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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Donna M. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, DC 20554

Re: MM Docket No. 93-8

Dear Ms. Searcy:

Attached are an original and nine copies of a corrected table of contents and summary, which were part of reply comments Media Access Project filed yesterday in the above-referenced docket on behalf of the Center for the Study of Commercialism. One line of text was inadvertently omitted from the first pages of both the table of contents and the summary. We apologize for the error.

In addition, we are submitting an original and nine copies of revised reply comments containing the corrected material. They are in all other respects identical to the original version. Thank you.

Sincerely,

Gigi B. Sohn
Andrew Jay Schwartzman

Counsel for the Center for
the Study of Commercialism

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EXH. 64, PAGE 1

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Federal Communications Commission

Docket No. MM-99-159 Exhibit No. 64

Presented by Adams

Disposition { Identified ✓ Received ✓ Rejected

Reporter John Del Pino

Date 6-12-00

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APR 28 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of Section 4(g) of the Cable Television Consumer Protection Act of 1992	)	MM Docket No. 93-8
	)	
Home Shopping Station Issues	)	

To: The Commission

REPLY COMMENTS

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April 27, 1993

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TABLE OF CONTENTS

SUMMARY iii

I. THE COMMISSION HAS SPECIFIC AND GENERAL AUTHORITY TO FIND THAT STATIONS PREDOMINANTLY DEVOTED TO HOME SHOPPING ARE NOT IN THE PUBLIC INTEREST 2

II. BROADCAST STATIONS WHICH ARE PREDOMINANTLY DEVOTED TO THE BROADCAST OF COMMERCIAL MATTER DO NOT OPERATE IN THE PUBLIC INTEREST 5

A. Minimal "Public Affairs" Programming Does Not Meet A Licensee's Obligation to Serve the Needs of Its Community of License 5

B. Home Shopping Programming is Not an "Entertainment Format" 7

C. Prior Commission Decisions Are Irrelevant to This Proceeding 8

III. A COMMISSION DECISION THAT STATIONS PREDOMINANTLY DEVOTED TO HOME SHOPPING ARE NOT OPERATING IN THE PUBLIC INTEREST NEED NOT HARM MINORITY-OWNED BROADCAST STATIONS 9

A. Home Shopping Stations Do Not Give Minorities A "Meaningful Presence" in the Television Industry 9

B. The Financing Contracts Between HSN and Minority Licensees Improperly Delegate Programming Control to HSN 10

C. The Commission Should Ease the Transition Away From a Predominance of Home Shopping Programming Specifically for Minority-Owned Broadcast Stations 13

IV. THE COMMISSION MAY LIMIT COMMERCIALIZATION OF THE AIRWAVES CONSISTENT WITH THE CONSTITUTION 14

A. Section 4(g) is Not Content-Based Discrimination 16

1. Just as it Can Limit Commercial Matter Under The Children's Television Act of 1990, the Commission May Limit Commercial Matter Here 16

2. The Cases Professor Smolla Cites are Inapposite 16

B. Discovery Network Does Not Expand the First Amendment Protection for Commercial Speech 18

VI. COMPETING DEMANDS FOR THE SPECTRUM 20

CONCLUSION 23

SUMMARY

The Commission must focus on the two central issues in this proceeding:

- Whether the Communications Act permits the Commission to regulate the amount of commercial matter broadcast over the public's airwaves?
- Whether the Commission should find that broadcast stations which are predominantly devoted to the broadcast of commercial matter are not serving the public interest, convenience and necessity?

The Commission must answer both of these questions in the affirmative. In particular, it must reject the view advanced by home shopping and infomercial providers that the Commission may only regulate the tiny bit of their programming which is specifically designed to meet broadcasters' "public service" obligations.

Contrary to the belief of some of the commenters in this proceeding, the Commission has specific and general authority to find that stations predominantly devoted to home shopping programming are not operating in the public interest. In addition, nothing in the 1992 Cable Act or the Communications Act limits them to making this assessment only at renewal time. Conversely, Section 4(g) is quite clear in its command that the Commission cannot make this assessment with reference to prior decisions abolishing commercial guidelines or renewing home shopping stations.

The home shopping programmers' argument that any limitation on the amount of such programming will harm minority-owned stations must be viewed with skepticism. There are a number of positive steps the Commission can take to ease the transition from a predominance of home shopping programming specifically for minorities. Moreover, the Commission should examine what underlies the phenomenon of the financing of minority stations by the largest

home shopping network. These financing agreements typically require the licensee to delegate editorial control of their programming to the network as the price of going on the air. This delegation of control to a non-minority programmer which may be thousands of miles away calls into question whether these stations really accomplish the goals which the Commission's minority preference policies were intended to achieve.

The commenters' constitutional arguments are similarly flawed. To question Congress' authority to limit commercialization over the airwaves under Section 4(g) also calls into question the constitutionality of the Children's Television Act of 1990. Both laws are fully consistent with the First Amendment; and each is a permissible exercise of authority to restrict commercial speech. The recently decided Discovery Network case does not change this authority.

Finally, under Section 4(g), the Commission must take into account whether there are uses for the portion of the broadcast spectrum which are now being used predominantly for the broadcast of commercial matter that better serve the public interest. The inquiry is not limited only to whether other applicants wish to provide television service; governmental uses, emergency uses and uses by other technologies which promote commerce must also be considered.

