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

In the Matter of	)	
	)	
2006 Quadrennial Regulatory Review—Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996	)	MB Docket No. 06-121
	)	
2002 Biennial Regulatory Review—Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996	)	MB Docket No. 02-277
	)	
Cross-Ownership of Broadcast Stations and Newspapers	)	MB Docket No. 01-235
	)	
Rules and Policies Concerning Multiple Ownership of Radio Stations in Local Markets	)	MM Docket No. 01-317
	)	
Definition of Radio Markets	)	MM Docket No. 00-244

REPLY COMMENTS OF BELO CORP.

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TABLE OF CONTENTS

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In the Matter of	)	
	)	
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	)	
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REPLY COMMENTS OF BELO CORP.

I. INTRODUCTION AND SUMMARY

Belo Corp. ("Belo") hereby submits its reply comments in response to the *Further Notice of Proposed Rulemaking* ("*Further Notice*") issued by the Commission on July 24, 2006 in the above-captioned proceedings.[1] As shown herein, even a cursory examination

[1] *2006 Quadrennial Regulatory Review—Review of the Comm'n's Broad. Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecomms. Act of 1996; 2002 Biennial Regulatory Review—Review of the Comm'n's Broad. Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecomms. Act of 1996; Cross-Ownership of Broad. Stations and Newspapers; Rules and Policies Concerning Multiple Ownership of Radio Broad. Stations in Local Markets; Definition of Radio Markets*, Further Notice of Proposed Rulemaking, 21 FCC Rcd 8834 (2006) ("*Further Notice*"); *2006 Quadrennial Regulatory Review—Review of the Comm'n's Broad. Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecomms. Act of 1996*, Order, 21 FCC Rcd 10496 (2006) (order extending comment deadline until Oct. 23, 2006 and the reply comment deadline until Dec. 21, 2006); *2006 Quadrennial*

of the scores of substantive comments submitted in the opening round of this proceeding reveals that the vast majority of commenters providing empirical data and reasoned analysis support elimination of the flat ban on newspaper/broadcast cross-ownership as well as relaxation of the local television cross-ownership rule.[2] Belo and many others supported their positions with specific and detailed evidence documenting the spiraling growth that has taken hold of local media markets throughout the country in recent years. As the comments show in great detail, this growth has been fueled both by an increase in the number of traditional media outlets and, more dramatically, by the development of a whole host of new and alternative media. Notably, the record is replete with evidence that the creation and exponential expansion of the use of the Internet has transformed both the national and local news arenas and has rendered moot the 1970s-era concerns that animated the original adoption of the current ownership limitations.

Despite the seemingly incontrovertible evidence to the contrary, a small handful of parties persist in attempting to persuade the Commission that the media marketplace has not changed in any meaningful respect over the past three decades. These

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Regulatory Review—Review of the Comm'n's Broad. Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecomms. Act of 1996, Order, 21 FCC Rcd 14460 (2006) (order extending reply comment deadline until Jan. 16, 2007).

[2] *See, e.g.*, Comments of Belo Corp. ("Belo Comments"); Comments of Block Communications, Inc. ("Block Communications Comments"); Comments of Bonneville International Corporation (Bonneville Comments); Comments of Cox Enterprises, Inc. ("Cox Comments"); Comments of Entravision Holdings, LLC ("Entravision Comments"); Comments of Fox Entertainment Group and Fox Television Stations, Inc. ("Fox Comments"); Comments of Freedom of Expression Foundation, Inc. ("Freedom of Expression Comments"); Comments of Gannett Co., Inc. ("Gannett Comments"); Comments of Granite Broadcasting Corporation ("Granite Comments"); Comments of Gray Television, Inc. ("Gray Comments"); Comments of Hearst-Argyle Television, Inc. ("Hearst Comments"); Comments of Hoak Media LLC ("Hoak Comments"); Comments of Media General, Inc. ("Media General Comments"); Comments of Morris Communications Company, LLC ("Morris Communications Comments"); Comments of National Association of Broadcasters ("NAB Comments"); Comments of Newspaper Association of America ("NAA Comments"); Comments of NBC Universal, Inc. and NBC Telemundo License, Co. ("NBC Comments"); Comments of Nexstar Broadcasting, Inc. ("Nexstar Comments"); Comments of Shamrock Communications, Inc. and the Scranton Times, L.P. ("Shamrock Comments"); Comments of Sinclair Broadcast Group, Inc. ("Sinclair Comments"); Comments of The Media Institute ("Media Institute Comments"); Comments of Tribune Company ("Tribune Comments").

commenters would have the FCC believe that the same justifications the agency relied upon when it first adopted its broadcast ownership regulations are equally relevant and compelling today. In the media world that these commenters present, broadcast television and newspapers remain the only relevant players, much as they were in the 1960s and 1970s. These antiquated views are woefully out of sync with reality, however; that world may have existed 30 years ago, but it does not today.

