

## **DECLARATION OF MARK R. FRATRIK**

1. I am Mark R. Fratrik, Vice President of BIA Financial Network. I have been employed by BIA Financial Network since January 2, 2001. I received my B.A. in Economics and Mathematics from the State University of New York at Binghamton in 1976. I received my M.A. and Ph.D. from Texas A&M University in 1978 and 1981, respectively. A copy of my vitae is attached at the end of this report, establishing my qualifications to collect and evaluate media data, as well as the presence of media outlets in the Hartford-New Haven DMA.
  
2. I understand that this testimony will be submitted with the applications for FCC consent to the transfer of control of the licenses for two television stations – WTIC-TV and WTXN – that are presently indirectly owned by Tribune Company (“Tribune”). My testimony will focus primarily on the media competition in the Hartford-New Haven, Connecticut television market (the “Hartford DMA”), as well as the transactional market in the television industry nationwide during the past ten years.

### **The Hartford DMA**

3. I have reviewed the local structure and competitiveness of the Hartford DMA. BIAfn assisted Tribune in compiling the various media tables and “voice” counts contained in its waiver request, and believe that these counts accurately reflect the diverse and competitive Hartford DMA, including the penetration of the DMA by

out-of-market media. Today's media marketplace in Hartford reflects the vibrant competition and diversity that have come from the introduction of more television stations, more radio stations, the advent of cable television, and other technological developments, including the Internet.

4. The Hartford DMA is ranked 28th out of 210 markets in size and has four major commercial television groups which own stations that are licensed to communities in the DMA, each with very competitive advertising revenue shares. For revenue estimates, I rely on the estimates included in the *BIAfn Media Access Pro*<sup>TM</sup> software product. *BIAfn* estimates revenues for all television stations, and other media as well. These estimates are derived from survey responses of those media outlets as well as modeling for non-responding outlets.
  
5. Of these four major commercial television groups, Meredith Corporation and NBC Universal (GE) are ranked first and second, respectively, in this market with strong broadcast operations both locally and throughout the United States. The third-ranked group, Lin Television, owns two stations licensed in the market: WTNH-TV and WCTX-TV. Tribune is the fourth-ranked group in the market, even with the duopoly created to maintain on-air operations of WTXX. The distribution of these revenue shares are included in Figure 2 attached to this statement. In addition to these six stations, the strong public broadcasting operation of the Connecticut Public Broadcasting Corporation and two other commercial television stations also serve the market, but collectively earn less

than 5% of the television revenue in the Hartford DMA.

6. As shown, the revenue share attributable to Tribune is the lowest of the four major groups, even including the 4.3% revenue share generated by owning WTXX. WTIC, a relatively new station that entered the market in the late 1980s and early 1990s, is able to compete with the three leading television station operations that traditionally have been the market's foremost television broadcast operations as the result of Tribune's resources. Additionally, if WTXX was independently-owned, it would be a relatively much smaller operation compared to the three leading television groups. This disadvantaged position would hamper the ability of both WTIC-TV and WTXX not only to compete effectively in this marketplace, but also to produce and provide news and public affairs programming of any comparative quality.
  
7. In addition to this competition from traditionally strong local television stations, another major factor affecting the Hartford DMA is its proximity to other Eastern television markets. Given the other large major cities located nearby, the over-the-air signals of these other markets serve significant portions of the Hartford-New Haven television market, and consequently, there is a considerable amount of viewing of stations located in these adjacent markets. Contributing to that adjacent market viewing is the tremendous amount of carriage of these adjacent market signals by cable systems located within the Hartford DMA. Table 1, attached to this declaration, provides examples for listings of some of the many

cable communities within the DMA that carry adjacent market television stations and the call letters of those stations. Some of these cable systems carry as many as eight television stations from adjacent markets.

