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VIA SAME-DAY HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Comments of Knight-Ridder, Inc. in MM Docket Nos. 94-150, 92-51, 87-154

Dear Mr. Caton:

On behalf of Knight-Ridder, Inc. ("Knight-Ridder"), and in accord with 47 C.F.R. § 1.419, enclosed for filing with the Commission are an original and nine copies, which include copies for each Commissioner, of the Comments of Knight-Ridder in response to the Commission's Further Notice of Proposed Rule Making in the Matter of Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests, in the above-referenced docket.

An additional copy of the Comments is enclosed to be date-stamped. Please return the date-stamped copy to the courier for delivery to the undersigned.

No. of Copies rec'd 0+9
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Any questions regarding this filing should be referred to the undersigned. We very much appreciate your assistance in processing this filing.

Respectfully submitted,

John H. Beisner
John E. Welch

Counsel to Knight-Ridder, Inc.

Enclosures

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

FEB - 7 1997

In the Matter of	)	
	)	MM Docket No. 94-150
Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests	)	
	)	
Review of the Commission's Regulations and Policies Affecting Investment in the Broadcast Industry	)	MM Docket No. 92-51
	)	
Reexamination of the Commission's Cross-Interest Policy	)	MM Docket No. 87-154

COMMENTS OF KNIGHT-RIDDER, INC.

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Dated: February 7, 1997
273312

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matter of	)	
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Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests	)	MM Docket No. 94-150
	)	
Review of the Commission's Regulations and Policies Affecting Investment in the Broadcast Industry	)	MM Docket No. 92-51
	)	
Reexamination of the Commission's Cross-Interest Policy	)	MM Docket No. 87-154

COMMENTS OF KNIGHT-RIDDER, INC.

Knight-Ridder, Inc. ("Knight-Ridder"), by its counsel, submits these comments in response to the Commission's Further Notice of Proposed Rulemaking ("FNPR") in the above-captioned proceedings.

Knight-Ridder applauds the Commission's efforts to develop clear and precise attribution rules. However, as a newspaper publisher interested in the possibilities of multimedia ventures, Knight-Ridder has the following concerns about the Commission's efforts. First, Knight-Ridder endorses the Commission's "equity or debt plus" proposal,[1] but believes that newspapers should not be considered "same market

[1] See Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests, et al., FCC Release No. 96-436 (MM Docket Nos. 94-150, 92-51, 87-154) (released Nov. 7, 1996) ("FNPR") at ¶ 8.

broadcasters" or "program suppliers" under this approach. Second, Knight-Ridder submits that the threshold for attributing television time-brokerage agreements (or "LMAs") should be higher than that for radio -- at least 25 percent of a station's programming -- because of differences between the radio and television programming markets. Third, Knight-Ridder urges the Commission to raise the attribution threshold for voting stock from five percent to ten percent in order to support strong investment in media enterprises.

Background

Knight-Ridder is a Florida corporation that owns and operates 31 daily newspapers and ten non-daily newspapers throughout the United States, as well as several business information services that serve customers both in the United States and abroad. Among its newspapers are *The Miami Herald*, *The Philadelphia Inquirer*, the *Detroit Free Press* and the *Charlotte Observer*. All of the company's newspapers compete for advertising and readers/viewers with broadcast television and radio, satellite and cable television, on-line and other computer services, magazines and direct mail. Several of the newspapers are already involved in on-line, television and other multi-media ventures with other companies. As competition for readers/viewers grows stiffer, Knight-Ridder is eager to work more closely with television stations in producing news reports, documentaries and other public service programs. Knight-Ridder is particularly interested in broadcast television because of the obvious synergies that can be achieved between print and broadcast newsgathering operations. For these reasons, the

Commission's attribution and related cross-ownership rules are critical to the future of Knight-Ridder and newspaper publishing in general.

Along with these comments, Knight-Ridder is concurrently filing comments in the Commission's Newspaper/Radio Cross-Ownership Proceeding, urging the Commission to expand its review of the radio-newspaper portion of the broadcast-newspaper cross-ownership rule to include a review of its regulations regarding television-newspaper combinations as well. Modifying both the cross-ownership and attribution rules would create a vibrant market for positive television-newspaper combinations, resulting in numerous synergies and public service benefits, as recognized last year by Commission Chairman Hundt.[2]

Argument

I. Under The Commission's Proposed "Equity or Debt Plus" Attribution Rule, Newspapers Should Not Be Included As "Same-Market Broadcasters" or "Program Suppliers."

