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Via Electronic Comment Filing System

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
236 Massachusetts Ave., NE
Washington, DC 20002

Re: 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
MB Docket No. 18-349

Dear Ms. Dortch:

News-Press & Gazette Company ("NPG") appreciates the opportunity to file these comments in the 2018 Quadrennial Regulatory Review proceeding (the "*2018 Ownership Rules NPRM*"). As a family-owned and -operated company with broadcast television and newspaper operations serving tight-knit local communities, NPG appreciates the Commission's desire to modernize its Local Television Broadcast Ownership Rules to account for the changing face of media competition and variations across media markets.

NPG's roots stretch back to 1845, with the publication of the first Gazette in St. Joseph, Missouri. In 1951, the Bradley family acquired the Gazette and the rest of the NPG company and the company has been owned and operated by the Bradley family ever since. In the present day, NPG publishes 13 daily and weekly publications in two states and operates broadcast stations licensed in seven states and across ten DMAs.[1] Of those ten DMAs, all of NPG's stations are located in markets lower than 75 in DMA rank.[2]

As NPG's broadcast holdings indicate, NPG has real-world experience and insight regarding small- to mid-sized DMAs and the marketplace and competition characteristics present in those DMAs. Indeed, NPG is headquartered in St. Joseph, Missouri—the 201st-ranked DMA—and NPG is therefore well positioned to understand the characteristics of these smaller markets.

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[1] More information regarding NPG's history, vision, and principles is available on our website. *About NPG* (2017), http://www.npgco.com/about-npg/.

[2] *Locations*, News-Press & Gazette Company (2017), http://www.npgco.com/locations/; *2019 Local Television Market Universe Estimates*, Nielsen (2018) [hereinafter *2019 Nielsen DMA Estimates*], https://www.nielsen.com/content/dam/corporate/us/en/public%20factsheets/tv/2018-19-dma-ranker.pdf.

NPG writes specifically to address the Commission's Local Television Broadcast Ownership Rules[3] and to urge the Commission to embrace a broader view of competition in the video marketplace than the rules currently recognize. Video competition for the distribution of programming and the sale of advertising has never been as competitive as it is today. This is certainly true in the markets in which NPG operates. The Local Television Broadcast Ownership rules should account for this reality, and especially so in the case of stations operating in DMAs ranked 75 or higher.

With this in mind, NPG urges the Commission to: define the relevant marketplace to include recent and emerging sources of non-broadcast competition; to recognize that unique marketplace characteristics and the changing nature of competition support liberalizing the Local Television Broadcast Ownership Rules to permit ownership of two full-power stations in any DMA ranked 75 or higher; and to reaffirm that low-power television ("LPTV") stations remain exempt from counting toward ownership limits.

I. The Marketplace Should be Defined More Broadly

The Commission has requested comments regarding "the current television marketplace," including whether non-broadcast sources of video programming should be considered part of the marketplace for purposes of analyzing if the Local Television Broadcast Ownership Rules continue "to foster competition."[4] NPG strongly supports defining the marketplace to include non-broadcast sources of video programming, which are—and for some time have been—a substantial, daily competitive reality for all broadcasters, and one that is even more substantial in smaller markets such as those in which NPG's broadcast stations primarily operate.[5]

At a global level, competition across the video programming marketplace has been steadily rising for the better part of the decade.[6] The vast proliferation of alternatives for receiving video programming, including from multichannel video programming distributors ("MVPDs") and online video distributors ("OVDs"), has helped usher in a new competitive age in the broadcast industry.

For instance, most video programming consumers now have access to at least three or four competing MVPDs,[7] each having packages with 200–300 or more channels of video

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[3] Although in this letter NPG does not address the Commission's Local Radio Ownership Rules, NPG supports the National Association of Broadcasters' comments in support of liberalizing those rules.

[4] *2018 Ownership Rules NPRM*, ¶¶ 40, 48–54.

[5] Of course, NPG also faces significant competitive pressures from non-video sources such as radio, online operators, magazines, and billboards. However, for purposes of concision these comments focus primarily on the sea-change regarding non-broadcast sources of video programming.

[6] *See, e.g.*, JC Lupis, *The State of Traditional TV: Updated with Q3 2018 Data* (Apr. 3, 2019), https://www.marketingcharts.com/featured-105414 (65+ age group, while still declining over past year, is sole stable traditional-tv viewership group).

