BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of

Tribune Media Company and Nexstar Media Group, Inc. Consolidated Applications for Consent to Transfer Control

MB Docket No. 19-30

COMMENTS OF NCTA – THE INTERNET & TELEVISION ASSOCIATION

Rick Chessen
Neal M. Goldberg
Diane B. Burstein
NCTA – The Internet & Television Association
25 Massachusetts Avenue, NW – Suite 100
Washington, DC 20001-1431

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NCTA – The Internet & Television Association ("NCTA") files these comments in response to the Applications and Comprehensive Exhibit\(^1\) submitted by Nexstar Media Group, Inc. ("Nexstar") and Tribune Media Company ("Tribune") (collectively, "Applicants") in the above-captioned proceeding. Given the size and scope of the merged entity, and Nexstar’s request to own two top-four stations in Indianapolis, NCTA believes the transaction as currently proposed presents a material risk of consumer and competitive harm. The increased concentration of station ownership, far from benefiting multi-channel video programming distributors ("MVPDs") as Applicants implausibly suggest, will in fact increase Applicants’ leverage in retransmission consent negotiations and lead to higher consumer prices as a result of the unreasonable retransmission consent demands that this transaction makes more likely.

\*I. INTRODUCTION AND SUMMARY.*

The proposed combination of Nexstar and Tribune would create a television broadcaster (the “Combined Entity”) of unprecedented size, scope, and reach. As currently proposed, Nexstar would own or service 216 stations in 118 markets, including stations in many of the major markets.\(^2\) This includes 39 stations over which Applicants exercise substantial operational control through joint sales agreements ("JSAs"), local marketing agreements ("LMAs") and shared services agreements ("SSAs") entered into with the stations’ nominal owners.

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\(^1\) See Tribune Media Co. and Nexstar Media Group, Inc. Consolidated Applications for Consent to Transfer Control, MB Docket No. 19-30, Comprehensive Exhibit (filed Jan. 28, 2019) ("Comprehensive Exhibit").

\(^2\) See Press Release, Nexstar Media Group, Inc., Nexstar Media Group Enters into Definitive Agreement to Acquire Tribune Media Company for $6.4 Billion in Accretive Transaction Creating the Nation’s Largest Local Television Broadcaster and Local Media Company (Dec. 3, 2018), https://www.nexstar.tv/nexstar_agrees_to_acquire_tribune/. Nexstar describes this as the number of “pre-divestiture” stations the Combined Entity would “own[] or service[].” It has not provided the total number of such stations the Combined Entity would own or service following the divestitures it has proposed. *Id.*
Nexstar’s holdings post-merger will give it exceptional leverage in business dealings with MVPDs. Under the public interest standard, Applicants must demonstrate to the Commission that their unprecedented transaction satisfies the ownership rules, and that it is consistent with the objectives of the Communications Act. That requires an examination of the impact of the transaction on downstream markets such as distribution by MVPDs and consideration of merger-specific conditions to ensure that the Combined Entity does not abuse the enormous local and national market power that would be created by this transaction. Without appropriate guardrails in place, the Combined Entity will be uniquely positioned to exercise this leverage to the detriment of consumers and competition.

To mitigate these effects, the Commission should strictly apply its media ownership rules to Nexstar. At a minimum, this means that the Commission should deny Nexstar’s request to own two top-four stations in the Indianapolis Designated Market Area (“DMA”) because it does not satisfy the Commission’s case-by-case evaluation of the prohibition on common ownership of multiple top-four broadcast stations within a DMA (the “Top-Four Prohibition”). As the data demonstrate, Nexstar’s ownership of two top-four stations in the Indianapolis market would give it market power in retransmission consent negotiations that is equal to or greater than in markets where Nexstar has already agreed to divest a top-four station. The inevitable exercise of this market power would result in higher retransmission consent fees that would ultimately be borne by consumers. Nexstar’s Top-Four Showing for Indianapolis summarily dismisses the retransmission consent harms associated with Nexstar’s ownership of multiple top-four stations in those markets—harms that the Commission has long recognized and recently affirmed continue to exist, and that Nexstar does not contest with respect to divestiture markets. Moreover, Nexstar does not offer any evidence that these harms are outweighed by the purported
benefits of the proposed transaction. The Commission should also prevent the Combined Entity from circumventing the Top-Four Prohibition by affiliating with two national networks in a market through the use of secondary digital streams or low power television (“LPTV”) stations.

Finally, the risk of retransmission consent harms also would be exacerbated by the unprecedented national reach created by this transaction. In Indianapolis, and in every other market where the Combined Entity owns a station or stations, its national footprint would enable it to demand higher fees by withholding retransmission consent for cable operators and other MVPDs that refuse to agree to such retransmission consent demands. While Applicants assert that they will divest stations to comply with the Commission’s local ownership rules in markets other than Indianapolis and that they have “committed to divest stations” to comply with the national ownership cap, they have identified neither the stations they intend to divest nor the buyers of these stations. The Commission therefore should not approve this transaction until the Applicants provide the requisite divestiture information, and the public has been given a full opportunity to review and comment on the proposed divestitures.

