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VIA HAND DELIVERY

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CS Docket No. 98-120
Carriage of the Transmissions of
Digital Television Broadcast Stations
Reply Comments of GRK Productions Joint Venture

Dear Ms. Salas:

Enclosed, on behalf of GRK Productions Joint Ventures, please find the original and three copies of its Reply Comments in CS Docket No. 98-120.

If you have any questions, please contact me.

Very truly yours,



Paul J. Feldman
Counsel for
GRK Productions Joint Venture

PJF/jr
Enclosures

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ORIGINAL

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Carriage of the Transmissions) CS Docket No. 98-120
of Digital Television Broadcast Stations)
)
Amendment of Part 76)
of the Commission's Rules)

REPLY COMMENTS OF GRK PRODUCTIONS JOINT VENTURE

GRK Productions Joint Venture ("GRK"), by its attorneys, hereby submits its reply comments in response to the Commission's July 9, 1998, Notice of Proposed Rulemaking ("*Notice*") in the above-captioned proceeding.¹ In these reply comments, GRK provides specific evidence of the importance of cable carriage to the survival of stations in geographically disbursed rural markets, and thus the need to provide reasonable assurance of cable carriage of the DTV signal of such stations, if the benefits of digital television are to be realized in a timely manner by viewers throughout the Nation.

I. **Introduction**

GRK is the licensee of Station WGKI (Channel 33-Fox), Cadillac, Michigan, which was launched in the fall of 1989. Three years later, in 1992, the company began broadcast operations on WGKU, a satellite of WGKI (Channel 45-Fox), licensed to the community of Vanderbilt, just west of Gaylord, Michigan. GRK also operates

¹ GRK participated in this proceeding at the initial comment stage in joint comments filed by Pikes Peak Broadcasting Company, et al, on October 13, 1998.

translators in Traverse City, Sault St. Marie, Alpena and Pickford, in order to better serve those communities. Through these facilities, GRK provides Fox Television Network service to much of Northern Michigan.

The GRK Stations are located in the Traverse City-Cadillac DMA, which is ranked market number 118 by Nielsen. The DMA consists of 22 counties on the Northern Lower Peninsula of Michigan, and 3 counties in the Eastern Upper Peninsula. The geographical area of the marketplace, and the location of the population makes the market a largely rural one. In order to put the scope of the geographical area of the Traverse City-Cadillac DMA in perspective, it could be equated to approximately the size of the Detroit (DMA 9), Lansing (DMA 105), and Grand Rapids, Michigan (DMA 37) markets combined. Because of this large territory, it is necessary for all television stations operating in the Traverse City-Cadillac DMA to broadcast on two full service stations to provide adequate over the air coverage.

An analysis of the way that viewers receive the GRK Stations provides an illustration of the dependence on cable systems by television broadcasters in such an area of the country. Although GRK has expended substantial resources in building stations throughout its DMA in order to maximize signal delivery over the air, the Stations are nevertheless carried to more than 301,000 cable households, and the Stations can be seen in more than 150 cable communities on 32 separate cable TV systems.

While cable TV operators such as Armstrong Holdings, Inc. have asserted that the record in this proceeding lacks evidence that cable carriage is essential to the successful introduction of digital broadcasting (Comments at page 15), GRK responds

by first noting that the Commission has already recognized the special burdens that DTV conversion will impose on smaller market stations that have less advertising income to finance the conversion costs that are largely identical regardless of the size of a station's market. See, e.g., *Advanced Television Systems, Memorandum Opinion and Order*, 13 FCC Rcd 6860, 6886 (1998); *ATV Fifth Report and Order*, 12 FCC Rcd 12809, 12835(1997); *ATV Third Report and Order*, 7 FCC Rcd 6924, 6941, 6946-47 (1992). As a matter of economic reality, small market stations just will not be able to justify the costs of such conversion, to their principals or to lending institutions, without a reasonable assurance of carriage of their DTV signal. The reason is simple: as shown below, in geographically large rural markets, stations are even more dependant on cable carriage for reaching viewers (and thus obtaining advertising revenues) than stations in urban markets.

II. An Analysis of Viewership Statistics Shows That Stations in Large Rural Markets are Heavily Dependant on Cable TV Carriage for Reaching Viewers.

In order to evaluate the impact that cable must-carry has had on the delivery of the WGKI-WGKU signal to viewers within the DMA, we can look to the Nielsen County-by-County Study to distinguish between the predicted balance between cable TV and over the air viewers of the Stations, and then the actual cable/over-the-air viewer composition of WGKI-WGKU at various times in its history. By distinguishing between "predicted" and "actual", the following is meant: if a county has X percent of cable TV penetration, then one would predict that a station serving that county would have that same X percent of its viewers receive its signal by cable TV, and the remainder receive the signal over the air. However, if a proportion of viewers in a county significantly

greater than X percent actually receive the station's signal by cable TV, then there must be some out-of-the ordinary reason.

In fact, for the GRK stations, the percent of viewers in their market receiving the stations' signal by cable rather than over the air is generally significantly greater than the percentage of overall cable TV subscribers in the market. This is a result, GRK believes, of the large distances covered in the market, and the terrain obstructions therein. As a result, the GRK stations are heavily dependant on cable carriage to reach the viewers in their market.

