

Locking The Media Out Of Unemployment Reports

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WASHINGTON (AP) — A Labor Department watchdog has recommended ending a practice that allows reporters to review a key unemployment report before it is made public.

Media "lockups" for weekly unemployment benefits are a problem because news outlets can feed the data to investment firms and financial exchanges immediately after the lockup ends, the Labor Department's Office of the Inspector General said in a report released Thursday.

Several news services use software to transmit the economic data to traders, who then profit because they have the data fractions of a second before other investors. The AP provides such data to the Nasdaq exchange, which then sells the data to its customers.

In its report, the Inspector General recommended adopting procedures that eliminate such competitive advantages or discontinuing the lockups entirely.

The report focused only on weekly applications for unemployment benefits. But it could mark the first effort to end all lockups, including the monthly jobs report. Journalists have had an advance look at a whole range of economic data issued regularly by the government since the mid-1980s.

The Labor and Commerce departments hold lockups in secure facilities to allow reporters 30 to 60 minutes to review complex data before public release.

When lockups begin, the room is secured. Internet and phone access are shut off. Reporters then receive the embargoed information. Officials turn the phone and Internet lines back on when the lockup ends and the data are officially released.

Reporters are prohibited from bringing cellphones and other devices into the lockups. And Labor requires reporters to stow all personal items — including their pens and calculators — in lockers outside the room. They also must pass through metal detectors before entering the room.

Still, the report noted that the advent of high-speed computerized trading has allowed news outlets to profit from their access because they are "selling, to traders, high speed data feeds." These plugged-in traders have a "competitive advantage" because their computers can act on this information faster than the Labor Department can post reports to its website. Even milliseconds can provide a financial advantage.

The Labor Department has raised its own concerns about the early release of

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market-moving data and responded to the report by saying it will consider ending the unemployment benefits lockup. The agency also said in a written response to the report that it has been "exploring" alternatives.

A Labor Department spokesman said the agency is currently reviewing the Inspector General's report and had no timeline for introducing possible changes.

The lockups were started in the pre-Internet 1980s as a way to improve the accuracy of reporting about economic data.

Federal officials have become increasingly concerned about the security of sensitive, market-moving information in the past year. Possible leaks of government data have already led the Labor Department to tighten its procedures for distributing information early to reporters. Labor also revoked early access for some media organizations. The accidental early postings of unemployment benefit data in August 2012 helped to trigger the Inspector General's audit.

The Federal Reserve also operates media lock-ups when its policymaking committee meets eight times a year, and recently adopted stricter requirements for reporters who attend them.

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