8. The total amount of viewing of these adjacent market stations is quite substantial, especially when compared with other DMAs. For the May 2006 sweeps period, these adjacent market television stations garnered nearly ten percent (9.6%) of all the viewing of over-the-air television stations. In the communities surrounding Hartford that are proximate to New York City, Springfield, Providence, and Boston, these “out-of-market” stations serve as competing local outlets for news, information and entertainment. As a result of this significant adjacent market viewing in the Hartford DMA, the local commercial television stations have even fewer potential viewers to attract. These smaller audiences challenge the local television stations in generating advertising revenues and lead to a more competitive television marketplace.
  
9. The extent of this viewing of adjacent market stations and its resulting impact will continue to be substantial and may even increase in the future. Many of the adjacent market television stations have digital operations whose signals extend farther into the Hartford DMA than their corresponding analog signals. In these circumstances, the impact of adjacent market stations on the media marketplace of the Hartford DMA cannot be ignored.

*National Television Transactional Market*

10. In addition to reviewing the local structure and competitiveness of the Hartford DMA, I reviewed national trends in television station transactions. I understand that Tribune has made efforts to sell WTXX, as well as the WTIC-WTXX duopoly, during the past six years, but has been unable to obtain a buyer at a reasonable price on acceptable terms.
  
11. The evaluation of Tribune's ability to sell WTXX or the duopoly, must be understood in the context of the declining sales market for television stations during this period, and specifically the difficulty in selling television stations during the years 2002 to 2005. In order to appreciate the difficulty in selling television stations during this time period, it is important to examine the number and value of television stations that were sold in preceding years. Figure 1 attached to this declaration shows the history of annual television station sales from 1996 through 2005.
  
12. As clearly shown in Figure 1, the number of television stations and the total value of the stations that were sold began dropping in 2000, when Tribune began its attempt to market the WTIC/WTXX duopoly and WTXX alone. Most significantly, television station transactions fell considerably in 2002 through 2005, with sales levels in 2003 and 2004 at record lows, amounting to 3 to 6 percent of the station sales volume in 1999. In the preceding years, and particularly in 1999, there had been an increase in the number and total value of

television stations sold, caused, in large part, by the FCC's relaxation of the local television duopoly rule in 1998. Television station sales decreased in activity in 2000 and significantly starting in 2001, due to the advertising recession and the events of and following September 11, 2001.

13. There was no rebound in station sales in 2002, when the total sales and value of television stations continued to decrease, with substantial further decreases in 2003 and 2004. In 2002, the slowdown in television station sales was most pronounced in the last part of that year. The total value of television station sales attributable from August through the end of 2002 was only 20% of the entire year's total, where those five months usually constitute more than 40% of the entire year. The entire year of 2003 exhibited a remarkably low level of television station transactions, and proceeded to an even further remarkably low level in 2004. The trend continued during the early part of 2005, and transactions only began to increase at the end of 2005, as several larger station groups engaged in sales nearer to the year's conclusion.

14. One of the paramount reasons for the lack of activity in 2002 continuing through the early part of 2005 was the FCC's ongoing proceeding reviewing its broadcast ownership regulations. The FCC initiated their biennial review of these regulations in the middle of the year in 2002. In anticipation of the potential relaxation of these rules, many television groups held back on acquiring new properties. The uncertainty over the ownership restrictions in these rules did not

end with the FCC's June 2003 decision revising the rules, because those rules, while proscribing more liberal ownership limits, were quickly stayed pending their challenge on appeal. The United States Court of Appeals for the Third Circuit did not rule on the effectiveness of these rules until mid-year 2004, when the court remanded the rules to the FCC for further analysis.

15. Given the uncertainty of the FCC's action on the rules adopted in June 2003, and the timing of that action, there continued to be a slowdown in television station sales activity throughout 2004 and into 2005. Only at the end of 2005 through the beginning of 2006 did the activity in station sales recover to some degree, although still at 25% to 50% of the levels in 1998-2000. Some large groups decided that there would not be sufficiently timely action on the ownership rules and decided to exit the television industry. Emmis Broadcasting, for example, was one group that sold most of their stations in late 2005 and early 2006.