II. THE COMBINED ENTITY WILL HAVE SUBSTANTIAL MARKET POWER.

The Applicants must commit to the divestitures necessary to bring the transaction within the Commission’s existing media ownership rules. Even with such divestitures, however, the Combined Entity would be uniquely positioned nationally and locally and pose risks to competition. Given these risks, and the requirement that a transaction may not be approved except on a finding that it serves the public interest, convenience, and necessity, the Commission should scrutinize this transaction carefully and consider adopting transaction-specific conditions to minimize these adverse impacts.

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The proposed combination of Nexstar and Tribune would create a broadcast colossus of unprecedented size, scope, and reach. If the Commission were to approve the transaction without divestitures, the Combined Entity would own or service 216 full power stations nationwide post-merger, with stations in 18 of the top 25 markets and 37 of the top 50 markets, and at least one station in each of the nation’s top five media markets (New York, Los Angeles, Chicago, Philadelphia, and Dallas). The Combined Entity would also wield substantial market power at the local level. In 15 markets—including Denver, the District of Columbia, New Orleans, Oklahoma City, Portland, Seattle, and St. Louis—Nexstar will acquire either a second station or a duopoly from Tribune. Even though for eight of these markets Nexstar has indicated that it will divest either an existing Nexstar station or an acquired Tribune station in order to comply with the Commission’s duopoly rule, it is impossible to determine what stations it plans to keep or sell because Nexstar has yet to file its divesture information. Moreover, seven of these duopoly markets will be in addition to the 23 markets where Nexstar already owns multiple stations.

Further, in addition to stations that it currently owns or would own if the transaction is approved, Nexstar and Tribune exercise substantial operational control of 39 stations through

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4 See Harry A. Jessell & Mark K. Miller, Nexstar to Spin Off $1B In Stations, TVNewsCheck (Dec. 3, 2018), https://tvnewscheck.com/article/226264/nexstar-buying-tribune-media-6-4-billion/.
5 See Comprehensive Exhibit at 16-17.
6 See id. at 28-31.
7 See id.
8 See id.
9 See id.; see also Nexstar Media Group, Inc., Annual Report (Form 10-K) 9-12 (Feb. 27, 2019) (“Nexstar 10-K”). In an additional four markets, Nexstar also owns at least one satellite station. See Nexstar 10-K at 9-12.
JSAs, LMAs and SSAs entered into with the station’s nominal owners. As the Commission has recognized, these agreements can be a vehicle for engaging in prohibited joint retransmission consent negotiations. The Commission should ensure that the Combined Entity is prevented from engaging in such abuses going forward.

Finally, Nexstar owns over 140 LPTV stations in the 100 markets where it also owns full power stations. LPTV stations are not attributable under the Commission’s ownership rules, and thus an LPTV station affiliated with a top-four network could become a vehicle for evading the duopoly rule or the Top-Four Prohibition in markets where those rules would bar the ownership of a second full power station. In negotiations for retransmission consent in these markets, the Combined Entity would have the leverage to threaten to deprive MVPD subscribers of multiple network affiliates unless the MVPD agrees to unreasonable fees or other compensation.

III. THE COMBINED ENTITY’S MARKET POWER WOULD CREATE A MATERIAL RISK OF CONSUMER AND COMPETITIVE HARM.

As noted above, post-transaction the Combined Entity will own multiple stations in 118 markets, and in nearly all of those markets, one station will be a top-four network affiliate. In

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10 See id. at 40 (“Through various local service agreements, we provided sales, programming and other services to 39 full power television stations owned by independent third parties, of which 38 full power television stations are VIEs [variable interest entities] that are consolidated into our financial statements.”). Tribune has sidecar agreements with three stations. See Tribune Media Co., Annual Report (Form 10-K) 11 (Mar. 1, 2019).


12 Nexstar 10-K at 9-12.

13 As noted above, these numbers do not include markets where the Combined Entity carries a second network affiliate as the secondary stream of a full power network affiliate or as an LPTV station sharing a full power channel. In negotiations for retransmission consent of such dual stations, the Combined Entity will have the leverage borne of the ability to threaten to deprive MVPD subscribers of two network affiliates unless the MVPD agrees to unreasonable fees or other compensation.
addition, the Combined Entity will enhance Nexstar’s negotiating leverage by increasing its national audience reach from 39 percent of television households to over 70 percent or even higher.\textsuperscript{14} This aggregation of assets—and resulting market power—will give the Combined Entity unprecedented leverage in negotiations with distributors that would harm both consumers and competition.

Applicants’ claim that MVPDs act as “gatekeepers” in a “concentrated” market and that the transaction will benefit MVPDs because the Combined Entity’s “increased scale” will lower transaction costs in retransmission consent negotiations,\textsuperscript{15} but neither claim can withstand scrutiny. First, broadcasters have—and always have had—the ability to reach consumers directly through spectrum licensed to them by the federal government for free. The Commission also recently acknowledged that MVPDs “as a group have been losing subscribers since 2013”\textsuperscript{16}


\textsuperscript{15} See Comprehensive Exhibit at 14-15 (“Additionally, by increasing Nexstar’s audience reach, the Transaction will bring efficiencies, such as lower transaction costs, to negotiations between Nexstar and its MVPD partners. MVPDs operate in an increasingly concentrated market, and are not subject to any FCC-imposed caps on the number of households they can serve. Free from regulatory constraints imposed by the Commission, these MVPDs have steadily increased in size. Today, many have market caps far exceeding that of the entire television broadcast industry, let alone any individual television broadcaster.” (footnote omitted)).

