

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of:)
)
Examination of the Future of Media and) GN Docket No. 10-25
Information Needs of Communities in a)
Digital Age)

**COMMENTS OF LIN TELEVISION CORPORATION
d/b/a LIN MEDIA**

In the past two years LIN Television Corporation d/b/a LIN Media (“LIN”) has completely retooled its local news operations to adapt to unprecedented disruption in traditional media markets. Today we produce more local content of higher quality than ever before, and we do it efficiently, using new facilities and streamlined workflow. We make all of our content available for free to consumers 24/7 on television, the Internet and mobile devices. These comments summarize LIN’s experience adapting our local news operations to changes in media markets.

The *Public Notice* asks how government policies affect the relative financial success of different media and the amount of local news and information aired by commercial broadcast stations.¹ LIN’s experience shows that the FCC’s rules restricting common ownership of television stations in local markets limits the amount of local news available to consumers, reduces the quality of local news, and undermines the economic foundation of free media.

The FCC’s local ownership rules attempt to ensure a high degree of competition in local media markets. History, though, has shown that the number of individually owned television stations in a market bears little, if any, correlation to the number of broadcast news operations.

¹ Public Notice, “FCC LAUNCHES EXAMINATION OF THE FUTURE OF MEDIA AND INFORMATION NEEDS OF COMMUNITIES IN A DIGITAL AGE”, DA 10-100, GN Docket No. 10-25 (released January 21, 2010) at ¶¶ 13, 18 (“*Public Notice*”).

In many cases, particularly in medium and smaller communities, too much competition is counterproductive, given the high fixed costs of local news. In a media market that is becoming more fragmented and more diverse every day, the FCC can best facilitate the preservation and growth of civically important journalism by eliminating or at least modifying rules that impose additional and artificial fragmentation on local media markets. The Commission should be particularly sensitive to the need for critical mass to provide high cost news operations in smaller markets, where far less revenue is available to support competing high cost services.

I. About LIN

LIN is multimedia company that operates 28 television stations, 28 web sites, and 27 mobile platforms in 17 television markets. LIN invests heavily in production of news and other local content, and all but one of our television stations broadcast unique local news programming. Ninety-one percent of LIN news stations rank first or second in their local markets,² and eighty percent of our web sites rank first in their markets compared to all local broadcast competitors. Our television stations were the first in their markets to launch iPhone and Blackberry apps to deliver locally produced news content to mobile devices.

II. Changes in the Market for Local News and Information

This proceeding was initiated to “review the state of the traditional sources of news and reporting” and to “consider the relative health of the various systems that provide a variety of news and/or information to consumers and communities.” *Public Notice* at 3. The *Public Notice* recognizes, at least implicitly, that the market for local news and information is a cross-platform market. Television broadcasters, newspapers, local web sites and other platforms compete for

² Average of LIN stations’ March, May, July and November 2009 Nielsen ratings for Monday-Friday early news (5-7 am), early evening news (5-6:30 pm), late news (9/10/11 pm). All LIN stations except WWHO, Columbus, Ohio, broadcast local news.

advertising revenue and the attention of consumers. A general decline in advertising expenditures affects all commercial enterprises that rely substantially on advertising revenue to pay the costs of news collection and reporting.

The *Public Notice* also correctly recognizes that newspapers are not exclusively in the news collection and reporting business. They also provide non-news content, and that non-news content often subsidizes the high cost of news reporting. *Public Notice* at 5. Commercial television enterprises operate on a similar model. News production is expensive, and it is difficult to finance stand-alone news operations. Locally focused news operations face relatively higher cost barriers because the substantial fixed costs must be covered by a share of a smaller potential pool of available revenue.

Ad-supported media faced significant revenue declines during the 2008-2009 recession, and many believe that traditional media will face ongoing revenue pressure as advertising migrates to alternative platforms. The Television Bureau of Advertising (“TVB”) estimates that local television ad revenue, excluding political sales, declined 33%, from \$17.6 billion in 2007 to \$11.8 billion in 2009.³ According to the Newspaper Association of America, newspaper advertising sales fell an even more precipitous 41% during the same period, from \$42.2 billion in 2007 to \$24.8 billion in 2009.⁴ Although local advertising revenue has declined from historical highs, we expect the market to improve as the country emerges from recession. Advertising sales have improved in 2010, and TVB projects local television advertising will grow incrementally to \$12.2 billion in 2014.⁵ Advertising can continue to support robust, competitive

³ At www.tvb.org, select menu options Research Central/Ad Revenue Track/Historical TV Ad Expenditures. No direct link is available.

