

Presentation to  
FCC General Counsel's  
Transaction Team  
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December 2017

# Discussion Topics

- Opposition to the Proposed Sinclair-Tribune Merger by Elected Officials
- Sinclair Has Failed to Serve the Public Interest
- The Merger Would Create Unprecedented and Dangerous Market Dominance
- Most Americans Still Depend on TV News
- Critical Ongoing Role for Broadcast TV News
- Key Legal Issues Re: Consideration of the Merger

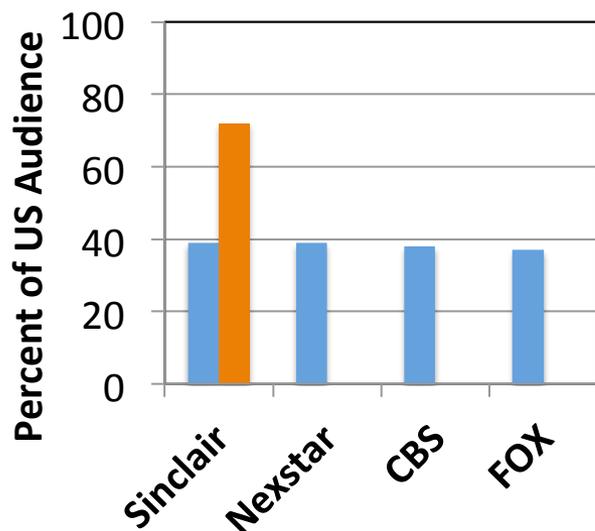
# Opposition to the Merger by Elected Officials

- Letter to FCC Chairman Ajit Pai dated 11/15/17 from 15 U.S. Senators expressing concerns about the independence of his leadership, particularly as it relates to the proposed merger
- Letter to FCC Inspector General David Hunt from same U.S. Senators dated 11/15/17 requesting an investigation to determine if FCC review of proposed merger is impartial
- Letter to FCC Inspector General David Hunt from two U.S. Congressmen dated 11/13/17 stating similar concerns and requesting a similar investigation
- Attorneys General for the States of MD, IL, MA and RI filed FCC reply comments opposing the proposed merger, claiming:
  - The proposed merger will limit consumer choices
  - The FCC should reject the merger due because it relies on the obsolete UHF Discount Rule
  - Absent the UHF Discount Rule, the combined Sinclair-Tribune entity would reach 72% of U.S. households – well in excess of the 39% ownership cap
  - With reinstatement of the UHF Discount, the merged entity would reach less than 45% of U.S. households – well within range of the 39% cap with limited station divestitures
  - The FCC should delay consideration of the merger until the D.C. Circuit Court of Appeals completes its review of the UHF discount rule
  - FCC reinstatement of the UHF Discount Rule has been challenged in *Free Press v. FCC* - if successful, Sinclair will be legally barred from acquiring Tribune Media

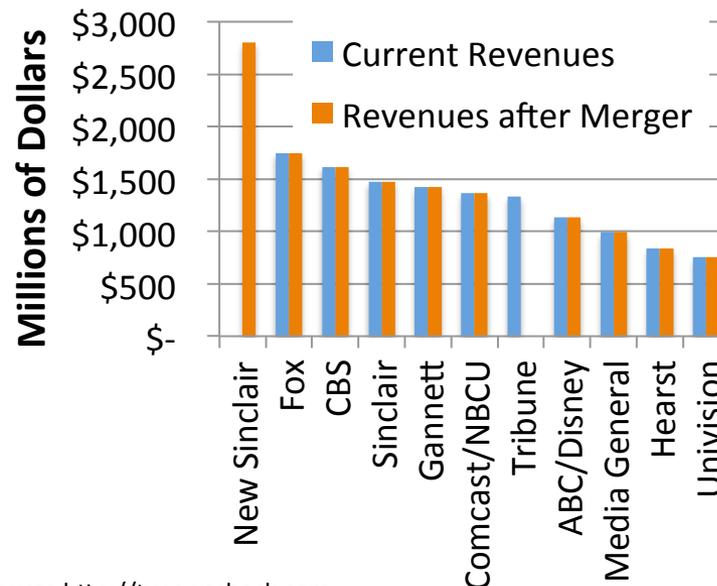
# Sinclair Has Failed to Serve the Public Interest

