Groups look to lasso LMAs

In race for duopolies, FCC filings likely to cement earlier deals, create few new ones

By Elizabeth A. Rathbun

DUOPOLY

Expect a flood of applications but not a lot of surprises when the FCC starts accepting applications for TV duopolies tomorrow (Nov. 16). Station owners and brokers agree that most applicants will look to create duopolies out of existing local marketing agreements that include options to buy the second station, rather than build new two-to-a-market holdings.

"Anyone who qualifies would be foolish not to rush in," especially in markets that hover around nine individual owners, says one TV group head who asked not to be identified. The FCC's new duopoly rules require that a market have at least eight individual owners post-duopoly.

There currently are about 35 qualifying LMAs in the country, according to BROADCASTING & CABLE research. And of the nation's 59 markets where BIA Research says there are nine or more individual owners, 15 have just nine different owners. Another nine markets have just 10 owners. Duopolies are further limited by the qualification that someone who owns one of the top-four-rated stations in a market can't buy another top-four-rated station.

There are some new deals in the works, however. Young Broadcasting Inc. is reportedly shopping its flagship, independent KCAL Los Angeles. With the money it would get from selling KCAL, the thinking goes, Young might be able to outbid NBC Inc. for NBC affiliate KRON San Francisco (see "Closed Circuit," page 17).

Meanwhile, Granite Broadcasting Corp. is said to be close to a deal to buy UPN affiliate WNGS Buffalo, N.Y., where it already owns ABC affiliate WKBW-TV. Neither Granite's nor Young's chief executive returned telephone calls seeking comment.

Still—and surprisingly—"most of the applications [filed this week] will be to firm up the stations that were LMAs," says Brian Cobb, a media broker with Media Venture Partners. TV owners are being selective for now, he says. But that should change and "eventually there will be more" new deals.

One reason why broadcasters aren't diving into duopoly just yet is that "a lot of prospective sellers think that 2000 is going to be such a great year," Cobb says. They're holding out to see if they can command more money for their stations later.

Also, with the coming of digital television, station owners are wondering if they really need to pay for a second signal, he says. Digital TV will allow broadcasters to air up to six channels over a single signal.

Broker Ben La Rue maintains that

Tribune locks up New Orleans duopoly

Exactly a week after announcing its investment in Prism Communications Partners, an equity fund designed to back media companies owned by minorities, Tribune Broadcasting said it is putting one out of business.

Last Tuesday, Tribune said it would pay $95 million to buy out the 67% interest of its partners in Qwest Broadcasting. Those partners include music magnate Quincy Jones and TV producer Don Cornelius, who are African-American, and TV talk-show host Geraldo Rivera, who is Puerto Rican.

Qwest owns WB affiliates WATL(TV) Atlanta and WNOL(TV) New Orleans (See "Changing Hands," pages 96-97). The deal gives Tribune a duopoly in New Orleans, where it already owns ABC affiliate WGNO(TV). Tribune swapped away WGNX(TV) Atlanta this past March.

"This was a very good investment [and the Qwest partners] decided the time was right to sell that investment," Tribune Broadcast President Dennis FitzSimons said. The deal requires FCC and Justice Department approval.

"It does not come as a surprise that Qwest is cashing out to Tribune," with TV-station prices said to be skyrocketing under the FCC's new duopoly rules, said David E. Honig, executive director of the Minority Media & Telecommunications Council. But he said he is concerned that the deal reduces the number of minority-owned TV stations in the U. S. to 31, or about 2.5% of about 1,222 commercial stations. The duopoly rules need to be "corrected" to keep that number from dropping further, he said.

"As active members of the industry, several of the partners plan to look for additional media ownership opportunities," Qwest Vice Chairman Willie Davis said in a Tribune news release. Neither he nor an Atlanta-based Qwest vice president returned telephone calls.

Tribune was one of about 18 TV and radio broadcasters that on Nov. 8 announced the formation of the $175 million Prism Fund, which will make up to $1 billion available to minorities and women who want to buy TV and radio stations.

Qwest was formed in November 1994 with the purchase of WATL for $150 million and WNOL for $17 million. Tribune paid $15 million for what was then a 45% stake in the company, which was chaired by Jones. At the time, Rivera said the Qwest principals would lobby for relaxation of the TV duopoly rules.

In December 1995, Qwest and Tribune won conditional approval from the FCC to allow Tribune to continue as a partner in Qwest without its interest, or attribution, being counted against it for station-ownership purposes. Commissioner Susan Ness reluctantly concurred, saying the case "pushes the limits of our rules."

— Elizabeth A. Rathbun