Written Testimony of

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regarding

"Reauthorization of the Satellite Television Extension and Localism Act"

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SUMMARY

Section 4 of the Discussion Draft for Reauthorization of the Satellite Television Extension and Localism Act would prohibit the Federal Communications Commission from preventing serious and ongoing violations of its local television multiple ownership rule.

These violations harm competing businesses and diminish the number of competing viewpoints on our nation's airwaves. They cause job losses, as broadcasters outsource the news and consolidate newsrooms. And they diminish the number of competing local newscasts, because stations subject to outsourcing agreements and *de facto* control by another broadcaster simply do not gather or air their own news.

The FCC moved on Thursday, March 6th, to begin addressing these rule violations, and the harms that media concentration cause. The current wave of consolidation has been fueled by outsourcing agreements that violate the letter and the spirit of the FCC's rules.

No one other than the FCC treats so-called "sidecar" companies of large broadcasters as separate entities from the controlling stations. In fact, the Securities and Exchange Commission treats these shell companies as what they are: subsidiaries and assets of the operating broadcaster. The agency in charge of making sure investors know the truth doesn't allow companies to play these shell games, and neither should the FCC.

Section 3 of the Discussion Draft could in theory prevent some of the harms caused by outsourcing agreements, looking as that section does to joint retransmission consent negotiations. But even if Section 3 could be enforced to prevent some such coordination, it would not address the other harms to competition, localism and viewpoint diversity that such agreements cause.

Section 6 of the Discussion Draft would repeal the FCC's navigation devices "integration ban," thus preventing the FCC's ability to promote a competitive market for such devices.

INTRODUCTION

Chairman Walden, Ranking Member Eshoo, and esteemed members of the Subcommittee, thank you for inviting me to testify on the "Reauthorization of the Satellite Television Extension and Localism Act."

My name is Matt Wood, and I am the Policy Director for Free Press and the Free Press Action Fund. Free Press is a nationwide, nonpartisan and nonprofit organization with more than 700,000 members. We promote public interest media and technology policies, working to strengthen democracy by strengthening the tools we use for free expression and economic activity. We advocate for diverse media ownership and quality journalism. And we focus especially on promoting the greatest number of diverse and antagonistic voices so that the nation's media reflects the range of backgrounds and viewpoints this country has to offer.

Our testimony concentrates on Section 4 of the Discussion Draft. In the main, the bill would extend expiring provisions in the Satellite Television Extension and Localism Act of 2010 ("STELA") relating to the retransmission of signals of television broadcast stations. Section 4, however, would prohibit the Federal Communications Commission ("FCC" or "Commission") from "modify[ing] its rules to treat any shared service agreement, local news service agreement, local marketing agreement, or joint sales agreement…as resulting in the attribution of a cognizable interest in, or ownership, operation, or control of, a television broadcast station for purposes of the Commission's local television multiple ownership rule." This prohibition would stand until the Commission issues a "single order" on its media ownership rules and closes its 2010 Quadrennial Review proceeding. Thus, while the Commission ultimately must fulfill its Quadrennial Review obligations, Section 4 would prevent it from addressing ongoing and serious violations of its local television multiple ownership rule.

That provision, in Section 73.3555(b) of the FCC's rules, permits the direct or indirect operation or control of more than one television station in a market only under carefully delineated circumstances. Stations effectively controlled by the same owner pool their resources rather than competing vigorously for viewers, for news stories, advertising dollars or retransmission rights. They do not provide the same level of competition and number of viewpoints that would flow from keeping licenses in multiple owners' hands, especially when these jointly controlled stations combine newsroom operations. As a result, they do not adequately serve the local communities to which they are licensed.

This is a serious problem because it deprives people of news and information about their government, their communities, and their culture. Local television news "remains a top news source for Americans," watched by 71 percent of adults according to an October 2013 study.[1] As any member of Congress running for election every two years likely can attest, local television stations remain an important source of news about campaigns and an important outlet for candidates' messages.[2] The prospect of consolidated control over two, three or more television stations per market should concern anyone who cares about representative democracy, and about the civic discourse and debate required to keep that democracy alive.

Local television multiple ownership and *de facto* control in violation of the Commission's rules also drastically reduces the number of licenses available to independent and diverse owners. The resulting consolidation reduces the number of licenses available to new entrants and small businesses.

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[1] Katerina Eva Matsa, Pew Research Center, "Local TV audiences bounce back," Jan. 28, 2014, http://www.pewresearch.org/fact-tank/2014/01/28/local-tv-audiences-bounce-back/; *see also* Kenneth Olmstead *et al.*, Pew Research Journalism Project, "How Americans Get TV News at Home," Oct. 11, 2013, http://www.journalism.org/2013/10/11/how-americans-get-tv-news-at-home/.

[2] *See* TVB, "Politics 2014: Local Market TV and the next Political Cycle," http://www.tvb.org/media/file/Political_Cycle_2014_pc.pdf (last visited Mar. 9, 2014) ("[T]he highest density of voters is still found in News dayparts.").

This consolidation also decreases the number of independent TV newscasts in local markets, and the number of newsroom jobs too. Free Press research shows that Sinclair – the clear leader when it comes to using and abusing outsourcing and management agreements – reduced the average number of employees at its stations from 55.6 jobs per station in 2001 to 43 jobs by February 2014. Meanwhile, stations effectively controlled by another "operating" station under such agreements only air news produced and programmed by that other station, not by the licensee itself – if they air any news at all. The Securities and Exchange Commission ("SEC") does not recognize the fiction of separate control under these outsourcing agreements, while the Department of Justice has recognized the harm they cause to competition, localism and diversity.

Section 3 of the Discussion Draft appears to recognize one of the many harms that such agreements cause, speaking to joint negotiation of retransmission consent by stations considered to be separately operated under the FCC's rules. But rather than addressing only one of the harms posed by outsourcing agreements and shared control – and directing the FCC to promulgate new behavioral rules in the bargain – Congress should instead allow the Commission to clarify and enforce the structural local television multiple ownership rule it maintains today.

Finally, Section 6 of the Discussion Draft proposes repeal of the "integration ban" adopted by the Commission to implement Congress's directives in Section 629(a) of the Communications Act, 47 U.S.C. § 549(a). Repeal of the integration ban, however, would thwart a competitive market in set-top boxes and other devices capable of receiving multichannel video programming. For this reason, Free Press Action Fund this week joined several other consumer groups, along with the AllVid Tech Company Alliance and Writers Guild of America, West, in urging the Subcommittee to reject the inclusion of any such measure in this STELA reauthorization legislation.

DISCUSSION DRAFT SECTION 4 AND BROADCAST CONCENTRATION

On Thursday, March 6, 2014, the FCC announced it would take a first step to combat the increasing use of unlawful, covert consolidation tactics in the broadcast television industry. FCC Chairman Wheeler said the Commission will vote at its March 2014 meeting on rules requiring attribution of "joint sales agreements" ("JSAs"), under which one TV station sells 15 percent or more of the advertising time for another broadcast television outlet in the same market.[3]

The agency also reportedly will seek comment on a wide variety of management agreements. These could include sharing agreements of the type listed in the Discussion Draft, styled as "shared services agreements" ("SSAs") and local news service ("LNS") agreements, as well as other outsourcing agreements not presently attributable under FCC rules. These various outsourcing agreements, when combined with JSAs and other financial arrangements, typically result in consolidated newsrooms with carbon-copy newscasts airing on multiple stations.

