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REDACTED—FOR PUBLIC INSPECTION

April 9, 2019

By ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

**Re: Tribune Media Company and Nexstar Media Group, Inc. Consolidated
Applications for Consent to Transfer Control, MB Docket No. 19-30**

Dear Ms. Dortch:

In accordance with the *Protective Order* in the above-captioned proceeding,¹ DISH Network Corporation (“DISH”) submits the enclosed public, redacted version of its Reply and supporting exhibit. DISH has denoted with **{{BEGIN HCI END HCI}}** where Highly Confidential Information has been redacted. The Highly Confidential Information in the Reply and supporting exhibit is the Highly Confidential Information of DISH. A Highly Confidential version of this filing is being simultaneously filed with the Commission and will be made available pursuant to the terms of the *Protective Order*.

Please contact me with any questions.

Respectfully submitted,



Pantelis Michalopoulos
Counsel for DISH Network Corporation

Enclosure

¹ Tribune Media Company and Nexstar Media Group, Inc. Consolidated Applications for Consent to Transfer Control, *Protective Order*, MB Docket No. 19-30, DA 19-185 (Mar. 15, 2019) (“*Protective Order*”).

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

In the Matter of)	
)	
Tribune Media Company)	MB Docket No. 19-30
(Transferor))	
)	
and)	
)	
Nexstar Media Group, Inc.)	
(Transferee))	
)	
Consolidated Applications for Consent)	
to Transfer Control)	

REPLY OF DISH NETWORK CORPORATION

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April 9, 2019

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EXHIBIT A: Reply Declaration of Melisa Ordonez

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Nexstar Media Group, Inc.)	
(Transferee))	
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Consolidated Applications for Consent)	
to Transfer Control)	

REPLY OF DISH NETWORK CORPORATION

DISH Network Corporation (“DISH”) respectfully replies to the Consolidated Opposition to Petitions to Deny and Comments (“Opposition”)¹ submitted by Tribune Media Company (“Tribune”) and Nexstar Media Group, Inc. (“Nexstar”) (collectively, the “Applicants”) in the above-referenced proceeding.²

I. INTRODUCTION & SUMMARY

Through their Application and Opposition, the Applicants have failed to carry their burden to demonstrate that this transaction as proposed is in the public interest. Among other harms:

The Merger Will Result in Higher Prices. The Applicants essentially admit that by owning additional stations, Nexstar will be able to obtain higher retransmission consent fees. They argue, however, that such price increases would be in the public interest because they would be

¹ Tribune Media Company and Nexstar Media Group, Inc., Consolidated Opposition to Petitions to Deny and Comments, MB Docket No. 19-30 (Apr. 2, 2019).

² See Public Notice, Applications to Transfer Control of Tribune Media Company to Nexstar Media Group, Inc., MB Docket No. 19-30, DA 19-82 (Feb. 14, 2019).

“[c]ompensating broadcasters for the value that they deliver to viewers”³ But they offer no proof of that value. They vaguely talk about quality improvements, but they do not submit any evidence about whether consumers value these improvements, how much they value them, how much prices are likely to increase, and whether customers’ valuation of these improvements is enough to offset these price increases.

Not only do the Applicants fail to show that the price increases this merger would bring would be due to quality improvements, but they actually seem to suggest the reverse—that the higher prices resulting from the merger will motivate New Nexstar to improve its services, meaning Nexstar will charge higher prices and *then* potentially improve the product it provides. That is not an acceptable basis to approve a merger with demonstrable harms.

And, the Applicants have not filed any economic testimony on the merger’s competitive effects and benefits. The Applicants claim that they “reserve” the right to submit such testimony later. But they have no such right. The reason for a pleading cycle is to afford parties with the opportunity to reply to the Applicants’ showings in support of their proposed merger. The Applicants’ failure to meet their burden is reason enough for the Commission to dismiss the Application or set it for a hearing.

