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BEFORE THE

Federal Communications Commission

WASHINGTON, D.C.

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FEDERAL COMMUNICATIONS COMMISSION
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In the matter of	)	
	)	
Review of the Commission's Regulations Governing Television Broadcasting	)	MM Docket Nos. 91-221, 87-7, 94-150, 92-51 and 87-154
	)	
Television Satellite Stations Review of Policy and Rules	)	

TV LMA INFORMATION

Pegasus Communications Corporation ("Pegasus"), pursuant to the Commission request of June 17, 1997 (DA 97-1246), hereby submits the following information concerning local marketing or time brokerage agreements to which it, or its subsidiaries, are a party. As set forth in its Comments and Reply Comments in this proceeding, Pegasus believes that LMAs and television duopolies provide a uniquely valuable means to foster initiation of new broadcast services, particularly in smaller television markets where such services may not otherwise be economically feasible. These combinations provide an opportunity to build viable media outlets which truly serve the public interest, to replace fallow allotments or, at best, bare bones facilities that scratch out a meager existence and provide minimal public interest benefits. The economic data provided with the earlier filings of Pegasus demonstrate that in smaller television markets, ratings and revenues are dominated by very few players, traditionally well-established VHF stations affiliated with the three original networks.[1] In order for new stations in most smaller

[1] See, Comments of Pegasus Communications Corporation, filed February 7, 1997 (corrected copy filed Feb. 10, 1997), pp. 10-11, Exhibits A-D ("Comments").

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markets to be economically viable, those stations need to have some relationship with an existing station in the market to develop into viable marketplace competitors, sharing costs with and relying on the experience of these existing stations. Through this philosophy, Pegasus has entered into the agreements described below, each and every one of which will bring an entirely new television service to the markets in which the stations operate.

WPXT, Portland, Maine/WPME-TV, Lewiston, Maine

Pegasus acquired the stock of the holding company of HMW, Inc., the licensee of WPXT-TV, Portland, Maine in June of 1996. As part of a related transaction, Pegasus acquired the stock of BT Satellite, Inc. ("BT Satellite"), a company which was controlled by one of the former owners of HMW, Inc. BT Satellite had signed an LMA with New England Television, Inc., the permittee of unbuilt television station WWLA-TV (now WPME), Lewiston, Maine. WPXT broadcasts on television channel 51 and WPME will broadcast on channel 35.

Both stations will operate in the Portland-Auburn, Maine Nielsen DMA. That DMA is currently ranked number 80.

These stations have overlapping city grade contours.

The Time Brokerage Agreement was originally entered into as of the 29th day of January 1996. Pegasus acquired the stock of the company holding the LMA on June 20, 1996.

The LMA will become effective upon the commencement of program tests by WPME and will extend for a five year term. While there are no renewal provisions, there is an agreement that the permittee will sell the station to the programmer or its designee at the end of that five year period.

The broker will program up to 166 hours per week, subject to the licensee's rights to preempt broker's programming to air other programming which the licensee believes will better serve the public interest.

WPXT is a Fox Affiliate. WPME is not yet on the air. It is anticipated that it will be a UPN Affiliate.

As WPME is not yet on the air, it has no audience share. The audience share for WPXT is as follows:

	Share
May 1997	4
February 1997	5
November 1996	6[2/]

The LMA advances the public interest both by encouraging the construction of WPME, a station which might otherwise not provide a significant programming source for the Portland market, and by strengthening WPXT, a lone and young UHF station in a market with three dominant and far older VHF stations. The Table below provides Portland ratings and revenue estimates which demonstrate the dominance of the VHF stations in the market.[3/]

Call Letters	Channel No.	Network	Year Operations Began	Estimated 1996 Revenues (millions)	Estimated Local Channel Share
WCSH	6	NBC	1953	15.5	41%
WMTW	8	ABC	1954	10.0	20%
WGME	13	CBS	1954	13.2	31.%
WPXT	51	FOX	1986	4.4	8%

2/ All figures Sun-Sat, 9AM-Midnight, Nielsen DMA Household Ratings.

