

of the other alternatives provided in Appendix D are economically relevant substitutes for video advertising of the national advertising market.

15. The Commission believes that the primary suppliers of video advertising in the national market consist of the broadcast networks, program syndicators, cable networks, and perhaps cable multiple system operators (MSOs). The Commission tentatively excludes individual broadcast television stations' and cable system operators' sale of advertising to media buyers (*i.e.*, spot sales) from this market because spot sales of advertising to national advertisers are frequently made to allow the national advertisers to reach a more targeted geographic focus and not to reach a national audience. Further, at this time, we do not include wireless cable operators, DBS operators, or VDT operators because they do not presently provide appreciable amounts of national advertising. However, the Commission solicits evidence which would demonstrate that we have either included too many or too few alternative suppliers of national video advertising.

16. *Delineation of the Market's Geographic Scope.* As stated earlier, we view the national advertising market as distinct from the local advertising market. By its very characterization, we view this as advertising directed to a national audience, and hence national in its geographic scope.

17. *Delineation of Market Power Measurement.* To measure market share for the purpose of discerning the concentration of this market, the Commission proposes to use advertising revenues. Because of data availability concerns, we will proxy this by advertiser expenditures by media, from such sources as McCann-Erickson Incorporated. However, we invite suggestions of alternative measures which might be better indicators of market share in the national video advertising market, on the availability of data necessary to use the measure, and on the conditions of entry and other structural features of this market which influence the exercise of market power.

The Video Program Production Market

18. Broadcast TV stations are also involved in the video program production market through their transmission of video programming produced by others. The competitive concern about multiple ownership of television stations in this market is one of either *monopsony* or *oligopsony* power—*i.e.*, the ability of one or several firms to artificially restrict the

consumption of programming or price paid for programming.

19. *Delineation of Relevant Substitute Products and Suppliers.* The products involved in the video program production market, from movies to first-run syndicated television series, are readily distinguishable from other types of programming, like radio programming, and are therefore relevant substitutes. There are a number of sellers and/or suppliers in this market, including program production companies, broadcast television networks, movie studios, and syndicators.

20. Broadcast television stations are major buyers of video programs and typically acquire the video programs they deliver to consumers in one of three ways. First, a broadcaster can affiliate with a broadcast network and obtain an entire package or schedule of programming directly from its network (the network "feed"). For clearing its airtime for network programming, an affiliate is compensated according to the time of the day it clears time for network programming and the size of its potential audience. Second, television broadcasters can also obtain programming from suppliers called "syndicators"—national or regional entities that sell programming to television stations on a market-by-market basis. Finally, television stations can produce their own programming. Network affiliates and independent stations both generally air such locally-originated programming as local news and sporting events.

21. Over the last 15 years, the list of additional buyers of video programs for delivery to consumers has grown. This increase in potential purchasers would seem to imply that there is competition among buyers of video programming and, thus, concerns that television broadcasting companies exercise oligopsony power in the purchase of video programs have lessened to some extent. However, the Commission invites comment on this implication.

22. *Delineation of the Market's Geographic Scope.* The video programming production market is clearly national and perhaps international in scope, because television broadcasters obtain a large portion of their programs from national providers. The fact that television broadcasters produce some programming locally does not detract from the national scope of this market, because the television broadcasters could reasonably turn to national sources of supply for programming.

23. *Delineation of Market Power Measurement.* The Commission

proposes to use expenditures on video programming as the proper means of determining market shares for the purposes of examining the buying power of the relevant purchasers of video programming. Commenters are requested to discuss whether this a proper measure for assessing the potential for oligopsony power in this market and on the conditions of entry and other structural features of this market which influence the exercise of market power.

Tentative Economic Conclusions

24. Above, the Commission has reached a series of tentative conclusions about the three markets that broadcast television stations are involved in that are important to consider in the context of this FNPRM. The Commission will assume these delineations of relevant substitutes and suppliers, geographic scope, and measures of market power for the market for delivered programming, the market for advertising, and the video program production market in subsequent analyses of the effect of broadcast ownership rules under consideration. To aid the reader, the Commission set out the alternatives in Appendix E of the full text of the decision, and those starred alternatives that will be tentatively used as working assumptions about the relevant markets in further discussion. Clearly these delineations should be the focus of comments on our competitive analysis of television broadcasting, and so are subject to change based upon comments and evidence received in response to the FNPRM.

25. In analyzing the economic effects of the rules under consideration, the Commission assumes the above product market descriptions, and considers: (1) Whether the existing evidence points currently to exercise of market power (focusing upon prices in the different markets); and (2) whether relaxing the current rules will substantially increase the concentration of these markets to levels which raise concerns about the potential for the exercise of market power?

II. Diversity Analysis of Television Broadcasting

26. The Commission has historically examined the effectiveness of its broadcast regulations in achieving diversity goals by primarily assessing diversity within the broadcasting industry, on national and local levels. However, due to the increasing availability of a variety of video programming sources, the Commission believes that a new framework for