\textsuperscript{16} See In re Communications Marketplace Report, GN Docket No. 18-231, Report, FCC 18-181, ¶ 53 (rel. Dec. 26, 2018) (“2018 Communications Marketplace Report”). The Commission also has found that cable operators are subject to effective competition throughout most of the United States. See In re Amendment to the Commission’s Rules Concerning Effective Competition, Report and Order, 30 FCC Rcd 6574, 6577 ¶ 4 (2015) (“[T]he Commission has found Effective Competition in more than 99.5 percent of the communities evaluated since the start of 2013.”).
and that “[f]rom 2015 to 2016, total retransmission consent fees paid by cable systems to television broadcast stations increased, on average, by 31.8% per year.”\(^\text{17}\) In addition, consumers can readily access video content not only from MVPDs, but through an increasing array of online video distributors, a list that only continues to expand, and includes Netflix, Amazon Prime Video, and other popular web-based video programming options.\(^\text{18}\) Online “virtual” MVPDs—such as DIRECTV NOW, Sling, YouTube Live, fubo TV, Playstation Vue, Hulu Live, and others—now offer full-fledged channel line-ups, including linear broadcast and cable channels.\(^\text{19}\) The Commission has also recognized that the increase in competition among MVPDs has improved broadcasters’ leverage in retransmission consent negotiations with MVPDs.\(^\text{20}\)

Far from benefiting MVPDs and their subscribers, the proposed transaction would exacerbate the Combined Entity’s leverage in downstream distribution markets. Any purported reduction in transaction costs would be dwarfed by immediate increases in retransmission consent fees that will ultimately be borne by consumers. Indeed, on the conference call with analysts to announce the deal, Nexstar said “it expects retrans revenue to rise by about $75 million in the combined company just by applying Nexstar’s rates to the Tribune stations.”\(^\text{21}\)

\(^{17}\) See 2018 Communications Marketplace Report \(\S\) 75.

\(^{18}\) Id. \(\S\) 88.

\(^{19}\) Id. \(\S\) 81-82. These services are readily accessible through peripheral devices from companies such as Roku and Apple, and so-called “smart” TVs come preloaded with apps—and permit direct downloading of new apps—that render even a peripheral device unnecessary. See id. \(\S\) 122.

\(^{20}\) In re Implementation of Section 103 of the STELA Reauthorization Act of 2014, Totality of the Circumstances Test, Notice of Proposed Rulemaking, 30 FCC Rcd 10,327, 10,329-30 \(\S\) 3 (2015). The Commission explained that in the current marketplace, MVPDs failing to reach retransmission consent agreements with broadcast stations “may permanently lose subscribers to rival MVPDs—including subscribers to its associated voice and broadband services.” Id.

This $75 million retransmission consent windfall accounts for nearly half of the merger’s $160 million in anticipated first-year synergies and would create imminent harm to MVPDs and consumers. As Nexstar President and CEO Perry Sook explained, Tribune’s rates would increase to Nexstar’s rates “within 30 days of notice, and notice will be delivered 30 days prior to closing. So I think you could say the impact will be fairly immediate post acquisition.”

Even before the deal was announced, Sook acknowledged that more “scale” leads to “incremental negotiating leverage” in MVPD discussions. Not surprisingly, Nexstar recently announced that its combined retransmission consent fee and digital media revenue exceeded its total annual television advertising revenue.

Nexstar’s increased leverage and scope could also lead to more widespread blackouts when negotiations break down. Notably, Nexstar negotiates nationwide retransmission consent agreements, and both it and Tribune have been willing to engage in multimarket blackouts. For

Docket No. 16-57, at 10-11 (Mar. 18, 2016) (noting in the impact of the after-acquired station clauses in Nexstar’s retransmission consent agreement). Even prior to this transaction, retransmission consent fees have risen alarmingly in recent years. See, e.g., Petition to Deny of American Cable Association, MB Docket No. 17-179, at 12 (Aug. 7, 2017) (observing that “retransmission fees—which are ultimately passed on to customers—have risen by tens of thousands of percent in the last decade” and “have seen 40 percent annual increases over the last three years”).

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25 Press Release, Nexstar Media Group., Inc., Nexstar Media Group Fourth Quarter Net Revenue Rises to 22.1% To A Record $798.0 Million (Feb. 26, 2019), (“Combined digital media and retransmission fee revenue increased 10.5% to $349.6 million in the fourth quarter and 13.1% to $1.4 billion for the full year, marking the first time in the Company’s history that this combined metric has exceeded total annual television advertising revenue.” (quoting Nexstar CEO Perry Sook)), https://www.nexstar.tv/nexstar-media-group-fourth-quarter-net-revenue-rises-22-1-to-a-record-798-0-million/.
the entire month of January 2019, including nearly the entirety of the NFL playoffs, Nexstar blacked out TDS Telecom customers after the MVPD refused to pay up to 129 percent more for video content.26 Similarly, Tribune blacked out its stations on Charter systems for nine days in January, depriving some six million customers across the country of top-four affiliates and other programming.27 Most recently, HolstonConnect filed a complaint against Nexstar at the Commission for failure to engage in “good faith” retransmission consent negotiations and seeking “grossly excessive” retransmission consent fees for two Nexstar-owned top-four affiliates.28