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APR 20 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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	)	
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To: The Commission

REPLY COMMENTS

The Center for the Study of Commercialism (CSC) respectfully submits these reply comments in response to various comments filed in the above matter.

CSC reemphasizes that the Commission must not lose sight of the issues which are at the heart of this proceeding. Plainly stated, those issues are:

- Whether the Communications Act permits the Commission to regulate the amount of commercial matter broadcast over the public's airwaves?

and

- Whether the Commission should find that broadcast stations which are predominantly devoted to the broadcast of commercial matter are <u>not</u> serving the public interest, convenience and necessity?

CSC submits that the Commission must answer both of these questions in the affirmative. In particular, CSC calls on the Commission to reject the view advanced by home shopping and infomercial providers that the Commission's regulatory grasp <u>is and should be</u> limited to that tiny fraction of broadcasters' programming which is specifically designed to meet

broadcasters' "public service" obligations as delineated under 47 CFR §73.3526(a)(8).[1]

The resolution of these two core issues will also aid the Commission in addressing the concerns raised in the comments filed in this proceeding. CSC addresses several of these concerns below.

I. THE COMMISSION HAS SPECIFIC AND GENERAL AUTHORITY TO FIND THAT STATIONS PREDOMINANTLY DEVOTED TO HOME SHOPPING ARE NOT OPERATING IN THE PUBLIC INTEREST.

CSC has urged the Commission to rule definitively that stations predominantly devoted to home shopping will not be considered to be operating in the public interest, and to address this issue comprehensively, not just in the context of whether such stations should be denied must carry status.

Time Warner Entertainment Company asserts that the Commission has no authority under Section 4(g) to do anything more than declare that stations predominantly devoted to home shopping are eligible or ineligible for must carry privileges. Time Warner Comments at 7. Similarly, other commenters argue that the Commission cannot find that stations predominantly devoted to home shopping, as a class, do not serve the public interest. E.g., KPST-TV Comments at 6-10; HSN Comments at 11.

The Commission need not even look to Section 4(g) to find authority to so rule. No one can dispute that the Commission has broad and independent discretion under the Communications Act to determine what is and is not in the public interest. It may make that determination in a general policy statement, a rulemaking, or in a specific adjudicatory matter, such as

[1]Under this section, television broadcast stations are required to maintain and file quarterly issue/programs lists.

a license renewal. The Commission has, in the past, enforced limits on commercialization in individual adjudications and by means of generalized commercial guidelines for broadcast licensees. Radio Deregulation, 84 FCC2d 968, 1091-1092. While it lifted those restrictions in the 1980's, id; TV Deregulation, 98 FCC2d 1076 (1984), the Commission has never disclaimed its longstanding position that excessive commercialization is contrary to the public interest or denied that it has the power to restrict such practices. And, indeed, there is nothing in the Communications Act or the 1992 Cable Act which prohibits the Commission from adopting a policy that broadcast stations which are dominated by commercial matter are not operating in the public interest or which limits them to such a determination at renewal time.

The legislative history of Section 4(g) also provides support for CSC's position. The final and authoritative legislative statement on the scope of the Commission's authority under Section 4(g) is the October 2, 1992 colloquy between House Energy and Commerce Committee Chairman Dingell and Congressman Eckart.[2] In clarifying the scope of Section 4(g), the colloquy demonstrates that Congress intended the Commission to address the broader issue of whether licensing stations predominantly devoted to home shopping programming is in the public interest:

> First, let me ask my colleague if I am correct that the proceeding mandated under Section 614 (g)(2) of the bill reported by the conference requires the Federal Communica-

[2]Rep. Eckart was a sponsor of the amendment which, as modified in the conference became Section 4(g). Chairman Dingell was the Chair of the Conference and Rep. Eckart was a Conferee. The purpose of the colloquy was to "clarify the meaning of the bill's provisions on home shopping stations" and "correct the misimpression created by written statements introduced in the record by Messrs. MARKEY and LENT during the debate." 138 Cong. Rec. E2908 (October 2, 1993) (statement of Rep. Eckart). Rep. Lent was not a conferee. The Markey and Lent statements are found at 138 Cong. Rec. H8683 (Sept. 17, 1992) (statements of Rep. Lent and Rep. Markey).

> tions Commission to conduct a de novo review of the overall regulatory treatment of stations that are predominantly utilized for sales presentations or program-length commercials, notwithstanding prior proceedings the FCC has conducted which may have permitted or had the effect of encouraging such stations' practices.
>
> Second, am I correct in the view that the Commission's proceeding should consider...whether it should take steps to prohibit, limit or discourage such activities, and whether prior agency decisions and policies should be revised in light of this new statutory mandate.
>
> Finally, I ask my distinguished colleague if I am correct that the Commission proceeding required by Section 614(g)(2) requires the Commission to give particular attention to the renewal expectancy to be awarded to stations that are predominantly utilized for sales presentations or program-length commercials? While the bill states that such expectancy shall not be denied solely because of the use of such a format, the bill intends for the Commission to give specific consideration as to whether use of such a format should be considered as a major factor determining to award or deny a renewal expectancy.

138 Cong. Rec. E2908 (October 2, 1992) (Statement of Cong. Eckart) [Emphases added]. Chairman Dingell answered in the affirmative. 138 Cong. Rec. E2908 (October 2, 1992)(Statement of Congressman Dingell).