3/ All figures in the following charts are 1996 BIA estimates. Local Channel Share is the percentage of viewing of local channels which a station receives. Thus, viewing of non-market stations, cable networks, etc. is disregarded in computing these shares.

In a smaller market such as Portland, dominated by three VHF affiliates, WPME would not make an attractive investment opportunity for an independent operator, and whether that station could ever be operated as a stand-alone facility is questionable. However, teamed with the Pegasus station, programming and cost-saving opportunities will be presented which will allow for the development of a station which can serve the community's needs and interests.

WTLH, Bainbridge, Georgia and WFXU-TV, Live Oak, Florida

A Pegasus subsidiary, WTLH Inc., is the licensee of WTLH(TV), channel 49, Bainbridge, Georgia. L.O. Telecast, LLC is the permittee of unbuilt television station WFXU-TV, Live Oak, Florida. WFXU-TV will operate on channel 57.

Both stations are in the Tallahassee, Florida Nielsen DMA. The Tallahassee DMA is number 114 according to Nielsen. The stations have overlapping predicted Grade B contours.

The LMA was executed on June 18, 1997 by Telecast of Florida, Inc., which is now a wholly-owned subsidiary of Pegasus.

The LMA has a term of five years from the commencement of operations of WFXU pursuant to program test authority. The agreement automatically renews for an additional period of five years unless terminated by the broker 180 days prior to the expiration of the initial term.

The agreement provides the broker with the right to program up to 166 hours per week, subject to preemption by the licensee for programming which it believes better serves the public interest.

WTLH is currently a Fox Affiliate. It is currently assumed that the brokered station will provide Fox programming as well. As set forth below, the two stations complement each other in providing full coverage of the entire Tallahassee DMA, which neither alone can provide.

As WFXU currently is not in operation, it has no ratings. The ratings share for WTLH, Sunday through Saturday 9:00 AM through midnight, are as follows:

	Share
May 1997	5
February 1997	6
November 1996	7

As set forth above, WFXU has not yet been constructed. The areas served by this station, while in the Tallahassee DMA, cover areas of North Central Florida and southern Georgia which, due to their distance from Tallahassee and relatively small proportion of the DMA population, currently receive few if any over-the-air television stations. Because WTLH is licensed to Bainbridge, Georgia, to the northwest of Tallahassee, and WFXU is licensed to Live Oak, significantly east of Tallahassee, the two stations compliment each other in providing full service to this geographically large DMA.

The Live Oak permit has been outstanding since 1987 due to various problems the licensee has encountered in completing construction. The population served within the WFXU-TV Grade B contour is only 200,000. The financial return for constructing a station in such a sparsely populated area is not great. By combining with WTLH, and relying on WTLH for the bulk of its programming, the combined stations can provide full market coverage to the entire Tallahassee DMA. Thus, WFXU can economically be activated to provide service to the residents within its coverage area, many of whom receive very little over-the-air television reception. Given its tortured history and limited service area, it is questionable whether WFXU could ever be a full-service, stand-alone station.

This LMA clearly serves the public interest by activating this new channel. Moreover, no threat to competition is posed by this agreement. As set forth above, the current market share of WTLH is only 5%. This contrasts with the market share of the dominant VHF station in the market, WCTV, which commands a huge share of the Tallahassee Market. Its dominance is set forth in the Table below.

Call Letters	Channel No.	Network	Year Operations Began	Estimated 1996 Revenues (millions)	Estimated Local Channel Share
WCTV	6	CBS	1955	12.5	59%
WTXL	27	ABC	1976	3.4	15%
WTWC	40	NBC	1983	2.5	14.%
WTLH	49	FOX	1989	3.0	12%

Clearly, even with the Live Oak station, no threat to marketplace competition can arise from the WFXU/WTLH combination. If anything, this combination will allow WTLH to become a more viable competitor in the Tallahassee market, and will allow for the initiation of service to the residents of the Live Oak area, a service which might not otherwise be economically feasible.