- ***Free use of public airwaves carries a unique responsibility for the highest levels of broadcast journalism integrity***
  - Compliance with Communication Act and related FCC rules is minimum requirement
  - Sinclair has historically not met the Character Qualifications to be a broadcast licensee
- ***Sinclair undermines the localism standard of the Communications Act***
  - Centralized control of news programming, advertising and station operations
  - Must-run programming overriding local journalistic and audience needs
  - Highly biased editorial segments by [Boris Epshteyn](#), [Mark Hyman](#), Scott Livingston
  - Replacement of trusted local station personnel -news anchors, reporters - by corporate staff
- ***Distortion and blurring of news, political commentary and advertising***
  - Advertisements in the guise of news: Huntsman Cancer Center case alleges broadcast of lengthy unlabeled infomercials as news segments – see 2016 FCC investigation
  - Political commentary in the guise of news: “must-run” documentary and ads disparaging John Kerry’s Vietnam service record aired by all Sinclair stations during 2004 presidential race
  - Selective blocking of major network news program feeds: Nightline Iraq Casualties Report pulled by all Sinclair stations in 2004 and replaced with documentary on merits of Iraq war
- ***Violations of federal law and FCC regulations***
  - \$9M ‘treasury contribution’ paid by Sinclair in 2016 for violation of Section 325 of the Communications Act, and for news distortion
  - \$80K fine paid in 2001 for unauthorized transfer of control of sidecar entity

# Unprecedented and Dangerous Market Dominance



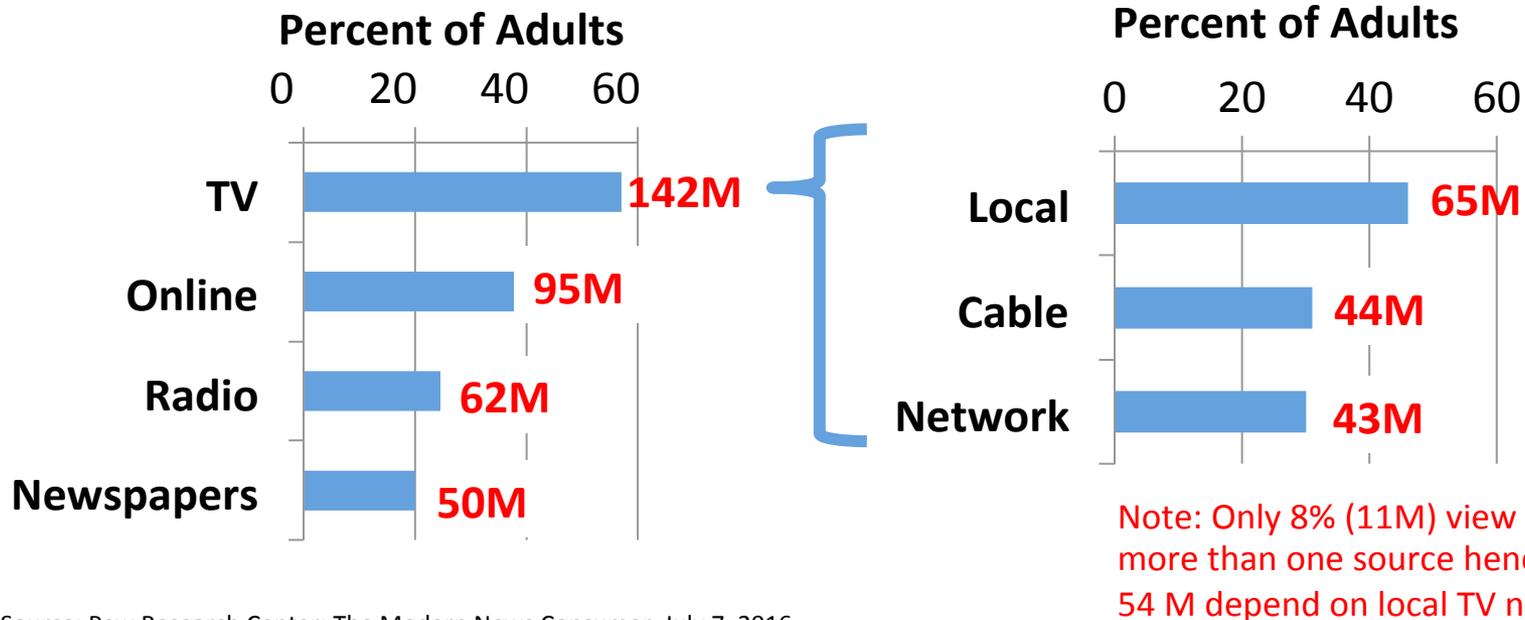
Source: the Coalition to Save Local Media