The Commission also proposed to prohibit putatively independent stations from conducting joint negotiations for carriage of their signals on cable and satellite (as Section 3 of the Discussion Draft would, although the FCC's proposal allows more flexibility for stations not affiliated with ABC, CBS, Fox and NBC). This type of joint retransmission consent negotiation is one harm that stems from broadcaster outsourcing agreements, but by no means the only one.

These announcements follow a Department of Justice ("DOJ") letter to the FCC,[4] noting that broadcast television outsourcing agreements harm competition and deserve a far closer degree of scrutiny. The DOJ filing reiterates what the SEC has long recognized: these

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[3] Chairman Tom Wheeler, "Protecting Television Consumers By Protecting Competition," FCC Blog, Mar. 6, 2014, http://www.fcc.gov/blog/protecting-television-consumers-protecting-competition ("Chairman Wheeler JSA Blog"); *see also* Phil Verveer, "How The Sidecar Business Model Works," FCC Blog, Mar. 6, 2014, http://www.fcc.gov/blog/how-sidecar-business-model-works.

[4] *Ex Parte* Submission of the United States Department of Justice, MB Docket Nos. 09-182, 07-294, 04-256 (filed Feb. 20, 2014) ("DOJ *Ex Parte*").

outsourcing and sharing agreements on which broadcasters increasingly rely are often nothing more than a legal fiction, used to evade the FCC's rules by transferring *de facto* control of broadcast licenses in violation of the FCC's local television multiple ownership rule. These impermissible outsourcing agreements undermine competition, localism and diversity in local media markets, each of which the Commission is obligated to protect. When power is concentrated in the hands of just a few owners, it is impossible to promote any of these goals. Thus, the Commission was wise to act to prevent further exploitation of loopholes in its rules and Bureau-level decisions that had sanctioned such outsourcing.

The recent wave of consolidation has been fueled not only by traditional mergers and acquisitions, but by outsourcing agreements used to evade the FCC's local broadcast ownership rules. Prior to the Commission's announcement last week, the agency had turned a blind eye to outsourcing agreement abuses – too often rubber-stamping deals without careful attention to whether *de facto* transfers of control had occurred. In turn, the agency's signal to the market that it had no intention of scrutinizing covert consolidation agreements spurred a dramatic uptick in the use of sharing arrangements and runaway consolidation.

A Brief History Of Local TV Consolidation

At more than $11 billion in deal value, 2013 was the fourth-largest year for local TV deals in the past three decades. A total of 286 full-power broadcast television stations were sold, making last year the biggest year for television consolidation since the turn of the century.[5] These 2013 deals mostly involved existing owners expanding their holdings in new markets and in markets where they already owned stations.

[5] Volker Moerbitz, "Broadcast deal market December: A dynamic end to a dynamic year," *SNL Kagan*, Jan. 13, 2014.

That's a contrast with the only three years in the past thirty that saw more money change hands, each of which featured blockbuster deals involving major network owned-and-operated ("O&O") stations in some of the nation's largest markets.[6] Since the passage of the Telecommunications Act of 1996 and the FCC's relaxation of its local ownership rules in 1999, there have been a number of notable deals. News Corp made several acquisitions that brought it up to and beyond the FCC's national ownership cap[7] (which now stands at 39 percent of households).[8] Sinclair grew substantially in the late 1990s from two major deals: its 1996 acquisition of 10 stations from River City Broadcasting, and its 1998 deal for 14 stations from Sullivan Broadcasting. (Each transaction was valued at approximately $1 billion; many of these stations were initially held by Sinclair's shell company, Cunningham Broadcasting, until the FCC relaxed its multiple ownership rules in 1999.) Yet the amount and type of consolidation occurring at present, however, is unlike the other three high-water marks in deal value for the past three decades, because it has not been attributable to the purchase of network O&O stations.

[6] In 1985, Capital Cities merged with ABC in a deal valued at $3.5 billion. *See* N.R. Kleinfield, "ABC Is Being Sold for $3.5 Billion; 1st Network Sale," *New York Times*, March 19, 1985. Of that total, $1.6 billion was attributed to ABC's five owned-and-operated ("O&O") local broadcast TV stations. *See* "TV Station Deals Databook: 2013 Edition," SNL Kagan, July 3, 2013 ("SNL Kagan 2013 Databook"). That same year, News Corp entered the U.S. broadcasting market through its acquisition of seven local TV stations from Metromedia in a deal valued at $2 billion, and General Electric acquired RCA in a deal that included five NBC O&O stations valued at $1.8 billion. *Id.* Similarly, 1995's then-record-breaking year included some transactions in anticipation of Congress's pending deregulation of the broadcast industry. However, nearly 70 percent of the $12.8 billion in deal value that year came from the combination of Disney's purchase of ABC (10 stations valued at $6.4 billion) and Westinghouse's takeover of CBS (7 stations valued at $2.4 billion). *See* Geraldine Fabrikant, "The Media Business: The Merger; Walt Disney to Acquire ABC in $19 Billion Deal to Build a Giant for Entertainment," *New York Times*, Aug. 1, 1995; *see* also Geraldine Fabrikant, "CBS Accepts Bid by Westinghouse; $5.4 Billion Deal," *New York Times*, Aug. 2, 1995; *SNL Kagan 2013 Databook*. Likewise, more than 60 percent of the $14.4 billion in deals in 1999 was due to Viacom's acquisition of CBS (17 stations valued at $8.8 billion). *See* Lawrie Mifflin, "Making a Media Giant: The Overview; Viacom to Buy CBS, Forming Second-Largest Media Company," *New York Times*, Sept. 8, 1999; *see also SNL Kagan 2013 Databook*.

[7] News Corp's 1996 acquisition of New World Radio's 10 TV stations was valued at $2.9 billion, and its 2000 acquisition of Chris Craft Industries' 10 TV stations was valued at $3.7 billion. The latter put News Corp above the national ownership cap (which then stood at 35 percent), requiring the company to divest a number of stations. However, the FCC gave News Corp a temporary reprieve while the courts sorted out challenges to the FCC's 2002 order that had increased the cap to 44 percent. In late 2003, Congress stepped in and set the national cap at 39 percent, just above News Corp's UHF-adjusted national reach at the time.

[8] Consolidated Appropriations Act, 2004, Public Law 108-199, section 629, 118 Stat. 3 (2004).

To better understand the current wave of consolidation in local TV, we need only look to the industry's largest players. After examining the holdings, revenues and population reach of all local commercial TV broadcast station owners (assuming FCC approval of pending transactions, and attributing stations operated under outsourcing agreements to the operating firm), one can identify a "Big 20" group of firms that includes well-known companies like CBS and Comcast-NBCUniversal, as well as mid-market giants like Nexstar and Sinclair.

Furthermore, to understand the impact of this consolidation on viewpoint diversity, it's necessary to understand the relationship between affiliation and local news content. Just 13 companies control 85 percent of the ABC, CBS, FOX and NBC stations in the top 25 markets, which serve half of all Americans. In the top 100 markets (accounting for 86 percent of the population), 18 companies control 77 percent of these "Big Four" network affiliates – which also happen to be the stations that produce most of the English-language local TV news content in the United States. (Just three companies – Comcast/NBCU, Entravision and Univision – produce most of the Spanish-language local TV news aired in the U.S.)