It is unmistakably clear, therefore, that nothing in the plain language or legislative history of the Act restricts the Commission's authority under Section 4(g) in the manner suggested by the commenters. Senator Breaux's statements, cited by the Association of Independent Television Stations (INTV) and the National Association of Broadcasters (NAB), are not to the contrary.[3] He was not a conferee; significantly, the Senate provision to which his comments were addressed did not include Section 4(g)(2)'s language requiring the Commis-

[3]The colloquy between Senators Breaux and Graham quoted by the NAB at p. 5 of its comments supports CSC's argument. Senator Graham said there that "[t]he FCC...would be required under this inquiry to...make a determination that a stations whose programming consists predominantly of sales presentations are [sic] meeting the public interest, convenience and necessity test." 138 Cong. Rec. S.570 (Jan 29, 1991).

sion to determine whether stations predominantly devoted to home shopping programming are serving the public interest,[4] and therefore are of limited precedential value.[5]

II. BROADCAST STATIONS WHICH ARE PREDOMINANTLY DEVOTED TO THE BROADCAST OF COMMERCIAL MATTER DO NOT OPERATE IN THE PUBLIC INTEREST.

Supporters of stations primarily utilized for the transmission of home shopping programming argue that the Commission is precluded from basing its regulatory treatment on anything but the small amount of service programming which these stations provide. Conversely, they urge the Commission to ignore the fact that in many cases, a large proportion of their broadcast day is devoted to the broadcast of commercial matter. As support for this argument, in complete contravention of the plain language of Section 4(g), they ask the Commission to place primary reliance as controlling authority on prior Commission decisions eliminating commercialization guidelines and renewing licenses of some home shopping stations.

A. Minimal "Public Affairs" Programming Does Not Meet A Licensee's Obligation to Serve the Needs of Its Community of License.

As CSC anticipated in its comments, Home Shopping Network (HSN), Silver King Communications (SKC) and a number of licensees which offer programming predominantly

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[4]Senator Breaux's comments were addressed only to the following amendment he submitted during floor debate: "(g) Nothing in this section shall require a cable operator to carry on any tier or prohibit a cable operator from carrying on any tier, the signal of any commercial television station or video programming service that is predominantly utilized for the transmission of sales presentations or program-length commercials." 138 Cong. Rec. S570 (January 29, 1992).

[5]The NAB correctly observes that Congress did not require the Commission to undertake this proceeding with any particular predetermined outcome. CSC does not disagree; it argues, however, that the Commission can, and should, find that stations predominantly devoted to home shopping do not serve the public interest. See, generally, CSC Comments, passim.

devoted to home shopping put forth a laundry list of the supposedly important issues they cover in the five or so minutes of "public affairs" programming each hour which is typical of most broadcast home shopping formats. E.g., SKC Comments at 25-28. They also highlight a small amount of other non-commercial matter which is occasionally broadcast, most typically in the early hours of Sunday morning. E.g., SKC Comments at 29-32; Jovon Broadcasting Comments at Exhibit 1, Section I.

CSC does not argue that some of this programming may, indeed, cover issues that are of import to the communities that these licensees serve and/or address important community needs.[6] But CSC submits that excessive commercialization, regardless of the quality or quantity of "service" programming, is not in the public interest, and the Commission can deter or restrict it. Id.[7] Serving informational needs is only part of what constitutes service in the public interest. Congress and the FCC have erected numerous other affirmative requirements, for example, carrying emergency announcements, political material and programming responsive to children's needs. And they have also defined service in the public interest in terms of limiting certain excesses - i.e., indecency in certain hours, news staging, phony contests and,

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[6]Although CSC believes this programming is irrelevant to the issue at hand, CSC is constrained to observe that this activity is not always as high minded or altruistic as is claimed. For example, in its attachments to its comments, KPST-TV includes thank-you letters which indicate that the station was paid by the producers of the programming to provide the programming. Letters of Charity Cultural Service Center and North East Medical Services, Appendix 2 to KPST-TV Comments. It is by no means clear that there was full compliance with Section 317 in this regard.

[7]CSC agrees with the National Cable Television Association (NCTA) that "[e]ven if home shopping stations occasionally provide self-styled 'public affairs' programming, there is still no reason to require carriage of 23 hours of satellite-delivered commercial announcements daily in order to ensure access to these occasional non-promotional messages." NCTA comments at 5-6. See, CSC Comments at 18 n. 13.

significantly, excessive commercialization directed to children. Service in the public interest involves much more than programming to meet community problems, and the Commission surely has the power to address other aspects of broadcasters' performance.

B. Home Shopping Programming is Not an "Entertainment Format."

A number of the commenters refer to home shopping programming as an "entertainment format" in an attempt to equate it with other programming such as movies, game shows, or situation comedies. E.g., INTV Comments at 2; NAB Comments at 5; SKC Comments at 18-21. But the continuous sale of consumer goods is not comparable to programming having artistic, aesthetic or entertainment values, such as comedy, game shows, drama, sports, instructional or religious programming.

