

Hearst-Argyle
TELEVISION, INC.

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Bob Marbut
Chairman and Co-Chief Executive Officer

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable William E. Kennard
Chairman
Federal Communications Commission
445 Twelfth Street, S.W. - 8th Floor
Washington, D.C. 20024

Dear Chairman Kennard:

I appreciate the chance we had to chat at Renaissance Weekend about the television ownership issue.

As I mentioned, I wanted to give you a summary of our thinking at Hearst-Argyle as a followup to my visit with you in Washington in December.

Concerning the Definition of a Television Market

We believe that it is more appropriate to use the DMA boundary rather than the Grade A boundary in determining whether or not two stations are in separate markets. Specifically, we recommend that the FCC determine that if there are two stations licensed in two different DMAs - - even if their Grade A contours overlap -- it is presumed that one owner can hold licenses in both DMAs unless an opponent submits a persuasive showing that the two stations compete for audience or add dollars. Therefore, we're proposing a Rebuttable Presumption.

A current example that I think clearly illustrates the efficacy of the Rebuttable Presumption approach involves the Hearst-Argyle Baltimore television station and the Pulitzer Lancaster, PA, television station. There is a Grade A contour overlap; yet, the stations are 50 miles apart, and the FCC itself has recently opined in writing that these are "separate and distinct markets." And, logic confirms this because:

- They have different governments and instructions - - from city all the way through state levels.

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- The station in Lancaster focuses its news and public affairs coverage on issues within its DMA and in Pennsylvania, whereas the Baltimore station focuses its news and public affairs coverage within its DMA and in Maryland.
- Nielsen treats their audiences as separate markets, issuing separate ratings reports for the two markets.
- Advertisers (both local and national) treat them as separate markets.
- Advertising (both local and national) is sold by separate sales forces.
- The cultural, shopping and traffic patterns are separate and distinct.
- Program suppliers treat these as separate markets, giving unique pricing and exclusivity to each.
- There is an abundance of television signals available to the households in both markets. In fact, in the area where the two stations' signals overlap, there are 37 television stations providing service.

We believe that most adjacent DMAs would fall into a similar category of being separate and distinct markets, even though they contain television stations with overlapping Grade A contours. Therefore, we recommend that, in such cases of Grade A overlaps involving adjacent DMAs, it be presumed that there can be a common holder of a single license in each of the overlapping DMAs.

We recognize that there could be a small number of adjacent DMAs that are so closely linked that they should be treated as one market as far as ownership is concerned. Our analysis indicates only a handful that could possibly fall into this category. In these markets an opponent could submit a showing that the two stations did compete and rebut the presumptions, should a request for common license ownership arise.

Concerning LMAs

Hearst-Argyle believes that it is in the public interest to settle the LMA issue, so that all the players will know the groundrules and that the groundrules be as clear as possible going forward.

Therefore, Hearst-Argyle would support the following approach:

- All LMAs that came into being before November of 1996 (the date after which the industry was put on notice about LMAs) would be grandfathered.
- Grandfathered LMAs could be continued as LMAs in the event of a license transfer or renewal.

- Other existing LMAs would be “sunsetting” (either at a certain date or in accordance with some similar clear groundrule).
- No new LMAs would be acceptable going forward, unless the Commission were to make some specific exceptions for LMAs that are pro-diversity with clear groundrules.

While there is no clear way to be completely fair to everyone on this issue, we believe that it is very important to resolve it once and for all. You have indicated a preference for as bright a line as possible, which is why we recommend a cutoff date criterion rather than some other measure.

We think it is both impractical and unfair to unwind those LMAs that were initiated before the late 1996 “notice date” (when many had been in existence for some time and were continued in good faith relying on their interpretation of the legislative language appended to the 1996 Act). Yet, approving LMAs that were launched after the industry was put on notice would reward those who were most aggressive and paid little attention to the cautious tone of the November 1996 Notice of Proposed Rulemakings. Therefore, even though imperfect, we recommend the November 1996 cutoff date.

I would be happy to clarify our position further, if you desire.

Happy New Year.

Sincerely,



Bob Marbut

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Enc.