The Big 20: Control of Major Network Affiliates

Media Markets	Percent of All U.S. TV Households	Percent of "Big Four" Affiliates the Big 20 Companies Control	Percent of "Big Six" Affiliates the Big 20 Companies Control	Percent of "Big Eight" Affiliates the Big 20 Companies Control
Top 25 DMAs	50%	85% (by 13 companies)	87% (by 13 companies)	86% (by 15 companies)
Top 50 DMAs	67%	84% (by 15 companies)	85% (by 15 companies)	83% (by 17 companies)
Top 100 DMAs	86%	77% (by 18 companies)	76% (by 18 companies)	74% (by 19 companies)

Sources: SNL Kagan and Free Press research. "DMA" stands for Designated Market Area. Values include all owned stations as well as all stations operated under outsourcing agreements. Ownership data reflect stations owned or operated as of Sept. 25, 2013, as well as all stations in pending deals as of that date.

That's a great deal of control over *all* local television news across the nation, concentrated in the hands of the Big 20 companies. What is more, in consolidated markets, small and single station owners are not able to compete against large conglomerates. Small owners typically lack the financial leverage to negotiate programming, maintain staff, and add assets to their portfolios. As a result, market concentration crowds out existing owners and raises barriers to entry even higher. This helps to explain the appallingly low number of full-power broadcast television licenses held by women and people of color.

The very few diverse owners that remain tend to own single stations or very small station groups. Combined with lack of access to capital and other historical disparities, diverse would-be television licensees have difficulty competing against the Big 20 and other larger conglomerates simply because it is difficult for *any* small station group or single station owner to hold her own against a consolidated giant. The economies of scale that consolidated broadcasters enjoy are exacerbated by the lax enforcement of local and national limits designed to preserve localism and diversity. This is evidenced by what transpired between 2006 and 2012, when 26 full-power stations owned by racial or ethnic minorities were transferred to non-minority owners.[9]

Women and people of color have always held broadcast licenses in embarrassingly low numbers, but those bad numbers are getting even worse in the face of increasing market concentration. At the time of the Commission's last summary report in December 2012, racial and ethnic minorities held just 3 percent of full-power TV licenses.[10] At that time, African-Americans owned 5 full-power broadcast television stations. That number was down from 18 stations just 6 years prior. Today the number of black-owned *and* operated stations is 1 at most.[11]

[9] *See* Comments of Free Press, MB Docket Nos. 09-182, 07-294, at 17 (filed Dec. 21, 2012).
[10] *Id.* at 3.
[11] *See* Joseph Torres, S. Derek Turner, "A Sorry Moment in the History of American Media," Free Press Blog, Dec. 20, 2013.

Much of the recent growth by the Big 20 companies involved expansion in markets where the FCC rules would prohibit them from acquiring new stations. Gannett, Nexstar, Raycom, Sinclair, Tribune and others are using outsourcing agreements to skirt the FCC's rules and establish near-monopolies over local TV news production in markets across the country. Such covert consolidation is a significant tool for several of these Big 20 companies.

The Big 20: Covert Consolidation

Company	Direct Owned and Operated Stations	Stations Operated via Marketing, Services, Sales and/or Operating Agreements	Notes
Sinclair Broadcast Group	115	47	41 of the 47 outsourced stations are licensed to companies that do not operate any of their stations (and all of these companies exclusively outsource to Sinclair)
Nexstar Broadcasting Group	65	35	33 of the 35 outsourced stations are licensed to two companies that do not operate any of their stations (and both of these companies exclusively outsource to Nexstar)
Raycom Media	43	13	11 of the 13 outsourced stations are licensed to two companies that do not operate any of their stations (and both of these companies exclusively outsource to Raycom)
LIN Media	42	9	All 9 of the outsourced stations are licensed to three companies that do not operate any of their stations (and all three companies exclusively outsource to LIN TV)
Entravision Communications	46	8	Six of the eight LMA/SSA stations are owned by Univision Communications
Gannett Company	41	2	Outsourced stations are in markets where Gannett owns a newspaper (Portland, Ore., and Louisville, Ky.)
Media General	32	4	ABC-FOX virtual duopoly in Albany, N.Y.; CBS-ABC-MyNetworkTV virtual triopoly in Lansing, Mich.; ABC-NBC virtual duopoly in Augusta, Ga.
Tribune Company	41	3	Outsourced stations are in markets where Tribune already owns daily newspapers (*Daily Press* in Newport News, Va.; *The Morning Call* in Allentown, Penn.)
Gray Television	52	7	Outsourced stationa are licensed to a former Gray Television executive; this arrangment allows Gray to control two top 4 stations in five markets

Sources: Company 10-K SEC filings, FCC Consolidated Database System and Free Press research. Values include all owned and operated stations as well as all stations operated under outsourcing agreements. Ownership data reflect stations owned or operated as of Mar. 10, 2014, as well as all stations in pending deals.

The Impact of Covert Consolidation on the U.S. Broadcast Television Industry

This wave of consolidation is leaving in its wake shuttered newsrooms and jobless journalists in communities all across the country. Absent FCC intervention, there is likely much more of this to come. That is why Section 4 of the Discussion Draft could not come at a worse time, as new leadership at the FCC finally moves to enforce agency rules designed to promote the bedrock goals of broadcast competition, diversity, and localism.

Local broadcast journalism is already suffering from two decades of rampant media consolidation. Absentee owners long ago pushed out most station owners with ties to their communities. Too often prioritizing profit above public service, these corporations replaced political reporters with political ads. Cross-promotions for *American Idol* displaced important news stories. Cheap-to-produce traffic, weather and sports updates now comprise nearly half of all local news programming.

And in many communities, the same company owns multiple media outlets: changing the channel brings the same content from the same newsroom, packaged with slightly altered graphics. The FCC – the agency tasked with ensuring that the public airwaves serve the public interest – has been a willing accomplice to this destruction of much local journalism. Indeed, the FCC's decision to allow covert consolidation was a major factor driving the latest wave of deals. A handful of companies propelled it by using outsourcing agreements to exercise control of stations in direct violation of the Commission's local television multiple ownership rule and other cross-ownership rules.[12]

Outsourcing agreements come in a variety of forms. At one end of the spectrum there are outsourcing arrangements that involve a licensee producing the local news broadcasts for one or

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[12] *See* 47 C.F.R. § 73.3555(d)(1) (Newspaper-Broadcast cross-ownership).

more competing in-market stations, where the licensee retains operational control over the station. At the other end of the spectrum are arrangements that involve one owner *exclusively* controlling every aspect of another licensee's operations. JSAs are merely a type of financial arrangement that parties to outsourcing agreements often enter into, in order to transfer control and a portion of advertising revenues to the operating station from the shell company that nominally holds the "serviced station" license.

On the whole, there are 118 Designated Market Areas ("DMAs") where one company operates another licensee's station pursuant to some combination of outsourcing agreements and related financial arrangements.[13] Of these 118 markets, there are 97 in which outsourcing agreements are used to evade the Commission's multiple ownership rules based on the so-called "8 voices test."[14] There are 80 markets where outsourcing agreements are used to evade the Commission's multiple ownership rules concerning co-ownership of two or more top-four ranked stations.[15] Finally, there are five markets where outsourcing agreements are used to evade the Commission's newspaper broadcast cross-ownership rule.[16] In total, there are 103 markets where outsourcing agreements are used to evade one or more of the Commission's broadcast ownership rules, equating to nearly half of the 210 U.S. media markets.