16. Given these national trends, it is not surprising that Tribune saw greatly depressed interest in its Hartford television properties during the past five years, and especially during the period between the middle of 2002 and the end of 2005. The transactional market for larger properties, like the WTIC-WTXX duopoly, was even more restricted, given the much more limited number of group owners that are potential buyers for such properties, and the uncertainty of the business plans of these groups as the FCC's media ownership proceeding remained pending without resolution.

17. Under the penalties of perjury, the foregoing is true and correct to the best of my knowledge information and belief.

A handwritten signature in black ink, appearing to read "Mark R. Fratrik". The signature is written in a cursive style with some loops and flourishes.

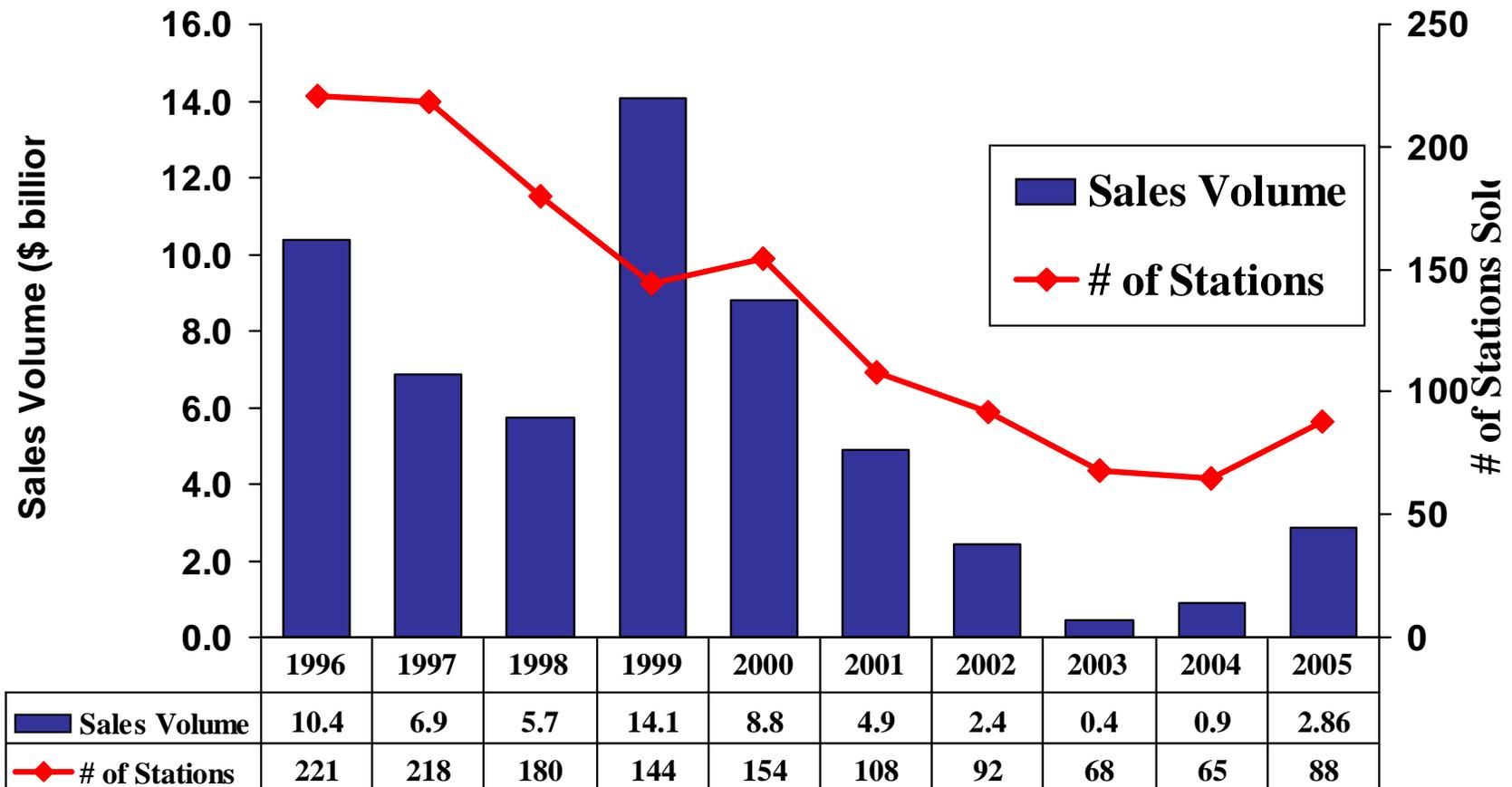
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Mark R. Fratrik, Ph. D.