The first look will be at the period of April 1993 through March 1994, which would closely reflect the impact that cable carriage had on total viewer. ship for WGKI/WGKU during its initial years of inception. Then we will look at the period of April 1997 through March of 1998, after most of the substantial station signal and delivery improvements were made for over the-air distribution. Comments regarding the status of WGKI/WGKU cable viewing in particular counties are made parenthetically.

DMA COUNTY	COUNTY CABLE HH %	WGKI /WGKU CABLE HH VIEWER %	VARIANCE +/-
Antrim 1993	61%	72%	+ 18%
Antrim 1997	64%	79%	+ 23%
Benzie 1993	49%	96%	+96%
Benzie 1997	44%	100%	+227%
(Shows total reliance on cable distribution in Benzie County)			
Charlevoix 1993	73%	81%	+ 11%
Charlevoix 1997	75%	68%	- 10%

Cheboygan 1993	55%	89%	+ 62%
Cheboygan 1997	41%	82%	+100%

(Shows Cheboygan County viewers still substantially rely on cable distribution)

Chippewa 1993	48%	no cable carriage	N.A.
Chippewa 1997	61%	83%	+ 36%

Clare 1993	43%	53%	+ 23%
Clare 1997	53%	66%	+24%

Crawford 1993	48%	77%	+ 60%
Crawford 1997	46%	89%	+93%

Emmet 1993	67%	91%	+ 36%
Emmet 1997	69%	94%	+ 36%

(Shows almost total reliance on cable distribution, even after improvement of over-the-air delivery of signal to this county)

Grand Traverse 1993	67%	64%	- 5%
Grand Traverse 1997	80%	88%	+ 10%

(Shows increased reliance on cable distribution as cable substantially improved market position in this county)

Kalkaska 1993	37%	66%	+ 89%
Kalkaska 1997	34%	64%	+ 88%

Lake 1993	19%	25%	+ 32%
Lake 1997	18%	54%	+300%

Leelanau 1993	75%	81%	+ 19%
Leelanau 1997	69%	78%	+ 13%

Luce 1993	59%	no cable carriage	N.A.
Luce 1997	60%	no cable carriage	N.A.

(There are only 2000 households in this county)

Mackinack 1993	44%	100%	+227%
Mackinack 1997	58%	52%	- 11%
Manistee 1993	55%	80%	+ 45%
Manistee 1997	58%	62%	+ 7%
Mason 1993	57%	88%	+ 54%
Mason 1997	55%	76%	+ 38%
Mecosta 1993	45%	50%	+ 11%
Mecosta 1997	47%	75%	+59%
Missaukee 1993	22%	0%	- 100%
Missaukee 1997	18%	15%	- 17%
Montmorency 1993	51%	no cable carriage	N.A.
Montmorency 1997	53%	91%	+72%
Osceola 1993	25%	22%	- 12%
Osceola 1997	27%	32%	+ 18%
Oscoda 1993	48%	100%	+208%
Oscoda 1997	31%	100%	+322%
(There is total reliance on cable system delivery in this county)			
Otsego 1993	51%	60%	+ 18%
Otsego 1997	56%	66%	+ 18%
Presque Isle 1993	40%	no cable carriage	NA.
Presque Isle 1997	40%	100%	+250%
(Total reliance on cable system delivery in this county)			
Roscommon 1993	69%	77%	+ 12%
Roscommon 1997	70%	84%	+ 20%

Wexford 1993	49%	54%	+ 10%
Wexford 1997	48%	68%	+ 41%
(Increased reliance on cable system delivery even in home county of WGKI-TV)			
TOTAL DMA 1993	53%	62%	+ 17%
TOTAL DMA 1997	56%	73.5%	+31%

These statistics for the DMA for 1993 and 1997 show that throughout the area where WGKI/WGKU is entitled to cable carriage, the percentage of viewers who receive the Stations' signals through cable has increased from 62% to 73.5% in spite of the initiation of service by WGKU in 1992, the establishment of new translators and significant improvements in the facilities of both WGKU and WGKI. Even in WGKI's home county (Wexford) that station's dependence on cable delivery increased from 54% to 68% in just four years. In 14 of the 25 counties in the DMA 75% or more of the Stations' audience is delivered via cable, and in three of those counties, 100% of GRK's audience consists of cable subscribers.

GRK estimates that the conversion to digital will cost \$2-3 million for its two full-power and its four translator stations. The potential lack of cable carriage for a majority of the Stations' audience is a serious threat to GRK's ability to make this conversion. As the sole source of Fox programming in the DMA, and indeed throughout northern Michigan, it is crucial that must-carry be extended to DTV. Otherwise, in rural areas such as northern Michigan, economics simply will delay or block DTV implementation and diminish the availability of free over-the-air DTV service.

III. Conclusion

In order to bring the benefit of DTV to viewers throughout the Nation, stations in geographically disbursed rural markets must have some reasonable assurance that their digital signal as well as their analog signal will be carried by cable operators during the transition period.

Respectfully submitted,

GRK PRODUCTIONS
JOINT VENTURE

A handwritten signature in black ink, appearing to read "Paul J. Feldman", with a long horizontal line extending to the right.

Harry C. Martin
Paul J. Feldman

Its Counsel

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