⁴ See <http://www.naa.org/TrendsandNumbers/Advertising-Expenditures.aspx>. Excluding classified, the drop was 34%, from \$28 billion in 2007 to \$18.6 billion in 2009.

⁵ See link at footnote 3, *supra*.

sources of local journalism if newspapers, broadcasters, and policymakers have the foresight to make appropriate adjustments.

III. LIN's Response to Changes in Local Media Economics

A. LIN's Historical Emphasis on Local Programming

LIN's television stations historically have been leaders in news and other local programming. Our strong local programming contributes directly to the company's financial success, because highly rated locally produced programming can be more profitable than network and syndicated programming. Strong local newscasts can also boost the ratings of network and syndicated programming. As shown in Attachment 1, our stations outperform national averages for the same networks, in large measure because of our long term commitment to high quality local news and information programming.

B. Retooling for Multiplatform Local Media

There is no playbook that describes how traditional media can adapt to revenue and audience fragmentation, and different companies have taken different approaches. LIN's historical focus on strong local programming has given its stations more flexibility to adapt to changing consumer tastes and use patterns compared to stations that rely exclusively on third party and non-local programming. Network and syndicated program suppliers increasingly distribute content through alternative channels, often in competition with local broadcast stations, but LIN typically owns all rights in the programming its stations produce locally. Our stations can, and do, freely package and distribute their locally produced content online and via mobile platforms.

Legacy broadcast production systems geared to produce 30 or 60 minute newscasts for broadcast in scheduled time slots are ill-suited to emerging platforms that require 24/7 staffing. Legacy broadcast sales approaches, geared to support broad-reach, premium advertising avails

are equally ill-suited to selling low reach, targeted advertising for online and mobile services. In the past four years, LIN has invested more than \$100 million in new digital facilities, much of it dedicated to improving workflow and operational efficiencies. Our Broadcast Technical Operations Centers (“BTOCs”) centralize high cost “back office” functions, including technical and business systems, allowing local stations to focus on content production and advertising sales. The BTOCs allow us to process and move video and other local content across television, Internet and mobile platforms. We have also acquired an online advertising services company, expanding the online inventory available to our sales teams.

LIN has invested substantially in human resources, re-working union agreements, re-training its news and technical staff for multiplatform skills, and building a sophisticated new media team. It is common for a single LIN staffer to produce an entire multiplatform story from start to finish: one person can conceive a story idea, shoot video, write and edit the story, appear on camera, and create television, web site, and mobile app versions of the story. LIN’s substantial investments in new facilities and re-trained staff allow us to produce more high quality programming at a lower operating cost than at any time in company history. And we deploy the same resources to publish thousands of local news stories each month through our web sites and mobile platforms. Attachment 2 shows the number of hours of weekly local news and other local programming each of our stations provided in 2009.

C. Expanding Distribution To Lever High Fixed Cost Investments

Fragmentation of advertising revenues and audiences poses a particular challenge for local news organizations, because local news creation has high fixed costs. Even after retooling, our broadcast news operations require specialized equipment and studios costing millions per market and skilled, dedicated, full-time local workforces. Our efforts to leverage those assets across new platforms have been successful. As noted, four out of five LIN local web sites are

ranked first in our markets compared to other broadcast web sites, and LIN's digital revenue has shown strong year-over-year growth.

In spite of this new media success, though, broadcast operations still contribute the lion's share of our revenues. While developing our online and mobile local news platforms, we have also increased both the amount and quality of our local news broadcasts in markets where we operate two or more broadcast stations. Attachment 3 shows the number of hours of local programming LIN stations provide in five markets in which LIN owns or operates more than one station, compared to other broadcast news sources in those markets. The stations we operate share staff, equipment and other high cost resources in each market, but we produce unique local programming for each of our stations.

In Indianapolis, Hartford, Grand Rapids, Norfolk and Providence LIN provides substantially more local programming than any other television broadcaster. In these markets our primary network-affiliated stations provide critical mass revenue to support the high fixed costs of local news, while the operation of other stations allows us to provide our communities with news and other locally produced programming in other time periods. For example, in the Hartford-New Haven DMA, LIN provides a 3.5 hour block of local programming from 5 – 8:30 each weekday morning. WTNH (ABC) broadcasts *Good Morning Connecticut* from 5 – 7 a.m. weekdays. At 7 a.m. WTNH picks up ABC's *Good Morning America*, while *Good Morning Connecticut* continues on WCTX (MyNetwork) with an original hour of local programming from 7 – 8 a.m. From 8 – 8:30 WCTX continues LIN's morning block with *Connecticut Style*, another locally produced show. If WTNH and WCTX were operated independently, *Good Morning Connecticut* would end at 7 a.m., and a stand-alone MyNetwork station would not support the high cost of a locally produced morning show.