This brinksmanship in negotiations with MVPDs of all sizes and the willingness to go dark is not a new practice for either broadcaster. In 2016, Tribune blacked out its stations on Dish systems across the country for 12 weeks,29 and Nexstar blacked out its signal for Cox subscribers in nine DMAs for seven days.30 In 2013, Nexstar pulled its signal for MTC Cable subscribers in Binghamton, New York for 17 days. At the time of the dispute, MTC noted that Nexstar sought a 300 percent increase in monthly programming fees.31

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The transaction would also put upward pressure on retransmission consent fees by allowing the Combined Entity to create two new local duopolies, and by giving the Combined Entity greater leverage in negotiations with respect to its 31 existing duopolies. The Commission has already recognized the leverage conferred on broadcasters in the same market that jointly negotiate retransmission consent agreements—by barring such joint negotiations among any of the top-four stations in a market upon its finding that “joint negotiation gives such stations both the incentive and the ability to impose on MVPDs higher fees for retransmission consent than they otherwise could impose if the stations conducted negotiations for carriage of their signals independently.” Congress subsequently found that these harms arise in joint negotiations by any two stations and amended Section 325 of the Communications Act to prohibit the practice as a violation of the “good faith” standard applicable to such negotiations. The Commission revised its rule accordingly. While commonly owned stations are exempted from this rule, joint retransmission consent negotiations for multiple stations present the same harms to consumers whether or not the stations are commonly owned. These harms increase exponentially where a company with the track record of the Applicants is negotiating retransmission consent with an MVPD in multiple markets.

32 See Comprehensive Exhibit at 30-31 (indicating that the transaction will create a new duopoly in both Portland, Oregon and the District of Columbia as Nexstar and Tribune each only own one station in the respective markets).


34 See 47 U.S.C. § 325(b)(3)(C)(iv). It is worth noting that Congress enacted the ban on joint negotiations by non-commonly owned stations against the backdrop of the Commission’s rule barring common ownership of two top-four stations, which effectively precluded joint negotiations by two such stations even under the exception for commonly-owned stations.

35 See 47 C.F.R. § 76.65(b)(1)(viii).
IV. NEXSTAR HAS NOT MET ITS BURDEN TO DEMONSTRATE THAT THE HARMS ASSOCIATED WITH OWNERSHIP OF TWO TOP-FOUR STATIONS IN INDIANAPOLIS ARE MINIMAL OR OUTWEIGHED BY ANY PURPORTED BENEFITS.

In the *Quadrennial Review Reconsideration Order*, the Commission retained its Top-Four Prohibition on common ownership of multiple top-four broadcast stations within a DMA.36 Nonetheless, the Commission gave applicants an opportunity to request a case-by-case examination of a proposed combination that would otherwise be prohibited. Applicants seeking approval of such a transaction “must demonstrate that the benefits of the proposed transaction would outweigh the harms,” and that the application of the Top-Four Prohibition is not in the public interest with respect to the specific transaction “because the reduction in competition is minimal and is outweighed by public interest benefits.”37 The Commission pledged that it would “undertake a careful review of such showings in light of the record with respect to each such application.”38

The Commission should deny Nexstar’s request to own two top-four stations in Indianapolis because it has failed to establish that the harms resulting from reduced competition in this market are minimal or that the public interest will be served by its common ownership of these stations. As such, the proposed combination would give Nexstar significant leverage to raise retransmission consent fees in this market. Because Applicants have failed to address the retransmission consent harms in any meaningful way, let alone shown that such harms are “minimal,” the Commission lacks any basis for approving the requested exception to the Top-


37 *Id.* at 9838-39 ¶ 82.

38 *Id.* at 9839 ¶ 82.
Four Prohibition. As demonstrated below, moreover, no such showing is possible given the increase in market power that the Combined Entity would enjoy if it owned both top-four stations in this market.

The *Quadrennial Review Reconsideration Order* describes the types of information that applicants could provide to justify an exception to the Top-Four Prohibition, such as ratings share data, revenue share data, and characteristics of the market served by the stations subject to the requests.\(^{39}\) The Commission noted that the list of categories was non-exclusive, however, and expressly declined to articulate “a rigid set of criteria for our case-by-case analysis.”\(^{40}\) To the contrary, it provided the opportunity for parties “to advance any relevant concerns—including concerns related to retransmission consent issues—in the context of a specific proposed transaction if such issues are relevant to the particular market, stations, or transaction.”\(^{41}\)

This transaction raises such concerns, and Nexstar has failed to address them. As a threshold matter, a broadcaster negotiating retransmission consent agreements for multiple

\(^{39}\) Id. at 9838-39 ¶ 82 (“Such information regarding the impacts on competition in the local market could include (but is not limited to): (1) ratings share data of the stations proposed to be combined compared with other stations in the market; (2) revenue share data of the stations proposed to be combined compared with other stations in the market, including advertising (on-air and digital) and retransmission consent fees; (3) market characteristics, such as population and the number and types of broadcast television stations serving the market (including any strong competitors outside the top-four rated broadcast television stations); (4) the likely effects on programming meeting the needs and interests of the community; and (5) any other circumstances impacting the market, particularly any disparities primarily impacting small and mid-sized markets.” (emphasis added) (footnote omitted)).

