altv
A ...ION OF LOCAL TELEVISION STATIONS

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7 1997

February 7, 1997

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

Re: Docket No. 91-221

Dear Mr. Caton:

We are submitting herewith an original and nine copies of the Comments of the Local Station Ownership Coalition for filing in the above-referenced proceeding.

We would appreciate your directing any questions concerning these comments to undersigned counsel.

Very truly yours,

James J. Popham
Vice President, General Counsel

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the matter of Review of the Commission's Regulations Governing Television Broadcasting	MM Docket No. 91-221

COMMENTS

OF

LSOC

THE LOCAL STATION OWNERSHIP COALITION

February 7, 1997

THE LOCAL STATION OWNERSHIP COALITION

AK Media Group, Inc.

WIXT • Syracuse
KKTV • Colorado Springs
KGET • Bakersfield
KVOS • Bellingham
KFTY • Santa Rosa
KCBA • Salinas

Argyle Television, Inc.

WLWT-TV • Cincinnati
KOCO-TV • Oklahoma City
WNAC-TV • Providence
KITV-TV • Honolulu
WAPT-TV • Jackson
KNBS-TV/KHOG-TV • Fort Smith-Fayetteville

Allbritton Communications Company

WJLA-TV • Washington
WHTM-TV • Harrisburg
WSET-TV • Lynchburg
WCIV • Charleston
KATV • Little Rock
WCFT-TV • Tuscaloosa
KTUL • Tulsa

LMAs
WJSU-TV • Anniston
WBMA-LP • Birmingham
WJXX • Jacksonville
WBSG-TV • Brunswick

The Association of Local Television Stations, Inc.

ALTV's membership consists of approximately 135 local television stations not affiliated with ABC, CBS, or NBC.

Blade Communications, Inc.

KRTV • Nampa-Boise-Caldwell
WLFI-TV • Lafayette-Kokomo
WDRB-TV • Louisville
WLIO • Lima

LMA
WFTE • Louisville

Clear Channel Television Licenses, Inc.

WFTC-TV • Minneapolis-St. Paul
WHP-TV • Harrisburg-York
WPRI-TV • Providence
WXXA-TV • Albany
WAWS-TV • Jacksonville
WPMI-TV • Mobile
KLRT-TV • Little Rock
WPTY-TV • Memphis
KOKI-TV • Tulsa
KSAS-TV • Wichita

LMAs
WLYH-TV • Harrisburg-York
WNAC-TV • Providence
WTEV-TV • Jacksonville
WJTC-TV • Mobile
KASN-TV • Little Rock
WLMT-TV • Memphis
KTFO-TV • Tulsa

Gray Communications Systems, Inc.

WKYT-TV • Lexington
WKXT-TV • Knoxville
WCTV• Tallahassee
WRDW-TV • Augusta
WALB-TV • Albany
WJHG-TV • Panama City
WYMT-TV • Hazard

Hearst Broadcasting

WBAL-TV • Baltimore
WCVB • Boston
WDTN • Dayton
KMBC • Kansas City
WITN-YV • Milwaukee
WTAE-TV • Pittsburgh
WWWB • Tampa

LMA
KCWB • Kansas City

LIN Television Corporation

WISH-TV • Indianapolis
WIVB-TV • Buffalo
WAND-TV• Decatur
WANE-TV • Fort Wayne
WTNH-TV • New Haven
KXAS-TV • Dallas-Fort Worth
WAVY-TV • Portsmouth
KXAN-TV • Austin
WOOD-TV • Grand Rapids

LMAs
WBNE-TV • New Haven
KXTX-TV • Dallas-Fort Worth
WVBT-TV • Portsmouth
KNVA-TV • Austin
WOTV-TV • Grand Rapids

Malrite Communications Group, Inc.

WXIX-TV • Cincinnati
WNWO-TV • Toledo
WLII-TV • San Juan/Caugas
WFLX-TV • West Palm Beach
WOIO • Cleveland

LMA
WUAB • Cleveland

Max Media L.L.C.