As the advertising revenue available in each local market shrinks, each local news producer must either cut costs or find additional outlets on which to air local programming. The fixed cost of local news production is high, but the variable cost of additional programming hours is relatively lower once the fixed costs have been covered. By operating two broadcast stations in a market LIN can produce and air more local programming of higher quality at a lower marginal cost per hour. In Section D below we provide examples to illustrate that, far from displacing local news voices, we have brought unique, locally produced programming to stations that previously had none.

The number of local news services that a market can support depends in large part on the available local advertising revenue in that market, because both newspapers and television stations are largely financed by advertising sales. High fixed costs mean that some markets may not support several local news competitors. The authors of *The Reconstruction of American Journalism*,⁶ which is cited in the *Public Notice*, suggest that some small markets may, in effect, be natural monopolies for local news:

Not all newspapers are at risk. Many of those less battered by the economic downturn are situated in smaller cities and towns where there is no newspaper competition, no locally based television station, and, as is the case for now in many communities, no Craigslist.⁷

LIN does not advocate monopoly news organizations, but businesses and regulators must accept the reality that in smaller markets where less revenue is available, assembling critical financial scale to meet the high fixed costs of news production is challenging. In those markets, too much competition can undermine the business case for local news production, forcing media

⁶ Downie, Jr., Leonard, & Schudson, Michael, *The Reconstruction of American Journalism*, *Columbia Journalism Review* (Oct. 19, 2009). Available at <http://www.journalism.columbia.edu/cs/ContentServer/jrn/1212611716674/page/1212611716651/JRNSimplePage2.htm>.

⁷ *Id.* at 18.

outlets to reduce or eliminate high cost news production and compete on the basis of content that can be obtained more cheaply.

D. Market Examples

LIN's recent investments in WPRI, its flagship station, and WNAC, its LMA station, in Providence, Rhode Island, illustrate how broadcasters with adequate scale in a local market can improve service to their communities in spite of market fragmentation. Like many leading local newspapers, the *Providence Journal* has implemented significant staffing and service cuts since 2008. The publisher has closed local news bureaus, stopped printing regional editions and reduced investigative reporting. The *Providence Journal's* service cuts created an opportunity for LIN's newly rebuilt local news organization in Providence. In 2009, while the *Providence Journal* was reducing local coverage, LIN *increased* local program hours by 20%, from 1,885 in 2008 to 2,367 in 2009.

In 2009, LIN also substantially increased investigative reporting, leveraging its new multi-platform infrastructure. Following up on a tip, LIN conducted over 100 hours of surveillance and ultimately uncovered a fraud ring -- ironically, in the Rhode Island state fraud division. WPRI's leading newscasts anchored the coverage. But we also carried extensive coverage on WNAC, and we provided rich web and mobile coverage, including behind the scenes stories, full interviews, live chat follow-up, and additional investigative stories.

We have also leveraged our duopolies to increase local news hours in Buffalo and Norfolk. When LIN acquired WNLO-TV, Buffalo, in 2000, the station produced no local news. Last year WNLO-TV produced 702 hours of local news, in addition to 1,430 hours produced by LIN's CBS affiliate in Buffalo, WIVB-TV. Similarly, after acquiring WVBT-TV in Norfolk, LIN converted the station from a shopping channel to a FOX affiliate and added a 10 p.m. local newscast.

Across its footprint, *LIN increased its local television programming by 1,500 hours in 2009*. At the same time, it retooled its infrastructure and retrained its news staff to produce multiplatform news and information for LIN's local markets. Today, LIN's local content reaches consumers on television, on the web, and on the most popular mobile devices, and LIN is equipped to extend its local content into other digital media.

Naturally, without the reach and scale of its broadcast operations, LIN could not economically develop or profitably operate its online and mobile platforms. Production of high quality local content is inherently expensive: news production equipment and facilities cost millions, and a robust local electronic news operations cost more than \$1 million annually for a small market and more than \$8 million annually for a medium market. Achieving critical mass to support high quality news organizations is more challenging in smaller markets, but LIN believes the investments it has made are essential to the company's long term prosperity.