Case Studies in Covert Consolidation Using JSAs, SSAs, and Outsourcing Agreements

Sinclair Broadcast Group: Leading the Wave of Consolidation

CBS, Disney, NBC and News Corp remain giants among their broadcast industry peers. These firms have not grown in recent years, though they have room to do so under the national ownership cap. At present, however, these companies appear content to sit back and reap the

[13] *See* tables appended to the end of this testimony.
[14] 47 C.F.R. § 73.3555(b)(1)(ii).
[15] *Id.* § 73.3555(b)(1)(i).
[16] *Id.* § 73.3555(d).

high advertising and retransmission revenues from their O&O stations in the largest markets, while also collecting a majority of the retransmission revenues their affiliates bring in throughout the rest of the country through what is sometimes labeled as "reverse retrans" payments.[17] For these national network owners, the industry's new economics are a blessing.

While the fiscal outlook for those who own and operate local stations is good, the profit margins the national networks can earn for simply licensing existing content are far better. Thus, the changing media economics means a changing face of media consolidation. The national network owners that dominated prior periods of local TV market consolidation have given way to a number of smaller companies that have spent the past several years building the foundations of new media empires. Sitting atop the largest such empire and leading this consolidation wave is Sinclair Broadcast Group.

In 1991, Sinclair owned three stations and operated a fourth under a Local Marketing Agreement (LMA). By the end of 1996, Sinclair owned 13 stations and controlled another 15 via LMAs. Prompted by the FCC's weakening of media ownership limits, Sinclair spent the next six years on a buying spree. In 2000, Sinclair owned 37 stations and used LMAs to control another 26. It subsequently purchased half of those LMA stations.

From 2002–2010, Sinclair's holdings remained flat (it had 62 owned or controlled stations in 2002, down to 58 at the end of 2010). But once the FCC made it clear that it would do nothing about covert consolidation, Sinclair once again started snapping up properties. Over the past two years, Sinclair has announced or closed on deals increasing its holdings from 58 to 161 owned or operated stations. Sinclair relied on SSAs to secure many of these stations. At the end

[17] *See, e.g.*, "Retrans Rev Projected To Hit $7.6B By 2019," *TVNewsCheck*, Nov. 22, 2013, http://www.tvnewscheck.com/article/72202/retrans-rev-projected-to-hit-76b-by-2019 ("[P]rojections show that the affiliate reverse retrans funds flow back to the networks could increase from $1.02 billion in 2014 to $2.25 billion in 2019.").

of 2011, Sinclair used SSAs to control just two stations. That number now stands at 32 (plus another 14 stations operated under Local Marketing Agreements). As a result, Sinclair has increased its nationwide presence from 35 media markets to 78. This corresponds to a jump in its national reach from 22 percent of U.S. TV households to 38.8 percent. This is just under the national cap of 39 percent.[18]

The 15 Percent Programming Fiction

The main purpose of the FCC's ownership limits is to facilitate competition and viewpoint diversity. But in reality a broadcaster cannot compete with its shell companies and so-called "sidecars" – a euphemism often applied to entities that hold licenses which the servicing station cannot lawfully control under the FCC's local ownership rules.

For instance, Sinclair cannot compete against Cunningham when Sinclair controls every aspect of Cunningham's day-to-day operations. Howard Stirk Holdings cannot be considered independent of Sinclair if Sinclair finances Howard Stirk's station purchases and is ultimately responsible for these loans. The FCC cannot consider Deerfield the actual owner of its stations when Deerfield sends to Sinclair all of its revenues and profits. The FCC cannot believe that Mission Broadcasting controls its FCC licenses when Nexstar lists these licenses as its own assets in Nexstar filings with securities regulators.

Yet, until last week, the FCC has chosen to believe just that – that the license holders are in charge of programming the majority of airtime on these stations. And even now it has only begun to act on JSAs, which are just one part of these outsourcing entanglements. Under the FCC's current rules, it doesn't matter if one owner controls all physical assets of another in-market station, or every aspect of that station's day-to-day operations. So long as the operating

[18] Under the UHF discount, the FCC considers Sinclair's national reach to be just 25 percent. However, the Commission has recently proposed eliminating the outdated provision.

station programs less than 15 percent of the second station's airtime, the FCC will consider the two entities to be separate, competing companies.[19]

So how did the FCC come up with the figure of 15 percent? Before it adopted the LMA attribution rules in 1999, the FCC used the 15 percent figure to identify attributable interests in the local radio market. For a variety of reasons, the Commission was concerned that a level higher than 15 percent might sweep in some syndicators or even the networks themselves.[20] Having a national network control a minority equity stake in a license while also supplying the station's primetime programming is certainly an indicator of outsized influence. But while that situation should raise concern, so too should a situation where a station's *entire* daily news schedule is programmed by a major in-market competitor. Yet under the FCC's current rules, the latter scenario is perfectly acceptable: most stations air less than 25 hours of local news each week, and 25 hours is just under 15 percent of a 168-hour week.[21]

The FCC's in-market attribution rules ignore the economic realities of local TV broadcasting. They also disregard the need to foster diverse viewpoints — ostensibly the very purpose of the ownership rules. To generate enough ad revenues to profit in today's consolidated media market, commercial broadcast TV stations generally air:

- Local news programing. With the exception of the network's primetime schedule, local news is by far the most popular content that stations air and produces most of a station's ad revenues, especially during election years.

[19] *See* 47 C.F.R. 73.5555, Note 2(j)(2). ("Where two television stations are both located in the same market, as defined in the local television ownership rule contained in paragraph (b) of this section, and a party (including all parties under common control) with a cognizable interest in one such station brokers more than 15 percent of the broadcast time per week of the other such station, that party shall be treated as if it has an interest in the brokered station subject to the limitations set forth in paragraphs (b), (c), (d) and (e) of this section. This limitation shall apply regardless of the source of the brokered programming supplied by the party to the brokered station.")

[20] *See* Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests, MM Docket No. 94-150, *Report and Order*, 14 FCC Rcd 12559, ¶¶ 56, 60 (1999).

[21] For example, Sinclair programs all of the news content on WTTE, the Cunningham-owned Columbus, Ohio, FOX affiliate. But this programming, which consists of a multi-hour morning and nightly one-hour newscast, falls just under the weekly 25.2-hour attribution threshold.

- An affiliated network's primetime, midday and morning programming blocks. Network programming is very popular (e.g., the *Today Show* in the morning hours, *American Idol* in primetime) and generates good local spot revenues for the broadcast station owner. And primetime provides a strong lead-in audience for the late local news programming.

- Syndicated fare (e.g., *Judge Judy* or reruns of *The Big Bang Theory*). This content, which fills out the midday, early evening and weekend schedules, is somewhat popular (depending on the content) and remains a safe revenue generator for local station owners.

- Paid programming (i.e., infomercials). This content generates revenue during the otherwise dead overnight hours.

- Public affairs programming. While few broadcasters bother with public affairs content (syndicated fare is relatively cheaper, certainly for the large chains), if done correctly it can both attract an audience and fulfill a broadcaster's public interest obligations.