KBSI • Cape Girardeau
WSYT • Syracuse
WKEF • Dayton
WEMT • Tri-cities

LMA
WDKA • Paducah
WNYS • Syracuse

Pappas Telecasting Companies

KMPH • Fresno
KPTM • Omaha
KPWB • Sacramento
KREN • Reno
WBFX • Greensboro-High Point-Winston Salem
WSWS • Columbus

LMAs
KTNC • San Francisco
KFWU • San Francisco
KXVO • Omaha
KHGI/KSNB/KWNB • Lincoln-Hastings-Kearney
KTVG • Lincoln-Hastings-Kearney

Paxson Communications Corp.

WHAI • New York
WTGI • Philadelphia
WGOT • Boston
KZKI • Los Angeles
KLXV • San Francisco
WTLK • Atlanta
KMNZ • Oklahoma City
KTFH • Houston
KUBD • Denver
WPBF • West Palm Beach
WAAP • Greensboro
WAKC • Cleveland
WCEE • St. Louis
KXLI • Minneapolis
KWBF • Phoenix-Flagstaff
WOCD • Albany
WTJC • Dayton
WTWS • Harford
WSHE • Washington
WSJN • San Juan
WKPV • Ponce
WJWN • San Sebastian

LMAs
WCTD • Miami
WIRB • Orlando
WFCT • Tampa
WNGM • Atlanta
KINZ • Dallas
WOAC • Cleveland
WHKE • Milwaukee
WNAL • Birmingham
WTVX • Ft. Pierce-West Palm Beach
WJUE • Grand Rapids
KCMY • Sacramento
WRMY • Raleigh-Durham

The Providence Journal Company

KING-TV • Seattle
KGW • Portland
KREM-TV • Spokane
KTVB • Boise
KHNL • Honolulu
KMSB-TV • Tucson
KASA-TV • Albuquerque-Santa Fe
WCNC-TV • Charlotte
WHAS-TV • Louisville

LMAs

KONG--TV • Seattle
KSKN-TV • Spokane
KFVE • Honolulu
KTTU-TV • Tucson

Sinclair Broadcast Group, Inc.

WBFF-TV • Baltimore
WPGH-TV • Pittsburgh
WTTE • Columbus
WTTO • Birmingham
WCGV-TV • Milwaukee
WLFL • Raleigh
WYZZ • Peoria
WDKY-TV • Lexington
WSHM • Flint
KSMO-TV • Kansas City
WSTR-TV • Cincinnati
KOCB-TV • Oklahoma City
WTVZ-TV • Norfolk

LMAs

WNUV-TV • Baltimore
WPTT • Pittsburgh
WVTV • Milwaukee
WABM • Birmingham
WDBB • Tuscaloosa
WRDC • Raleigh
KOVR • Sacramento
WTTV/WTTK • Indianapolis
KDSM-TV • Des Moines
KDNL • St. Louis
WLOS • Asheville
KABB • San Antonio
WFBC • Asheville
KRRT • San Antonio

Sullivan Broadcasting

WZTV-TV • Nashville
WUTV-TV • Buffalo
WXLV-TV • Greensboro-Winston Salem-High Point
WRGT-TV • Dayton
WRLH-TV • Richmond
WVAH-TV • Charleston-Huntington
WUHF-TV • Rochester
WMSN-TV • Madison
WTAT-TV • Charleston
WFXV-TV • Utica

LMAs
WUXP-TV • Nashville
WUPN-TV • Greensboro-Winston Salem-High Point
WPNY-LP • Utica

Tribune Broadcasting Company

KTLA • Los Angeles
KSWB-TV • San Diego
KWGN-TV • Denver
WGNX • Atlanta
WGN-TV • Chicago
WGNO • New Orleans
WLVI-TV • Cambridge-Boston
WPIX • New York
WPHL-TV • Philadelphia
KHTV • Houston

Waterman Broadcasting Corp.

WBBH-TV • Fort Myers
WVIR-TV • Charlottesville

LMA
WZVN-TV • Naples

LSOC submits....

