

reporting of all the information necessary to make the Commission's public interest finding with respect to broadcast applications.

5. This NPRM also consolidates and comprehensively reexamines other pending proceedings that directly or indirectly implicate the attribution rules. Specifically, in 1992, in a Notice of Proposed Rule Making and Notice of Inquiry in MM Docket No. 92-51, 57 FR 14684, April 22, 1992, ("Capital Formation Notice"), comments were sought regarding whether the Commission should relax several of its attribution rules in a number of specific contexts in order to stimulate investment in the broadcast industry and to benefit new entrants, who have historically experienced significant difficulties in securing adequate startup funding. The Notice inquired as to whether the Commission should relax its attribution benchmarks for active and passive stockholders, and modify its insulation criteria as to widely-held limited partnerships, including business development companies organized as such. The Commission will incorporate the record from MM Docket No. 92-51 into the record of this proceeding to the extent that it is relevant to our consideration of the foregoing issues.<sup>2</sup>

6. The Commission will also consider in this proceeding the comments received in response to the Further Notice of Inquiry/Notice of Proposed Rule Making in MM Docket No. 87-154, 54 FR 10026, March 9, 1989 ("Cross-Interest Notice"), in which comment was sought on whether Commission should maintain its cross-interest policy in three areas—key employees, non-attributable equity interests, and joint ventures. In the Cross-Interest Notice, we also invited comment as to whether to amend the attribution rules to incorporate the key employee portion of the cross-interest policy. The Commission will incorporate the record from MM Docket No. 87-154 into the record of this proceeding.

7. The Commission notes that this proceeding is complementary with, and will affect our actions in, two rulemaking proceedings which appear elsewhere in this edition of the **Federal Register**. The first is a Further Notice of Proposed Rule Making in MM Docket No. 91-221, which concerns the multiple ownership rules for television stations. The second is a Notice of Proposed Rule Making in MM Docket

Nos. 94-149 and 91-140, which seeks comment on a number of proposed rule changes and initiatives to provide minorities and women with greater opportunities to enter the mass media industry. Because the content of the attribution rules is critical to issues raised in both proceedings, the Commission will review the comments received in those proceedings in conjunction with the comments received in the instant proceeding to assure a coordinated approach to the three proceedings.

8. In this undertaking, we are guided by basic economic concepts as to the essential nature of firms, their control, and their conduct. Comment is invited on our analysis and parties are encouraged to support their views with relevant empirical analysis and business and economic theories. Commenters are also invited to propose alternative analytical frameworks for establishing the specific interests that should be deemed cognizable under our various multiple ownership rules. The Commission's analysis will focus essentially upon the effect that financial claims on, and associated voting or contractual rights in, broadcasting companies have on their conduct. The economic conduct of concern to us relates to a broadcasting company's programming choices, including affiliation choices, and competitive practices, including advertising pricing. To address these issues with a desirable degree of confidence, the Commission will need as much information as is available to establish the connections and thresholds of concern between financial claims on a firm and its conduct.

9. Accordingly, with respect to each specific ownership or relational interest discussed herein, the Commission seeks comment on whether the level or degree of ownership interest in, or relationship to, a licensee would be likely to impart the ability to influence or control the operations of the licensee, including core functions such as programming, such that the multiple ownership rules should be implicated. The Commission intends to base its judgment with respect to each specific attribution limit or criterion considered in this NPRM on as much empirical data as can be obtained, as well as economic and business theories on levels of influence in business organizations, as discussed above, and comments are specifically invited that contain such data and are grounded in rigorous economic theories and analyses. In setting a specific attribution limit or determining whether a particular interest should be cognizable or not, the Commission asks

commenters to address the degree to which we should attempt to accommodate the competing concerns that have motivated us in the past, such as not inhibiting legitimate business opportunities and encouraging the flow of capital investment into the broadcast industry. An important consideration is the extent to which the Commission can and should accommodate these interests directly. In every case, if the new rule or exemption proposed represents a departure from the commission's current rules and standards, commenters should demonstrate the justification for such a departure. Additionally, in light of our desire to promote ownership opportunities for minorities and women in the broadcasting industry, the Commission invites comment on whether there are other attribution rules, besides those discussed in MM Docket Nos. 94-149 and 91-140, that should be adjusted to promote access to capital for minorities and women.

10. The Commission seeks empirical data and analysis that would indicate the ownership level that would likely impart to its holder some ability to influence the operation of a broadcast station in a manner that is intended to be limited by our multiple ownership rules. Also, the Commission seeks data and/or analysis, based on sound economic principles, to demonstrate that changing the attribution rules would have a significant effect on capital investment and new entry. The Commission also seeks detailed economic data regarding how the capital needs and outlays of broadcasters have changed since the current attribution rules were set, as well as since the earlier set of comments were submitted in response to the *Capital Formation Notice*, and any impediments to adequate financing imposed by the current rules.

11. The Commission is concerned that any action taken in this proceeding not inhibit capital investment nor disrupt existing financial arrangements, and we seek comment as to both of these areas with respect to our proposals herein. The Commission also seeks comment on whether, and, if so, to what extent, we should grandfather existing situations if any modifications we make to the attribution rules, for example, restricting the availability of the single majority shareholder exemption or attributing nonvoting stock, would result in a new attribution of ownership to an entity for a previously held interest, and that new attribution would result in a violation of the multiple ownership rules. Alternatively, should the Commission permit a transition period, during which

<sup>2</sup>The Capital Formation Notice also asked whether the Commission could, under the Communications Act, and should, for policy reasons, permit the holding of security and reversionary interests in licenses. That issue will be resolved in a separate proceeding.