In every case where a station that airs local news is operated under an outsourcing agreement that grants the operating station *de facto* control over the sidecar company, this nominal owner does not produce the local news content. Sinclair and the other covert consolidators are producing and programming the most popular and most profitable parts of the schedule – and the *only* part of the schedule that matters in terms of local viewpoint diversity.[22]

In the FCC's eyes, there is no undue influence so long as the nominal owner is the one *ultimately* responsible for programming decisions involving the approximate 12 hours of daily airtime not otherwise filled by the network's morning, primetime and late-night content, or the local news dayparts programmed by the in-market competitor. So long as the nominal owner spends a few minutes each year deciding between *Dr. Oz* and *Dr. Phil*, the FCC considers that person an independent owner. Indeed, under the FCC's rules, the FCC considers the nominal owner a fully independent, competing voice in the local TV market even if that individual delegates programming decisions to the outsourcing partner (in effect, allowing the partner to

[22] Of course, many of the non-Big Four network-affiliated stations air no local content whatsoever.

program 100 percent of the schedule). All that matters is that on paper, the license holder is ultimately responsible for these programming decisions.

The economics of outsourcing agreements and the FCC's utter failure to enforce its rules created the latest wave of consolidation. Sinclair might have discovered this legal loophole, but other companies are now using covert consolidation to grow their media empires at the expense of competition, local service and viewpoint diversity.

Raycom Hawaii and the Rise of the "Triopoly"

In 1999, Raycom Media purchased KHNL, Hawaii's NBC affiliate, along with the LMA rights to KFVE, Hawaii's UPN affiliate.[23] Raycom purchased KFVE outright shortly after the FCC relaxed its ownership rules in late 1999 and permitted duopolies between two stations so long as one station is outside the top four.[24] But a permissible duopoly wasn't good enough for Raycom. In August 2009, it entered into an SSA with MGC Capital Corporation, owner of Hawaii's CBS affiliate, KGMB. As is the case with most SSAs, Raycom consolidated all three stations under one roof. It also fired more than 60 people.[25]

And this semi-covert union of three stations *still* wasn't good enough for Raycom. As soon as it entered into the SSA with MGC, Raycom and MGC swapped call signs and station affiliations. Raycom was now the official owner of Hawaii's NBC and CBS affiliates, in seeming violation of the FCC's duopoly rule, as well as the operator of the local MyNetworkTV station. But after local activists challenged Raycom's takeover of the Hawaii market, the FCC's Media Bureau inexplicably acquiesced in this set of deals and affiliation swaps, writing that "the local television ownership rule specifically refers to [the affiliation] 'at the time of application.'" The

[23] *See* FCC Application #BALCT–19990709RA.

[24] *See* FCC Application #BALCT–19991116AAA.

[25] *See* Rick Daysog, "Watchdog Asks FCC to Revoke Licenses of KGMB, KHNL, K5 TV Stations," *Honolulu Advertiser*, May 20, 2010.

Bureau nonetheless agreed those activists "that the net effect of the transactions in this case – an extensive exchange of critical programming and branding assets with an existing in-market, top-four network affiliate – is clearly at odds with the purpose and intent of the duopoly rule."[26]

In the end, Raycom had managed to buy the call sign and top-rated CBS network affiliation of one of its major competitors, and make it all appear legal under the FCC's rules with a combination of outsourcing agreements. The Media Bureau's decision in the case sent a strong message to the broadcast industry: The FCC's rules are meant to be broken. And the industry responded. In the two years that followed that November 2011 decision, the Big 20 companies entered into 61 new outsourcing agreements, doubling their number of such agreements. Sinclair alone went from two SSA stations to 27.

The FCC Must Act to Preserve the Rule of Law, Prevent Job Loss, and Save Local News

The SEC Doesn't Play Shell Games

Other than the FCC, no one — not the SEC, not Sinclair's business partners,[27] not even Sinclair itself (unless it's speaking to the FCC) bothers to pretend that these LMA and SSA stations are free from Sinclair's *de facto* control. In all of its filings with the SEC, Sinclair refers to the Cunningham stations (and all other stations it runs pursuant to LMAs and SSAs) as "*our* stations."[28] In the case of Cunningham (named owner of 13 Sinclair-operated stations), Deerfield

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[26] *See* In the Matter of KHNL/KGMB License Subsidiary, LLC, and HITV License Subsidiary, Inc, Fac. ID Nos. 34867 and 34445, *Memorandum Opinion and Order and Notice of Apparent Liability for Forfeiture*, 26 FCC Rcd 16087 (2011).

[27] For example, Nexstar Broadcasting Group operates WYZZ, the Cunningham-owned FOX affiliate in Peoria, Ill., pursuant to an SSA. But in Nexstar's official SEC filings, it describes WYZZ as a station "owned by Sinclair Broadcast Group, Inc." There is no mention of Cunningham at all. *See* Nexstar Broadcasting Group, Inc., Annual Report Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934, for the fiscal year ended Dec. 31, 2012, Commission file number: 000-50478, Mar. 15, 2013.

[28] *See, e.g.,* Sinclair Broadcast Group, Inc., Annual Report Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934, for the fiscal year ended Dec. 31, 2002, Commission file number: 000-26076, Feb. 28, 2003 ("We currently own, provide programming and operating services pursuant to LMAs or provide sales services to 62 television stations in 39 markets and for purposes of this report, these 62 stations are referred to as "our" stations or are similarly designated.").

(named owner of 13 Sinclair-operated stations), and Howard Stirk Holdings (named owner of three Sinclair-operated stations), Sinclair refers to these firms as its "sidecar companies."[29]

This is not simply shorthand language used to simplify the discussion of Sinclair's business dealings. Under Generally Accepted Accounting Principles and SEC rules, there is no difference between Sinclair, Cunningham, Deerfield, Howard Stirk, or most other companies that are named owners of Sinclair-operated stations: the law considers them to be one company. The SEC considers these companies to be Variable Interest Entities ("VIEs"), because Sinclair has the power to direct the sidecars' activities that most significantly impact their economic performance, and Sinclair absorbs their significant losses and receives their profits.[30]

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[29] *See, e.g.,* Comments of David B. Amy, CFO, executive VP and head of investor relations, Sinclair Broadcast Group, Inc. (SBGI) Acquisition of Barrington Broadcasting Group, LLC by Sinclair Broadcast Group, Inc. Call, March 1, 2013. ("In addition, license assets of five stations will be purchased by our sidecar companies: Deerfield Media, Cunningham Broadcasting, and a newly formed minority-controlled entity owned by nationally known commentator Armstrong Williams.").

[30]*See* Sinclair Broadcast Group, Inc., Annual Report Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934, for the fiscal year ended Dec. 31, 2012, Commission file number: 000-26076, March 12, 2013.

> In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary…. All the liabilities, including debt held by our VIEs, are non-recourse to us except for Deerfield Media, Inc.'s (Deerfield) debt which we guarantee.... We own the majority of the non-license assets of the Cunningham stations and our Bank Credit Agreement contains certain default provisions whereby insolvency of Cunningham would cause an event of default under our Bank Credit Agreement. We have determined that the Cunningham stations are VIEs and that based on the terms of the agreements, the significance of our investment in the stations and the cross-default provisions with our Bank Credit Agreement, we are the primary beneficiary of the variable interests because, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of the VIEs through the sales and managerial services we provide and we absorb losses and returns that would be considered significant to Cunningham.... We own the majority of the non-license assets of the Deerfield stations and we have also guaranteed the debt of Deerfield. Additionally, there is a lease in place whereby Deerfield leases assets owned by us in order to perform its duties under FCC rules. We have determined that the Deerfield stations are VIEs and that based on the terms of the agreements, the significance of our investment in the stations and our guarantee of Deerfield's debt, we are the primary beneficiary of the variable interests because, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of the VIEs through the sales and managerial services we provide and we absorb losses and returns that would be considered significant to Deerfield.... We have outsourcing agreements with certain other license owners, under which we provide certain non-programming-related sales, operational and administrative services. We pay a fee to the license owners based on a percentage of broadcast cash flow and we reimburse all operating expenses. We also have a purchase option to buy the License Assets. We have determined that the License Assets of these stations are VIEs.