Larger markets with more available revenue can support more local news organizations than can smaller markets. LIN believes the 25 largest US markets generally can support four to six independent local news "voices", including daily newspapers of general circulation and television broadcast newsrooms. Markets 26-50 can support three or four local news voices, and markets 51-100 can support perhaps two or three. The majority of LIN's stations operate in the 25th to 75th largest DMAs. In almost all cases, the number of separately owned television operations in those markets is greater than the number of high quality news operations that the market can reasonably support with available revenue.

E. Signal Carriage Fees

The emergence of the Internet as a source for news, information and rich media has challenged newspaper publishers, in part because print journalism translates well to online distribution even for consumers with relatively slow Internet connections, and because

consumers have become accustomed to getting newspaper content for free. However, advertising alone, without subscription fees, has not provided sufficient revenue to prevent major service cutbacks by newspaper publishers.

Television broadcasters have faced almost the opposite challenge. After building business models that support delivery of their services for free, broadcasters have faced the emergence of competing “cable” programming services that collect significant subscriber fees and, increasingly, compete for local advertising revenue. With dual revenue streams that are heavily weighted towards non-cyclical subscriber fees, for the past decade cable networks have consistently outbid single-revenue stream broadcasters for important programming. The price of syndicated programming has increased even as availability has decreased,⁸ while networks have redirected expensive entertainment and national sports programming to pay services.⁹ *Monday Night Football* was available on ABC owned and affiliated stations for 35 years before Disney moved the franchise to ESPN in 2005.¹⁰

The lure of exorbitant rights fees offered by subscription-supported regional sports networks has put much local sports programming beyond the reach of broadcasters and unavailable to viewers who choose not to pay for television service. Viewers in Lafayette, Indiana lost access to Purdue University basketball games and many Big 10 football games when LIN’s WLFI lost the television rights to the Big 10 network. In Grand Rapids, Michigan, LIN once provided the Detroit Tigers, the Detroit Pistons, and the Detroit Redwings games free over-the-air on WXSP, and also made the games available on the basic cable tier at no additional cost

⁸ See, e.g., “Oprah to cable in 2011 -- here we go again!” *Washington Post*, November 5, 2009 (available at <http://voices.washingtonpost.com/tvblog/2009/11/recycled-oprah-report-has-her.html>).

⁹ See, e.g., “ESPN Officially Signs Deal For BCS Games Beginning In 2011,” *Sports Business Daily*, (available at <http://www.sportsbusinessdaily.com/article/125635>) (citing Fox Sports’ statement that it had bid “as much as any over-the-air network could responsibly risk” in an effort to keep the BCS on free television).

¹⁰ See “Monday Night Football Changes the Channel,” *Washington Post*, April 19, 2005, Section A page 1 (available at <http://www.washingtonpost.com/wp-dyn/articles/A63538-2005Apr18.html>).

to subscribers. LIN lost the rights to a subscription service, and Fox Sports now carries those games on a paid sports channel. The Brewers and Bucks games, formerly carried free over-the-air, are now carried on Fox Sports Wisconsin. In Providence, local viewers must subscribe to the New England Sports Network if they want to watch Red Sox games on television – those rights are no longer even offered to broadcast stations. Communities lose out when local sports programming migrates from free over-the-air broadcasting to pay-only platforms.

As the *Public Notice* recognizes, newspapers subsidize the high costs of local news production with other content, expanding the circulation base and improving advertising sales. Television broadcasters also rely on popular sports and entertainment programming to cover the high cost structure of local news production. When that programming migrates to pay services that can easily outbid broadcasters, the economic foundation of local television news service erodes.

LIN was among the first television broadcast groups to recognize that broadcast stations must have a source of subscription revenue if they are to continue producing and buying high quality programming. Today, LIN has reached signal carriage agreements with more than 100 multichannel video distributors operating in our television markets. The revenue from those agreements, in part, though modest on the scale of cable network fees, has enabled LIN to retool and expand its news operations in 2008 and to increase its investigative reporting when most newspapers and many broadcasters were implementing service cuts. LIN's local television news remains free to all viewers who choose to receive it for free, and its local content is now also available for free online and on mobile platforms. LIN has no plans to charge for its online and mobile services or to reduce its local over-the-air programming.

