

Brandon Burgess
Chief Executive Officer



**STATEMENT OF
BRANDON BURGESS
CHIEF EXECUTIVE OFFICER
ION MEDIA NETWORKS**

FCC PUBLIC HEARING ON MEDIA OWNERSHIP

**October 3, 2006
1:00 P.M.**

**UNIVERSITY OF SOUTHERN CALIFORNIA
DAVIDSON CONFERENCE CENTER
EMBASSY ROOM
3415 SOUTH FIGUEROA STREET
LOS ANGELES, CA 90089**

ION Media Networks is pleased to participate in today's field hearing on media ownership. Our company brings a unique perspective to the FCC's inquiry into media ownership and to the implications for competition, diversity, localism, independent programming, and the future of free broadcast television.

ION Media is the youngest and only surviving independent English-language television broadcasting company with national reach. Our television stations carry programming 7 days a week, 24 hours a day to over 90 million television households in the U.S. ION Media is not, however, a vertically integrated media company and we have no in-house program or movie production capabilities. Nor do we have the type of highly rated programs or sporting events that would give us leverage to negotiate carriage on cable and satellite which are the dominant providers of television to American homes. As a result, we have no retransmission consent agreements with cable operators and instead rely upon must-carry legislation to ensure that our content is made available in all of the television households.

Our company was among the first to comply with the FCC's mandate to build digital broadcast facilities and had to borrow over \$100 million dollars to do so. Based on this mandatory investment, we are able to provide high definition digital television in addition to multiple digital television streams.

We are searching for additional content for such channels but frankly, a lot of the programming being developed today is simply too costly for us and otherwise unavailable since we are not vertically integrated. As a result, ION Media is open to independent programmers who can work with us to fund and support projects that will provide programming alternatives to the major networks.

For the past year, ION Media has devoted its focus to finding credible content. Our guiding principle has been to try to anticipate FCC expectations, as well as keeping the interest of our viewers in mind. We have focused particularly on three aspects:

1. Classic Family-Friendly content, which has been the hallmark for our main network since it was launched in 1998.
2. Children's Programming, taking into account the attention our youngest viewers deserve, and
3. Health Care Programming, with the goal of addressing one of the most important issues in the minds of U.S. consumers today – their deteriorating health, whether precipitated by obesity or other causes.

Within the last 4 weeks, ION Media, together with partners, including Scholastic, Classic Media/Big Idea, and CORUS Entertainment, launched **qubo**, a new television format for children. It champions literacy and positive values through entertainment in English and Spanish, and is carried weekly on each of our television stations. Additionally, we are launching a 24/7 digital broadcast

channel, dedicated to this mission on each of our digital stations. We hope you feel that this is a proactive implementation of the children's television guidelines adopted by the FCC last week. The plan for **qubo** calls for 5 times the FCC minimum amount of E/I kids content to be broadcast on our digital network.

Earlier this year, ION Media also announced plans to launch the country's first 24-hour digital broadcast network dedicated to consumer health care and healthy living. I am pleased to share with you that the service will launch this Saturday, October 7th, under the title "**I-Health**" on our network at 8 p.m., based on programming drawn from some of the leading independent producers of credible and informative health content, including ITV, Aquarius HealthCare, and Breakthrough Entertainment.

I am here to make you aware of our independent programming initiatives that help, serve, and entertain U.S. families at no charge. We know we need your help to ensure that this content and the work of the independent producers and suppliers with whom we partner, is passed through to all U.S. television households. I want to point out again, that unlike cable channels such as Nickelodeon or Discovery, we do not charge consumers for our content, which makes our model even more difficult and critically reliant on full distribution to all television households.

What matters – in addition to access to the public airwaves -- is access to U.S. television households, which is dominated by a handful of multichannel distributors, and -- on the other side -- access to content which is dominated by a handful of vertically integrated media conglomerates. Both groups enjoy very comfortable relationships with each other, which keep consumer prices high and competition low. I hope I can convince you that, in light of those realities, the question of whether there is a little more or a little less consolidation within broadcasting is only one of many issues to consider. Whichever way you go, it will not bring down consumer prices, because broadcast content is free to begin with. Nor will it affect the strategy of major media companies, who are generally in the process of selling and not buying broadcast stations. This is simply a reflection of the point I am trying to leave you with: broadcast re-trans and must carry has been replaced by content leverage vs. gatekeeper leverage, as a determining factor in what content reaches U.S. households. In its March 2006 Report on Competition in the Video Marketplace, the FCC raised concerns that we are coming dangerously close to the so-called 70/70 benchmark which measures the local power of cable distributors. With the recent Adelphia merger, one has to presume that this benchmark has now been met.

So what can the FCC do? The FCC can use its authority to increase the amount of diverse local programming available in every local market in the country by ensuring that the entirety of each local television station's free digital high definition and multicasting broadcast output is passed through to all

American homes. The FCC's efforts in this regard will serve important media policy and consumer interest goals. Let me just take the following examples to illustrate the type of benefits that could be created on a well-supported digital broadcasting playing field.

We only need to look at what has happened in the United Kingdom to see the possibilities. In the UK, "FreeView" – with some public support -- brought 30 free digital terrestrial channels, plus around 30 digital radio signals to consumers, and became the 2nd most popular media platform. It has also reduced the UK average cost per channel to consumers by around 10% in only 24 months. This could also happen in the United States and certainly would enhance the service level for the 40 million over-the-air television sets in this country.

In the Los Angeles television market alone, if only half of the commercial television stations were using their digital spectrum for multicasting, it would immediately create 75 new free programming channels capable of serving the entire Los Angeles market. Such channel options would be created in every television market in this country.

Let me conclude by applauding the Commission for its bipartisan action last week in clarifying the obligations of digital broadcasters to serve children. We hope the FCC sees ION Media as a proactive, early adopter in this area, and going well beyond the FCC's minimum requirements. I would, however, note that

all of the fine mandatory E/I children's programming that will be aired on broadcasters' digital channels can not be seen in 85% of homes that are cable and satellite subscribers. Until that distribution issue is faced, the Commission's work remains incomplete. On behalf of ION Media, and hopefully other independent broadcasters and interest groups, I will commit to continue to work with the Commissioners on a bi-partisan basis to seek a resolution of this matter.

I also applaud last week's announcement of the formation of a Task Force on Media and Childhood Obesity. (I hope it will grow to be a bipartisan task force). The focus on this very important topic ties in well with what ION Media has been trying to do for the past year in terms of programming. I would like to publicly commit to ION Media working with the FCC and the Task Force to come up with a distribution plan that would feature 3 hours of childhood obesity preventive programming on each of our digital kids' and health channels.

Thank you for including me in this hearing today, and please consider addressing not only the top end of the media consolidation food chain, but also those independents like ION Media who are trying to make contributions as smaller and independent players in the media ecosystem.