- The Commission should amend the duopoly rule to define a station's market as its DMA and generally abandon use of predicted coverage contours.
- The Commission should consider two stations in the same DMA, but with no Grade A contour overlap as serving separate markets.
- The Commission should amend the duopoly rule to permit common ownership of two television stations in the same market, provided one of the stations is a UHF station.
- The Commission should amend its rules to grandfather all LMAs permanently.
- The Commission should amend its rules to permit renewal and transfer of all grandfathered LMAs.
- The Commission should continue to permit LMAs regardless of changes in its attribution or ownership rules.
- If the Commission adopts a waiver policy utilizing a minimum voice test, then it should include all media voices.
- If the Commission adopts a waiver policy, market share and market size ought play no role in any assessment of the public interest benefits and costs of common ownership of television stations in the same market.
- If the Commission adopts a waiver policy, it should not restrict waivers to failed or failing stations.

Executive Summary

Congress in the Telecommunications Act of 1996 directed the Commission to initiate this proceeding to consider relaxation of the current rules. It also grandfathered LMAs and provided for their continuation.[1] LSOC respectfully submits that clear Congressional direction and the record before the Commission in this proceeding compel meaningful relaxation of the duopoly rule (including full grandfathering of existing LMAs). LSOC, therefore, urges the Commission to acknowledge and embrace the competitive video marketplace its policies have engendered and modify its rules accordingly.

The Commission hardly may fail to recognize that maintaining the current strict prohibition on common ownership of two broadcast television stations in the same market in this burgeoning video marketplace would invite a harsh judicial rebuke. Like Congress, the Commission hardly may blink the essential reality that the broadcast market of the 60s and 70s has given way to the video market of the 90s. Consequently, permitting common ownership of two broadcast television stations in the same market would only enhance broadcast service to the public without risk of material harm to competition or diversity. In fact, competition and diversity likely would benefit. Every relevant market is sufficiently competitive to prevent a harmful diminution in competition.

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[1] *N.B.* A more complete summary appears, *infra,* at 4-14.

- First, the market for delivered video programming now encompasses numerous new broadcast stations and a host of multichannel competitors, including, most prominently, cable television and multiple DBS providers. These multichannel competitors compete directly and effectively for viewers and achieve a viewing share comparable to that of their broadcast competitors. In such a competitive environment, no two commonly-owned local stations are likely to achieve a combined audience share which undermines competition in the local market.
- Second, the local advertising market would be in no danger. The record leaves little doubt not only that the Commission correctly has included cable television as a substitute for broadcast television as an advertising medium, but also that print and radio advertising as well ought be considered substitutes for local television advertising.
- Third, no doubt may remain that the market for video program production is irreversibly competitive to a degree unimagined even a decade ago. A market virtually controlled by three dominant broadcast networks now is populated by numerous new buyers, including new broadcast stations and networks, cable systems and networks (numbering in the hundreds), DBS operators, telephone companies, and low power television stations.

Record evidence also demonstrates conclusively that diversity in every sense of the word is expanding and would remain more than adequate to satisfy the most demanding standard. Therefore, to suggest that common ownership of two television stations in the same market poses any meaningful threat to competition or diversity defies the record evidence, sound economic analysis, and common sense.

At the same time, the potential benefits to competition and the public interest would be significant. The operation of stations pursuant to LMAs demonstrates the efficiencies inherent in the combined operation of two stations and the service

improvements engendered by these efficiencies. Marginal stations have been strengthened and along with their sister-stations have been able to offer improved service to consumers. In many cases, failed stations have been rescued and revitalized. Permitting common ownership of two stations in the same market would permit even more widespread gains in broadcast service. The vigor and vitality of marginal stations would be renewed, and failing stations would be rescued from the brink. Vacant channels could be used to provide an entirely new service. Furthermore, commonly-owned local television stations would become stronger competitors for programming, advertising, and viewing! They would be more effective competitors to new and entrenched multichannel video providers, such as DBS and cable television, respectively.

Initially, the Commission ought adopt a singular market definition -- the DMA. The DMA is the market definition of the industry. It also has been employed widely by the Commission for purposes of other rules. Furthermore, a contour-based definition would be redundant. Use of contours typically has invited arbitrary results, placing the Commission in the awkward position of finding the overlap inconsequential when two stations clearly compete in different DMAs. The Commission, therefore, should adopt the DMA as the generally applicable market definition for purposes of the duopoly rule. The only exception should be for stations located in the same DMA, but with no grade A contour overlap, in which case the stations should be considered as serving different markets.