Knight-Ridder generally supports the Commission's proposed "equity or debt plus" attribution rule and believes that such a "bright line" rule is preferable to the alternative ad hoc approach now in use. Applied in conjunction with the current nonvoting and single majority shareholder exemptions, the "equity or debt plus" approach would prevent "abuses" of these exemptions and at the same time "permit greater

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[2] See Capital Cities/ABC, Inc., 11 FCC Rcd 5841, 5906-07 (Separate Statement of Chairman Hundt) (1996) ("why should [the Commission] prohibit a newspaper from, say, exploring the potential of turning a little-watched UHF station (or digital television channel) into a local all-news center").

certainty and predictability,"[3] without discouraging healthy investment in broadcast companies.

Knight-Ridder is concerned, however, about the effect of the proposed "equity or debt plus" regime on the ability of daily newspapers to invest in, and provide news programming to, local television stations. Under the Commission's proposed "equity or debt plus" approach, any interest over a specific benchmark -- tentatively proposed to be 33 percent -- would be attributable for purposes of the Commission's multiple ownership rules (including the broadcast-newspaper cross-ownership rule) if the investor is either (i) a "same-market broadcaster or other media outlet subject to broadcast cross-ownership rules, including newspapers and cable operators" or (ii) a "program supplier."[4] While endorsing the Commission's "equity or debt plus" approach in general, Knight-Ridder submits that newspapers should not be classified as "same-market broadcasters" or "program suppliers" under the proposed rule.

First, extending the definition of "same-market broadcasters" to include newspapers for purposes of the broadcast-newspaper cross-ownership rule would only serve further to exacerbate the heavy burden of a dubious and antiquated[5] rule on the newspaper and broadcast industries. As addressed more fully in Knight-Ridder's comments in the Commission's Newspaper/Radio Cross-Ownership Proceeding, technological advances and related industry developments in the last two decades have

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[3] FNPR at ¶¶ 11-12.

[4] Id. at ¶ 12 (emphasis added).

[5] Unlike many of the Commission's multiple and cross-ownership rules, the broadcast-newspaper cross-ownership rule has not been updated since its adoption in 1975.

displaced restrictions like the cross-ownership rule as the most effective means of increasing programming diversity and economic competition. Since the cross-ownership rule was adopted (and for reasons completely unrelated to the rule), the number of on-air television stations has increased 62 percent, from 952 to 1,544.[6] In addition, the number of television stations available to most households has increased as well -- in large part owing to the continued expansion of cable television, which now passes over 96 percent of all television households in the United States,[7] and counts 65 million subscribers.[8] With cable television comes more channels; at least 40 percent of cable subscribers currently receive service from systems with a channel capacity of more than 54 channels,[9] and 97 percent of all cable subscribers receive service from systems that can provide at least 30 channels.[10] Moreover, satellite television is also gaining in popularity, with 6.1 million DBS and C-Band subscribers as of late 1996.[11] This continuing explosion of cable, satellite, multichannel multipoint distribution services and other video programming technologies, along with the huge growth in on-line services, ensures that programming diversity and viewer choice will increase into the next century

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[6] See Broadcasting & Cable Yearbook (1996) at C-244.

[7] See In the Matter of Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming ("Second Annual Report"), 11 FCC Rcd 2060, 2063-64 (1995).

[8] See "US Cable TV Price Hikes To Favour DBS?," Screen Digest Limited, December 1, 1996, at 1.

[9] See TV & Cable Factbook (1995) at F-3.

[10] See Second Annual Report at 2064.

[11] See "Trade Group: Satellite TV Picking Up Steam," Media Daily, November 18, 1996, at 1.

-- and that the concern about diversity underlying the Commission's cross-ownership rule has now become a thing of the past. As such, Knight-Ridder believes that the Commission should be reexamining the very existence of the cross-ownership rule, rather than extending its scope through a new attribution rule.

Furthermore, as discussed in Knight-Ridder's concurrently filed cross-ownership comments, the Telecommunications Act of 1996 mandates a full review every two years of all the Commission's multiple ownership rules in light of today's market realities.[12] Thus, even if the Commission believes, at present, that its "equity or debt plus" approach should apply equally to all ownership rules, including the broadcast-newspaper cross-ownership rule, the Commission should at least defer any decision to classify newspapers as "same-market broadcasters" until it completes a statutorily mandated review of the broadcast-newspaper cross-ownership rule and assesses the continued relevance of that rule to the Commission's goals of diversity and competition.

