS DECLINED BY 9% JUST

WITHIN THE LAST THREE YEARS. MINORITY WIRELESS AND CABLE SYSTEM OWNERSHIP LEVELS ARE NEAR ZERO...

IT IS THEREFORE UNFORTUNATE THAT, IN 2009, THE COMMISSION FAILED TO VOTE ON ANY OF THE DOZENS OF PENDING PROPOSALS TO ADVANCE MINORITY OWNERSHIP AND PARTICIPATION IN THE INDUSTRIES THE COMMISSION REGULATES, INCLUDING PROPOSALS ENDORSED BY THE ADVISORY COMMITTEE ON DIVERSITY FOR COMMUNICATIONS IN THE DIGITAL AGE.

TO HIS CREDIT, CHAIRMAN GENACHOWSKI PROMPTLY DIRECTED THE COMMISSION'S OFFICE OF COMMUNICATIONS BUSINESS OPPORTUNITIES (OCBO), (WHICH PROVIDES ADVICE TO THE COMMISSION ON OPPORTUNITIES FOR OWNERSHIP BY SMALL, MINORITY, AND WOMEN-OWNED COMMUNICATIONS BUSINESSES), TO REVIEW EVERY ONE OF THE 75 PENDING MINORITY OWNERSHIP PROPOSALS WITH THE MMTC STAFF. THE OCBO/MMTC REVIEW PROCESS IS WELL UNDERWAY AND WE'RE HOPEFUL THAT IT WILL PRODUCE THE GREATEST WAVE OF MINORITY OWNERSHIP INITIATIVES IN THE COMMISSION'S HISTORY.

THIS DIDN'T HAPPEN WITHOUT AN ENORMOUS COMMITMENT OF TIME AND CREATIVITY BY DOZENS OF VOLUNTEERS. I ESPECIALLY WANT TO THANK FLORIDA PUBLIC SERVICE COMMISSION CHAIRWOMAN EMERITUS JULIA JOHNSON, WHO WAS MY PREDECESSOR AS CHAIR OF THE FCC'S DIVERSITY COMMITTEE FROM 2003 TO 2005 WHEN IT FRAMED AND APPROVED MOST OF THE 75 PENDING MINORITY OWNERSHIP PROPOSALS, AND WHO WAS INSTRUMENTAL IN MAKING TODAY'S NEW MEDIA ENTREPRENEURSHIP CONFERENCE A SUCCESS.

I THOUGHT YOU MIGHT BE INTERESTED IN HEARING ABOUT THREE OF THE DOZENS OF PROPOSALS THAT THE FCC HAS UNDER CONSIDERATION:

FIRST, MMTC AND THE FCC'S DIVERSITY COMMITTEE HAVE ASKED THE FCC TO ALLOW MODEST WAIVERS OF ITS MULTIPLE OWNERSHIP RESTRICTIONS WHEN A BROADCAST COMPANY FINANCES OR INCUBATES A MINORITY OR DISADVANTAGED BROADCASTER IN THE SAME MARKET.

SECOND, THE DIVERSITY COMMITTEE HAS ASKED THE COMMISSION TO DEVELOP A LEGISLATIVE RECOMMENDATION FOR A NEW SMALL AND MINORITY COMMUNICATIONS LOAN GUARANTEE PROGRAM, AS WELL AS A MECHANISM TO PURCHASE LOANS MADE TO MINORITY AND DISADVANTAGED BUSINESSES.

AND THIRD, THE DIVERSITY COMMITTEE HAS ASKED FCC TO CREATE A NEW COMMUNICATIONS TECHNOLOGIES SUPPLIER DIVERSITY PROGRAM THAT WOULD EXTEND THE MINORITY PROCUREMENT OBLIGATIONS THAT NOW ONLY APPLY TO CABLE SYSTEMS TO COVER, INSTEAD, ALL FCC-REGULATED INDUSTRIES. NEXT WEEK MMTC IS GOING EVEN FARTHER AND WILL ASK THE FCC TO EXTEND ALL OF ITS BROADCAST CIVIL RIGHTS RULES – PROCUREMENT, TRANSACTIONAL NONDISCRIMINATION, ADVERTISING NONDISCRIMINATION, AND EQUAL EMPLOYMENT OPPORTUNITY – TO ALL FCC REGULATED INDUSTRIES INCLUDING, TO THE EXTENT POSSIBLE, BROADBAND SERVICES.

OF COURSE THE FCC DOES NOT REGULATE “NEW MEDIA” SUCH AS THE INTERNET, BLOGS AND WEBSITES BUT, AS NOTED BY SEVERAL NATIONAL CIVIL RIGHTS ORGANIZATIONS IN THEIR COMMENTS IN RESPONSE TO THE COMMISSION’S NET NEUTRALITY NPRM, FCC REGULATION ADJACENT TO THE NEW MEDIA SPACE COULD POSE A GENUINE PROBLEM FOR YOU AS NEW MEDIA ENTREPRENEURS. THAT’S BECAUSE SOME FORMS OF FCC REGULATION COULD DISCOURAGE INVESTMENTS IN BROADBAND DEPLOYMENT, MAKING ACCESSIBILITY MORE COSTLY AND CHALLENGING FOR YOU. LARGE INTERNET-BASED COMPANIES HAVE AN ADVANTAGE WHEN IT COMES TO DEPLOYING THEIR OWN CONTENT DELIVERY NETWORKS, SERVER FARMS, AND OTHER INFRASTRUCTURE USED TO SPEED DELIVERY OF THEIR CONTENT AND APPLICATIONS TO END USERS. THIS MAKES IT MORE DIFFICULT FOR SMALLER ENTREPRENEURS TO COMPETE IN THE ONLINE MARKETPLACE. FORTUNATELY, VOLUNTARY INCUBATION, PRICE DISCOUNTS, AND EQUITY PARTNERSHIPS BETWEEN INTERNET SERVICE PROVIDERS AND MINORITY BUSINESSES WOULD ALLOW NEW ENTRANTS TO PROVIDE THEIR CUSTOMERS WITH THE SAME FAST AND RELIABLE OFFERINGS AS THEIR ESTABLISHED COMPETITORS. INITIATIVES OF THIS KIND MAKE SENSE. UNFORTUNATELY, AS THE NATIONAL ORGANIZATIONS NOTED IN THEIR COMMENTS, THESE PARTNERSHIPS WOULD NOT BE PERMITTED UNDER ONE OF THE FCC’S PROPOSED RULES FOR NET NEUTRALITY.