Dated: May 1, 2007

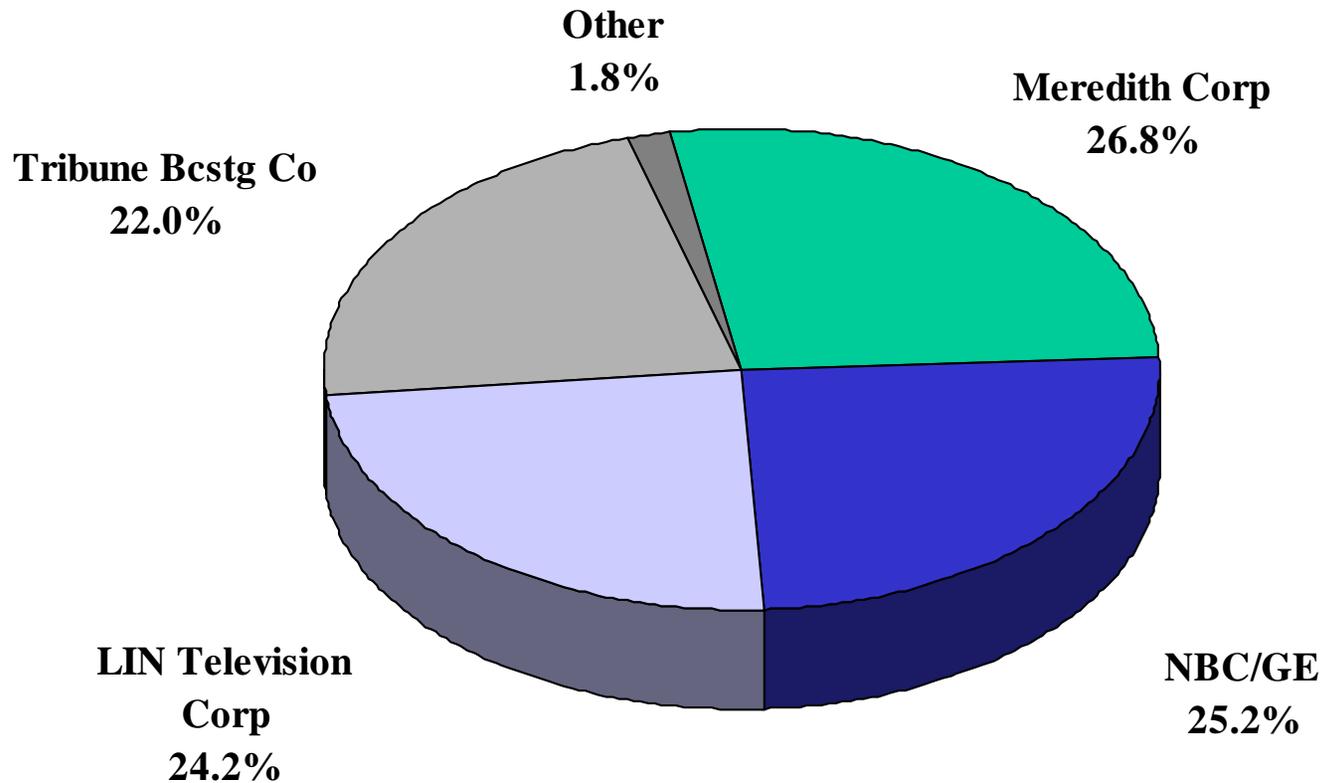
# Figure 1

## Television Station Transaction Volume: 1996 – 2005





# Group 2005 Estimated Revenue Shares Hartford-New Haven, CT Television Market



Group revenues include stations owned or operated under a Local Marketing Agreement in the market.

**Table 1- Cable Communities in the Hartford-New Haven, CT Television Market  
with Carriage Adjacent Market Television Stations**

**ASHFORD**

WBZ-TV, CBS, Boston  
WCVB-TV, ABC, Boston  
WGBH-TV, PBS, Boston  
WSAH, IND, Bridgeport  
WSBE-TV, PBS, Providence

**BRANFORD**

WABC-TV, ABC, New York  
WCBS-TV, CBS, New York  
WNBC, NBC, New York  
WNET, PBS, Newark  
WNYW, FOX, New York  
WPIX, CW, New York  
WWOR-TV, MNT, Secaucus

**CLINTON**

WNET, PBS, Newark  
WWOR-TV, MNT, Secaucus

**ENFIELD**

WGBY-TV, PBS, Springfield  
WGGB-TV, ABC, Springfield  
WWLP, NBC, Springfield

**GROTON**

WGBH-TV, PBS, Boston  
WJAR, NBC, Providence  
WLNE-TV, ABC, New Bedford

**HARTFORD**

WGBY-TV, PBS, Springfield

**LITCHFIELD**

WNBC, NBC, New York

**MANCHESTER**

WGBY-TV, PBS, Springfield  
WSBK-TV, IND, Boston

**MERIDEN**

WGBY-TV, PBS, Springfield  