Unlike situation comedies, game shows or reruns of old movies, however, home shopping programming is commercial matter which can be limited, consistent with the Constitution, by the FCC.[8]

SKC and HSN argue, however, that any distinction between home shopping programming and other non-commercial programming must fail because

> all television is ultimately commercial in nature. Conventional advertiser-supported television stations also sell products, except that stations sell to an advertiser who then sells to viewers. The SKC's station programming simply eliminates the middle step of selling directly to advertisers.

SKC Comments at 18; See, HSN Comments at 27-28.

This argument ignores the plain language of Section 4(g), and thereby attempts to beg one of the central issues in this matter. What Congress was concerned about when it enacted

[8]As discussed in CSC's comments at 21-22, the Commission's renewal decisions highlight this distinction.

Section 4(g), and what the Commission must concern itself with, is the amount of commercial matter broadcast. It is irrelevant who is the speaker - the licensee or an advertiser. By its express terms, Section 4(g) is directed to stations "predominantly devoted to sales presentations," not to stations carrying advertising or to stations selling goods for their own benefit.

C. Prior Commission Decisions Are Irrelevant to This Proceeding.

Despite the unequivocal plain language of Section 4(g) which requires the Commission to undertake this proceeding "notwithstanding prior proceedings," and the Dingell-Eckart colloquy emphasizing that requirement, see pp. 3-4, supra, several of the commenters rely on the 1984 TV Deregulation decision, supra, and prior Commission decisions renewing the licenses of stations predominantly devoted to home shopping as confirmation that such stations operate in the public interest. E.g., SKC Comments at 10-18; NAB Comments at 6-9.

It may be true, as some commenters argue, that the Commission's deregulation decisions were intended to encourage "innovative" programming and "commercial flexibility." E.g., INTV Comments at 7; SKC Comments at 13-14. But that encouragement was based upon the critical assumption that marketplace forces would control overcommercialization. TV Deregulation, supra, at 1105. The Commission repeatedly promised to revisit its deregulation decisions in the event of marketplace failure. See, e.g., Radio Deregulation, supra, at 1006; CSC comments at 7-9. CSC submits that the growth of stations predominantly devoted to home shopping programming is proof that the marketplace has failed, and that the Commission must now keep its promise to revisit its decisions.

More importantly, as the Dingell-Eckart colloquy quoted above demonstrates, Congress believed that the marketplace had failed and, as a result, required the Commission to undertake

"a de novo review" of whether these stations are serving the public interest. 138 Cong. Rec. E2908 (Statement of Rep. Eckart).

III. A COMMISSION DECISION THAT STATIONS PREDOMINANTLY DEVOTED TO HOME SHOPPING ARE NOT OPERATING IN THE PUBLIC INTEREST NEED NOT HARM MINORITY-OWNED BROADCAST STATIONS.

Several commenters emphasize that home shopping programming is widely employed by minority-owned broadcast stations, many of which are marginal UHF stations. In addition, much is made of the fact that the largest home shopping network has provided financing employed to construct a number of these stations. HSN Comments at 16-20. The commenters then argue that a Commission decision finding that stations which are predominantly devoted to home shopping do not serve the public interest would threaten the vitality of these minority owned television stations. E.g., NABOB Comments at 4-5; NAB Comments at 9.

This argument raises two questions:

* Is it in the public interest to license any broadcast station, whether minority owned or not, if it is largely engaged in broadcasting commercial matter?

and

* Do the financing agreements that HSN enters into with these licensees, which typically impose huge penalties (including likely loss of the station) for even the smallest deviation from the home shopping format, result in an unauthorized delegation of programming authority to HSN?

A. Home Shopping Stations Do Not Give Minorities A "Meaningful Presence" in the Television Industry.

NABOB argues that home shopping stations give African-Americans a "meaningful" presence in the television industry. NABOB Comments at 5. But stations which devote 90% or more of their broadcast day to sales presentations provided via satellite by a programming

network which may be thousands of miles away and which is not minority owned cannot possibly give minorities a "meaningful" presence in broadcasting or accomplish the goals which the FCC's minority ownership policies are intended to foster.[9]

B. The Financing Contracts Between HSN and Minority Licensees Improperly Delegate Programming Control to HSN.

HSN boasts that it has "funded the acquisition or construction of seven minority-owned television stations and has furthered the development of others through its affiliation agreements." HSN Comments at 17.

CSC urges the Commission to explore what underlies this phenomenon. HSN's willingness to finance new stations is based solely on the contractual power it retains to control their format. Bluntly put, a number of home shopping stations have been compelled to delegate editorial control of their programming as the price of going on the air. The effect of this process is to insure that these stations never have the opportunity to fulfill the dreams and hopes of those who have hoped that minority ownership would produce greater diversity in local programming and local self-expression.