In fact, the record plainly shows that recent changes in the marketplace have long since obviated any need for intrusive media ownership regulation and are, instead, increasing the need for regulatory relief with each passing day. Numerous commenters submitted evidence demonstrating that today's over-the-air television broadcasters and daily newspapers are facing unprecedented competitive and financial challenges. Without relaxation of the local ownership restrictions that unnecessarily constrain their ability to operate efficiently and compete with the host of new media that are unfettered by similar limitations, broadcasters and newspapers may be forced to further curtail the local news operations that have long been their hallmark and that so clearly serve the public interest. In order to avoid these clearcut harms, the FCC must move forward quickly to eliminate these long-outdated, discriminatory, and counterproductive restrictions.

Finally, although one party blithely asserts that the ability to transmit "multicast" digital signals somehow obviates any need for duopoly ownership, a realistic assessment of the marketplace shows that the prospect of multicasting is not an easy substitute for the regulatory relief called for in this proceeding. In order to multicast, broadcasters must incur enormous programming expenditures and sacrifice at least some of their capacity to broadcast in high-definition. Without the guarantee of multicast must-carry rights, however, broadcasters have no assurance that such investments will pay off. Absent satellite and cable carriage, multicast programming may not be viewable by the vast majority of broadcast audiences and, in that case, it is unlikely to be supported by advertisers. As shown herein, according immediate regulatory relief in this proceeding offers a much more direct path to alleviating the financial constraints facing the broadcast industry and to enabling stations to better serve the public interest.

II. THE OPENING COMMENTS DEMONSTRATE THAT THE INCREDIBLE DIVERSITY THAT CHARACTERIZES TODAY'S MEDIA MARKETPLACE HAS RENDERED LOCAL OWNERSHIP RESTRICTIONS UNNECESSARY

In its opening comments, Belo provided a detailed showing of the rich diversity of locally oriented media serving the Dallas market, where Belo has owned and operated a newspaper/broadcast combination for over 50 years.[3] In particular, Belo demonstrated that the market is served by numerous TV and radio broadcasters as well as a wealth of daily and weekly newspapers, magazines, and subscription television services.[4] Belo further showed that, in keeping with the monumental impact that the Internet has had on the media landscape in recent years, the Dallas market is now served by a growing number of locally oriented news and informational websites.[5] Notably, several of these—including Dallas Blog, Metroblogging Dallas, Dallas.org, and Dallas Progress—are operated by news organizations that are unaffiliated with traditional media companies.

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[3] *See* Belo Comments at 10-15.

[4] *See id.*

[5] *See id.*

A. The Record Is Replete with Evidence Chronicling the Expansion and Fragmentation of the Marketplace for National and Local News

What is inescapably clear now, from the comments submitted in response to both prior rulemakings[6] and the *Further Notice,* is that Belo's experience in Dallas is not unique. Commenters representing a full gamut of local communities depicted their media markets as plentiful in options, richly diverse, and vibrantly competitive.[7] Parties with first-hand knowledge and real-world experience further explained that the expansion of the media marketplace naturally has fragmented the ways in which consumers seek and receive news.[8] Thus, the volumes of evidence that have been submitted in this protracted proceeding clearly illustrate what most people already know quite well: that consumers have long been augmenting their traditional diets of newspapers, broadcast television, and radio with new and alternative media outlets. Indeed, they are doing so with ever-increasing frequency amid a constantly expanding range of choices.

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[6] *In the Matter of 2002 Biennial Regulatory Review—Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996, Cross-Ownership of Broadcast Stations and Newspapers, Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets, Definition of Radio Markets*, Notice of Proposed Rulemaking, 17 FCC Rcd 18503(2002).

[7] *See* Belo Comments at 10-12; Cox Comments at 17-18; Media General Comments at 45-50, App. 7, 9-14; NAB Comments at 6-12; NBC Comments at 18-22; Tribune Comments at 34-79.