Source <http://tvnewscheck.com>

- Merged company would reach 72% of U.S. homes
- Sidecar deals further expand market coverage
- Merger provides huge competitive advantage for Sinclair
- Supports Sinclair stated goal of monopolistic domination of every local TV market
- Highly concentrated TV ownership is inconsistent with diversity of voices and localism standards for broadcast television

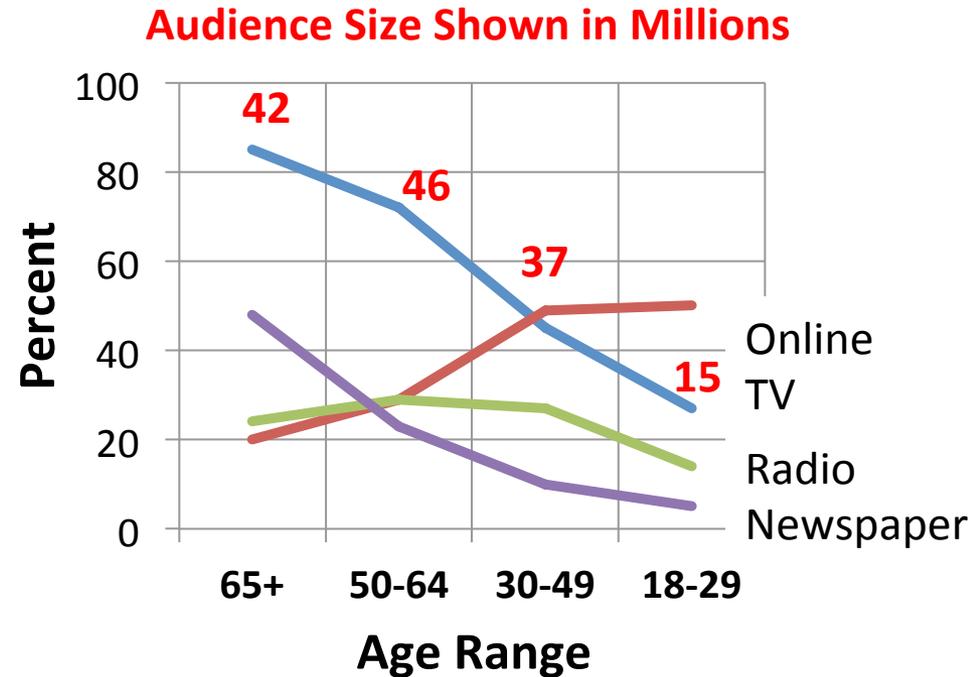
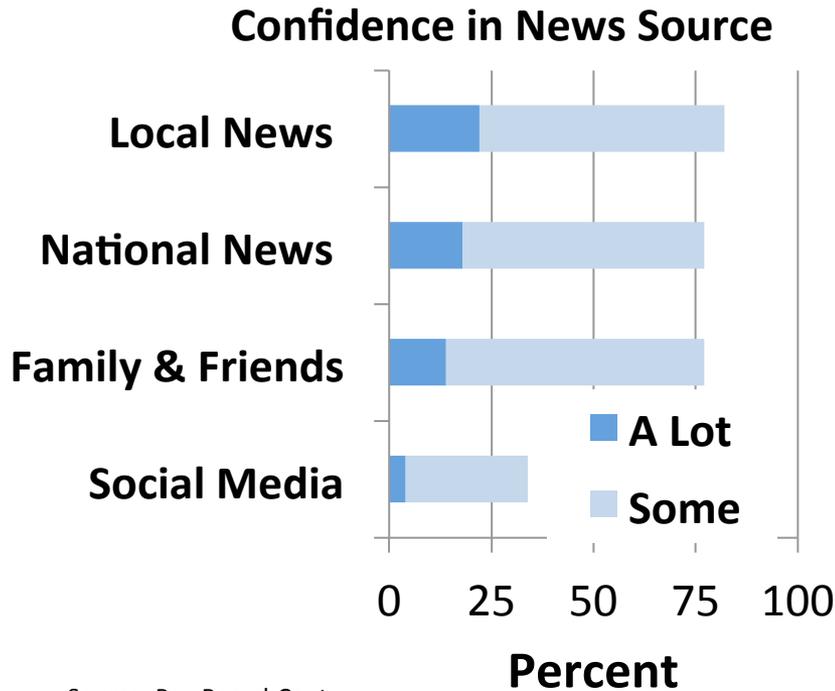
# Most Americans Still Depend on Television for Local News