So while we have one set of rules for the FCC and another set of rules for the SEC, it is clear that the SEC's attribution rules reflect reality, while the FCC's approach – till now, perhaps – reflected anything but.

It shouldn't take a lawyer or five FCC commissioners to recognize the problem. Sinclair owns all the non-license assets of the stations it runs under LMAs and SSAs. Sinclair houses the operations of these stations in its own facilities (and Cunningham's "corporate headquarters" are located in a Sinclair-owned station). Sinclair sells all the ad time for these stations. Sinclair is paid the overwhelming majority of revenues these stations earn. Sinclair produces all local content these stations air. These owners in name all have agreements that ensure only Sinclair can purchase these stations.

Yet in the FCC's eyes, these firms – which have no business relationships with any broadcasters other than Sinclair – have been considered till now completely independent companies that compete against Sinclair, and are good stewards of the public airwaves to boot. Sinclair benefits from the FCC's apathy. In 2013 alone, Sinclair announced deals to acquire 74 new stations, with 24 of these going to its shell companies in markets where the FCC rules would otherwise prohibit Sinclair from owning two or more stations.

Free Press has challenged a number of these deals, primarily on the basis that the use of shell companies violates the FCC's local ownership rules. Free Press petitioned to deny several deals last year, including Sinclair's acquisition of three Allbritton stations in markets where Sinclair was already present. That deal's terms illustrate the legal fiction that pervades most sharing arrangements, and is still pending at the FCC. In our petition to deny, we noted that Sinclair will likely retain most, if not all, of the profits generated by the nominal license holder's stations. We reached this conclusion by comparing the fee Sinclair would collect from its shell

companies with past revenues of the respective stations.[31] Taking into account Sinclair's fee, share of ad revenues, and likely performance bonuses, as well as the fact that the shell licensees are responsible for using station revenues to cover expenses such as utilities, salaries, and taxes, it is unlikely that these license holders would be left with the capital to purchase or produce programming. The outcome is exactly as it would be if Sinclair owned these stations outright.

These deals are bad for competition and localism. Indeed, Sinclair admitted that driving small local owners out of the market is a likely result. When it announced its deal with Barrington Broadcasting, Sinclair's CEO made it clear that consolidation will render the small local broadcast owner extinct. "When you look at a company of our scale," David D. Smith said, "when it comes to buying programming and doing things of that nature, I think we clearly have an advantage in terms of any market that we're in, and I think that gives us an advantage from the standpoint of looking at one-off operators or two-off or three-off, generally small operators. And my sense is that over the long term it's going to be somewhat difficult for small broadcasters to keep up given the competitive landscape out there ... *and I think that's the precise point*."[32]

Outsourcing Agreements Are Job Killers

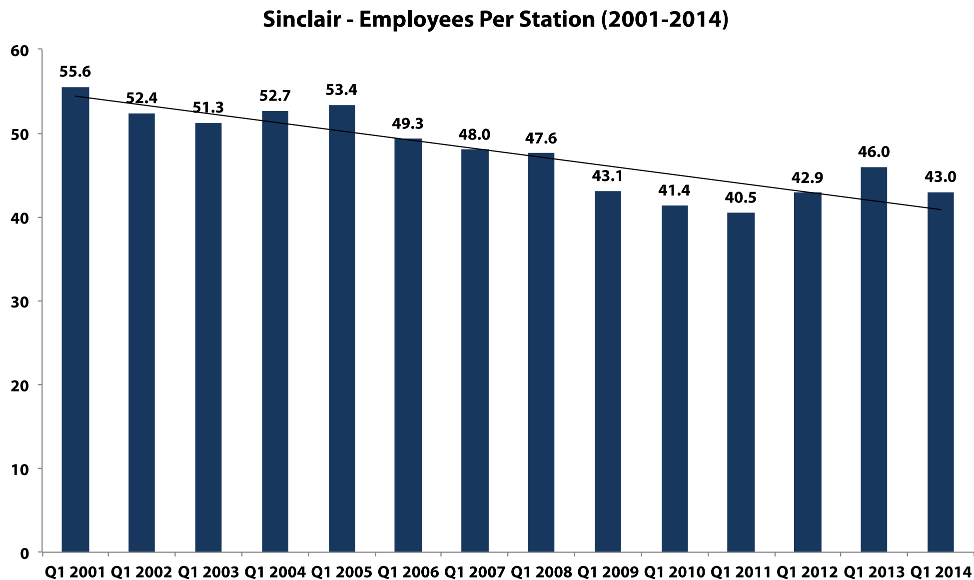
In general, the main point of outsourcing agreements in the broadcasting industry, as in others, is to reduce overhead. These arrangements often involve one station's entire operation being housed in the facilities of the parent station. Because so many of the functions are co-located and performed by the parent station, the arrangement drastically reduces the number of employees needed compared to the staff that would be needed for two truly independent stations.

[31] *See* Petition to Deny of Free Press and Put People First! PA, MB Docket No. 13-203, at 8 (filed Sept. 13, 2013) ("The WHP-TV SSA requires Deerfield to pay Sinclair $11.6 million over the course of the first year, plus an undefined performance bonus, for a station [estimated to have] earned a mere $12.6 million in advertising revenues in 2012.").

[32] *See* Comments of Chairman, President and Chief Executive Officer David D. Smith, Sinclair Broadcast Group, Inc. (SBGI), Acquisition of Barrington Broadcasting Group, LLC by Sinclair Broadcast Group, Inc. Call, Mar. 1, 2013 (emphasis added).

Therefore, any suggestion that these arrangements somehow result in more jobs is simply not genuine and not supported by any data. Because the entire purpose of these agreements is to eliminate independent outlets, they not only result in fewer independent voices, but also reduce the number of broadcast employees that would have been employed absent these arrangements.

Indeed, Sinclair provides an illustrative case of how outsourcing arrangements reduce jobs. One only need look to Sinclair's employment levels over the past decade to see that the company has a long track record of laying off workers and reducing the number of staff at each of its stations. In early 2001, Sinclair employed 3,500 workers at its 63 owned or operated stations, for an average of 55.6 jobs per station. By the end of February 2014, that number had declined to 43 workers per station. Even this most recent figure is likely artificially high, as Sinclair generally steps in to thin the ranks at its recently acquired properties, and may not yet have completed reductions at the many stations for which it acquired control in 2013.



Source: Sinclair SEC Filings; Free Press Research

While this data itself is illuminating, Sinclair's own words put any doubt on this issue to rest. The Company recently made statements that the Commission's pending change to the JSA

attribution rule *will actually cause Sinclair to hire more workers*. In its 2013 annual report, Sinclair noted that if "the FCC requires us to modify or terminate existing arrangements, our cost structure would increase as we would potentially lose significant operating synergies *and we may also need to add new employees.*"[33]

These arrangements are primarily used by giant broadcasters to evade the FCC's rules and frustrate the goals of the Act. They certainly aren't used to increase costs and hire more workers. Congress should reject these self-serving attempts to paint the use of outsourcing by the industry's leading companies as pro-job measures, and allow the FCC to move forward and close the outsourcing loopholes.