Finally, to the extent that the Commission does extend the proposed "equity or debt plus" approach to include newspapers, it should apply the same definition of "market" as that used for purposes of the underlying cross-ownership rule, in order to minimize confusion among the regulated parties.[13] The importance of a simple approach to market definitions has been made evident in recent months by applications to the Commission for waiver of the broadcast-newspaper cross-ownership rule, which

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[12] See Telecommunications Act of 1996, Pub. L. No. 104-66, § 202(h), 110 Stat. 56, 111-12 (1996).

[13] See FNPR at ¶¶ 8, 16.

have either misconstrued, or purposely attempted to manipulate, market definitions under the rule.

Second, the Commission also invites comments on how to define the term "program suppliers" under the proposed "equity or debt plus" regime. Knight-Ridder supports establishing a definition of "program suppliers" which would exclude newspapers that provide programming to television stations. Such an approach would prevent programmers from having unattributed -- yet powerful -- interests in local television stations, and at the same time, would encourage innovative news and public service combinations between print and broadcast entities.

In sum, Knight-Ridder urges the Commission to exclude newspapers from its definitions of "same market broadcasters" and "program suppliers" in order to minimize the burdens of the antiquated and dubious broadcast-newspaper cross-ownership rule. Implementing the proposed "equity or debt plus" policy with these limitations would both strengthen the Commission's ownership rules and ensure that the attribution rules do not unnecessarily subvert the Commission's larger goals of diverse, innovative and public service programming.

II. The Attribution Threshold For Television LMAs Should Be Set At 25 Percent, And Television LMAs Should Not Trigger The Broadcast-Newspaper Cross-Ownership Rule.

With regard to the Commission's proposal to attribute television LMAs, Knight-Ridder believes first that the threshold for requiring attribution of television LMAs should be higher than the threshold for radio LMAs. As discussed supra, television viewers today have more channels and programming services to choose from

than anyone would have dreamed possible just a few decades ago. Given this bounty of diversity -- unmatched in radio -- setting the threshold for attributing television LMAs at 25 percent of a station's programming would more than protect local diversity and competition. At the same time, establishing a threshold of 25 percent would also encourage innovative and successful combinations between local television stations and other programmers in the community (such as newspapers) that would otherwise be impossible.

Second, if the Commission decides to attribute television LMAs, attribution by virtue of such LMAs should not trigger the broadcast-newspaper cross-ownership prohibition. Again, the Commission should support the obvious and important public benefits that would accrue from local, newspaper-produced news and educational programming for both children and adults. If the Commission were to adopt a 15 percent programming threshold for attributing LMAs and apply that policy in conjunction with the broadcast-newspaper cross-ownership rule, a newspaper would be unable to enter into an agreement to participate in providing four hours of news programming to a UHF television station that currently has no local news, or to provide such a station with a few hours of news programming in the morning plus a news magazine show for children in the afternoon. Yet, it is clear that such arrangements would likely provide just the type of programming that the Commission champions -- locally produced news, educational and public service programs -- with no attendant

threat to diversity.[14] Certainly, it makes no sense for the Commission to craft rules that would prohibit such positive combinations.

III. The Attribution Threshold For Voting Stock Should Be Increased To Ten Percent.

Knight-Ridder supports increasing the attribution threshold for voting stock from five percent to ten percent, in order to ensure that the Commission's regulations do not unduly restrict investment in broadcast entities. A threshold of ten percent would more than adequately protect the integrity of the Commission's multiple ownership rules, while providing healthy opportunities for significant investments in broadcast companies and ventures.

Conclusion

As technological innovations continue to broaden the scope of video programming delivered to America's living rooms, the Commission's responsibility is to further its stated goals of promoting diversity and economic competition without unduly burdening broadcast investment and programming innovations. Knight-Ridder applauds the Commission's proposals to create clearer and more streamlined attribution rules. However, these rules will serve the Commission's mission more effectively if newspapers are excluded from the definitions of "same market broadcasters" and "program suppliers," and if LMAs are excluded from the province of the broadcast-newspaper cross-ownership

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[14] See Separate Statement of Chairman Hundt in Capital Cities/ABC, Inc., 11 FCC Rcd at 5906-07, supra note 2.

rule. In addition, establishing a higher threshold (at least 25 percent of a station's programming) for attributing television LMAs than the threshold in place for radio LMAs, and increasing the attribution threshold for voting stock from five percent to ten percent, would help create a more vibrant market for broadcast investments and programming. These changes would maintain the integrity of the Commission's multiple ownership rules, while at the same time encouraging the kinds of investments and programming cooperation that would result in more varied and higher quality television programming into the 21st century.

Respectfully submitted,

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