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September 23, 1992

Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Review of the Commission's Regulations Governing Television Broadcasting, MM Docket No. 91-221

Dear Ms. Searcy:

The National Association of Broadcasters ("NAB")[1] submits this informal reply to the Comments of the Office of Communication of the United Church of Christ ("UCC") filed on August 24, 1992. In NAB's comments in this docket (pp. 10-15), we pointed out several research inconsistencies and mistakes in UCC's response to the Commission's *Notice of Inquiry*. We will not repeat those criticisms, even though UCC continues to recite the results of those erroneous analyses.

UCC's Comments on the *Notice of Proposed Rulemaking* also contains new arguments misusing the results of the NAB Financial Reports. Exhibit I of UCC's comments is particularly suspect. That exhibit purports to demonstrate that the NAB Financial Reports show a reduction in profits from 1979 to 1989 for the average television station, despite an increase in the number of television groups. UCC, however, based the exhibit on numbers that were not contained in the cited NAB Financial Reports.

The NAB Financial Reports do not include a calculation of the average profit for all television stations. The number that UCC claims that NAB reported as the average station profit is instead a UCC-calculated average of the reported profits for

[1] NAB is a nonprofit, incorporated association of radio and television broadcast stations and networks. NAB serves and represents America's radio and television stations and all the major networks.

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the average affiliate and average independent station. In essence, the UCC exhibit rests on an assumption that there were equal numbers of network affiliated and independent television stations in the years examined. Given that in those years there were two to three times the number of affiliates as there were independent stations, the averages generated by UCC seriously overstate the financial results of independent stations.

UCC also mistakenly confuses medians and averages. The only reported station profitability figures for 1979 were median values. For 1984 and 1989, both average and median values were reported by NAB. UCC chose to compare the 1984 and 1989 *average* values with the *median* values from 1979, not the readily available median values for all three years. Given the non-normal distribution of these variables across the industry, the average and median values differ widely and comparisons between them across years make no sense.

As described above and in NAB's Comments on the *Notice of Proposed Rulemaking*, UCC's slapdash use of industry financial data belies their conclusion that increased group ownership will not add to industry efficiency. Whatever can be demonstrated about industry profitability since the ownership rules were last relaxed, it is impossible to indulge in UCC's uncritical assumption that increased group ownership did not make efficiencies possible. Certainly, factors other than group ownership have affected the profitability of television stations in the last decade, and UCC is unable to demonstrate that without the increased possibilities for multiple ownership, industry profitability might have been worse. NAB again urges the Commission to move promptly to adopt a moderate relaxation of the television group ownership rules.

Respectfully submitted,

Henry L. Baumann
Executive Vice President &
General Counsel

Jack N. Goodman
Special Counsel

cc: Anthony L. Pharr, Esquire