television stations, including both VHF and UHF (49% of all DMA markets and 84% of all television households). Based on the analysis discussed above, the four major television networks may be in a better bargaining position than broadcast stations in such markets. This is not to say, however, that such a bargaining advantage constitutes undue market power and would have a sufficient effect on programming available to the public to justify governmental intervention. We ask commenters to address whether preferences for VHF stations continue to exert a strong influence on this bargaining. We also ask commenters to address the extent to which new entrants to network programming are affecting the competition between networks for affiliates and should be included in our analysis.

7. For affiliates, a critical issue is the availability of alternatives for obtaining profitable programming. In contrast to the time when the network/affiliate rules were first applied to the broadcast television industry, there is now an array of new network and new non-network sources of programming. We ask for comment and analysis of what effects, if any, alternative programming sources, especially non-network sources, have had and will have on network/affiliate relations.

8. The network/affiliate relationship could also be affected by the trend toward group ownership in television broadcasting, particularly if the Commission were to relax its national ownership limits for commercial broadcast television group ownership. In addition, technological advances, such as the possibility of a station multiplexing digital signals and thereby broadcasting more than one channel of programming, could influence the relationships between broadcast networks and their affiliates. The Commission asks commenters to address how changes in ownership patterns and technology are likely to affect network/affiliate bargaining.

B. Effects of Network/Affiliate Bargaining on Other Parties

9. Existing networks may have an incentive to block entry by new networks in order to maintain their existing market positions. One way they might do so is to pay their affiliates sufficient compensation to accept long-term contracts that include contractual terms that limit entry. The Commission therefore solicits comment on the effect of the length of the affiliation contract on the effectiveness of contractual devices in blocking entry by new networks. It also asks whether it might be appropriate to limit the length of affiliation contracts to mitigate these problems.

IV. Analysis of Specific Rules

A. The Right to Reject Rule

10. Section 73.658(e) of the Commission's Rules, 47 C.F.R. 73.658(e), prohibits a broadcast station from entering into a contract with a network that does not permit the station to (1) reject network programs that the station ''reasonably believes to be unsatisfactory or unsuitable or contrary to the public interest,'' or (2) substitute a program that the station believes to be of greater local or national importance.

11. The Notice proposes to retain the right to reject rule based on the view that the rule is inextricably linked to a licensee's obligation to retain control over its station and to program in the public interest. Noting that the rule is unclear, the Notice proposes to clarify that the rule does not give stations the right to reject programming based solely on financial considerations. The Notice suggests that this represents the most appropriate balance between the competing public interest and economic efficiency concerns inherent in the right to reject rule. The Notice seeks comment on this proposal.

B. The Time Option Rule

12. Section 73.658(d) of the Commission's Rules, 47 C.F.R. 73.658(d), prohibits arrangements between a station and a network whereby the network retains an ''option'' on certain hours of the station's time, which it may or may not decide to exercise. If the network chooses not to act on its option, the station is able to air other programming during the optioned time.

13. The Notice proposes to modify the rule by eliminating the outright prohibition on time optioning but requiring that networks give affiliates a particular amount of advance notice if they are going to use an optioned time slot. The Notice points out that time optioning may be valuable to a new network; a new network may want to book a time slot with enough stations so that it can raise funding to develop a programming concept, but may want to retain the ability to opt out of those time slots if the program does not work out as expected. Nonetheless, because unrestricted time optioning may interfere with an affiliate's long-range planning, the Notice proposes to adopt a notification requirement and asks commenters to propose an appropriate notification period. In the alternative, the Notice asks whether the rule should be repealed and notification issues left to the parties.

C. The Exclusive Affiliation Rule

14. Section 73.658(a) of the Commission's Rules, 47 C.F.R. 73.658(a), prohibits arrangements between a station and a network that prevent the station from broadcasting the programming of another network. The prohibition was based on the Commission's concern that permitting stations to become exclusive affiliates of existing networks could foreclose the development of new networks. The Notice points out that there are now many more stations available to take the programming of new networks, and that exclusive affiliation may be valuable to networks and affiliates. The Notice proposes to eliminate the rule, at least in large markets. The Notice also questions, however, whether lifting the restriction in small markets might inhibit the development of new television networks in those markets. The Notice seeks comment on these issues and, if the rule is retained for small markets, on the manner in which large/small markets should be defined.

D. Dual Network Rule

15. Section 73.658(g) of the Commission's Rules, 47 C.F.R. 73.658(g), provides that a station may not enter into an agreement with a network that operates more than one broadcast TV network, except if the networks are not operated simultaneously or if there is no substantial overlap in the territories served by each network. The rule was adopted based on the Commission's concern that dual networking might impede the development of new networks and might confer undue market power on one entity.

16. The Notice observes that the increase in the number of stations since the rule was adopted has provided greater opportunity for new networks to develop, and notes that dual networking could provide networks with economies of scale and scope. The Notice also expresses concern, however, that permitting merger of the existing major networks could lead to excessive concentration of market power. The Notice seeks comment on these issues. It also seeks comments on the effects of technological advances that will facilitate digitization of the broadcast industry, and how the use of multiple channels by broadcasters would implicate the dual network rule.

E. Network Territorial Exclusivity Rule

17. Section 73.658(b) of the Commission's Rules, 47 C.F.R.