IV. Conclusion

Since 2008 LIN has increased the amount, quality and timeliness of the local content it produces and has made that content more accessible than ever. Traditional business models that have supported local journalism are not obsolete, but newspapers and broadcasters must adjust to market changes. LIN has been innovative in adjusting to changing business models and platforms, and we are successfully producing more local news content with fewer resources. In order to sustain or increase this level of investment in the amount and quality of news coverage, the antiquated rules restricting ownership of local news outlets must be substantially revised. Policy makers must revisit regulations adopted in a different era. Substantial advertising revenue is still available to support free, local media. With effective business approaches and appropriate regulatory changes, high quality local news and information can continue to be provided for free across a variety of distribution platforms.

Respectfully submitted,

LIN TELEVISION CORPORATION
d/b/a LIN Media

/s/ John Hane
John Hane
Paul Cicelski
Pillsbury Winthrop Shaw Pittman LLP
2300 N Street NW
Washington, DC 20037

Counsel to LIN Television Corporation

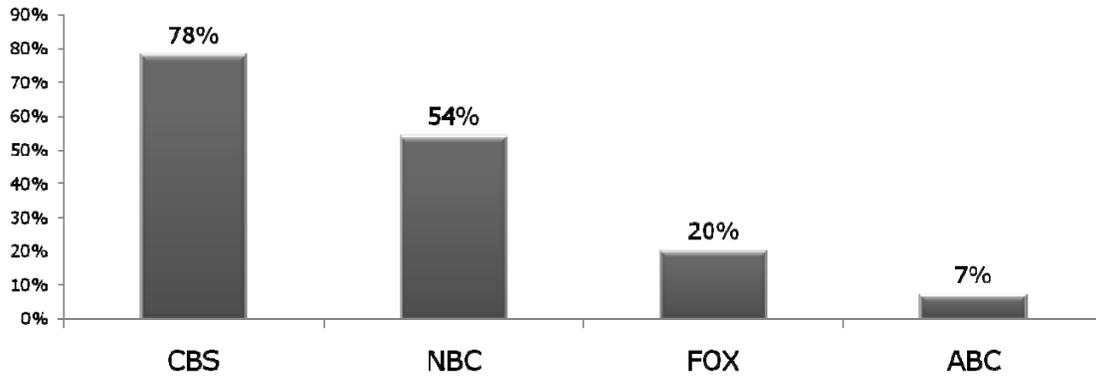
/s/ Rebecca Duke
Rebecca Duke
Vice President, Distribution
LIN Television Corporation
One West Exchange Street
Suite 5A
Providence, RI 02903-1058

May 7, 2010

Attachment 1

LIN Stations Outperform Networks

% of LIN TV Station Advantage vs NTI Network Average (Household Share) - May '09



LIN Big-4 Affiliated Stations Consistently Over-Deliver their Network Affiliate Performances

Network Programs: CBS: The Early Show, CBS Evening News, CBS Primetime, David Letterman. NBC: The Today Show, NBC Network News, NBC Primetime, The Tonight Show, ABC: Good Morning America, ABC World News Tonight, ABC Primetime, Nightline/Jimmy Kimmel. Source: Nielsen May 2009