\(^{40}\) Id. at 9838 ¶ 82.

stations in a market has greater leverage over an MVPD in those negotiations than the owner of a single station in that market. If subscribers view certain local broadcast stations as at least partial substitutes for one another, then subscribers may be more inclined to stay with an MVPD even if it fails to reach an agreement with a particular viewer’s preferred broadcast station as long as the MVPD reached agreements with other stations in the market. If an MVPD loses access to multiple stations, however, there is a greater chance some customers will switch to another MVPD provider. Economic theory therefore makes the unambiguous prediction that the merger will enhance the bargaining power of the commonly-owned broadcast stations relative to MVPDs.\footnote{See Comments of NCTA, Declaration of Bryan Keating and Jon Orszag (“Keating/Orszag Declaration”) ¶ 14, MB Docket No. 17-179 (June 30, 2018).}

The negotiating leverage derived from common ownership of multiple stations within a market applies with particular force to negotiations with top-four broadcast stations. These stations are typically affiliated with the most popular networks that provide access to valuable programming, such as sports. Failure to reach agreement with two top-four broadcast stations would force some subscribers to view their third-choice station, making them more likely to switch MVPDs. In other words, MVPDs are disproportionately worse off if they carry only two of the top-four broadcast stations in a market rather than carrying three or four of the top-four-ranked stations. Recognizing the likely upward pressure on retransmission consent fees that would be created by this asymmetry, the Commission barred joint retransmission consent negotiations by two top-four stations in the same market unless they are commonly owned.\footnote{2014 Retransmission Consent Order, 29 FCC Rcd at 3358-59 ¶ 13.}
Congress later extended this ban to joint negotiations of any two non-commonly-owned stations in the same market.44

Remarkably in light of this history, Nexstar’s Top-Four Showing does not contain any analysis regarding the impact of the proposed combination on retransmission consent negotiations.45 Instead, Nexstar argues that while estimates of retransmission consent revenues are available for every station in the country, those estimates “are unreliable.”46 In particular, Nexstar contends that the estimates “do not account for the individual factors that go into each agreement (including . . . the number of subscribers for each MVPD [and] competition from cable networks...).”47 In addition, Nexstar argues that retransmission consent revenue estimates do not “account for the high cost of programming, which varies from station to station and market to market.”48

Nexstar’s denials ignore the fact that the Department of Justice (“DOJ”) recognizes “The Licensing of Big 4 Television Retransmission Consent” as a distinct market for analyzing a merger’s anticompetitive harms.49 Moreover, both the FCC and the DOJ have previously

46 Id.
47 Id.
48 Id. The improvements to news and public affairs programming asserted by Nexstar in support of its request to own two top-four stations in Indianapolis do not even purport to respond to the very real retransmission consent harms presented by the continuation of the duopoly.
recognized that consolidation of broadcast stations under a single owner in a market eliminates competition and, by empowering the owner to negotiate retransmission consent for both stations, puts upward pricing pressure on retransmission consent rates. Specifically, as noted above, the Commission has found that joint negotiation of retransmission consent for broadcast stations enables the broadcast stations to “impose on MVPDs higher fees for retransmission consent.”

In connection with Nexstar’s purchase of Media General, the DOJ found that the proposed acquisition would “diminish competition in the negotiation of retransmission agreements with MVPDs” because Nexstar would have the ability to threaten “with the simultaneous blackout” stations affiliated with at least two major broadcast networks—its own and Media General’s—in the markets where the two companies were direct competitors. Consequently, the DOJ found that the loss of competition between Nexstar and Media General in their overlapping markets “would likely lead to an increase in retransmission fees in those markets,” which in turn would lead to higher subscription fees given that retransmission fees are passed on to consumers. Accordingly, the DOJ required Nexstar to divest Media General stations in those markets.

Thus, in order to fully evaluate whether the alleged benefits of Nexstar’s ownership of two top-four stations in Indianapolis outweigh the harms to the public interest, the Commission must consider the impact of such ownership on retransmission consent fees. Based even on the limited information Nexstar has provided in its filing, it is clear that the proposed combination

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50 See supra note 33 and accompanying text; see also Nexstar-Media General Competitive Impact Statement.


52 Nexstar-Media General Competitive Impact Statement at 8.

53 Id. at 9.
would put upward pressure on retransmission consent fees in the Indianapolis market, and correspondingly to such fees overall given national pricing, to the detriment of consumers.\textsuperscript{54} Limiting Nexstar to a single top-four station in Indianapolis, as it will be in every other market, is the only result that serves the public interest in a competitive marketplace for retransmission consent negotiations.

While Nexstar has indicated that it plans to divest the two stations that it owns currently in the Indianapolis DMA, Tribune’s WXIN and WTTV are two of the highest rated broadcast stations in the DMA. WXIN and WTTV also receive more retransmission revenue than any other stations in the Indianapolis DMA. The DOJ uses the Herfindahl-Hirschman Index ("HHI") to analyze the anticompetitive effects of retransmission consent market share within a DMA.\textsuperscript{55} The combined ownership of these two Tribune stations yields an HHI of 3128 in the market for licensing broadcast programming to MVPDs, exceeding the thresholds by which the Horizontal Merger Guidelines consider a merger to be presumptively anti-competitive.\textsuperscript{56}

\textsuperscript{54} Keating/Orszag Declaration ¶ 22.
\textsuperscript{55} See Gray-Raycom Competitive Impact Statement at 6-7.
\textsuperscript{56} DOJ & FTC, Horizontal Merger Guidelines § 5.3 (Aug. 2010), https://www.justice.gov/sites/default/files/atr/legacy/2010/08/19/hmg-2010.pdf. Without the divesture of Nexstar’s existing stations, the combined ownership of these four stations would yield an HHI of 4530 using retransmission consent revenue.
Indianapolis, Indiana