Sidecar Stations Will Also Command Higher Fees. The Applicants also do not deny that Nexstar’s sidecar groups charge more than comparable stations. In the attached declaration, Ms. Ordonez explains the underlying reason why they can get away with doing so: Nexstar’s size. By making Nexstar larger, the proposed merger would likely produce greater leverage for the sidecar stations, leading to additional price increases for consumers.

³ Opposition at 25.

The Application is Premature. The Applicants did not file any divestiture applications until April 3, 2019. Agreements between the Applicants and the entities acquiring divestiture stations are essential to the Commission’s evaluation of the proposed underlying merger, as the Commission needs to satisfy itself that their relationships are at arm’s length and that the purchasers are genuine real parties in interest.

II. DISH HAS STANDING TO CHALLENGE THIS MERGER

The Applicants make the unsupported claim that DISH does not “even attempt to establish standing in [its] Petition[.]”⁴ But DISH does establish its standing on the very first page of its Petition to Deny, in a footnote reproduced below:

DISH is a multichannel video programming distributor (“MVPD”) that retransmits local broadcast stations in every one of the 210 designated market areas in the United States. DISH today has retransmission consent agreements with both Applicants, allowing it to retransmit certain local broadcast stations owned by the Applicants. DISH expects to negotiate with both Applicants in the future for continued retransmission of their stations. For these and other reasons described herein, DISH is a party in interest under Section 309(d)(1) of the Communications Act.⁵

That standing is well-recognized by the Commission. DISH is both Applicants’ customer, paying each Applicant substantial amounts in retransmission fees each month. Indeed, the Commission has confirmed DISH’s standing in its decision reviewing the last merger of none other than Nexstar. In the Commission’s words:

Consistent with recent precedent, we find that Cox and DISH *et al.* have met the requirements for standing because they have alleged that grant of the Applications will have specific, negative effects on themselves or their members (in the case of ITTA and ACA), and claim that those harms can be cured by dismissal or denial of the Applications. In the case before us, Cox and the DISH, *et al.* signatories each filed similar affidavits attesting that they or their respective member

⁴ Opposition at 4.

⁵ Petition to Deny of DISH Network Corp., MB Docket No. 19-30, at 1 n.1 (Mar. 18, 2019) (“DISH Petition to Deny”).

companies provide MVPD service and negotiate for retransmission consent from local broadcast television stations owned by Nexstar and Media General.⁶

The Applicants present no reason to depart from established Commission precedent.

III. THE MERGER WILL RESULT IN HIGHER RETRANSMISSION FEES WITHOUT ANY COUNTERVAILING PUBLIC BENEFIT

A. The Applicants Acknowledge that the Merger Will Raise Retransmission Fees

Most merger applicants attempt to show that their merger would produce marginal cost efficiencies that would cause their prices to go down.⁷ Not in this case. The Applicants effectively admit that this merger will enable New Nexstar to raise retransmission fees.⁸ They state, incorrectly, that the merger’s opponents offer no evidence that their merger “will result in increased fees for consumers.”⁹ But, according to the Applicants, retransmission prices for distributors appear to be another matter. With respect to those, the Applicants state: “[t]he gist of

⁶ Applications for Consent to Transfer Control of License Subsidiaries of Media General, Inc., from Shareholders of Media General, Inc., to Nexstar Media Group, Inc., *Memorandum Opinion and Order*, 32 FCC Rcd. 183, 189 ¶ 16 (MB 2017).

⁷ See, e.g., Applications for Consent to Transfer Control of Certain License Subsidiaries of Raycom Media, Inc. to Gray Television, Inc., *Memorandum Opinion and Order*, MB Docket No. 18-230, DA 18-1286, ¶ 3 (Dec. 20, 2018) (listing synergies from the merger); Applications of AT&T Inc. and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations, *Memorandum Opinion and Order*, 30 FCC Rcd. 9131, 9134 ¶ 3 (2015) (“Our record supports the Applicants’ claim that the newly combined entity will be a more effective multichannel video programming distributor (‘MVPD’) competitor, offering consumers greater choice at lower prices.”); Applications of Comcast Corporation, General Electric Company and NBC Universal, Inc. for Consent to Assign Licenses and Transfer Control of Licenses, *Memorandum Opinion and Order*, 26 FCC Rcd. 4238, 4334 ¶ 235 (2011) (“[The Applicants] further argue that a vertically integrated Comcast-NBCU would use the actual (and lower) marginal cost of programming as the basis for its pricing, and thus would charge a lower price to consumers or provide a more attractive package to attract customers to its service.”).