No News is Bad News

Free Press research indicates that 946 of the 1,355 current full-power television stations air local news or public affairs programming. There are 229 stations currently party to a JSA, SSA, LMA, or some combination of these outsourcing agreements. Of those 229, *none* air any of their own news. Some 165 of them – or 72 percent – simply repeat or re-broadcast news produced and programmed by the operating station and not by the "sidecar" company licensee. The other 28 percent appear to air *no* news or public affairs programming.

A handful of television stations, numbering 39 in our count, are party to some other kind of news resource sharing arrangement that allows each station to program its own news. These 39 stations are *not* subject to the *de facto* control that the full suite of outsourcing agreements entails. But these limited (and potentially beneficial) resource sharing situations are outnumbered by consolidated newsrooms and copycat newscasts, by a factor of more than 4 to 1.

[33] *Id.* at 35.

Free Press has illustrated the impact of such news "sharing arrangements," which often result in the same exact newscasts airing in duplicate and triplicate on multiple stations in the same community. Far from increasing the amount or quality of local news, these arrangements lead only to an increase in repeated, monotone news segments. Anchors and reporters read the same stories and offer the same viewpoints on two or three stations at a time. Free Press has produced several videos on the topic, compiling examples of identical on-air segments and news websites for putative competitors that simply echo one another – in markets from South Carolina to Hawaii, and everywhere in between.[34]

DISCUSSION DRAFT SECTION 3 AND JOINT RETRANSMISSION CONSENT

Section 3 of the Discussion Draft appears to recognize one of the many harms that outsourcing agreements cause, through joint negotiation of retransmission consent by stations considered to be separately controlled under the FCC's current interpretation. But rather than addressing only one of these harms – and directing the FCC to promulgate new behavioral rules – Congress should allow the FCC to enforce the local television multiple ownership rule it maintains today. Preventing unlawful *de facto* control of TV stations would curtail not only joint retrans negotiations, but also the loss of independent news and newsroom jobs detailed above.

A prohibition of joint retransmission consent negotiation by stations located in the same market also could prove difficult to enforce if the FCC were to allow those stations to remain under *de facto* common control. Such stations could – and would – coordinate their negotiating efforts even if they were barred from expressly negotiating consent together.

[34] *See* Free Press, "Change the Channels" campaign website and shared services agreements map, http://www.freepress.net/changethechannels; *see also* "Change the Channels" video (demonstrating duplicative and identical news coverage airing simultaneously on putatively competing local broadcast stations), *at* https://www.youtube.com/watch?v=E9bIgcrWd1o; "Covert Consolidation in Charleston, SC," *at* https://www.youtube.com/watch?v=0ZXqAl-acic; "Different Channels, Same Election Coverage," *at* https://www.youtube.com/watch?v=7M_0jo-XR_A.

Joint retransmission consent negotiations do increase the fees passed through to cable and satellite subscribers. For instance, American Cable Association members have shown the increase in retransmission consent fees paid in markets in which stations employ SSAs and other joint negotiating mechanisms. The use of non-disclosure clauses in retransmission consent agreements limits the amount of publicly available evidence on the magnitude of these fees, but all available evidence suggests this is a serious problem. These American Cable Association members documented four instances in which the average impacts of joint negotiations on their own retransmission consent prices were increases ranging from 21.6 percent to 161 percent.[35] Various providers also have found more than 40 instances (or more than 20 percent of TV markets) in which a single broadcaster negotiates retransmission consent for more than one "big four" network affiliate – a number that will only grow.[36]

DISCUSSION DRAFT SECTION 6 AND THE INTEGRATION BAN

Finally, Section 6 of the Discussion Draft proposes repeal of the "integration ban" adopted by the Commission to implement Congress's directives in Section 629(a) of the Communications Act, 47 U.S.C. § 549(a). That statute and the Commission's rules promulgated under it are intended to promote the competitive availability of multichannel video programming "navigation devices," such as set-top boxes and other devices capable of receiving encrypted video signals.

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[35] *See, e.g.*, *Ex Parte* Comments of SuddenLink Communications in Support of Mediacom Communications Corporation's Retransmission Consent Complaint, CSR Nos. 8233-C, 8234-M, at 5-6 (filed Dec. 14, 2009) (showing 21.6 percent increases); USA Companies Letter to Ms. Marlene Dortch, Secretary, Federal Communications Commission, MB Docket No. 10-71 (filed May 28, 2010) (showing 133 percent increases); Cable America Letter to Ms. Marlene Dortch, Secretary, Federal Communications Commission, MB Docket No. 10-71 (filed May 28, 2010) (showing 161 percent increases); Pioneer Long Distance Letter to Ms. Marlene Dortch, Secretary, Federal Communications Commission, MB Docket No. 10-71 (filed June 4, 2010) (showing 30 percent increases).

[36] *See, e.g.*, Notice of *Ex Parte* Communication of American Cable Association, MB Docket Nos. 10-71, 09-182, at 2 (filed June 24, 2013).

Repeal of the integration ban would prevent attainment of Congress's goal of competitive availability – keeping consumers tethered instead to expensive leasing arrangements reminiscent of nothing so much as the forced rental of rotary telephones from Bell Telephone. These charges can amount today to as much $240 *per year*,[37] when comparable devices might be purchased outright rather than leased for as little as $200 or $300 total. For these reasons, Free Press Action Fund joined last week in a letter sent on Friday, March 7th, to Chairman Walden and Ranking Member Eshoo, urging the Subcommittee not to move forward with the repeal of the integration ban proposed by Section 6 of the Discussion Draft.[38]

CONCLUSION

For the foregoing reasons, the Subcommittee should not move forward with Sections 4 and 6 of the Discussion Draft circulated prior to today's hearing. Congress should extend the authorization for satellite retransmission of certain broadcast signals, but these other provisions would decrease competition, localism and diversity in local broadcasting, maintain high barriers for small businesses and new entry, and slow the pace of competition and innovation in the market for set-top boxes and other video devices.

[37] *See* Letter from Consumer Action, Consumers Union, Free Press, National Consumers League, Open Technology Institute, and Public Knowledge, to Hon. Greg Walden, Chairman, Subcommittee on Communications and Technology, Dec. 5, 2013, http://www.publicknowledge.org/files/Consumer%20Groups%20Latta%20Bill%20letter%20FINAL.pdf.

[38] *See* Letter from Public Knowledge, National Consumers League, Free Press Action Fund, Consumer Action, Writers Guild of America, West, and AllVid Tech Company Alliance, to Hon. Greg Walden, Chairman, and Hon. Anna Eshoo, Ranking Member, Subcommittee on Communications and Technology, Mar. 7, 2014.