Station Retransmission Consent Revenue Share (%)\textsuperscript{57}

<table>
<thead>
<tr>
<th>Media Company</th>
<th>Revenue Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tribune Media Company</td>
<td>46.1</td>
</tr>
<tr>
<td>Nexstar Media Group, Inc.</td>
<td>15.2</td>
</tr>
<tr>
<td>Dispatch Printing Company</td>
<td>22.8</td>
</tr>
<tr>
<td>E.W. Scripps Company</td>
<td>15.9</td>
</tr>
</tbody>
</table>

| Combined Nexstar-Tribune HHI         | 4530              |
| Post-Divestiture HHI                 | 3128              |

Nexstar notes that Tribune’s Indianapolis duopoly predates the current transaction, but the Commission never had the opportunity to review Tribune’s initial acquisition of the current top-four duopoly here—because the combination was the result of an affiliation swap that did not trigger top-four review at the time.\textsuperscript{58} The Commission closed this loophole in 2016,\textsuperscript{59} and—per the Commission’s recent instructions in the \textit{Gray/Raycom Order}—Nexstar should not simply be allowed to step into Tribune’s shoes.\textsuperscript{60} Nexstar itself acknowledges that its request to retain the combination must be justified under the standards adopted in the \textit{Quadrennial Review}


\textsuperscript{60} The Commission recently conducted a similar analysis in evaluating Gray Television’s request to own “two top” four stations in Honolulu, Hawaii. \textit{See In re Applications for Consent to Transfer Control of Certain License Subsidiaries of Raycom Media, Inc. to Gray Television, Inc.}, MB Docket No. 18-230, Memorandum Opinion and Order, DA 18-1286, ¶ 28 (MB rel. Dec. 20, 2018) (“Gray/Raycom Order”) (“When the Commission clarified in the \textit{Quadrennial Report and Order} that the Top-Four Prohibition applied equally to affiliation swaps, it did so prospectively, and rather than requiring divestiture at that time, the Commission affirmatively grandfathered then-existing top-four combinations previously achieved by affiliation swaps . . . The Commission, however, also stipulated that future transactions would be required to comply with the Commission’s rules then in effect.”).
Reconsideration Order.\textsuperscript{61} As set forth herein, under those standards, the Commission cannot approve the combination. Tribune also owns satellite station WTTK(DT), a CBS affiliate licensed to Kokomo, Indiana, which offers strong market coverage, including in the Indianapolis metropolitan area.\textsuperscript{62} The Commission should ensure that Nexstar is unable to change this satellite station in a manner that would circumvent the Commission’s decisions or the ownership rules.

Significantly, measured by HHI, the market impact of joint ownership of stations in Indianapolis is essentially indistinguishable from the 10 other markets where the transaction would create top-four duopolies but for Nexstar’s agreement to divest stations to avoid a top-four overlap.\textsuperscript{63} Accordingly, Nexstar should be limited to a single top-four station in Indianapolis, a limitation to which it has agreed in the other markets.

\textsuperscript{61} See Top-Four Showing at 1-2.
\textsuperscript{62} See Comprehensive Exhibit at 32-33.
\textsuperscript{63} See id. at 25-28.
Concentration in Top-Four Overlap DMAs (Retrans Revenue)

Nexstar’s arguments in support of retaining two top-four stations in the Indianapolis market are wholly unavailing against the retransmission consent harms described above. Its Top-Four Showing regarding competition with cable systems is not unique to the Indianapolis market, as cable networks compete in markets throughout the country, including in the markets where Nexstar is planning to divest a top-four station. As noted earlier, Nexstar does not even attempt to deny that the proposed combinations would give it enhanced leverage in retransmission consent negotiations. Nexstar’s arguments in support of its request to own a top-four duopoly in Indianapolis therefore should be rejected.

Finally, Nexstar’s ownership of two top-four stations in Indianapolis will escalate the risk of consumer and competitive harm across the country because the stations would now be part of the larger Nexstar national footprint. As the DOJ has recognized, “[b]roadcasters typically
charge MVPDs uniform retransmission consent fees across an MVPD’s entire footprint.”64 As a result, “higher fees resulting from increased leverage in the [duopoly markets] will likely be experienced by subscribers in any DMA where an affected MVPD retransmits at least one . . . Big 4 station.”65 Thus, national broadcaster reach can often be positively correlated with broadcaster bargaining power, as a loss of broadcast stations across a significant part of an MVPD’s footprint could disproportionally impose higher costs on the MVPD.66 Such costs could include higher customer service expenses to respond to the loss of programming or payments to protect the brand as a result of adverse publicity.67 Moreover, the loss of MVPD subscribers as the result of a blackout can have long-term impacts, in contrast to the temporary loss of advertising revenues that may be sustained by a broadcaster.

Because these costs place an MVPD in a weaker bargaining position relative to a broadcaster, there is an incentive for an MVPD to agree to higher retransmission consent fees to avoid these harms, which only are expected to increase as the broadcaster increases in size.68 Regardless of whether divestiture in Indianapolis is required as a matter of antitrust law, Nexstar has failed to make the showing required by the Commission that the Indianapolis combination is warranted under the Communications Act’s public interest standard.