It should not be surprising that the most vulnerable and weakest segment of the industry - minority entrepreneurs - is a principal target of these predatory practices. There is little

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[9]The Commission's policies to encourage minority ownership of broadcast stations were intended, in the words of Justice Brennan, to enhance "the public's right to receive a diversity of views and information on the airwaves," Metro Broadcasting v. FCC, 110 S. Ct. 2997, 3010 (1990), the benefits of which "redound to all members of the viewing and listening audience." Id. at 3011. Minority ownership of broadcast stations promotes diversity because "an owner's minority status influences the selection of topics for news coverage and the presentation of editorial viewpoint, especially on matters of particular concern to minorities." Id. at 3017. With the vast majority of the broadcast day devoted to home shopping programming, there is often little or no opportunity for a minority owner to exert his or her influence over programming in the manner Justice Brennan contemplated.

value to encouraging minority ownership without affording these owners the opportunity to control their programming. Indeed, the Communications Act requires nothing less. Yet, HSN requires licensees it bankrolls to adhere strictly to the prescribed HSN format. Failure to do so can result in the licensee being compelled to pay back its loan almost immediately under onerrous terms, or to sell the station.[10]

These business practices troubled a number of members of the House Energy and Commerce Committee, and were a substantial part of the impetus behind the adoption of the House Bill's provision denying must-carry status to stations predominantly devoted to home shopping programming. Six members of the Committee, including the sponsor of what became Section 4(g), wrote specially to reaffirm their support for the FCC's policies to license minority applicants and to express their belief that "The conversion of these [minority owned] stations makes a mockery of that policy.[11] Representatives Espy and Bustamante have condemned the

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[10]For example, the affiliation agreement entered into between HSN and Urban Broadcasting Company (UBC) provides that if UBC "unreasonably" rejects any HSN programming which it considers unsuitable for its community, HSN can declare that UBC has breached the affiliation agreement between the two parties. Upon such a unilateral declaration, HSN can initiate steps which will force prompt sale of the station, and, even more significantly, make HSN's $5.45 million loan immediately due and payable. UBC faces similar retaliation should it attempt to use its discretion to preempt HSN's program feed to substitute programming of its own choosing; UBC may do so only if it can show that "the substituted program is of greater local or national importance." See, July 16, 1992 Petition for Reconsideration filed by Anthony Pharr, Jeffra Becknell, and the Washington Citizens Coalition Interested in Viewers' Constitutional Rights in Application of Urban Telecommunications Corp., et al. for Assignment of Construction Permit for Station WTMW(TV), Arlington, Virginia, File No. BAPCT-890418KF.

[11]These members wrote that:

"The committee's concern over providing any incentive for the conversion of television stations to home shopping formats is more than justified by the pattern of dealings between a particular shopping network which already controls a full compliment of television stations, and certain minority owned television affiliates.

Generally, this shopping network has either made a large loan to, or taken a substantial

practice of "using the [minority licensing] program to capture minority stations and turn them into mere relay stations of HSN's national feed of non-minority home shopping sales presentations and commercials." Id.

Thus, rather than "elect[]...to adopt a home shopping format," SKC Comment at 41,

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equity position in, these minority controlled stations in exchange for an affiliation agreement which, in essence, requires the licensee to convert its station into a relay for the shopping network's programming. Licensees also typically receive a large consulting contract or salary. Should the licensee wish to preempt this shopping network's programming for a prolonged period of time, it risks a breach of the network affiliation agreement. Typically, a breach of the network affiliation agreement is a specifically enumerated even of default under the loan documents. As a result, these minority broadcasters must either be captives to this shopping network's programming or risk bankruptcy.

The FCC's scheme of minority preferences was created to provide ownership, employment and programming opportunities to minorities in the hope that they would address the particular needs and interests of their discrete communities. The conversion of these stations to home shopping formats makes a mockery of that policy. Minority preferences are ultimately of value because they benefit the community, not because they benefit a lone entrepreneur." House Report at 174 (Additional Views of Messrs. Ritter, Tauzin, Slattery, Kostmayer, Oxley and Fields).

These members submitted, along with their additional views, a letter from two minority Congressmen, Mike Espy and Albert G. Bustamante, which expressed the same concerns:

"A highly questionable use of the minority broadcast licensing program at the Federal Communications Commission is occurring, and that very practice is now being used by the Home Shopping Network (HSN), a non-minority corporation, and its team of lobbying firms before Congress in an attempt to carve out special legislative treatment for itself.

The minority licensing program at the FCC exists for the purpose of providing minority opportunity, minority employment, minority oriented formats and service to the minority population in the community of license. Unfortunately, the Home Shopping Network [is] using this program to capture minority stations and turn them into mere relay stations of HSN's national feed of non-minority home shopping sales presentations and commercials. They achieve this through the use of multi-million dollar loans and payments to applicants and licensees of the minority licensing program****

HSN seems to want the Congress to believe that a public service is performed when a minority license [sic] is lent or paid millions of dollars to walk away from both general and minority broadcasting responsibilities and opportunities, and instead become a relay for home shopping."

Id. at 174-75.

these licensees appear to be held hostage to it. This usurpation of editorial control by HSN raises a substantial and material question of fact as to whether HSN is in de facto control of these stations in violation of the Communications Act. See, July 16 Petition for Reconsideration, supra.

No matter what decision the Commission ultimately makes, it should free minority broadcasters from this extended delegation of programming authority. The Commission should declare null and void and contrary to the public interest, all contractual provisions in agreements between HSN and licensees which condition financing of the station on near-absolute adherence to HSN's program schedule.

C. The Commission Should Ease the Transition Away From a Predominance of Home Shopping Programming Specifically for Minority-Owned Broadcast Stations.

A Commission decision that stations predominantly devoted to home shopping programming are not operating in the public interest need not force minority-owned (or other) stations off the air. These licensees would still have the option of broadcasting such programming for up to 12 hours a day to raise revenue, if necessary. Moreover, the Commission has been given the authority to develop means of insuring a gradual transition to full public interest programming. CSC addressed these transitional issues in its initial comments, but should the Commission feel that more latitude is needed, it can follow suggestions of other parties.