[7] *Communications Marketplace Report*, DA 18-181, ¶ 51 (Dec. 26, 2018) [hereinafter *2018 Video Programming Market Report*].

programming.[8] MVPDs now often also operate their own local or regional news channels,[9] and compete against broadcasters not only in programming, including local programming, but also in local advertising.[10]

At the same time, OVD proliferation has surged. Nearly three in ten U.S. adults use online streaming as their primary means of watching television, and certain OVDs count their users in the tens of millions.[11] OVDs make a wide variety of programming available to consumers, including packages containing traditional cable and broadcast channels.[12] And, increasingly, OVDs are providing exclusive and original content.[13] Online video and audio programming is now so prevalent that it accounts for over 70 percent of North American Internet traffic in the peak evening hours.[14]

Due to this rapidly evolving media landscape, broadcasters across the nation face increased competitive pressures from non-broadcast video programming providers. And these competitive pressures are amplified for broadcasters in smaller markets.

Each OVD and MVPD is also afforded an often unique competitive advantage over traditional broadcasters in smaller DMAs: the ability to leverage the inherent economies of scale and scope that attend programming creation and distribution. Large capital investments in equipment and facilities generally are required to create enriching and engaging media content, and OVDs and MVPDs are often able to better recoup those large, fixed investments by taking their content and disseminating it across multiple platforms and, in the case of OVDs, to as wide an audience as will consume the content.[15] This results in cyclical and greater reinvestment in

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[8] *See id.* at ¶ 59.

[9] *See 18th Video Programming Market and Competition Report*, DA 17-71, at app. C, tbl. C-1 (Jan. 17, 2017) [hereinafter *2017 Video Programming Market Report*].

[10] *See, e.g., 2018 Video Programming Market Report*, ¶¶ 92, 96, 98. "Stations compete for advertising revenue with other stations in their respective markets; advertisers may also place advertisements with other media including newspapers, radio stations, magazines, outdoor advertising, transit advertising, direct mail, local cable systems, DBS systems, and online websites, as well as telephone and/or wireless companies." *2017 Video Programming Market Report*, ¶ 104; *see also id.* at ¶¶ 70, 75, 104. "Local advertisers may choose to advertise using local broadcast television or radio stations, newspapers, regional cable networks, geographically targeted websites, or other local media." *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, Seventeenth Report, DA 16-510, ¶ 121 (May 6, 2016).

[11] *2018 Ownership Rules NPRM*, ¶ 2; *see also Over Half of US Broadband Households Who Trial an OTT Video Subscription Service Convert to Paying Subscribers* (Apr. 3, 2019), http://www.parksassociates.com/blog/article/pr-04032019.

[12] *2018 Video Programming Market Report*, at ¶ 81–82, 89.

[13] *Id.* at ¶¶ 77, 79.

[14] *Id.* at ¶ 151.

[15] J.A. Eisenach and K.W. Caves, *The Effects of Regulation on Economies of Scale and Scope in TV Broadcasting*, at 2–3, 5–7, attached to NAB Reply Comments, MB Docket No. 10-71 (June 27, 2011).

content creation given the far lower unit cost of production than would be possible for traditional broadcasters, whose reach is limited to a defined geographic audience.[16]

For years, NPG has faced these competitive challenges in each of its markets. NPG therefore urges the Commission to account for this established reality by considering the broader media marketplace in analyzing the issues presented in the *2018 Ownership Rules NPRM.* To turn a blind eye to the marketplace as a whole would fail to account for significant current and expanding competitive concerns faced by broadcasters nationwide, and which are amplified in the case of small markets.

II. The Rules Should Be Liberalized to Permit Ownership of Two Stations in DMAs Ranked 75 or Higher

As just discussed, competition in the video marketplace has exploded exponentially and stations in smaller markets feel the competitive effects to a greater degree. To account for these marketplace realities, NPG asks the Commission to liberalize its Local Television Broadcast Ownership Rules to permit ownership of two stations in DMAs ranked 75 or higher, regardless of where the station is located and regardless of any affiliation (or lack thereof) with a Top-4 Network.[17] The competitive characteristics of these markets fundamentally vary from those in larger markets, and the corresponding ownership rules must account for such variations.

For instance, just as digital and online provision of programming has disrupted traditional broadcasting marketplace dynamics, so too has digital provision of media content disrupted the traditional advertising marketplace. From 2014 to 2017, local digital advertising increased by over 53 percent.[18] In fact, the Commission's most recent Video Programming Market Report found that local digital advertising revenue now exceeds local television advertising revenue by nearly triple.[19] In 2018, approximately 53% of total local advertising expenditures were digital-only, with Facebook and Google comprising over 37% of that total.[20] And, unsurprisingly, as

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[16] *Id.* at 2–3.

[17] To be clear, NPG does not oppose liberalizing the rules regarding ownership in larger markets. It is just that the need for liberalization is particularly acute in smaller markets, such as those in which the vast majority of NPG's stations operate.

[18] *Compare 2017 Video Programming Market Report*, ¶ 121, tbl. III.B.5 (2014 percentage of 27.2%), *with 2018 Video Programming Market Report*, ¶ 126 & fig. B-8 (2017 percentage of 41.7%).