65 Id.
66 Keating/Orszag Declaration ¶ 35.
67 Id.
68 Id.
V. THE COMMISSION SHOULD CONSIDER IMPOSING ADDITIONAL CONDITIONS ON THE TRANSACTION TO PREVENT THE COMBINED ENTITY FROM ABUSING ITS MARKET POWER.

A. The Commission’s Duty to Review the Proposed Transaction Goes Beyond Ensuring Conformance with the Media Ownership Rules.

Section 310(d) of the Communications Act of 1934 (the “Act”) provides that no station license shall be transferred unless the Commission determines that the public interest, convenience, and necessity will be served.69 In its review of transactions, the Commission first determines whether a transaction would comply with the specific provisions of the Act, other applicable statutes, and the Commission’s rules.70 The Commission then considers whether the transaction could result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Act or related statutes.71 Finally, the Commission employs a balancing process, weighing any potential public interest benefits of the proposed transaction against any potential public interest harms.72

NCTA urges the Commission to complete a full review of the proposed transaction that incorporates each of the steps described above. As a threshold matter, the Commission should pause the shot clock until Applicants identify the stations they plan to divest to meet the FCC’s ownership rules and the buyers of those stations, so that interested parties have a full opportunity to review and comment on those proposed transactions.

70 In re Applications for Consent to Transfer Control of License Subsidiaries of Media General, Inc., from Shareholders of Media General, Inc. to Nexstar Media Group, Inc. et al., Memorandum Opinion and Order, 32 FCC Rcd 183, 191-92 ¶ 19 (MB & WTB 2017).
71 Id. (citing In re SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control, Memorandum Opinion and Order, 20 FCC Rcd 18,290, 18,300 ¶ 16 (2005)).
72 Id.
Even assuming the Applicants follow through on the divestitures necessary to bring the transaction into compliance with the existing media ownership rules, that is not the end of the inquiry. Applicants bear the burden of demonstrating that the transaction satisfies the “broad aims of the Communications Act,” which includes a deeply rooted preference for preserving and enhancing competition.73

Notably, the ownership rules are primarily aimed at preventing undue consolidation and concentration of ownership in the broadcast industry in order to promote localism and a diversity of viewpoints in broadcasting.74 But limiting consolidation within the broadcasting industry is a far different matter than preventing a broadcaster at the very limit of the ownership rules from exercising the resulting market power in downstream markets, such as distribution by MVPDs. To be able to make the required finding that this transaction serves the public interest, convenience, and necessity, the impact of this transaction on adjacent markets must be considered. In particular, given Nexstar’s engagement in brinksmanship tactics in negotiations with cable operators,75 the Commission must take appropriate merger-specific steps to mitigate the Combined Entity’s ability to abuse its market power in its negotiations with distributors.


74 See 2014 Media Ownership Order, 31 FCC Rcd at 9865, 9870 ¶¶ 3, 16.

75 See supra Section III.

1. The Commission Should Limit the Combined Entity to One Top-Four Network Affiliation per Market.

With the transition to digital technology and deployment of improved compression technologies, broadcasters are now physically capable of transmitting the programming of multiple top-four networks from a single broadcast station in the same 6 megahertz channel they previously used to broadcast only a single network over the air. Although this effectively results in a single broadcast station negotiating retransmission consent for two top-four networks, situations such as these have not been prohibited by the Commission’s rules because multicast signals are not considered an additional station. Similarly, because LPTV stations also are not considered by the Commission’s rules to be the equivalent of full-power stations, even though technology has improved the coverage and quality of those stations, broadcasters have been able to own a full-power station with a top-four affiliation in a market as well as an LPTV station with another top-four affiliation in the same market and then negotiate retransmission consent—and command higher fees—for both of those stations. Given the size, scope, and reach of the Combined Entity, it should not be allowed to exploit these loopholes in the Commission’s rules to avoid the Top-Four Prohibition and negotiate retransmission consent for multiple top-four stations in a single market. To allow it to do so would result in higher fees and harm to consumers.

Nexstar currently owns at least nine stations that multicast more than one of the four major broadcast networks on their digital signal.\textsuperscript{76} For example, KRQE, a Nexstar station in the

\textsuperscript{76} Nexstar 10-K at 9-12.
Albuquerque, NM DMA, multicasts both CBS and Fox.\textsuperscript{77} In addition, WJHL, a Nexstar station in the Tri-Cities, TN-VA DMA, multicasts both CBS and ABC on its signal.\textsuperscript{78} To address this issue, the Commission should require Nexstar to divest one of its affiliations with a top-four network in markets where it currently broadcasts a second network feed via a multicast stream or on an LPTV station, and should consider barring the Combined Entity from entering into such dual affiliation arrangements in a market.