Source: Pew Research Center: The Modern News Consumer, July 7, 2016

- Most adults get news from TV and **Local Broadcast TV News remains dominant**
- 10% of U.S households have no broadband Internet access (about 25 million adults)
- Internet access unavailable in 39% of homes in rural areas (about 19 million adults)
- Disproportionate impact on minority and economically disadvantaged populations

# Americans Still Trust and Rely On Local Television



Source: PewResearchCenter

- Local news programs and news anchors are more trusted than national news and much more trusted than Internet news
- Social media and online sources are yet to prove themselves
- Local cable news is primarily derivative of broadcast TV news
- Broadcast TV news especially important for large segment of population over 50

# Key Legal Issues Re: Merger

- Sinclair's proposed merger violates the Consolidated Appropriations Act of 2004, Pub. L. No. 108-199, which explicitly limits a single broadcaster's reach to 39% of the nation's TV households
  - In its response to the FCC's questions, Sinclair acknowledges its reach pre-merger exceed 45%, even taking advantage of the UHF discount
  - Reinstatement of the UHF Discount is under challenge in the DC Circuit, and it would make no sense for the FCC to act on this massive merger premised on a policy which is still under attack in the Court
  - As Commissioner O'Rielly has testified to the House Oversight Sub-Committee, the Commission has no legal authority to raise the 39% cap without Congressional consent
- Sinclair's history of statutory and rule transgressions indicates its consequent lack of character qualifications to be a Commission licensee
  - This decades-long pattern of intentional refusal to function as a public trustee has now repeated itself again, two years after a consent decree finding massive violation of Section 325 of the Act led to a "voluntary" 9 million dollar contribution to the Treasury
  - Trade Press reports indicate that Sinclair will be fined 13.3 million dollars for a pattern of violations of Section 317 of the Act, deceiving its audience regarding infomercials broadcast in 30 markets
  - This huge fine is not sufficient here; instead Sinclair's applications should be designated for hearing, like those of RKO in the 1970's

# Key Legal Issues Re: Merger (cont.)

- “Internet news” is unreliable and often inaccurate hence not an alternative to more reliable broadcast TV news
  - Foreign and domestic operatives are using social media to undermine American institutions, influence public opinion and sway elections
  - Internet platforms being are co-opted to disseminate ‘fake news’
  - Immature fact and source checking still typifies platform providers
  - “Open” (unregulated) standards for Internet content cannot be applied to broadcast television
- Local broadcast TV must remain a diverse and reliable source of news
  - A Sinclair-Tribune entity reaching 70% of the nation’s living rooms plus sidecar deals extending further undermines the diversity of voices essential to a national political dialog
  - About 54 million local TV viewers still rely heavily or exclusively on broadcast TV news
  - Public will be dependent on accurate local broadcast TV and print news for years to come
  - Sinclair has a history of slanted editorial content, “must-run” news segments, and advertising posing as news
  - Broadcast TV must not be “weaponized” like Internet platforms to sway elections

**HRI strongly advocates for FCC denial or indefinite delay of consent to the Sinclair-Tribune merger**