CSC suggests that the Commission has authority, should it consider it desirable, to fashion special relief for marginal and/or minority-owned broadcasters. Incident to the power to enhance minority ownership consistent with protecting the public's right to have service in the public interest, the Commission could develop rules recognizing the need for such owner-

ship, so long as such licensees are ultimately required to generate programming of their own selection. Just as the Commission has in the past applied different standards to unaffiliated UHF stations, Delegation of Authority, 43 FCC2d 638 (1973), it could extend the transition period for changing programming specifically for minority owned stations, or for stations carrying programming which meets important needs which otherwise would not be met. It could also devise a definition for the statutory term "predominantly utilitized" to give special attention to blocks of long form programming addressing minority or otherwise unmet community programming needs. For example, KPST-TV suggests a definition of a home shopping station as being one that devotes more than 50% of its total broadcast hours and more than 25% of its prime time hours to home shopping programming. KPST-TV Comments at 4-6.[12]

Finally, CSC notes that the Commission has broad powers to fashion case-by-case waivers of the transition rules it may develop. Preservation of minority owenrship might well be a valid basis for extending the maximum transition period. However, the Commission should insure that any waiver policy it announces explicitly states that the objective of its rules is to migrate stations to full public interest service.

IV. THE COMMISSION MAY LIMIT COMMERCIALIZATION OF THE AIRWAVES CONSISTENT WITH THE CONSTITUTION.

Several of the commenters question whether a Commission decision finding that stations predominantly devoted to home shopping do not serve the public interest can withstand constitutional scrutiny. Not incidentally, to question the Commission's ability to make that decision

[12]KPST-TV is a station which, while affiliated with HSN, devotes 75% of its prime time hours to Chinese language programming, thereby serving the otherwise unmet needs of the large Chinese population in the San Francisco Bay area. KPST-TV Comments at 1-3.

is also to question the Commission's ability to implement the Children's Television Act of 1990. Both this law, and the Children's Television Act, are fully consistent with the First Amendment; each is a permissible exercise of legislative authority restricting pure commercial speech in a narrowly tailored manner clearly designed to advance important governmental interests.

In addition, several commenters rely on the Supreme Court's recent decision in City of Cincinnati v. Discovery Network, Inc., 61 USLW 4272 (March 24, 1993) for the proposition that First Amendment protection for commercial speech is actually augmented by that case. E.g., Statement of Rodney A. Smolla in Support of the Comments of Silver King Communications, Inc. (Smolla Statement) at 28-31; National Infomercial Marketing Association (NIMA) Comments at 10-11. But, as discussed below, Discovery Network does not in any way expand the First Amendment protection for commercial speech; to the contrary, it gives strong confirmation to the Commission's powers to regulate excessive commercialization. Thus, the Commission's authority to limit home shopping programming is fully consistent with the Discovery case, as well as other constitutional jurisprudence.

CSC has attached as Exhibit A, a memorandum written by Judge Arlin M. Adams and a memorandum written by Professor Steven H. Shiffrin which address the general constitutional issues raised in this proceeding.[13] CSC will briefly address some of the other constitutional matters raised by several of the commenters.

[13]While these memoranda specifically address the constitutionality of excluding stations predominantly devoted to home shopping programming from must carry requirements, CSC believes these principles can be extended to a Commission decision which finds that such stations are not serving the public interest.

A. Section 4(g) is Not Content-Based Discrimination.

In his statement in support of SKC's comments, Professor Smolla argues that

> If SKC Station's entertainment programming format were anything other than sales presentations, they would not be subject to this proceeding at all and would be eligible for must carry like every other broadcaster that meets the traditional public interest standard.

Smolla Statement at 27. Thus, he concludes that Section 4(g) "discriminate[s] based on content," and is therefore "presumptively unconstitutional." Id. at 25.

1. Just as it Can Limit Commercial Matter Under The Children's Television Act of 1990, the Commission May Limit Commercial Matter Here.

By questioning Congress' authority to enact legislation such as the 1992 Cable Act to limit overcommercialization, Professor Smolla also calls into question the constitutionality of the Children's Television Act of 1990. As does Section 4(g), the Children's Television Act permits the Commission to limit commercialization (specifically in programming designed to meet the educational and informational needs of children).[14]

2. The Cases Professor Smolla Cites are Inapposite.

Professor Smolla cites an entire litany of Supreme Court "content discrimination" cases to bolster his facial challenge to Section 4(g). Smolla Statement at 25 n.43. But save for one

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[14]In its decision implementing the Children's Television Act, the Commission found that it was "not obliged to question the constitutionality" of the Act." Policies and Rules Concerning Children's Television Programming, 6 FCC Rcd 2111, 2123 n. 5. It also noted that "Congress, in enacting the statute, has already provided a vigorous defense of its constitutionality." Id. The same is true for Section 4(g), Both Houses defended must-carry generally, e.g., House Report at 58-74; S. Rep. 102-92, 102nd Cong., 1st Sess. 53-62 (1991), and the constitutionality of Section 4(g) was addressed as well. See, e.g., House Report at 173. The Commission should act in accord with its Children's Programming decision and reaffirm the constitutionality of Section 4(g).