WGFL-TV, High Springs, Florida

WGFL-TV, High Springs, Florida is an unbuilt construction permit held by Budd Broadcasting Company, Inc. ("Budd"). WGFL will operate on channel 53 in the Gainesville, Florida television market. Gainesville is market number 165. Pegasus has signed an agreement to enter into an LMA upon the completion of certain preconditions. The agreement to enter into the LMA was signed on May 5, 1997. Pegasus currently owns no other stations in the Gainesville market. The LMA also covers two low power television stations also held by Budd, WJXE-LP, Channel 14 in Gainesville, Florida and W15AG, Channel 15 in Lake City, Florida. W15AG is currently unbuilt.

The LMA will provide for a term of three years which will be automatically renewed for two additional periods unless Pegasus provides notice of non-renewal within 180 days prior to the expiration of the prior term. This agreement may also be terminated if certain financial projections are not met.

Pegasus has the right to broadcast on WGFL for up to 166 hours per week, subject to the rights of the licensee to preempt programming if it believes other programming would better the public interest. In addition, Pegasus has the same rights to program W15AG. WJXE-LP will be programmed by Budd, with assistance by Pegasus. Pegasus will, however, provide sales for WJXE-LP.

WGFL is not yet on the air and no network affiliation agreement has been signed.

This station is outside the DMA of all other Pegasus stations. Therefore, there is no ratings information to be provided as there is no "brokering station," and the brokered station is not yet on the air.

Just as in Portland and Tallahassee, this LMA serves the public interest by assisting in the construction of a new station in a very small DMA. While titled a "Time Brokerage Agreement," this document really is more in the nature of a joint venture or "incubator" agreement, allowing an experienced group operator, Pegasus, to come in and aid a local broadcaster, Budd, in developing a new television property. As set forth below, this station also must compete with an entrenched dominant local station.

Call Letters	Channel No.	Network	Year Operations Began	Estimated 1996 Revenues (millions)	Estimated Local Channel Share
WCJB	20	ABC	1971	11.0	66%
WOGX	51	FOX	1983	4.7	34%

In facing such competition, to establish a successful new station in this small market, this affiliation with a national company is necessary.[4/] In addition, it gives Budd the resources to continue to program a local low power television station, while providing Budd with access to the financial resources of Pegasus, its expertise in program buying, its ability to attract sales personnel and its experience in generating advertising sales. As there are no overlapping contours with any other Pegasus station, this operation clearly is in the public interest.

WOLF(TV), Scranton, Pennsylvania/WWLF-TV, Hazleton, Pennsylvania

Pegasus Broadcast Television, Inc. ("PBT") is a subsidiary of Pegasus, and the parent company of WOLF License Corp., the licensee of WOLF(TV), Scranton, Pennsylvania and WWLF-TV, Hazleton, Pennsylvania. WOLF operates on channel 38 and WWLF operates on channel 56. WWLF is currently a satellite of WOLF, duplicating its programming. However, it has recently received authority from the Commission to relocate its transmitter site to the site used by the other television stations in the Wilkes Barre/Scranton DMA, in which both WOLF and WWLF operate. That DMA is ranked number 49 by Nielsen. As a condition of the grant of

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4/ The cost-savings enjoyed by a group owner have been detailed in the Comments at page 15-16.

the WWLF construction permit, Pegasus has agreed to divest itself of WOLF if necessary to comply with the multiple ownership rules in effect at the time that WWLF commences program tests with its improved facilities, as at that time, the stations will have overlapping city-grade contours. In contemplation of this change in ownership, PBT has entered into an LMA with WOLF License Corp. by which PBT will be brokering the time on WOLF-TV. It is contemplated that the stock of WOLF License Corp. will be sold to a new party, if necessary to comply with Commission multiple ownership rules, subject to this LMA. The LMA provides for a five year term from the commencement of independent programming, with a renewal at Pegasus' option within 180 days of the expiration of the agreement.