Moreover, the Commission must open the door to ownership of two television stations in a market where one of the stations is a UHF station via an outright exception to the current duopoly rule.[2] First, UHF stations remain at a disadvantage *vis-a-vis* VHF stations. UHF stations continue to suffer a coverage disadvantage. Their audiences are smaller. Their revenues are smaller. Despite widespread cable coverage, they continue to compete at a decided disadvantage. Second, no combination involving a UHF station would threaten competition or diversity in markets thriving with more competition than ever. Third, an exception to the rule would be simple, straightforward, and predictable. Stations would know the rules. Markets would not be plagued by uncertainty -- one of the most difficult problems faced by any business. Moreover, the delay inherent in processing waiver requests -- also a critical problem in fashioning sound business arrangements -- would be avoided. Fourth, the benefits of common ownership are well-established No need exists to re-examine them in case-by-case waiver proceedings. The Commission and stations, therefore, should not be confronted with the burdens of preparing, prosecuting, and processing waiver requests.

---

[2]LSOC's proposal in no way would leave the Commission blind or helpless in the face of a proposed merger of local stations which demonstrably would impose competition and diversity costs which clearly outweigh the well-established benefits of common ownership. All proposed assignments or transfers of station licenses would remain subject to Commission review and those involving new duopolies still could be found contrary to the public interest in the face of *bona fide* and compelling showings of harm.

In the case of proposed combinations of two VHF stations, the Commission, as directed by Congress, should adopt a policy under which waivers would be granted only in unusual or compelling circumstances.

LSOC further posits that:

- Any "minimum voice" test should encompass all media voices. Looking only to video or broadcast voices ignores the ability of radio, print, and nonbroadcast video media in conveying their owner/editor's viewpoint to the public.
- Neither market size nor market share ought play a role in any waiver analysis. Market size or rank *per se* is a meaningless criterion, particularly if the Commission also employs a minimum voice test. As to market share in some relevant product market, the Commission's analysis likely would be redundant. The Department of Justice or the Federal Trade Commission is the proper agency for merger review, and such reviews focus heavily on market shares.
- A failed station test would be too restrictive. The failure or near failure of a station is no prerequisite to the benefits of common ownership. Furthermore, requiring that stations hover on the brink of collapse would leave the public with inferior service and place creditors at undue risk.

Finally, the Commission must adopt policies which recognize the well-established benefits of LMAs. Congress intended that the FCC to grandfather existing LMAs and allow them in the future based on Congress's appreciation of the benefits of LMAs. LSOC urges the Commission to grandfather LMAs in effect on November 4, 1996, and permit them to continue into the future even beyond the current term of the LMA, even if the station is transferred or assigned. The benefits of LMAs are well-established and hardly will vanish at the expiration of the current term of a contract or the sale of the station. Similarly, the highly competitive nature of all

relevant markets assures that neither competition nor diversity is threatened in any material way.

If the Commission decides to consider LMAs attributable interests and maintain the duopoly rule without material relaxation, the Commission should create an exception for LMAs -- including LMAs entered into after November 4, 1996. Again, Congress intended the Commission to allow LMAs in the future, and, again, the benefits are demonstrable, while the costs are nil.

The record before the Commission leaves no doubt that nothing is to be lost, while much is to be gained from relaxation of the rules. LSOC, therefore, urges the Commission to set aside its needless fears and reinvent its duopoly rule to fit the exciting and challenging times at hand.

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the matter of	:	
Review of the Commission's Regulations Governing Television Broadcasting	:	**MM Docket No. 91-221**

COMMENTS OF
THE LOCAL STATION OWNERSHIP COALITION[3]

A quarter century ago the video marketplace was the exclusive domain of three broadcast networks, their affiliates, and a handful of independent stations in the largest markets. Cable television then was still "CATV" -- a community antenna service which did nothing more than retransmit the signals of broadcast television stations, primarily in rural areas and small communities where reception was poor and stations few. Although the Telstar satellite had introduced the world to satellite communications, the advent of direct broadcast satellite service remained over two decades away. Even the broadcast networks used the venerable AT&T long line