[8] *See, e.g.*, NAA Comments at 40 (*quoting* Project for Excellence in Journalism, *The State of the News Media 2006: An Annual Report on American Journalism*, *Audience* (2006), at 4, *at* http://www.stateofthenewsmedia.org/2006/chartland.asp?id=415&ct=col&dir=&sort=&col1_box=1 (last visited Oct. 20, 2006) ("As the media fragments, nowadays, consumers must choose strategically to get a complete diet. The notion of relying on a single or primary source for news—one-stop shopping—may no longer make sense.")); *see also* Fox Comments at 5-6, 10; Gray Comments at 8-9; Hearst-Argyle Comments at 7; Morris Communications Comments at 12; NAB Comments at 49-54; Comments of the Progress and Freedom Foundation at 36-40 ("Progress and Freedom Foundation Comments").

Of course, the Internet stands out among these "new media" alternatives as a vehicle for local as well as national and international news and information.[9] A few commenters attempt to downplay the undeniable impact of the Internet on the local marketplace by asserting that consumers turn almost exclusively to the sites of traditional media for online local news.[10] The record proves these assertions wrong. Traditional media certainly have established highly effective and popular websites, but Belo and others provided dozens of examples of fully independent online local news sources that increasingly are commanding consumer attention.[11] Recent journalism awards offer further insight into the fact that traditional media have not cornered the online news market. As the Tribune Company ("Tribune") points out in its comments, for example, six of the 28 websites nominated by the Online News Association for its annual journalism awards in August 2006 were unaffiliated with any traditional broadcast company or newspaper publisher: New West, The Center for Public Integrity, SeeingBlack.com, CNET News.com, EurasiaNet.org, The Smoking Gun, and Muckraker.org.[12]

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[9] *See, e.g.*, Bonneville Comments at 7-11; Cox Comments at 20-23; Media General Comments at 50-53; Tribune Comments at 16-26.

[10] *See* Comments of the Communications Workers of America. *et. al.* at 23 ("CWA Comments"); Comments of Consumers Union, Consumer Federation of America, and Free Press at 11-12 ("Consumers Union Comments"); Comments of Office of Communication of United Church of Christ, *et. al.* ("UCC Comments") at 42-43; Comments of Adam Marcus at 27 ("Marcus Comments").

[11] *See* Belo Comments at 11-12; NAA Comments at 60-64. Moreover, many Americans relied on "less traditional information sources, such as Flickr, craigslist, and Wikipedia during major news events in 2005, including Hurricane Katrina." Tribune Comments at 20.

[12] Tribune Comments at 20.

Further, despite a few unsupported assertions to the contrary,[13] Belo and other media commenters demonstrate that their affiliated websites do far more than merely duplicate the content offered via their print and broadcast outlets.[14] As noted in its comments, Belo offers a significant amount of video content on the website for WFAA-TV that is not offered on the station itself.[15] Similarly, as the Newspaper Association of America ("NAA") explains, many newspapers now provide video content on the Internet that they could not offer in print form.[16] Indeed, some daily newspapers—including the *Naples (Florida) Daily News*, *The News Journal* in Wilmington Delaware, and *The (Hampton) Virginia Pilot*—now offer local audiences full-blown newscasts online.[17]

The opening comments further demonstrate that online search engines successfully have entered the national and local news distribution arena. Tribune explains that Google, Yahoo, AOL, and MSN have expanded into content destination portals that aggregate information from *thousands* of traditional and non-traditional media sources.[18] These websites are gaining ground because of their ability to "provide advantages over traditional media, such as the resources to create networked applications using news feeds, tagging, filtering, related links, mapping, recommendations, comments,

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[13] *See* Comments of AFL-CIO and Department for Professional Employees at 40-41 ("AFL-CIO Comments"); Consumers Union Comments at 10-12, Study 8; CWA Comments at 21-29; UCC Comments at 42-43.

[14] *See* Belo Comments at 12-13; *see also* NAA Comments at 55-59; Gannett Comments at 28-29.

[15] Belo Comments at 12.

[16] Thirty-nine of the top 40 daily newspapers in the U.S. now use video on their websites. *See* NAA Comments at 55-56 (*citing* Allison Romano, *The Paper Chase: Stations Play Catch Up With Newspapers Online*, Broadcasting & Cable, Aug. 14, 2006, at 4, *at* http://www.broadcastingcable.com/article/CA6361915.html (last visited Oct. 13, 2006)).

[17] *See* NAA Comments at 56-57.

