commenters should consider in the context of this decision. The NPRM proposed amending the national numerical limit to permit common ownership of 18, 20 or 24 television stations and altering the national reach restriction to permit a group owner to reach 30 or 35 percent. Alternatively, the NPRM sought comment on whether to modify only the numerical limit, retaining the 25 percent reach limit. Commenters were mixed in their responses to each of these proposals and provided little structured analysis by which we could compare contrasting positions. Consequently, comments are requested on these proposals which are structured in a manner consistent with the analytical framework proposed herein.

Comment is also invited on the following new proposal. The Commission could eliminate the numerical station limit entirely, and allow the reach limit to increase by some fixed percentage, such as 5% every 3 years, until the reach limit rises to 50%, the final limit. During this period, the Commission would monitor the relevant markets and determine whether or not problems have arisen which call for a halt in the relaxation of the national ownership limit. The Commission believes that formulating national limits only in terms of reach, rather than in conjunction with a number of stations limit, may be preferred because it captures the relevant dimension of interest (i.e., the total audience potentially available) and it allows companies flexibility to own either a few stations serving large population markets or a larger number of stations serving small population markets. In addition to these advantages, it may be desirable to allow the reach limit to rise gradually rather than immediately to 50%, in order to monitor industry changes. Parties are encouraged to comment on all the above proposals and any others they wish to suggest.

35. In applying the above to full power stations, we note that UHF stations are now attributed with only 50 percent of their theoretical reach within the ADI. The Commission incorporated this adjustment in the 1984 rules to account for the physical limitations of the UHF signal. The Commission seeks comment on whether this adjustment should be retained. Similarly the Commission similarly seeks comment on whether and, if so, to what extent, there remains a disparity between VHF and UHF signal propagation and how this should affect the UHF discount, if at all. In this regard, comment is also invited on whether, should the UHF

discount be modified, existing group owners should have the reach discount for any currently owned UHF stations "grandfathered," or whether this should be done only where divestiture would otherwise result from a new UHF reach rule that no longer reduced the theoretical reach by 50%.

36. Next, the Commission notes that a television station that qualifies as a satellite is exempt from the national ownership restrictions. Because the Commission, in this proceeding is now considering modifying all aspects of the national and local ownership rules in this proceeding, we believe it is appropriate to incorporate MM Docket 87-8 (Second Further Notice of Proposed Rule Making at 56 FR 42306, August 27, 1991; Report and Order at 56 FR 31876, July 12, 1991) the outstanding proceeding on satellite television stations and resolve such ownership matters in this proceeding. In light of the proposed treatment of local marketing agreements in this FNPRM we invite comment on whether satellite television stations should continue to be exempted from the national multiple ownership rules.

## VI. Local Ownership Rule

37. The local ownership rule prohibits common ownership of two television stations whose grade B contours overlap, and is intended to preclude ownership of more than one television station in a local community in order to promote competition and diversity. As discussed earlier herein, television stations compete for viewership and sell advertising in local markets. Thus, it is important that the Commission's rules ensure workable competition in local markets. Accordingly, changes to the local ownership rule give rise to more serious concerns than changes to the national ownership rule. The Commission intends to carefully evaluate the economic factors that affect the local marketplace, including changes that occurred after the NPRM was adopted in 1992. We will also look at how the proposal to modify the contour overlap rule from Grade B to Grade A is affected by other proposals in this FNPRM and how it and these other proposals influence the effects of allowing common ownership of broadcast television stations with contour overlap in a local market.

## Effects on Competition

38. Because commercial broadcast television station operators effectively compete with each other, with public broadcast television stations, with cable system operators, and others serving their "local" market, some existing large

markets for delivered video programming appear to be unconcentrated when we use either the number of independent operators measure or the number of channels of programming measure for market share calculations.

39. Allowing one entity to own more than one broadcast TV station within a "local" market may permit the company to realize economies of scale, reducing the costs of operating the two stations. The Commission seeks hard evidence from commenters of the existence and magnitude of such economies, particularly information regarding the experience of those group owners who have consolidated pursuant to the Commission's relaxed local radio ownership rule and the one-to-a-market waiver standard. Comment is also invited on whether experiences with respect to the radio market can be used to predict the benefits of relaxing ownership rules in local television

40. Allowing a company to own more than one broadcast TV station in a local market might give the company the economic power to raise video advertising rates within the local service area, if, by virtue of the combination, the local market became sufficiently concentrated. Evidence on whether significant market power in the local advertising market already exists is mixed. Further, at this time, it is not clear whether cable system operators offer effective competition to broadcast station operators in providing local advertising. It is also not clear how substitutable radio and newspaper local advertising is for broadcast television local advertising. Interested parties are asked to provide whatever data and analysis they can on the substitutability of these media in the local advertising market at present and in the future. Assuming that they are not effective substitutes, comment is also requested on how many independent providers of local video advertising are necessary to ensure effective competition in this market. Statistical evidence supporting comments will especially be welcome.

41. Television stations purchase or barter for video programming in a national market in the sense that producers of video programming typically create product which is marketed to be broadcast in more than one local market. However, the program market could be affected if Commission relaxation of the local ownership rules permitted one or a few broadcast station owners to exercise significant market power in the purchase of video programming. The result might be that suppliers of video programming would