The unique market power that would be exercised by the Combined Entity, due to its unprecedented scale and scope, warrants a prohibition of dual affiliations on any one station. Importantly, such a prohibition is necessary to prevent the Combined Entity from circumventing divestitures of top-four stations otherwise required by the Commission. The Commission has the authority to impose such a condition in order to address specific harms that would result from a transaction,\textsuperscript{79} in furtherance of its duty to ensure that a license transfer is in the public interest.\textsuperscript{80} Specifically, Section 303(r) of the Act authorizes the Commission to “prescribe such restrictions and conditions, not inconsistent with law, as may be necessary to carry out the provisions of [the Act].”\textsuperscript{81} The Commission has previously used this authority to adopt a specific merger-related condition where it found that the generally applicable provision addressing the matter was “not a remedy for the transaction-specific harms.”\textsuperscript{82}

\begin{itemize}
\item \textsuperscript{77} \textit{Id.} at 9.
\item \textsuperscript{78} \textit{Id.} at 10.
\item \textsuperscript{79} 47 U.S.C. § 310(d).
\item \textsuperscript{80} \textit{Id.}
\item \textsuperscript{81} 47 U.S.C. § 303(r).
\item \textsuperscript{82} \textit{Charter-TWC-Bright House Order}, 31 FCC Rcd at 6389 ¶ 131 (imposing mandatory interconnection conditions on Charter Communications in excess of the interconnection rules for all other internet service providers adopted by the \textit{Open Internet Order} based on a finding that the “general statutory provision against unjust or unreasonable conduct is not a remedy for the transaction-specific harms presented by the transaction,” and imposing a “limited set of conditions related to interconnection…[to] ensure … a
Although the Commission has not applied the local ownership rules to the multicast of two top-four network signals as a general matter, allowing a single owner to control the broadcast of two of those networks creates the same concentration of market power regardless of whether the combination arises from dual ownership or dual affiliation on any one station. Such a structural condition would not be “inconsistent” with law because the Commission has the responsibility under Section 310(d) to ensure that transfers of control serve the public interest, convenience, and necessity.

2. The Commission Should Consider Prohibiting the Combined Entity from Having JSAs, LMAs, or SSAs in Markets Where It Will Hold a Duopoly.

The Commission should also consider prohibiting the Combined Entity from having JSAs, LMAs, and SSAs in local markets where it will own more than one station. As noted above, some broadcasters have previously used these types of agreements to evade the Commission’s joint negotiation rules. Given the Combined Entity’s substantial market power, it will have a significant incentive and ability to use these “sidecar” agreements to extend its influence to other stations in its duopoly markets, potentially in violation of the Commission’s rules. Prohibiting such agreements in these markets will avoid this risk.

Such a condition will also ensure that the Applicants’ proposed divestitures are all made to bona fide third-party broadcasters. Without this type of assurance, the Applicants’ pledge to

83 See 2014 Media Ownership Order, 31 FCC Rcd at 9891 ¶ 68.
84 See supra Section II.
85 The DOJ has explicitly prohibited entry into shared services agreements with divested stations in prior broadcast-related transactions. See, e.g., Final Judgment at 16, United States v. Nexstar Broad. Grp., Inc.,
divest stations in overlap markets could be rendered meaningless through the continued influence the Combined Entity could exert over the divested stations. Barring the Combined Entity from having JSAs, LMAs, and SSAs with other stations in its duopoly markets is a reasonable means of avoiding such competition-distorting conduct, potentially including engaging in prohibited joint retransmission consent negotiations.

VI. CONCLUSION.

For the foregoing reasons, the Commission should evaluate the proposed transaction carefully. In addition, Nexstar’s ownership of two top-four stations in Indianapolis will give it demonstrably greater market power in the negotiation of retransmission consent agreements, resulting in higher costs that will be passed on to consumers. Nexstar has provided no evidence of public interest benefits that would outweigh this substantial, transaction-specific harm. The Commission therefore should reject Nexstar’s request to own two top-four stations in Indianapolis. The Commission should also limit the Combined Entity to a single top-four network affiliation in each market and forbid it from holding “sidecar” agreements in those markets where it will hold a duopoly. Adopting these conditions will help mitigate the risk that the Combined Entity could exercise the additional market power it will gain through this transaction to the detriment of consumers and competition.

Respectfully submitted,

/s/ Rick Chessen

Rick Chessen
Neal M. Goldberg
Diane B. Burstein
NCTA – The Internet & Television Association
25 Massachusetts Avenue, NW – Suite 100
Washington, DC 20001-1431

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CERTIFICATE OF SERVICE

I, Diane B. Burstein, hereby certify that, on this 18th day of March, 2019, I caused a copy
of the foregoing Comments of NCTA to be filed electronically with the Commission through the
ECFS system and caused a copy of the foregoing to be served upon the following individuals by
electronic mail:

Mace Rosenstein  
Covington & Burling LLP  
One City Center  
850 Tenth Street, NW  
Washington, DC 20001  
mrosenstein@cov.com

Gregory L. Masters  
Wiley Rein LLP  
1776 K Street, NW  
Washington, DC 20006  
gmasters@wileyrein.com

Counsel for Tribune Media Company

David Brown  
Federal Communications Commission  
Media Bureau  
445 12th Street, SW  
Washington, DC 20554  
David.Brown@fcc.gov

David Roberts  
Federal Communications Commission  
Media Bureau  
445 12th Street, SW  
Washington, DC 20554  
David.Roberts@fcc.gov

Chris Robbins  
Federal Communications Commission  
Media Bureau  
445 12th Street, SW  
Washington, DC 20554  
Chris.Robbins@fcc.gov

Jim Bird  
Office of General Counsel  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington, DC 20554  
Jim.Bird@fcc.gov

/s/ Diane B. Burstein

Diane B. Burstein  
NCTA – The Internet & Television  
Association  
25 Massachusetts Avenue, NW – Suite 100  
Washington, DC 20001-1431