[18] *See* Tribune Comments at 18-19.

and blogging that take advantage of portals' large registered memberships and multiple services."[19] And, as Hearst-Argyle Television notes, these aggregators offer a particularly effective means for gathering *local* news and information.[20]

Moreover, customary notions of what constitutes "news" are evolving and, as commenters explain, a host of new media have jumped into the ring to fulfill the demand for the many and varied types of information today's consumers want. It is well documented in this proceeding that an increasing number of consumers are turning to podcasts,[21] blogs,[22] and social networking websites[23] for local and national news and information. According to Bonneville International, "Blogspot, a developer-hosted blogging service, has more visitors than NYTimes.com, WashingtonPost.com, or USAToday.com—clear evidence that non-traditional media are drawing audiences on par with mainstream media sources."[24] Furthermore, the soaring popularity of social networking websites, such as MySpace and YouTube, has brought a whole new meaning and prominence to "citizen journalism."[25] Now people of all backgrounds and ages have

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[19] *Id.* (*citing* Jupiter Research, *The New Demographics of Online News*, at 4 (May 8, 2006)).

[20] *See* Hearst-Argyle Comments at 12.

[21] *See* Bonneville Comments at 7; Tribune Comments at 25; Fox Comments at 9-10.

[22] *See* Hearst-Argyle Comments at 23-24; Progress and Freedom Foundation Comments at 18-19; Tribune Comments at 22; NAA Comments at 52; Bonneville Comments at 7; Cox Comments at 22; Fox Comments at 10.

[23] *See* Cox Comments at 23 ("With the soaring popularity of personal web pages and online social networking web sites like 'My Space' and others, any person with access to a computer has the ability to function as a 'media outlet' under the *Prometheus* court's definition."); Sinclair Comments at 19 ("Indeed, given the ease and popularity of storing and distributing video content online through websites such as YouTube (www.youtube.com) and MySpace (www.myspace.com), effectively every Internet user is a potential source of viewpoint and program diversity . . ."); Fox Comments at 10.

[24] Bonneville Comments at 8-9.

[25] *See* NAB Comments at 18; Cox Comments at 23; Tribune Comments at 22 ("Since the Commission completed its last record on the issue of media cross-ownership, 'citizen journalism' . . . has added

the opportunity, and are taking advantage of the ability, to be full participants in the exchange of news and information.[26]

Although a small number of commenters attempt to dismiss this phenomenon by claiming that citizen journalists do not undertake the "same editorial functions" as other journalists,[27] the record shows that this is not necessarily the case.[28] Moreover, some commenters pointed to major news stories that have been broken by individual bloggers.[29] In any event, Belo notes that these seemingly elitist claims ignore the reality that individual citizens or newly formed organizations need not function in exactly the

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countless voices to the daily discourse on issues of the day, whether international, national or local."); Bonneville Comments at 8 ("The Internet is now a highly participatory medium, where user-generated content is soaring and user feedback and rejoinders flourish.").

[26] But "[e]ven taking the Internet out of the equation," as the Progress and Freedom Foundation aptly states, "the volume of media choices has expanded in every other way for citizens." Progress and Freedom Foundation Comments at 20. By way of example, "[i]nstead of just the local newspaper, [individuals] now can get several national newspapers too and micropapers or community weeklies." *Id*. Of course, the number of national and local news channels offered on cable and other multichannel video services continues to mushroom, and satellite radio offers a comparable number of audio channels. *See* NBC Comments at 19-20 ("Many of the more than 500 satellite-delivered nonbroadcast programming networks identified by the Commission in the *12th Annual Video Competition Report* are devoted to news coverage, including such established national news channels as CNBC, MSNBC, CNN, Headline News, Fox News, Bloomberg, the Weather Channel and others."); Comments of Clear Channel Communications, Inc. at 11 ("Satellite radio, which offers hundreds of channels of (largely commercial-free) audio programming, is perhaps the most prominent example of a technology that was just a glimmer on the horizon when the current radio caps were adopted but which has since emerged as an extremely significant competitor to free radio."); Tribune Comments at 30 ("XM Satellite Radio and Sirius Satellite Radio together offer more than 300 digital channels of audio programming in a seemingly endless variety of formats . . .").

[27] *See* Consumers Union Comments at 12, Study 8; *see also* UCC Comments at 43.

[28] Bonneville Comments at 9-10; Entravision Comments at 7; Media General Comments at 52-53, App. 9-14; NBC Comments at 20-21; Tribune Comments at 20-26, 44-46, 53-55, 62-64, 70-72, 78-79.

