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Before the
Federal Communications Commission

July 10, 1992

ORIGINAL FILE

87-268

In the matter of

Advanced Television Systems
Second Report and Order/
Further Notice of Proposed Rulemaking

Docket 87-268

RECEIVED
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Federal Communications Commission
Office of the Secretary

To: The Commission

On behalf of:
Northeast Kansas Broadcast Service, Inc.
Licensee of: KTKA-TV, Topeka, Kansas
Delmarva Broadcast Service General Partnership
Licensee of: WMDT-TV, Salisbury, Maryland

Upon reviewing this "Second Report and Order/Further Notice of Proposed Rulemaking", which relates to Advanced Television (ATV) service, it is apparent the Commission may not fully grasp the severe impact and economic impracticality of this proposal for many small-market television broadcasters.

As we have learned more about this subject over the past year, we have come to the conclusion that the engineering and equipment costs, and the technical complexities of this transition, will create an extreme burden on stations such as ours.

Our family has owned and operated radio and TV stations since 1946. As a background, here's a little about our present television stations, both ABC affiliates:

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WMDT, in Salisbury (ADI #163), which signed on in 1980, was purchased by us out of a bankruptcy in 1982. It has grown, but only after substantial investment -- in initial acquisition, rebuilding of facilities, and annual capital expenditures to replace and upgrade equipment. We have been strongly committed to providing local and regional information to viewers on the Eastern Shore of the Chesapeake Bay.

KTKA, Topeka (ADI #141), likewise, had been in bankruptcy, having faced numerous problems since it signed on in 1983, and remained in financial distress at the time we purchased it in 1986. Now, it also provides good service to the communities of Topeka and Northeast Kansas. Despite expensive facility improvements and upgrades, and aggressive management strategies, this station continues to operate at a loss. The Topeka market's TV revenues have declined over the past several years, and notwithstanding KTKA's growth in many areas, it will be some time before we are on a break-even basis -- although we are now making headway.

Obviously, the recession has had serious impact on us, as it has on all broadcasters. We have reduced staff, trimmed every expense possible, while still providing service to our communities. But we are, indeed, walking a fine line.

Also, the recession and other factors affecting TV have substantially diminished the asset values of our properties. We could not now in any way recoup our investment in acquisition and equipment at these facilities

even if there were available buyers willing to assume the obligation and future heavy ATV investment costs.

(I would be glad to review specific station financial data with the Commission, should that help provide a clearer picture of our dilemma.)

Now, ATV looms, as imposed by the FCC. The technical costs for ATV transition -- even to "pass through" satellite-delivered or videotaped programs -- is estimated to cost several million dollars. If a new transmitter site and facilities, including tower, is required, the costs could be several million dollars more. These costs, whether for a station grossing $2 million or $200 million, are roughly equivalent. Obviously, the station grossing $200 million can fund, or obtain financing, for such capitol expenditures.

The station grossing $2 million simply cannot.

Even if it did invest, it would be unlikely that such an expenditure could ever, in our lifetimes, be recouped in revenues or in enhancement of value of the business. For after all is said and done, all this expense toward ATV offers virtually no opportunity to generate added revenue in any reasonable time frame within which acquisition of the added equipment must be financed.

Frankly, if this transition to ATV is forced on small market broadcasters as outlined in the current proposal, most of us would be better off issuing pink slips, shutting off the power, locking the doors and throwing away the keys.

The disparate economic impact and disparate distribution of the economic benefits of conversion to ATV highlight the lack of fairness to small market television broadcasters. First, with a government-mandated conversion timetable, the suppliers of ATV broadcast equipment will have little incentive to sell at lowest possible price. For this would create a forced-demand situation, with suppliers knowing that all stations are virtually required to buy ATV equipment. Only if the purchase of ATV equipment and the timing is somewhat elective will suppliers price products to encourage and foster marketplace demand.

Second, under these transition rules, broadcasters, networks, and cable operators are the ones being ordered to spend the billions of dollars on infrastructure, to create a market for ATV home receiver manufacturers with a new product. The expense and risk is ours. The windfall from receiver sales is someone else's.

Please consider the following:

1. If this government-mandated "industrial policy" is so compelling in the public interest, then create transition

subsidies or grants, funded from surcharges or royalties on receivers, to fund the transition costs that will otherwise be borne only by broadcasters. Use a formula that recognizes the greater negative impacts on the small broadcasters and cable systems that do not have the economic capability to make these changes. Assure that smaller or economically-distressed stations receive funds to use for this mandated transition.

2. Lengthen, or eliminate, all time-frame requirements for the transition. Let the marketplace, by station, market, and region, dictate when such transitions should be appropriate and permit re-use of frequency space returned to the government on an ad hoc timetable, not according to a priori general conclusion. If land mobile or other proposed users of the returned frequencies want to expedite the timetable, let them pay broadcasters to hasten that end and thereby make their contribution to the overall costs of conversion to ATV.

3. Assure that new ATV receivers can also receive and process an NTSC signal. Thus, if the Commission eliminates the "dual" transmission, and a station is still broadcasting in NTSC, its signal can be viewed. Allow such a "laggard" NTSC station to convert to ATV whenever that changeover might be appropriate for its circumstances.

4. If some form of phased changeover remains required, permit "economic hardship" to be an automatic exemption or deferral from such requirements. Hundreds of full-service TV stations are economically stressed at present -- and will be for many years ahead.

We appreciate the opportunity to comment on these important issues, and hope the Commission will recognize the serious concerns we have about how these proposals for ATV may threaten our survival.

Respectfully submitted,

Berl Brechner

Vice President

CERTIFICATE OF SERVICE

I, Constance H. Semler, hereby certify that I have this 15th day of July, 1992, sent by U.S. Postal Service, postage prepaid, copies of the foregoing Comments (filed on behalf of Northeast Kansas Broadcast Service, Inc. and Delmarva Broadcast Service General Partnership) to the parties on the attached service list.

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