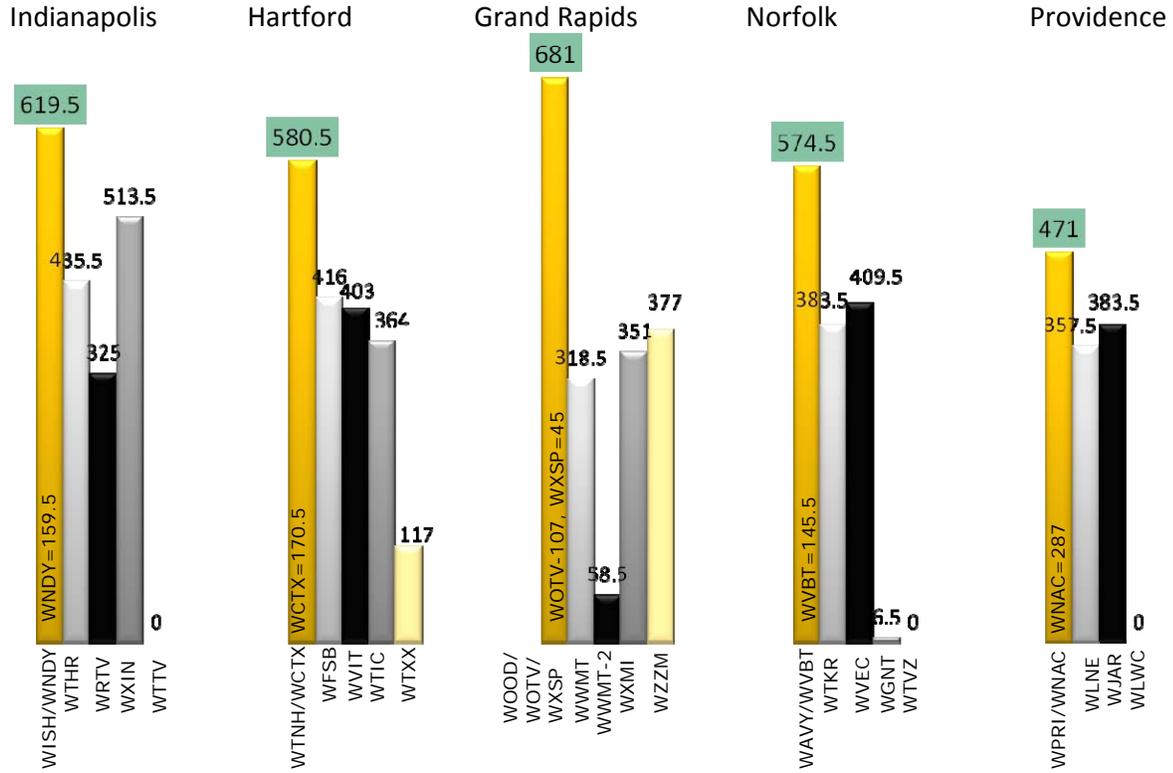
Attachment 2

LIN's Local Programming (2009)

<u>Network</u>	<u>DMA</u>	<u>DMA Rank</u>	<u>Station</u>	<u>Weekly Hours of Network Programming</u>	<u>Weekly Hours of Local News Programming</u>	<u>Weekly Hours of Other Local Programming</u>
ABC	Hartford-New Haven, CT	30	WTNH-TV	91	29	2
	Grand Rapids-Kalamazoo-Battle Creek, MI	41	WOTV-TV	89	9	1
CBS	Indianapolis, IN	25	WISH-TV	94	32	1
	Albuquerque, NM	44	KRQE-TV	99	28	-
	Buffalo, NY	52	WIVB-TV	90	31	1
	Providence, RI-New Bedford, MA	53	WPRI-TV	99	31	-
	Fort Wayne, IN	107	WANE-TV	97	22	-
	Terre Haute, IN	152	WTHI-TV	99	17	-
	Lafayette, IN	191	WLFI-TV	98	22	-
NBC	Grand Rapids-Kalamazoo-Battle Creek, MI	41	WOOD-TV	96	32	6
	Norfolk-Portsmouth-Newport News, VA	43	WAVY-TV	93	32	2
	Austin, TX	48	KXAN-TV	81	29	-
	Dayton, OH	65	WDTN-TV	96	27	2
	Springfield-Holyoke, MA	111	WWLP-TV	95	35	3
FOX	Norfolk-Portsmouth-Newport News, VA	43	WVBT-TV	28	7	1
	Albuquerque, NM	44	KASA-TV	28	12	-
	Providence, RI-New Bedford, MA	53	WNAC-TV	28	12	5
	Mobile/Pensacola, FL	60	WALA-TV	28	26	1
	Green Bay, WI	70	WLUK-TV	28	42	11
	Toledo, Ohio	73	WUPW-TV	28	11	-
CW	Columbus, OH	34	WWHO-TV	25	-	-
	Buffalo, NY	52	WNLO-TV	33	6	1
	Austin, TX	48	KNVA-TV	25	4	-
	Mobile/Pensacola, FL	60	WFNA-TV	25	-	2
MyNetworkTV	Indianapolis, IN	25	WNDY-TV	13	9	1
	Hartford-New Haven, CT	30	WCTX-TV	10	9	1
	Grand Rapids-Kalamazoo-Battle Creek, MI	41	WXSP-CA	10	4	1
	Austin, TX	48	KBVO-TV	10	3	-
				1,636	521	42

Attachment 3

Quarterly Hours of Local Programming – LIN Duopolies and LMAs



LIN Duopolies and LMAs Produce Most Local Programming Hours

*Excludes WNAC D2 – MYN Affiliate and WPRI D2 – Pinpoint Weather