[29] *See* NAB Comments at 18 ("Blogs gained mainstream popularity during the 2004 Presidential race by providing breaking news on the candidates, and by influencing traditional media reporting, most notably when bloggers questioned a CBS News story on President Bush's military record."); Tribune Comments at 23 ("In the closely watched congressional Democratic primary race in Connecticut, days after incumbent Senator Joseph Lieberman attacked his opponent Ned Lamont for owning stock in the military contracting company Halliburton, the blog Firedoglake revealed that Lieberman himself owned shares in mutual funds that held Halliburton stock."); NAA Comments at 49-50.

same way as other, more established media in order to make an important contribution to the information marketplace.

All told, the opening comments make abundantly clear that the media environment that supported the FCC's original decisions to restrict newspaper/broadcast cross-ownership and television duopolies has changed fundamentally and irreversibly. As then-Commissioner Martin recognized in 2003, the cross-ownership ban, like the local TV rule, was first "[a]dopted in an era with little cable penetration, no local cable news channels, few broadcast stations, and no Internet" and was "based on a market structure that bears almost no resemblance to the current environment."[30] Three years later, there simply is no denying that the "market structure" that originally formed the backdrop of these regulations no longer exists. Daily newspapers and broadcast stations no longer have an exclusive franchise over national or local news and information. To the contrary, they are fighting to maintain their strong tradition of serving local audiences in a highly competitive, rapidly evolving, and ever-expanding marketplace. It is time for the FCC to bring its regulatory scheme up to date with this reality.

B. **The FCC Should Not Concern Itself With the Popularity of Certain Media Outlets, But Rather Should Focus on the Wealth of Options Available to Consumers**

Notwithstanding the continually accumulating evidence to the contrary, a small group of commenters persist in their dogged efforts to convince the FCC that the media landscape has changed little since the agency first adopted its local ownership restrictions in the 1960s and 1970s.[31] These parties focus almost exclusively on their claims that

[30] *Statement of Commissioner Kevin J. Martin on Biennial Review of Broadcast Ownership Rules,* June 2, 2003, *at* http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-235047A7.pdf (last visited Jan. 16, 2007).

[31] *See* CWA Comments at 27; Consumers Union Comments at 11-12; UCC Comments at 42.

local television and daily newspapers remain the most *popular* sources of local news and information. The Internet and other alternative media, these parties contend, are at best minor, "supplemental" sources of local news.[32] The record suggests that this is not the case for a growing number of individuals.[33]

In any event, Belo submits and other commenters agree that these claims,, even if true, should not govern the agency's diversity analysis in this proceeding. In order to determine whether consumers have access to an adequate diversity of local news and informational sources, the FCC should not focus on the relative popularity of different outlets.[34] As the National Association of Broadcasters aptly put it, "[i]t is the availability of content from multiple outlets that matters—not the fact that some ideas, viewpoints or content may be more or less popular than other content at any particular time."[35] Thus, the agency's decision should be informed by the inescapable recognition that consumers today have available to them far more than an adequate range of local news and informational choices. Not only will this approach be more consistent with the core purpose underlying the FCC's diversity objectives, but it also will greatly simplify the agency's tasks in this proceeding by allowing it to avoid the hopelessly complex task of

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[32] *See* AFL-CIO Comments at 38-41; Consumers Union Comments at 11-13; Comments of Center for Creative Voices in Media, *et. al.* at 3-4 ("Center for Creative Voices Comments"); CWA Comments at 18, 23; Marcus Comments at 24-26; Comments of Nancy Stapleton at 3-4; UCC Comments at 42-43.

[33] *See, e.g.*, NAB Comments at 12-14 (citing John B. Horrigan, *Online News*, Pew Internet and American Life Project at 2 (March 22, 2006) (showing that in 2005 "approximately 70% of American adults who had gone online said they had used the Internet for news specifically, and over 56% of users consider the Internet to be a very important or extremely important source of information")).

[34] *See* Gannett Comments at 32-33; Comments of Smaller Market Television Stations at 23 ("Smaller Market TV Comments") ("The question is not how frequently or how many members of the public read the underground press, vote for minority political parties or visit special-interest web sites. The question is whether these contributors to diversity are accessible to the public.").

[35] NAB Comments at 54.

attempting to weight the relative importance of the many participants in the news and information marketplace.