The LMA provides for 166 hours of programming to be provided by the broker, subject to preemptions by the licensee to provide programming which the licensee believes will better serve the public interest.

WWLF will continue to be an affiliate of Fox. When WOLF is programmed separately from WWLF, it is assumed that it will be affiliated with one of the emerging networks.

The current ratings information for WOLF and WWLF are set out below. As WWLF is currently a satellite of WOLF, the ratings for these two stations are reported together. No separate ratings information is available. The audience share for WOLF is as follows:

	Share
May 1997	4
February 1997	5
November 1996	6

Entry into the LMA will provide for a new service to the Scranton/Wilkes Barre market. As WOLF and WWLF have always been programmed together in a parent-satellite relationship, this LMA will allow the development of a new full service station. This is particularly important given the fact that the WOLF/WWLF combination has always had significantly lower ratings than the other stations in the market, and enjoys a smaller market revenue share than the long established affiliates of the three major networks.[5] That dominance is set forth below:

Call Letters	Channel No.	Network	Year Operations Began	Estimated 1996 Revenues (millions)	Estimated Local Channel Share
WNEP	16	ABC	1954	19.0	35%
WYOU	22	CBS	1953	9.0	23%
WBRE	28	NBC	1953	13.0	33%
WOLF	38	FOX	1985	5.5	9%

Thus, the development and growth of WOLF through the LMA will only contribute to the diversity in the market by allowing for two separately programmed stations, which together can provide a more equal marketplace competitor than could the two stations, separately operated.[6]

CONCLUSION

As set forth above, the LMAs in which Pegasus is currently involved relate to the development of new broadcast stations. As initially set forth in Pegasus' Comments in the above-referenced proceedings, the development of new stations in smaller television markets can

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5/ It is worth noting that other operators in the market have recognized the inherent efficiencies of a combined operation. Applications were filed on April 18, 1997 for the assignment of the licenses of WYOU and WBRE to related companies. While these applications indicate that no formal "LMA" is proposed, they nevertheless propose to share certain station facilities, possibly including a common studio and production facility, and perhaps even certain local programming.

6/ The development of an independent full-service station in the market is unlikely. A permit for Channel 64 has gone unbuilt for several years, perhaps providing evidence of the difficulty in establishing a viable new station in this market.

only be encouraged through a change in the duopoly rules or through the continuation of the Commission's policy of allowing same market television LMAs. Smaller television markets tend to be highly concentrated, dominated by long-established television stations, offering little competition or program diversity. Advertising spot prices in such markets can be kept artificially low by dominant players, thwarting the entry of new stations into the market by making such entry economically infeasible.

Selective use of duopoly or LMAs will allow the non-dominant stations in smaller markets to share costs, dramatically reducing many capital and operational expenses, while allowing for the combined operation to increase market share -- making these stations more viable marketplace competitors. The efficiencies will allow otherwise fallow or under-utilized channels to become stations which will meaningfully serve the residents of their service areas, allowing for the purchase of more quality programming and perhaps even making local news possible, where otherwise such programming simply would not be affordable.[7/]

The information provided in this filing further supports Pegasus' position, and demonstrates its commitment to the positions it has advanced before the Commission. As the other filings of Pegasus in this proceeding, and economic data accompanying those filings, demonstrates beyond any doubt, smaller markets will only support new stations by allowing combined operations with existing facilities. The Pegasus LMAs promote such objectives and thus, consistent with its position in the rulemaking comments which it has filed, should be encouraged under any new regulatory scheme adopted by the Commission in this proceeding.

Therefore, Pegasus respectfully requests that the Commission preserve LMAs as they currently exist, and adopt new duopoly rules allowing the ownership of two stations in the same

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7/ See, Comments, pp. 15-16.

market (except where such ownership is by the dominant stations in that market), so as to encourage the development of true marketplace competition in the smaller television markets.

Respectfully submitted,

PEGASUS COMMUNICATIONS CORPORATION

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