[19] *2018 Video Programming Market Report*, ¶ 126 & fig. B-8 (the 2017 percentage of gross revenue for broadcast television stations was 15.0% and it was 41.7% for digital (Internet/Online)).

[20] Harry A. Jessell, *Facebook, Google Dominant in Local Ad Market*, TVNewsCheck, https://tvnewscheck.com/article/233267/facebook-google-dominate-in-local-ad-market/?utm_source=Listrak&utm_medium=Email&utm_term=Facebook%2C%20Google%20Dominant%20In%20Local%20Ad%20Market&utm_campaign=Automated%20Selling%20Is%20Coming%20--%20With%20a%20Price%20Tag (Apr. 3, 2019 8:42 EDT).

digital advertisements capture a greater slice of the advertising marketplace, revenues stemming from broadcast television advertising are falling.[21]

The effects of this advertising shift are necessarily felt harder in smaller markets, which are already subject to the heightened competitive pressures discussed above. For example, none of NPG's stations is located in a DMA containing more than approximately 340,000 viewers, a far cry from the higher-ranked DMAs stretching up to 7.1 million viewers.[22] This means that those NPG stations operate in DMAs approximately 2.25 percent the size of the top DMA and approximately 3/4 smaller than any DMA in the top 50. Any significant loss in revenue to a station located in one of these smaller DMAs therefore has an outsized effect on that station's ability to pay the largely fixed costs required to create and disseminate content.

A simple and necessary way to account for these current market inequities is to permit common ownership of two stations in DMAs ranked 75 or higher, regardless of where the station is located and regardless of any affiliation with a Top-4 Network. Simply put, stations operating in smaller markets have comparatively less opportunity to earn revenue. It is therefore critical for stations in smaller markets to be able to leverage economies of scale and scope in order to be able to fund meaningful local broadcasting services, including the provision of news, emergency information, and local programming content.[23] If the unique characteristics present in small markets are not recognized, localism in those markets will suffer.

III. LPTV Stations Should Continue to be Exempted from Ownership Limits

Finally, NPG asks the Commission to continue to exempt LPTV stations from the Local Television Broadcast Ownership Rules. Economies in smaller markets often cannot support more than one or two truly local sources of programming. LPTV stations are one of the only mechanisms by which such smaller communities may be served by certain broadcasters or networks, and LPTV deployment in those communities has sparked innovation that would not otherwise have been possible. Indeed, networks have recognized this by granting affiliations to LPTV stations in smaller or underserved markets.

Further, broadcasters like NPG who operate in smaller markets face unique competitive pressures from broadcasters in adjoining DMAs. For instance, although several DMAs served by NPG have only two full-power television stations per market, these same DMAs have multiple over-the-air television programming options that originate from other markets. And, in some instances, network-affiliated stations from other markets are even carried on cable systems

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[21] *See, e.g.*, *US TV Ad Spending to Fall in 2018*, eMarketer, https://www.emarketer.com/content/us-tv-ad-spending-to-fall-in-2018 (Mar. 28, 2018).

[22] *2019 Nielsen Estimates.*

[23] NPG applauds the Commission's emphasis on broadband deployment in rural areas. However, without NPG and similarly situated broadcasters those same important and underserved markets would not have access to a full complement of the Top-4 Networks.

serving the NPG DMAs, including signals the Commission has classified as "significantly viewed" in the case of the St. Joseph DMA.[24]

Common ownership of various full-power and LPTV network-affiliated stations helps broadcasters in these smaller markets respond to this increased competition and to provide content locally that otherwise might only be available from adjoining, non-local areas. Further, these types of combinations help broadcasters realize the greater economic benefits and synergies discussed above, which, in turn, allows owners like NPG to reinvest in local programming serving local viewers.

For all of these reasons, NPG asks the Commission to reaffirm that LPTV stations remain exempt from counting toward ownership limits.

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Video competition for the distribution of programming and the sale of advertising has never been as competitive as it is today. This is certainly true in the markets in which NPG operates. At the same time, stations operating in smaller markets simply have comparatively less opportunity to earn revenue. It is therefore critical for stations in smaller markets to be able to leverage economies of scale and scope in order to be able to fund the provision of viable local broadcast content serving local viewers.

NPG asks the Commission to recognize these fundamental marketplace realities in the ways described above.

Sincerely,

Dave Bradley

Cc: Chairman Ajit Pai; Commissioner Michael O'Rielly; Commissioner Brendan Carr; Commissioner Jessica Rosenworcel; Commissioner Geoffrey Starks

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24 *Significantly Viewed TV Stations List*, FCC, https://www.fcc.gov/files/significantviewedstations030819pdf (Mar. 8, 2019).

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