III. THE RECORD DEMONSTRATES THAT THE NEED FOR REGULATORY RELIEF IS EVEN MORE URGENT TODAY THAN IT WAS THREE YEARS AGO

A. Many Newspapers and Broadcasters Provided First-Hand Accounts of the Unprecedented Competitive Challenges They Are Facing in the Current Marketplace

Given the congested state of the informational marketplace and the intense competition between media outlets for consumer attention, the FCC's current regulatory approach serves only one purpose: to ensure that traditional media are at a competitive disadvantage. At the same time that newspaper publishers and broadcasters are losing audience share to a growing list of rivals, they alone remain subject to ownership restrictions that hamstring their ability to operate more efficiently and thereby enhance their local news and informational offerings. As many broadcast and newspaper industry representatives emphasized in their comments, their multimedia competitors are not subject to any similar prohibitions, nor to the significant public interest obligations applicable to broadcasters.[36]

It is well-established that newspapers are experiencing declining advertising revenue and diminishing circulation, yet must still contend with increasing printing and production costs. The opening comments detail these trends.[37] For example, Gannett reports that "newspaper circulation declined at a rate of one percent each year between 1990 and 2004" and notes that "losses accelerated in 2005 and are accelerating further in

[36] *See id*. at 23-35; *see also* Cascade Comments at 2; Gannett Comments at 40-41.

[37] *See, e.g.,* NAB Comments at 116-17; Block Communications Comments at 7; Gannett Comments at 21-22; Tribune Comments at 33-34; Shamrock Comments at 6; NAA Comments at 41-43.

2006."[38] As would be expected, the economic pressures facing newspaper publishers have caused a number to make budgetary cutbacks, including in their newsroom staffs.[39] Indeed, Belo just recently completed a voluntary severance program that involved over 100 newsroom employees of *The Dallas Morning News*.[40]

Many broadcasters are struggling amidst similar economic pressures.[41] The data on the record makes clear that broadcast viewership has declined in recent years.[42] Tellingly, Granite reports that from 2003 to 2005, broadcast television stations experienced a four percent decrease in audience share, whereas non-broadcast viewing share increased by this same amount.[43] Overall, Gannett notes, the "number of hours the average person spends watching broadcast television on an annual basis declined by 15 percent in the past decade."[44] The consensus among industry analysts is that these downward shifts likely will continue "as more programming providers (*e.g.*, wireline and

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[38] Gannett Comments at 21; *see also* Freedom of Expression Foundation Comments at 22; NAB Comments at 116.

[39] *See* Gannett Comments at 22; *see also* Tom Van Riper and Tara Weiss, *Boston Globe To Lay Off 125 Employees*, Forbes, Jan. 11, 2007 (describing plan by the New York Times Company-owned *Boston Globe* and its sister newspaper, the *Worcester Telegram & Gazette*, to reduce its staff by a combined 125 employees).

[40] *See* Belo Press Release, *The Dallas Morning News Completes Voluntary Severance Program* (Sept. 14, 2006), *at* http://www.belo.com/pressRelease.x2?release=20060913-1021.html (last visited Jan. 16, 2007).

[41] *See e.g.*, Hoak Comments at 4-7; Granite Comments at 5-6; Gray Comments at 12-15; NAB Comments at 115-116; Cascade Comments at 2; Gannett Comments at 41.

[42] *See, e.g.*, NAB Comments at 106 ("A new study by BIA clearly demonstrates how increases in cable and satellite viewing have affected the competitive position of local television stations. As of 2005, on average nationally only 44.0% of total television viewing was attributable to in-market broadcast television stations. This figure represents a 20% decrease in the total viewing shares earned by local in-market television stations just since 1997.").

[43] Granite Comments at 3-4. Granite, from its own experience understands the financial demands facing broadcasters today. Just a few weeks ago the TV station owner filed for chapter 11 bankruptcy protection after it had been unable to make timely interest payments on its $400 million-plus debt. *See* John Eggerton, *Granite Files Chapter 11*, Broad and Cable, Dec. 12, 2006, *at* http://www.broadcastingcable.com/article/CA6399167.html. (last visited Jan. 12, 2007).