⁸ See, e.g., Nexstar Media Group, Inc., *Acquisition of Tribune Media Company*, at 12 (Dec. 3, 2018), <https://www.nexstar.tv/wp-content/uploads/2018/12/Nexstar-Tribune-Investor-Presentation-FINAL-12-3-18.pdf> (listing retransmission consent revenue growth as a synergy from the merger); Opposition at 25.

⁹ Opposition at 25.

the Objecting Parties’ arguments is that by owning additional stations, Nexstar may be able to obtain higher retransmission consent fees.”¹⁰ They then proceed to *justify* these higher prices on the grounds that: “[c]ompensating broadcasters for the value that they deliver to viewers, however, is not against the public interest.”¹¹

The problem, of course, is that they offer no proof of the merger’s supposed value. They talk of an unsupported \$160 million in “synergies and efficiencies” to be produced within one year.¹² If these efficiencies were a plausible result of the merger, and New Nexstar were under competitive pressure, it would potentially be expected to use the merger’s efficiencies to lower prices. But, instead, they suggest that they will reinvest in programming. That vague reinvestment promise is inadequate to establish that so-called quality improvements will provide a counterweight to increased prices for distributors and consumers. The Applicants also do not attempt to show that consumers value these claimed improvements, how much they value them, how much prices are likely to increase, and whether customers’ valuation of these improvements are enough to offset these price increases.

In fact, the Applicants do not even seem to be saying that prices will be higher *because* quality will be better. They suggest the opposite: instead of being the result of improved service quality, the higher prices would spur the Applicants to improve the quality of their service. The Applicants specifically characterize higher compensation as “a market driver for those broadcasters to increase the value they bring to viewers, benefitting both MVPD subscribers and over-the-air viewers alike.”¹³

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 9.

¹³ *Id.* at 25.

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In other words, the merger will permit higher prices, which will enable Nexstar to improve its services. That is not an acceptable competitive rationale in support of a merger: the Applicants seem to *accept* the premise that the merger will increase New Nexstar's market power, and then try to show that increased power will be put to good use.

The Applicants thus do not rebut any of the three types of merger-specific evidence submitted by DISH in its Petition to Deny:

- Larger broadcast group size results in higher fees.
- Mergers of large broadcast groups produce much steeper price increases than industry-wide norms.
- When DISH is faced with a blackout of one group's stations, it pays higher than market prices for other groups' stations that come up for renewal during the blackout.

Notably, if these points were not valid, the Applicants would have exclusive knowledge of the countervailing evidence. DISH knows only what it pays the Applicants and other broadcasters. But the Applicants also know what they are paid by all other distributors. If that information did not support the showings made by DISH, the Applicants would be quick to point that out. But they do not.

And, the Applicants have not filed any economic testimony on the merger's competitive effects and benefits. Instead, the Applicants purportedly "reserve the right to address DISH's economic arguments in a subsequent filing."¹⁴ But this is not their right to reserve. The Public Notice states that a party "seeking to raise a new issue after the pleading cycle has closed must show good cause why it was not possible for it to have raised the issue previously."¹⁵ The Applicants have had their chance and do not explain why they have not availed themselves of it.

¹⁴ *Id.* at 32 n.125.

¹⁵ Public Notice, Applications to Transfer Control of Tribune Media Company to Nexstar Media Group, Inc., MB Docket No. 19-30, DA 19-82, at 3 (Feb. 14, 2019).

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Without the benefit of expert economic support, the Applicants confine themselves to sweeping claims that retransmission rates have been rising so fast because they started at a low point, that they would have as much to lose from a blackout as the distributors, and that the concerns expressed by DISH are industry-wide, not specific to this transaction. None of these claims is valid.