case,[15] these cases all involve political, artistic and other forms of speech which are not applicable here.[16]

Professor Smolla's attempt to analogize this case with RAV v. City of St. Paul, 112 S.Ct 2538 (1992), which involved a statute prohibiting "hate speech," is similarly flawed. Smolla Statement at 31-38. However, even assuming, arguendo, as does Professor Smolla, that RAV stands for the proposition that the government may not single out one subset of unprotected or lesser protected First Amendment speech, that is not what Section 4(g) does. It does not discriminate against the content of the commercial speech itself, but restricts the amount of such programming that can be broadcast to qualify for must carry status. In that regard, it is a reasonable "time, place and manner" restriction which is constitutionally permissible.[17]

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[15]Bolger v. Youngs Drug Products Corp., 463 U.S. 60 (1983) is the only commercial speech cases cited among some 20 or so others. Far from supporting Professor Smolla's position, Bolger clearly recognizes the second class First Amendment status given to commercial speech. See p. 19, infra.

[16]In an outlandish comparison of commercial and purely political speech, the NIMA compares a program length commercial featuring the sale of Victoria Jackson hair products (producing sales in excess of $150 million, NIMA boasts) to "Ross Perot infomerciais...which significantly helped his performance in the 1992 Presidential election." NIMA Comments at 6.

[17]Professor Smolla also claims that Section 4(g) constitutes "disparate treatment of similarly situated broadcasters" in violation of the equal protection clause. Smolla Statement at 10 n. 14. But given that broadcasters are not a "suspect class" which triggers strict or even intermediate scrutiny under the 5th amendment, his argument is not persuasive. Regan v. Taxation With Representation of Washington, 461 U.S. 540, 548 (1983). Even assuming, arguendo, that broadcasters engaged primarily in home shopping programming were "similarly situated" as to those which do not, the government's regulation need only be rationally related to a substantial government interest. Id. Section 4(g) would surely pass this scrutiny given the substantial government interest of limiting overcommercialization on public airwaves.

B. Discovery Network Does Not Expand the First Amendment Protection for Commercial Speech.

Commenters' reliance on Discovery Network represents nothing more than a desperate attempt to seize on one of the few recent Supreme Court cases which has struck down regulations on commercial speech. Nothing in that case, however, changes the standard ennunciated in cases such as Posadas de Puerto Rico Associates v. Tourism Co., 478 U.S. 328 (1986) and Board of Trustees of the State University of New York v. Fox, 492 U.S. 469, 473 (1989). That standard requires only that regulation of commercial speech "reasonably fit" a government objective. This test is easily met in this case. See CSC Comments at 11-14.

Discovery Network involved a local ordinance which permitted newsracks on city streets, but prohibited only those racks containing magazines consisting primarily of admittedly "core" commercial speech. This ordinance was passed under the guise that the limitation would lead to an increase in safety and an improvement in the aesthetic condition of the city. Emphasizing that its "holding...is narrow," id. at 4276, the Court struck down the ordinance because "the respondent publishers' newsracks are no greater an eyesore that the newsracks permitted to remain on Cincinnati's sidewalks." Id.

However, rather than extend First Amendment rights for commercial speech, the Court reaffirmed the validity of the "reasonable fit" test of its prior cases. Applying that standard, the Court found that the test was not met. Relying on Fox, the Court stated

> Because the distinction Cincinnati has drawn has absolutely no bearing on the interests it has asserted, we have no difficulty concluding...that the city has not established the "fit" between its goals and its chosen means that is required by our opinion in Fox.

Id.[18]

Significantly, the Court made clear that had the city "asserted an interest in preventing commercial harms by regulating the information distributed by respondent publishers' newsracks," such an ordinance would have likely passed constitutional muster. Id. Quoting Bolger at page 81, the court stated that "the commercial aspects of a message may provide a justification for regulation that is not present when the communication has no commercial character." Id.

Thus, it would be fully consistent with Discovery Network and its predecessor cases for the Commission to find that its interest in reducing the harms wrought over the public's airwaves by excessive commercialization justifies a limitation on the number of hours a broadcaster can broadcast pure commercial speech.[19] The government's interest is substantial, and

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[18]Borrowing Justice Scalia's words from Fox, the Court carefully laid out the standard required to be met by city of Cincinnati in this case:

"[W]hile we have insisted that the free flow of commercial information is valuable enough to justify imposing on would-be regulators the costs of distinguishing...the harmless from the harmful, we have not gone so far as to impose upon them the burden of demonstrating that the distinguishment is 100% complete, or that the manner of restriction is absolutely the least severe that will achieve the desired end. What our decisions require is a "fit" between the legislature's ends and the means chosen to accomplish those ends-a fit that is not necessarily the single best disposition but one whose scope is in proportion to the interest served; that employs not necessarily the least restrictive means but...a means narrowly tailored to achieve the desired objective. Within those bounds we leave it to governmental decision-makers to judge what manner of regulation may best be employed." Discovery Network, supra, at 4273 n.12, quoting Fox, supra, at 480 [Emphasis added].