[44] Gannett Comments at 23-24.

wireless video programming) enter the market and viewers increasingly access alternatives to broadcast television."[45]

In an attempt to bolster their claims that regulatory relief is not necessary, a couple of commenters point out that many television stations remain profitable.[46] While this may be true, the record shows that the fierce competition in the marketplace has had a decisively negative impact on broadcasters' bottom line. A recent Radio-Television News Directors Association's ("RTNDA") survey submitted on the record by the NAB reveals that broadcast television "news profitability (*i.e.*, news operations that operated at a profit) has reached an all-time low."[47] In particular, the survey concludes that "only 44.5% of all television news operations showed a profit, down from 62-63% as recently as the late 1990s."[48]

Perhaps most troubling is the impact that all of these marketplace forces have had on local news operations. Citing such factors as the exorbitant costs of the digital conversion, reductions in network compensation, and declining advertising revenue,[49] broadcasters in both large and small markets explain in their comments that their ability to continue to maintain costly local news operations is in jeopardy.[50] As the record

[45] Granite Comments at 3-4.

[46] Consumers Union Comments at 17; UCC Comments at 67-68.

[47] NAB Comments at 96.

[48] *Id.*

[49] *See, e.g.,* Granite Comments at 5-6; Hoak Comments at 4-7; Gray Comments at 12-15; Nexstar Comments at 11-14; NAB Comments at 94-98.

[50] *See, e.g.,* Block Communications Comments at 3; Gannett Comments at 42-43; Gray Comments at 14-15; Hoak Comments at 7; Comments of the Media Institute at 8 ("Media Institute Comments"); NAB Comments at 94-97; Nexstar Comments at 13-14; Smaller Market TV Comments at 9-10.

shows, some stations already have been forced to cut local news operations,[51] and many more could be subject to the same fate in the future.[52] Thus, even putting aside the showings that the ownership rules are an anachronism in today's remarkably diverse and competitive marketplace, the facts make clear that the FCC must give serious consideration to modifying its onerous regulatory scheme if it hopes to preserve broadcasters' ability to continue carrying out their core local service missions.

B. <u>The Record Shows That the Efficiencies Derived from Multiple Ownership Bolster the Ability of Traditional Media Outlets to Remain Competitive</u>

As has been exhaustively documented to the agency in prior proceedings and was resoundingly confirmed in the opening comments, regulatory relief from the newspaper cross-ownership and local television ownership rules would enable the affected industries to operate more efficiently and enhance their local offerings and other services. Given the disturbing trends discussed above, Belo submits that these considerations are even more important today than they have been in the past.

As shown in detail in Belo's comments, the localism and diversity benefits inherent in television multiple and cross-ownership are embodied in Belo's Dallas outlets—which consist of *The Dallas Morning News*, WFAA-TV, regional cable news channel TXCN, and each outlet's associated website—as well as its four television duopolies in Seattle-Tacoma, Phoenix, Tucson, and Spokane, Washington.[53] Similar evidence was supplied by a number of other commenters in the opening round. Media

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[51] *See, e.g.*, Block Communications Comments at 3; Gray Comments at 14-15; Media Institute Comments at 8; NAB Comments at 94; Smaller Market TV Comments at 9.

[52] *See* NAB Comments at 97, 106; NBC Comments at 24; Smaller Market TV Comments at 10.

[53] Belo Comments at 22-23.

General, for example, reports on seven empirical studies which have consistently "demonstrated that television stations jointly owned with newspapers are likely to broadcast significantly more news and informational programming than other stations in the same market."[54] More specifically, Media General explains that it has added television newscasts in five of its six newspaper "convergence" markets.[55]

In its comments, the NAA details the benefits offered by successful and highly community-oriented newspaper/broadcast combinations in almost a dozen local markets.[56] Moreover, as has been Gannett's experience as well as Belo's, "in a market where two stations are commonly owned, those stations have strong economic incentives to differentiate their offerings—including news and other local programming—in order to capture different audience segments, rather than competing directly with one another for the same viewers."[57]

Notwithstanding the considerable evidence to the contrary, several commenters would have the FCC believe that permitting broadcasters to join forces with other traditional media at the local level would spell the death of independent media and diverse local programming.[58] In particular, these parties assert, multiple ownership drives broadcasters to eliminate or consolidate newscasts.[59] Belo notes that these parties

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[54] *See* Media General Comments at 23; s*ee also* Shamrock Comments at 3-4.

[55] *See* Media General Comments at 11-22.

[56]*See* NAA Comments at 79-83.

[57] Gannett Comments at 15; *see also* Nexstar Comments at 14.

[58] *See* AFL-CIO Comments at 22; Center for Creative Voices Comments at 9-10; Comments of Screen Actors Guild, the Directors Guild of America, The Producers Guild of America, and American Federation of Television and Radio Artists, AFL-CIO at 13.