APPENDIX

Markets with one or more operational outsourcing agreements (DMA 1 to 50)

Market Rank	Market	Markets Where OSA is Used to Evade Multiple Ownership Rule (8 voices test)	Markets Where OSA is Used to Evade Multiple Ownership Rule (Top-4 Ranked)	Market Where OSA is Used to Evade Newspaper-Broadcast Cross-Ownership Rule
1	New York, NY			
2	Los Angeles, CA			
4	Philadelphia, PA			
6	San Francisco-Oakland-San Jose, CA			
7	Boston, MA (Manchester, NH)			
8	Washington, DC (Hagerstown, MD)			
9	Atlanta, GA			
10	Houston, TX			
13	Phoenix (Prescott), AZ			✓
14	Tampa-St. Petersburg (Sarasota), FL			
17	Denver, CO			
19	Orlando-Daytona Beach-Melbourne, FL			
21	St. Louis, MO	✓	✓	
22	Portland, OR	✓		
27	Baltimore, MD	✓		
29	Nashville, TN			
32	Columbus, OH	✓	✓	
33	Salt Lake City, UT			
35	Cincinnati, OH	✓		
36	San Antonio, TX		✓	
37	Greenville-Spartanburg, SC-Asheville, NC-Anderson, SC	✓		
38	West Palm Beach-Ft. Pierce, FL	✓		
40	Las Vegas, NV			
42	Birmingham (Anniston and Tuscaloosa), AL	✓		
43	Harrisburg-Lancaster-Lebanon-York, PA	✓	✓	
44	Norfolk-Portsmouth-Newport News, VA			✓
45	Austin, TX	✓		
47	Albuquerque-Santa Fe, NM			
48	Louisville, KY	✓		✓
50	Jacksonville, FL	✓	✓	

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Markets with one or more operational outsourcing agreements (DMA 51 to 100)

Market Rank	Market	Markets Where OSA is Used to Evade Multiple Ownership Rule (8 voices test)	Markets Where OSA is Used to Evade Multiple Ownership Rule (Top-4 Ranked)	Market Where OSA is Used to Evade Newspaper-Broadcast Cross-Ownership Rule
53	Providence, RI-New Bedford, MA	✓	✓	
54	Wilkes Barre-Scranton-Hazleton, PA	✓	✓	✓
55	Fresno-Visalia, CA	✓	✓	
56	Little Rock-Pine Bluff, AR	✓	✓	
57	Richmond-Petersburg, VA	✓		
58	Albany-Schenectady-Troy, NY	✓	✓	
60	Mobile, AL-Pensacola (Ft. Walton Beach), FL		✓	
62	Ft. Myers-Naples, FL	✓	✓	
63	Dayton, OH	✓	✓	
65	Charleston-Huntington, WV	✓	✓	
66	Wichita-Hutchinson, KS Plus	✓		
67	Flint-Saginaw-Bay City, MI	✓	✓	
70	Tucson (Sierra Vista), AZ	✓	✓	✓
71	Honolulu, HI		✓	
74	Springfield, MO	✓	✓	
75	Omaha, NE	✓		
76	Toledo, OH	✓	✓	
78	Rochester, NY	✓	✓	
80	Portland-Auburn, ME	✓	✓	
81	Paducah, KY-Cape Girardeau, MO-Harrisburg, IL	✓		
82	Shreveport, LA	✓	✓	
83	Champaign & Springfield-Decatur, IL	✓	✓	
84	Syracuse, NY	✓		
87	Chattanooga, TN	✓		
90	Cedar Rapids-Waterloo-Iowa City & Dubuque, IA		✓	
92	Savannah, GA	✓	✓	
93	Jackson, MS	✓	✓	
94	Baton Rouge, LA	✓	✓	
96	Tri-Cities, TN-VA	✓	✓	
97	Burlington, VT-Plattsburgh, NY	✓	✓	
98	Charleston, SC	✓	✓	
100	Greenville-New Bern-Washington, NC	✓	✓	

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Markets with one or more operational outsourcing agreements (DMA 101 to 150)

Market Rank	Market	Markets Where OSA is Used to Evade Multiple Ownership Rule (8 voices test)	Markets Where OSA is Used to Evade Multiple Ownership Rule (Top-4 Ranked)	Market Where OSA is Used to Evade Newspaper-Broadcast Cross-Ownership Rule
101	Ft. Smith-Fayetteville-Springdale-Rogers, AR	✓	✓	
102	Johnstown-Altoona-State College, PA	✓	✓	
103	Myrtle Beach-Florence, SC	✓	✓	
104	Evansville, IN	✓	✓	
105	Lincoln & Hastings-Kearney, NE	✓	✓	
106	Tallahassee, FL-Thomasville, GA	✓	✓	
107	Tyler-Longview(Lufkin & Nacogdoches), TX	✓	✓	
108	Reno, NV	✓	✓	
109	Ft. Wayne, IN	✓	✓	
110	Youngstown, OH	✓	✓	
113	Augusta, GA-Aiken, SC	✓	✓	
115	Lansing, MI	✓		
116	Peoria-Bloomington, IL	✓	✓	
117	Fargo-Valley City, ND	✓	✓	
118	Montgomery-Selma, AL	✓	✓	
119	Traverse City-Cadillac, MI	✓	✓	
121	Eugene, OR	✓	✓	
122	Santa Barbara-Santa Maria-San Luis Obispo, CA	✓	✓	
125	Monterey-Salinas, CA	✓		
127	Columbus, GA (Opelika, AL)	✓	✓	
129	Corpus Christi, TX	✓		
130	Amarillo, TX	✓	✓	
131	Chico-Redding, CA	✓	✓	
132	Wilmington, NC	✓	✓	
133	Columbus-Tupelo-West Point-Houston, MS	✓	✓	
135	Rockford, IL	✓	✓	
136	Topeka, KS	✓	✓	
137	Monroe, LA-El Dorado, AR	✓	✓	
139	Duluth, MN-Superior, WI	✓	✓	
140	Medford-Klamath Falls, OR	✓	✓	
141	Beaumont-Port Arthur, TX	✓	✓	
142	Lubbock, TX	✓	✓	
143	Wichita Falls, TX & Lawton, OK	✓	✓	
145	Anchorage, AK	✓	✓	
146	Erie, PA	✓	✓	
147	Sioux City, IA	✓	✓	
149	Joplin, MO-Pittsburg, KS	✓	✓	

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Markets with one or more operational outsourcing agreements (DMA 151 to 210)

Market Rank	Market	Markets Where OSA is Used to Evade Multiple Ownership Rule (8 voices test)	Markets Where OSA is Used to Evade Multiple Ownership Rule (Top-4 Ranked)	Market Where OSA is Used to Evade Newspaper-Broadcast Cross-Ownership Rule
151	Minot-Bismarck-Dickinson (Williston), ND	✓		
152	Odessa-Midland, TX	✓	✓	
153	Rochester, MN-Mason City, IA-Austin, MN	✓	✓	
154	Terre Haute, IN	✓	✓	
157	Binghamton, NY	✓	✓	
162	Idaho Falls-Pocatello, ID (Jackson, WY)	✓	✓	
163	Gainesville, FL	✓	✓	
164	Abilene-Sweetwater, TX	✓	✓	
165	Yuma, AZ-El Centro, CA	✓		
168	Billings, MT	✓	✓	
172	Utica, NY	✓	✓	
185	Grand Junction-Montrose, CO	✓	✓	
188	Greenwood-Greenville, MS	✓	✓	
194	Eureka, CA	✓	✓	
196	San Angelo, TX	✓	✓	
200	Ottumwa, IA-Kirksville, MO	✓		
202	Fairbanks, AK	✓	✓	
204	Victoria, TX	✓	✓	
206	Helena, MT	✓		