WNBC, NBC, New York  
WSAH, IND, Bridgeport

**MIDDLETOWN**

WGBY-TV, PBS, Springfield  
WWLP, NBC, Springfield  
WWOR-TV, MNT, Secaucus

**NEW HAVEN**

WABC-TV, ABC, New York  
WCBS-TV, CBS, New York  
WNBC, NBC, New York

WNET, PBS, Newark  
WNYW, FOX, New York  
WPIX, CW, New York

**NEW LONDON**

WGBH-TV, PBS, Boston  
WJAR, NBC, Providence  
WPIX, CW, New York  
WPRI-TV, CBS, Providence  
WSBK-TV, IND, Boston

**NORWICH**

WCVB-TV, ABC, Boston  
WGBH-TV, PBS, Boston  
WJAR, NBC, Providence  
WPRI-TV, CBS, Providence

**OLD LYME**

WCVB-TV, ABC, Boston  
WEDN, PBS, Norwich  
WGBH-TV, PBS, Boston  
WJAR, NBC, Providence  
WPRI-TV, CBS, Providence

**PLAINVILLE**

WGBY-TV, PBS, Springfield

**SEYMOUR**

WABC-TV, ABC, New York  
WCBS-TV, CBS, New York  
WNBC, NBC, New York  
WNET, PBS, Newark  
WNYW, FOX, New York  
WPIX, CW, New York  
WSAH, IND, Bridgeport  
WWOR-TV, MNT, Secaucus

**VERNON**

WGBY-TV, PBS, Springfield  
WWLP, NBC, Springfield

**WATERBURY**

WABC-TV, ABC, New York  
WNBC, NBC, New York  
WNYW, FOX, New York  
WPIX, CW, New York  
WSAH, IND, Bridgeport  
WWOR-TV, MNT, Secaucus

**WINSTED**

WGBY-TV, PBS, Springfield