[3]The following comments are submitted by the Local Station Ownership Coalition ("LSOC"), in response to the Commission's *Second Further Notice of Proposed Rule Making*, MM Docket Nos. 91-221 & 87-8, FCC 96-438 (released November 7, 1996) [hereinafter cited as *Second Further Notice*] in the above-captioned proceeding. LSOC is an informal coalition of local television broadcast station licensees and associations, formed to seek meaningful relaxation of the Commission's duopoly rule. The members of LSOC are listed, *supra*, at i-vi. Some members of LSOC also are filing their own comments in this proceeding.

service to distribute video programming to affiliates. The telephone *company* was strictly a common carrier, providing switched voice service under strict federal and local regulation. Videotape had begun to encroach on film's exclusive domain as a production medium, but "VCR" was an acronym still unheard in the home. Microwaves, as far as consumers were concerned, had yet to enter the kitchen, much less the living room, den, or "rec" room. The habitat of computers was computer labs, which usually exceeded the size of most living rooms, dens, and "rec" rooms. Nets were for fisherman, webs were for spiders, and dishes were for eating the fishes caught in the nets. Thus, in 1972, the evolutionary predecessor of the couch potato, channel grazer, and web surfer of today, typically came to rest before a television receiver which provided three viewing choices from the three local affiliates of three networks, which for all intents and purposes decided what America would watch on television.[4] Worst of all, if a viewer wished to change channels, he or she actually had to arise, walk to the set, and turn a knob.

Times have changed. *Broadcast News* has given way to *The Cable Guy*. Celestial parking is tight around the equator. The home satellite dish is the "state flower" of West Virginia. A small plastic box adorned with buttons does everything

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[4]*See Report and Order [Network Financial Interest and Syndication Rules*, 23 FCC 2d 382 (1970), *aff'd sub nom. Mt. Mansfield Television, Inc.,v. FCC*, 442 F. 2D 470 (2d Cir. 1971). Even the programming on the few independent stations consisted largely of programming produced for or by and shown on one of the three networks. Cable systems may have offered multiple channels, but this invariably involved multiple affiliates of the same three networks. Indeed, no "superstation"could exist because the Commission had rules forbidding "leapfrogging." *See Cable Television Report and Order*, 36 FCC 2d 143, 179 (1972).

but drive the car to the video store and serve the chip-and-dip. A vast diversity of programming is literally at every viewers' fingertips. With little more than a muscle twitch, today's television viewer can select from among a multitude of channels.

Virtually no viewer is without access to this new and expanding array of video choices. Cable passes nearly every home. Over a hundred cable networks vie for their attention and allegiance. Any home with a view of the southern horizon can get comparable service via DBS. Millions have. Other video providers like MMDS and open video are entering the marketplace. The proliferation of home computers has produced the World Wide Web with a home page for every taste and need. Even the Commission has one. Moreover, broadcast television is the scene of many new stations, twice the number of networks, and the most-watched programming. Anyone who fails to see the many degrees of magnitude more diversity and competition in the video production, distribution, and related advertising markets has been reliving Rip Van Winkle's slumbers for the past quarter century.[5]

---

[5]The Commission and Congress, of course, have not slept. They have constructed a new regulatory framework to support and encourage competition. Broadcast stations have been "deregulated" in many respects and broadcast networks no longer are treated like oligopolists and monopsonists. Cable was promoted as a competitor to broadcasting so successfully that the emergent cable monopolists later had to be reined in to preserve competition. DBS after a long gestation period is literally off the ground and has become a genuine competitive concern to cable operators. The era of monopoly telephone companies' providing just telephone service was consciously ended and replaced with a new competitive environment which in turn has promoted telco video systems as competition to cable and cable telephone systems as competitors to the telephone companies.

Thus, as the millennium approaches, viewers have an unprecedented and growing array of program choices from an expanding array of providers. Producers have exploited new markets, no longer pressed tightly under the thumb of three broadcast networks. Advertisers, too, have turned to the new media as alternatives to the broadcast networks and their local affiliates. In every relevant market, competition thrives, and diversity in every sense of the word flourishes.

