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BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

FIELD HEARING ON MEDIA OWNERSHIP

RICHMOND, VIRGINIA

TESTIMONY OF

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VICE PRESIDENT AND GENERAL MANAGER

WAVY(TV)/WVBT(TV)

PORTSMOUTH/VIRGINIA BEACH, VIRGINIA

Good afternoon and thank you for permitting me to testify before you today. I am Edward Munson, Vice President and General Manager of WAVY(TV) and WVBT(TV), two broadcast television stations licensed to the Norfolk-Portsmouth-Newport News, Virginia, Market. I have been General Manager of WAVY(TV) for six years and before that was General Sales Manager for six years. I also recently assumed the position of Regional Vice President of LIN Television Corporation, the parent company of the licensee of WAVY and WVBT.

When I arrived at WAVY in 1991, there were six commercial broadcast stations operating in the Norfolk market. In addition to stations affiliated with ABC, CBS, NBC and Fox, there were two independent stations. The two independent stations were

struggling for survival. My recollection is that neither of them was profitable – certainly neither of them had an appreciable share of local viewing or local advertising revenues. Despite the difficulties faced by these independents, yet another station, WVBT(TV), was launched in late 1992. The president and primary shareholder of the licensee, Beach 43 Corp., was Walter Ulloa, an extremely able broadcast entrepreneur who went on to found and become the chief executive officer of Entravision Communications, a major radio and television company.

Needless to say, with two struggling independents already on the air, there wasn't much interest in WVBT from programmers, advertisers or viewers. The station was able to muster only enough initial capital to build a minimal technical facility whose signal could reach only about 65 percent of the homes in the TV market. Shortly after initiating operations, the station affiliated with the Home Shopping Network. While this business plan enabled Beach 43 to get the station on the air with a small positive cash flow, the station was not a serious competitor for viewers or a significant broadcast "voice" in our large community. Moreover, Beach 43 was unable to attract the additional capital needed to enable it to break out of the home shopping box and build a full-service station.

The solution was to partner with a local station, my station, WAVY, the NBC affiliate. In January, 1995, Beach 43 entered into a local marketing agreement or LMA with WAVY, through which WAVY assumed day-to-day operation of the station under Walter's supervision. WAVY immediately undertook to upgrade the station's technical facility. In May 1996, we relocated the station's antenna to a new 1000-foot tower and increased its power to 5,000 kW, for first time reaching every home in the market. By

pledging to upgrade the station to full power, to use WAVY's resources to obtain competitive syndicated programming, to vigorously promote the station and to develop a full local advertising sales capability, WAVY was also able to land a network affiliation for WVBT with the fledgling WB Network shortly after entering into the LMA.

For the next three years, the station operated as a WB affiliate. Through WAVY's programming resources we were able to assemble a competitive slate of syndicated product and local and regional sports programming that other stations would not carry. While we able to grow our share of the local advertising market from zero to nearly five percent, we sustained operating losses of around \$2 million, before become cash flow positive in 1998.

In 1996, we were approached by the Fox Television Network about switching WVBT's network affiliation to Fox. Fox had undertaken a campaign to have all its affiliates carry local news broadcasts at 10 p.m. The Fox affiliate in Norfolk had declined to do so. This was not a surprising decision. For a single station with virtually no news infrastructure, it would have been many years, if ever, before a 10 p.m. newscast would have been financially viable in the highly competitive Norfolk market. WAVY, however, already produced five hours of local news every day. Adding a first-class local news program at 10 p.m. could be undertaken for a fairly modest capital investment and increase in operating costs of less than \$ 1 million.

So in August, 1998, WVBT became a Fox affiliate. At the same time, we initiated the first, and still the only, 10 p.m. broadcast news in the Norfolk market. This newscast, which was initially a half hour and is now forty-five minutes, has given the

viewers in the Norfolk market an additional news option; it has, moreover, unquestionably expanded total local news viewing in the market. WVBT's newscast most recently generated a Nielsen rating of 4.9 or about 33,000 households. Since the 10 p.m. newscast went on the air, cumulative total late news viewing in the market has grown from a household rating of 22.2 or 141,000 households to a rating of 27.8 or 189,000 households in the most recent ratings book, an increase of more than 33%, substantially more than the market growth in households.

I don't think I need to remind this audience that these increases have come during a period of vigorous and increasing competition from cable and satellite-delivered networks which has substantially reduced total over-the-air viewing in my market.

Local news is by no means the only contribution WVBT has made to the Norfolk media marketplace. In addition to competing for first-class syndicated programming, such as *Cosby*, *Steve Harvey* and *That 70s Show*, WVBT undertakes important community initiatives. Our Sports Wrap Show each night features highlights not only from local sports teams but profiles of local high school and college athletes. We have a weekly public affairs show and have carried the UNCF telethon since 1995. We created the Reading Roundup program which partners with the Boys and Girls Clubs to collect new and gently used books for underprivileged children. We create and broadcast a Hurricane Preparedness program yearly and sponsor the Neptune Air Show at the local naval base. We sponsor the UMOJA festival, the Urban League Martin Luther King Breakfast and periodic political debates. Because of WAVY's resources, an investment

of over \$4 million, WVBT has been able to construct its expensive new digital television facility and is now broadcasting Fox widescreen.

WVBT's presence has both broadened and deepened the local media marketplace in Norfolk – adding an important choice for local viewers and increasing competition for national and local advertisers. And there is simply no question but that WVBT could not have achieved the success it has achieved without its partnership with WAVY.

One year ago, as a result of an additional station starting operations in the Norfolk market, WAVY finally was able to take advantage of the Commission's modest relaxation of the duopoly rules and purchase WVBT. This long overdue step enabled us formally to consolidate our operations and reduce the inefficiencies and the business and regulatory risks inherent in the LMA structure.

It should not have taken this long. This is a station combination which is emphatically in the public interest and which has been in the public interest since it was started eight years ago. Many, many more such potentially beneficial combinations are being precluded by the action of the outdated local TV ownership rule. This is particularly true in smaller markets, where there are simply insufficient resources to support more than one or two high quality local news operations. But, as my experience in Norfolk demonstrates, the current rule is preventing efficient and productive combinations and suppressing potentially vital new local voices even in top 50 markets. I urge you to act promptly to recognize the realities of the new local media marketplace and relax the local station ownership rule by adopting the proposal put forth in the comments of the National Association of Broadcasters and permit common ownership of

any two stations provided that no more than one of them had a share of local viewing in excess of 10 percent of the audience. This modest proposal would strengthen the local broadcast system and foster increased competition and diversity in the local media marketplace. Thank you.