1. *The Applicants' History of Retransmission Fees is Misleading.*

The Applicants claim that retransmission fees are rising because broadcasters have been historically undercompensated. But these claims of undercompensation are not relevant under the applicable merger standard.¹⁶ If a merger is likely to increase prices, this is an adverse competitive effect that needs to be offset by countervailing benefits. The merging parties' view that the prices they have received in the past are too low is not a basis to approve a merger with proven harms.

Contrary to the Applicants' skewed depiction of the history of retransmission fees, the primary driver of the increase in fees has been the increasing concentration in the broadcast group market. As DISH demonstrated in its Petition, larger broadcast groups command higher fees.¹⁷ This effect is especially pronounced after a merger, even though the acquired group should exert some downward pressure on fees in the absence of market power.

¹⁶ In assessing whether a merger is in the public interest, the Commission reviews how the transaction will benefit consumers. One of the benefits the Commission considers is whether the transaction will result in lower prices for consumers. *See, e.g.,* Applications for Consent to Transfer Control of License Subsidiaries of Media General, Inc., from Shareholders of Media General, Inc., to Nexstar Media Group, Inc., *Memorandum Opinion and Order*, 32 FCC Rcd. 183, 193 ¶ 24 (2017) (“[B]enefits must flow through to consumers, and not inure solely to the benefit of the company. For example, we will more likely find marginal cost reductions to be cognizable than reductions in fixed cost because reductions in marginal cost are more likely to result in lower prices for consumers.”) (citations omitted).

¹⁷ DISH Petition to Deny at 22-25.

Nor can the Applicants justify rising retransmission fees by pointing to fees paid by MVPDs to cable networks.¹⁸ They provide no evidence that broadcast groups and cable networks are in the same market and that their programming is substitutable.

2. *Blackouts Disproportionally Harm MVPDs.*

The Applicants also argue that broadcast groups suffer as much as MVPDs when there is a blackout because they lose ratings (and therefore advertising revenue) and retransmission fees.¹⁹ But these losses are limited because a sizeable portion of the consumers who watch their programming switch from the affected distributor to one that still carries the signal. For these customers, the broadcaster loses neither ratings nor retransmission fees. In fact, CBS, after engaging in a blackout with Time Warner Cable, stated that “there was no harm done financially to the CBS Corporation” and “national ad dollars did not go down at all.”²⁰ In contrast, Time Warner Cable suffered significant subscriber losses.²¹

3. *The Harms Shown by DISH Are Merger-Specific.*

The Applicants next argue that the concerns raised by DISH are industry-wide. There is no doubt that the retransmission fee market is in need of industry-wide reform. But the evidence proffered by DISH is specific to the transaction and to the size that only Nexstar, Tribune, and a few other broadcast groups can claim. DISH’s evidence is confined to the price effects of

¹⁸ Opposition at 28.

¹⁹ *Id.* at 29-30.

²⁰ Cynthia Littleton, *Leslie Moonves: TW Cable Blackout Had No Financial Impact on CBS*, Variety (Sept. 11, 2013), <https://variety.com/2013/tv/news/leslie-moonves-no-financial-impact-to-cbs-from-tw-cable-blackout-1200607851/>.

²¹ See, e.g., Todd Spangler, *Time Warner Cable Lost Subscribers During CBS Blackout*, Variety (Sept. 12, 2013), <https://variety.com/2013/biz/news/time-warner-cable-lost-subscribers-during-cbs-blackout-1200608744/> (“[While] Time Warner Cable dropped an unspecified number of customers as a direct result of the 32-day blackout of CBS stations in major markets and the loss of Showtime nationwide . . . the TW Cable blackout did not inflict any financial damage on [CBS].”).

consolidations involving the largest broadcast groups. Thus, DISH’s rate comparison is focused on the higher rates commanded by those broadcast groups that reach more than 1.5 million DISH subscribers or have more than \$500 million in annual revenues.²² Likewise, the mergers studied by DISH for their effect on prices have all involved large broadcast groups.²³