I. Introduction and Summary

This is the dynamic, multi-faceted video marketplace Congress saw when it debated legislation destined to become the Telecommunications Act of 1996.[6] Congress also saw that many local stations had resorted to local marketing agreements ("LMAs") as a means of competing more effectively with multichannel competitors like cable television and enhancing service to their local communities.[7] Joint marketing of two separately-owned stations permitted the operator to take advantage of economies and efficiencies which ultimately strengthened competition in the video marketplace and enhanced the diversity and quality of local television station programming. In the face of the evidence before it Congress acted. It directed the Commission to initiate this proceeding to consider relaxation of the current

[6]Pub. L. No. 104-104, 110 Stat. 56 (1996)[hereinafter cited as "1996 Act"].

[7]S. Conf. Rep. 104-230, 104th Cong. 2D Sess. 164 (1996)[hereinafter cited as "Conference Report"].

local television ownership rules. It grandfathered LMAs and provided for their continuation.

Now the Commission, having recently unbridled the networks from restrictions made obsolete by this burgeoning competition and diversity, must determine whether restrictions on common ownership of television stations in the same market are equally anachronistic and counterproductive.[8] LSOC respectfully submits that clear Congressional direction and the record before the Commission in this proceeding compel meaningful relaxation of the duopoly rule (including full grandfathering of existing LMAs). The Commission hardly may pretend that it is 1972. Indeed, to do so would be to ignore Congress and court the arbitrary.

LSOC, therefore, urges the Commission to acknowledge and embrace the competitive video marketplace its policies have engendered and modify its rules as follows:

- The Commission should amend the duopoly rule to define a station's market as its DMA and generally abandon use of predicted coverage contours.
- The Commission should consider two stations in the same DMA, but with no Grade A contour overlap as serving separate markets.
- The Commission should amend the duopoly rule to permit common ownership of two television stations in the same market, provided one of the stations is a UHF station.

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[8]As noted by the Commission, the television duopoly rule is untouched in over 30 years, having been adopted in 1964. *Further Notice of Proposed Rule Making* 10 FCC Rcd 3524, 3528 (1995) [hereinafter cited as *Further Notice*].

- The Commission should amend its rules to grandfather all existing LMAs permanently.
- The Commission should amend its rules to permit unlimited renewal and transfer of all grandfathered LMAs.
- The Commission should continue to permit LMAs regardless of changes in its attribution or ownership rules.
- If the Commission adopts a waiver policy utilizing a minimum voice test, then it should include all media voices.
- If the Commission adopts a waiver policy, market share and market size ought play no role in any assessment of the public interest benefits and costs of common ownership of television stations in the same market.
- If the Commission adopts a waiver policy, it should not restrict waivers to failed or failing stations.

The Commission ought do nothing less. Congress directed the Commission to act; no reasonable interpretation of the record already compiled in this proceeding leaves the Commission free to maintain the *status quo* -- except in the case of LMAs. There, Congress directed the Commission to grandfather LMAs. The Commission hardly may ignore this clear Congressional intent.

The Commission also hardly may fail to recognize that maintaining the current strict prohibition on common ownership of two broadcast television stations in the same market in this burgeoning video marketplace would invite a harsh judicial rebuke. Like Congress, the Commission hardly may blink the essential reality that the broadcast market of the 60s and 70s has given way to the video market of the 90s. Consequently, permitting common ownership of two broadcast television stations in the same market would only enhance broadcast service to the public without risk of harm to competition or diversity. In fact,

competition and diversity would benefit. Every relevant market is sufficiently competitive to prevent a harmful diminution in competition. First, the market for delivered video programming now encompasses numerous new broadcast stations and a host of multichannel competitors, including, most prominently, cable television and multiple DBS providers. These multichannel competitors compete directly and effectively for viewers and achieve a viewing share comparable to that of their broadcast competitors. In such a competitive environment, relaxation of the duopoly rule as requested by LSOC in no way would undermine local market competition.

Second, competition in the local advertising market would be in no danger. Again, as the Commission tentatively has concluded, local television stations and cable systems, compete directly for local advertising. Furthermore, the record leaves little doubt not only that the Commission correctly has included cable television as a substitute for broadcast television as an advertising medium, but also that print and radio advertising as well ought be considered substitutes for local television advertising.

Third, no doubt may remain that the market for video program production is irreversibly competitive to a degree unimagined even a decade ago. A market virtually controlled by three dominant broadcast networks now is populated by numerous new buyers, including new broadcast stations and networks, cable systems and networks (numbering in the hundreds), DBS operators, telephone