THE WHITE HOUSE SHOULD ALSO BECOME MUCH MORE PRO-ACTIVE IN SUPPORTING MINORITY ENTREPRENEURSHIP IN THE MEDIA AND TELECOM SPACE. IN JANUARY, WE WERE STARTLED TO LEARN THAT THE PRESIDENT'S PROPOSED BUDGET WOULD ZERO OUT THE TELECOMMUNICATIONS DEVELOPMENT FUND (TDF), WHICH IS THE ONLY REMAINING FEDERAL INITIATIVE DESIGNED TO ADVANCE MINORITY MEDIA AND TELECOMMUNICATIONS OWNERSHIP. GIVEN THE STATE OF OUR ECONOMY, PROGRAMS THAT OFFER INCENTIVES AND OPPORTUNITIES FOR INCREASED MINORITY BUSINESS DEVELOPMENT ARE ESSENTIAL, AS THEY FOSTER NEW JOB CREATION AND PUMP MUCH NEEDED MONEY INTO OUR ECONOMY.

AMONG THE MANY ROLES OF A MINORITY ENTREPRENEUR, ONE OF THE MOST IMPORTANT IS TO INFLUENCE THE GOVERNMENT, INCLUDING THE WHITE HOUSE AND THE FCC, BY SERVING AS AN ADVOCATE FOR MINORITY BUSINESS. WHETHER THE ISSUE IS NET NEUTRALITY, SPECTRUM POLICY, UNIVERSAL SERVICE OR MINORITY INVESTMENT POLICY, ALL OF US SHOULD CONSIDER WHETHER EVEN WELL-INTENTIONED FEDERAL INITIATIVES ARE IN ALIGNMENT WITH THE NEEDS OF THE MINORITY BUSINESS COMMUNITY. JUST AS LARGE ESTABLISHED COMPANIES HIRE LAWYERS AND LOBBYISTS TO MAKE SURE THEIR BUSINESS NEEDS ARE MET, THE MINORITY BUSINESS COMMUNITY MUST BE ENGAGED IN THE POLICY DECISION-MAKING PROCESS. MMTCC WORKS VERY HARD ON THESE MATTERS, BUT WE CAN'T WAGE THIS FIGHT ALL

BY OURSELVES. WHEN THE FCC REQUESTS COMMENT ON A NOTICE OF PROPOSED RULEMAKING THAT CONCERNS AN ISSUE RELEVANT TO MINORITY BUSINESS, THE NEW MEDIA ENTREPRENEURSHIP COMMUNITY MUST RESPOND. IF WE ARE NOT VOICING OUR CONCERNS AND NEEDS, THEN WE CANNOT COMPLAIN WHEN OUR NEEDS ARE NOT MET. WE HAVE A COMMUNITY TO SERVE THAT WANTS ITS VOICE TO BE HEARD.

WE STAND TODAY AT THE VERY MOMENT IN HISTORY WHEN ACCESS TO CAPITAL AND OPPORTUNITY WILL DETERMINE WHETHER THE INTERNET WILL REFLECT THE NATION'S DIVERSITY, OR WHETHER THE NEXT GENERATION ON THE NET WILL RESEMBLE THE LAST THREE GENERATIONS OF BROADCASTING, CABLE AND TELECOM, WITH MINORITIES GROSSLY UNDER-INCLUDED AND CONSTANTLY FIGHTING TO GET IN.

EVERY LEGACY COMMUNICATIONS TECHNOLOGY - PRINT, WIRELINE TELEPHONY, RADIO, TELEVISION, CABLE, SATELLITES AND WIRELESS - HAD ITS BIRTH BEFORE THE CIVIL RIGHTS ERA. WHEN THESE TECHNOLOGIES WERE IN THEIR EARLY STAGES, INDUSTRY AND GOVERNMENT DIDN'T FOCUS ON DIVERSITY, AND THERE WERE VIRTUALLY NO CIVIL RIGHTS PROTECTIONS OR MINORITY BUSINESS INITIATIVES. TODAY, MMTC'S CAMPAIGN TO DIVERSIFY THESE NOW-MATURE INDUSTRIES MUST BE UNDERTAKEN IN AN ENVIRONMENT IN WHICH THE KEY POWER POSITIONS, AND KEY CONTRACTUAL AND

PROCUREMENT RELATIONSHIPS ARE DECADES OLD AND DIFFICULT TO DISPLACE. IT'S VERY CHALLENGING.

BRINGING DIVERSITY TO BROADBAND HOWEVER DOESN'T HAVE TO BE AS CHALLENGING. IT IS THE FIRST COMMUNICATIONS TECHNOLOGY TO BE ROLLED OUT IN AN ERA THAT ENJOYS CIVIL RIGHTS PROTECTIONS. I INVITE YOU TO JOIN MMTC IN THIS EFFORT. THANK YOU.