B. The Commission Has Authority to Impose the Conditions Requested by DISH

The Applicants argue that there is no basis to impose structural conditions—including a review of Nexstar’s use of sidecar arrangements, proposed divestitures, and termination of Nexstar’s JSAs—because they “are unrelated to the Transaction under review and ignore the comprehensive regime of codified regulations which govern the broadcast industry.”²⁴ The Commission’s authority to condition license transfers would be pointless unless the Commission imposes requirements that go beyond those found in the Commission’s industry-wide rules. As the Commission has put it:

Our extensive regulatory and enforcement experience enables us, under this public interest authority, to impose and enforce conditions to ensure that the transaction will yield net public interest benefits. In exercising this authority to carry out our responsibilities under the Act and related statutes, we have imposed conditions to confirm specific benefits or remedy harms likely to arise from transactions.²⁵

While the Applicants may disagree with the conditions proposed, they cannot seriously dispute the Commission’s authority to impose them.

²² Declaration of William Zarakas and Dr. Eliana Garcés at 16 (attached as Exhibit B to DISH Petition to Deny).

²³ *Id.* at 22-24

²⁴ Opposition at 19; *see also id.* at 17-21.

²⁵ Applications of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership for Consent to Assign or Transfer Control of Licenses and Authorizations, *Memorandum Opinion and Order*, 31 FCC Rcd. 6327, 6338 ¶ 30 (2016).

IV. SIDECAR STATIONS WILL ALSO LIKELY COMMAND HIGHER FEES, THEREFORE HARMING CONSUMERS

The Applicants do not deny that Nexstar's sidecar groups charge higher rates than comparable stations without sidecar agreements, but argue that this is another industry-wide, non-merger-specific concern. Not so. Nexstar's sidecar groups are able to command higher rates because of Nexstar's power, and the proposed increase in that power will translate in higher prices for sidecar stations, too.

Nexstar has five major sidecar groups: White Knight, Mission, Marshall, Warwick, and Parker. {{BEGIN HCI

END HCI}}.²⁶

DISH has been forced to pay sidecar groups higher rates than other stations in their markets.²⁷ Ms. Ordonez explains that the Nexstar sidecar groups can get away with these rates for one primary reason: Nexstar's own power.²⁸ By making Nexstar larger, the proposed merger would likely produce greater leverage for the sidecar stations, too.²⁹

In response, the Applicants simply state that an inquiry into its sidecar agreements would be a fishing expedition because the sharing agreements are not before the Commission.³⁰ This is incorrect: the conduct of Nexstar's sidecar stations is relevant to the Commission's evaluation of

²⁶ Ordonez Reply Decl. ¶ 4.

²⁷ *Id.* ¶ 5.

²⁸ *Id.* ¶ 5.

²⁹ *Id.* ¶ 6.

³⁰ Opposition at 19.

this transaction and whether the increased bargaining power of Nexstar will flow to its sidecar stations. The Commission thus has the authority to investigate these sharing agreements.³¹

V. THE APPLICANTS HAVE BELATEDLY FILED APPLICATIONS FOR THEIR PROPOSED DIVESTITURES

The Commission should apply careful scrutiny to determine whether any proposed divestitures are genuinely at arm's length.³² Even though the Applicants announced divestitures weeks ago,³³ they did not file any of them until last Wednesday, long after the due date for Petitions to Deny.³⁴ Some were not filed until yesterday.³⁵

VI. CONCLUSION

For the foregoing reasons, the Commission should deny the Application as currently proposed.

³¹ See 47 U.S.C. § 403 (“The Commission shall have full authority and power at any time to institute an inquiry, on its own motion, in any case and as to any matter or thing concerning which complaint is authorized to be made, to or before the Commission by any provision of this chapter, or concerning which any question may arise under any of the provisions of this chapter, or relating to the enforcement of any of the provisions of this chapter.”); 47 U.S.C. § 154(i) (“The Commission may perform any and all acts, make such rules and regulations, and issue such orders, not inconsistent with this chapter, as may be necessary in the execution of its functions.”); 47 U.S.C. § 154(j) (“The Commission may conduct its proceedings in such manner as will best conduce to the proper dispatch of business and to the ends of justice.”).