[19]Several members of the House made quite clear the intention in not granting must carry privileges to stations predominantly devoted to home shopping programming:

"Even before television was said to be a 'vast wasteland,' its commercial side was always considered to be a vice necessary to bring Americans the benefits of free television. The "vice" was never intended to overtake the 'benefit.' Yet despite this historic antipathy to over commercialization of the airwaves, both the full Energy and Commerce Committee and the Telecommunications and Finance Subcommittee were faced during the consideration of this

its means for doing so "reasonably fit" its asserted interest.[20]

VI. COMPETING DEMANDS FOR THE SPECTRUM.

The Commenters raise several issues with respect to the importance of Section 4(g)'s explicit requirement that the Commission "shall consider...the level of competing demands for the spectrum allocated for such stations."

Even so, the NAB states that there is "nothing in the Act or the legislative history which indicates that Congress viewed this proceeding as addressing potential reallocation of broadcast spectrum." NAB Comments at 8. But this belies the plain language of the Act, which specifically asks the Commission to consider spectrum allocation. The legislative

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legislation squarely with the issue of whether the proliferating use of local broadcast stations for the continuous transmission of home shopping programming, long-form commercials, infomercials and sales presentations warranted the imposition of must-carry obligations on cable systems****For all these reasons, we have declined to further promote the over commercialization of the airwaves by making the must carry provisions of this legislation applicable to home shopping stations. H.Rep. 102-628, 102nd Cong., 2d Sess. (1992) ("House Report"), Additional Views of Messrs. Ritter, Tauzin, Slattery, Kostmayer, Oxley and Fields. Senator Breaux of the Senate expressed the same concerns in discussion of a floor amendment to restrict must carry rights of home shopping stations. See, 138 Cong. Rec. S. 570-72 (January 29, 1992)(Statement of Senator Breaux).

[20]In his statement in support of SKC's comments, Professor Smolla quite correctly characterizes Discovery Network as "stand[ing] for the proposition that the government cannot single out commercial speech for specially disadvantageous treatment when the harms that the government seeks to prevent are cause by both commercial and noncommercial speech alike." Smolla Statement at 28. But his attempt to apply that proposition to this case simply does not work. He asserts that the government's interest in not granting must carry privileges to home shopping stations was "out of a concern for the editorial discretion of cable operators," and that "because both home shopping format broadcasters and non-home shopping format broadcasters contribute to the problem, the government cannot discriminate against home shopping format broadcasters...." Id. at 31-32. Nowhere in the plain language or legislative history of the Act is there any indication that Congress enacted Section 4(g) out of any concern for giving cable operators increased editorial discretion. The explicitly asserted government interest in Section 4(g) was to limit overcommercialization of the public's airwaves. See, footnote 19, supra.

history supports this view as well:

> [A]m I correct in the view that the Commission's proceeding should consider the scarcity of broadcasting frequencies in determining whether these program formats are consistent with the public interest....

138 Cong. Rec. E2908 (October 2, 1992) (Statement of Cong. Eckart). Chairman Dingell responded in the affirmative.

By that command, Congress intended that the Commission weigh whether that part of the spectrum which is set aside exclusively for broadcasters only, see, Red Lion Broadcasting Co. v. FCC, 395 U.S. 367, 388 (1969), and which is being used predominantly for the broadcast of commercial matter, would be put to better use by another user. The Commission is to consider under Section 4(g), then, whether the public interest is better served by the use of such spectrum by police, fire or other emergency services, or by other commerce-producing broadcast services such as land mobile communications.

But NAB, SKC and HSN take the narrow view when they claim variously that there is no or "little competing demand" for frequencies now used by home shopping stations. HSN and SKC claim that when HSN acquired these stations in the mid-1980's, they were the "only proposed use of the frequency." HSN Comments at 36. Even assuming, arguendo, that was the case then, with the many new technologies requesting use of spectrum, it certainly is not true in 1993. For example, a large chunk of the UHF spectrum has already been reallocated to land mobile communications.

HSN, SKC and NAB also assert that because only one home shopping licensee has been subject to a competing application at renewal, "that there is little competing demand." NAB Comments at 9. See, SKC Comments at 49 n. 64; HSN Comments at 37 n. 50. This argu-

ment, again, ignores other uses for the spectrum. And it overlooks the realities of the license renewal process. There are good reasons for the dearth in competitive applications, and they extend to all license renewals, not just home shopping licenses. "TV License Renewals Since Oct. 1991," Broadcasting Magazine, April 12, 1993 at p. 62 ("674 stations requesting renewal...11 challenged by competing applicants). The "renewal expectancy" granted the vast majority of incumbent licensees, which virtually guarantees renewal, and the Commission's limitations on settlements have made successful renewal challenges virtually futile and extraordinarily costly. "Washington Watch," Broadcasting, May 6, 1991.

CONCLUSION

CSC urges the Commission not to be mislead by the small amount of community responsive programming provided by stations predominantly utilized for home shopping programming. What the Commission must decide is whether it is in the public interest to have the public's airwaves used primarily for the dissemination of commercial matter. The Commission has the authority and the duty to answer that question in the negative.

The Commission must also not be deceived into believing that it will disserve minority-owned stations and the minority communities they serve to limit this commercial matter. With a bit of help and guidance from the Commission, these stations can be converted from stations which are compelled to devote an overwhelming amount of their broadcast day to satellite delivered, non-minority commercial matter to ones that are largely devoted to serving the unmet needs of their communities.

Respectfully submitted,

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