[59] *See* AFL-CIO Comments at 23-28; Comments of The American Federation of Television and Radio Artists at 13-14, 21-22; CWA Comments at 11; Consumers Union Comments at 15.

provide no credible evidence to back up these claims and, in any case, the record shows that the precise opposite is true. In fact, Belo and many broadcasters have been able to *increase* their local news offerings as a result of local convergence.[60]

C. **Multicasting Does Not Obviate the Pressing Need for Regulatory Relief**

The United Church of Christ contends in its comments that multicasting capabilities eliminate any need that otherwise may exist to relax the local television ownership rule.[61] This suggestion, which is not supported by any evidence or analysis, is woefully out of touch with marketplace realities. First, as many commenters explain, the digital transition—which of course was statutorily mandated—has been tremendously expensive for broadcasters and will continue to require very substantial outlays for equipment and programming.[62] The majority of broadcasters have yet to recoup the substantial capital investment they have put into the transition as they constructed their digital transmission facilities.[63] On top of these initial investment costs, obtaining or producing programming to air on multicast streams is a highly expensive proposition.

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[60] *See* Belo Comments at 13; Cox Comments at 13-16; Media General Comments at 7-22; Gannett Comments at 26-30. Ironically, the consumer benefits of local multiple ownership are further illustrated in a 2004 study by researcher Jane B. Singer of the University of Iowa cited by the Communications Workers of America in its opening comments. *See* Jane Singer, *Strange Bedfellows? The Diffusion of Convergence in Four News Organizations*, 5 Journalism Studies 3, 7-10 (2004) ("*Singer Study*"); CWA Comments at 11. The study examines media convergence by interviewing journalists at four news organizations in Dallas, Tampa, Sarasota, and Lawrence, Kansas. Although CWA claims that the study supports its pro-regulatory position in this proceeding, many of the journalists included in the study actually touted the benefits of convergence. Such comments as "[t]he customer is better served with more information, usually better targeted," and convergence provides "the ability to reach new audiences, target specific audiences, and to play to each partner's strength," capture the prevailing attitudes of the 120 journalists interviewed for the survey. *See Singer Study* at 7,10. Notably, the survey included positive responses from journalists employed at Belo's *Dallas Morning News*, WFAA-TV, dallasnews.com, and TXCN. *See id.* at 6.

[61] *See* UCC Comments at 45-47.

[62] *See* Granite Comments at 5-6; Hoak Comments at 4; Smaller Market TV Comments at 7.

[63] *See* Granite Comments at 6.

This is, of course, especially true for locally oriented original programming, which is very costly to produce. What is more, broadcasters that choose to multicast must sacrifice, at least in part, their capacity to provide high-definition programming, which places them at a competitive disadvantage via-à-vis their broadcast and subscription service rivals.

Most significantly, Congress and the FCC have failed to date to grant broadcasters must-carry rights for multicast channels. Given that the vast majority of Americans now receive broadcast programming via a subscription television service, stations have no guarantee that the programming aired on such streams will reach a substantial part of their viewing audiences. Advertisers naturally are reluctant to purchase airtime under these circumstances. Accordingly, without the assurance of must-carry rights, Belo and other broadcasters are severely constrained in their ability to expand their multicast program offerings.

By contrast, the ability to combine operations with another in-market station can lead more clearly to public interest benefits. Unlike digital multicasting, the success of which remains uncertain at best, joint ownership of two TV stations at the local level offers a far more secure vehicle for broadcasters to diversify their program offerings. An additional station will have must-carry rights for its primary programming stream, and presumably will have an established line-up of programming and a stable of advertising clients. By combining two established programming vehicles with the efficiencies inherent in duopoly ownership, broadcasters can more readily devote additional resources to local news and other programming efforts. Co-ownership therefore presents a more economically viable option for broadcasters looking to operate more efficiently and improve local offerings.

IV. CONCLUSION

Belo respectfully submits that it is time to bring an end to the many years of regulatory uncertainty that have cast a long shadow over both the broadcasting and newspaper industries. The record demonstrates beyond any reasonable question that the cross-ownership ban and strict television ownership limits have long since outlived any usefulness and serve today only to unfairly handicap the traditional newspaper and broadcast media. Accordingly, the Commission must finally move forward in this proceeding to eliminate the newspaper/broadcast cross-ownership ban and substantially relax the current local television ownership rule.

Respectfully submitted,

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