³² Applications of Tribune Media Company and Sinclair Broadcast Group, Inc. for Transfer of Control of Tribune Media Company and Certain Subsidiaries, WDCW(TV) et al. and for Assignment of Certain Licenses from Tribune Media Company and Certain Subsidiaries, *Hearing Designation Order*, 33 FCCR 6830, 6830 ¶ 2 (2018) (“[M]aterial questions remain because the real party-in-interest issue in this case includes a potential element of misrepresentation or lack of candor that may suggest granting other, related applications by the same party would not be in the public interest.”).

³³ *Nexstar Media Group Enters into Definitive Agreements to Divest Nineteen Stations in Fifteen Markets for \$1.32 Billion*, Nexstar (Mar. 20, 2019), https://www.nexstar.tv/nexstar_tribune_divestiture_agreements/.

³⁴ See, e.g., Application for Assignment of Broadcast Station KSTU, File No. BALCDT-20190403ABZ (filed on Apr. 3, 2019).

³⁵ See Application for Assignment of Broadcast Stations WISH-TV and WNDY-TV, File No. BALCDT-20190408AAR (filed on Apr. 8, 2019).

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Respectfully Submitted,

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April 9, 2019

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* * * *

DECLARATION

I declare under penalty of perjury that the facts contained within the foregoing Reply, except for those facts for which official notice may be taken, are true and correct to the best of my information, knowledge and belief.

Executed on April 9, 2019



Jeffrey H. Blum, Senior Vice President, Public
Policy and Government Affairs
DISH Network Corporation

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EXHIBIT A

REPLY DECLARATION OF MELISA ORDONEZ

I, Melisa Ordonez, being over 18 years of age, swear and affirm as follows:

1. I make this declaration using facts of which I have personal knowledge of, or based on information provided to me, in connection with the proposed acquisition of Tribune Media Company (“Tribune”) by Nexstar Media Group, Inc. (“Nexstar”), and the likely effects of this acquisition on DISH Network Corporation (“DISH”).

2. I am currently the Director of Local Programming for DISH Network Corporation (“DISH”). In that capacity, I am responsible for the negotiation of retransmission consent contracts on behalf of DISH with every local broadcast group and local broadcast station in the United States. I have been the lead negotiator in DISH’s effort to renew its retransmission consent agreements with numerous broadcasters, including with each of Nexstar and Tribune in 2016. I have negotiated more than a thousand retransmission consent agreements in the last decade.

3. This reply declaration responds to certain statements by the Applicants in their Consolidated Opposition to Petitions to Deny and Comments and other questions I have been asked since I submitted my initial declaration in this proceeding regarding retransmission consent agreements.

4. *Sidecar Stations*. Nexstar has five major sidecar groups: White Knight, Mission, Marshall, Warwick, and Parker. {{BEGIN HCI

END HCI}}.

5. DISH has been forced to pay these sidecar groups higher rates than other stations in their markets. Nexstar sidecar groups can get away with these rates for one primary reason: Nexstar's own power.

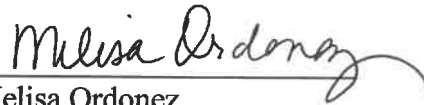
6. By making Nexstar larger, the proposed merger would likely produce greater leverage for the sidecar stations, too.

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* * * *

The foregoing declaration has been prepared using facts of which I have personal knowledge or based upon information provided to me. I declare under penalty of perjury that the foregoing is true and correct to the best of my current information, knowledge, and belief.

Executed on April 9, 2019

A handwritten signature in black ink, appearing to read "Melisa Ordonez", written over a horizontal line.

Melisa Ordonez
Director, Local Programming
DISH Network Corporation

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CERTIFICATE OF SERVICE

I, Georgios Leris, hereby certify that on April 9, 2019, I caused a copy of the foregoing public, redacted version of the Reply of DISH Network Corporation to be filed electronically with the Commission using the ECFS system and caused a copy of the foregoing to be served upon the following individuals by electronic mail.

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