

PUBLIC INTEREST STATEMENT

Long Island Educational TV Council, Inc., the licensee of public television Station WLIW, is a non-profit community group governed by a diverse board of over 20 community leaders. Station WLIW devotes more effort and time to fund-raising than it would like to, yet works mightily to just stay in the black. The licensee is proud of what it has managed to accomplish, but it is not able to produce the amount of issue-responsive local programming that it would like to, and it faces the federal mandate for DTV conversion without a viable financial plan. Beyond the looming DTV conversion, Station WLIW has further major capital requirements, including the need to update and replace its outdated studios and infrastructure. Meanwhile, it is faced with erosion -- as are most public television stations -- in viewership as a result of the proliferation of cable television networks that divide the audience. The WLIW governing board, after extensive study and deliberations, concluded that the common control and operation of both stations by Educational Broadcasting Corporation (EBC), the licensee of public television Station WNET, would offer the best prospect for a financially stable operation that will provide long-term service by Station WLIW to Long Island. While WLIW might be able to survive independently, the licensee does not see a path to prosper so as to be able to realize the full potential of the station.

The impetus for the discussions that eventually resulted in the WLIW asset acquisition agreement was encouragement from the Corporation for Public Broadcasting for stations in markets served by more than one public television station to identify and pursue operating efficiencies. In the mid-1990's, amid criticism from Congressional leaders of wasteful duplication in public television markets, CPB established the Overlap Market Program to provide grant money for the pursuit of consolidation opportunities. CPB awarded WNET, WLIW, and WNYE-TV, three of the PBS member stations serving the New York City metropolitan area, a series of grants totaling more than \$600,000 to permit them to explore the feasibility of, and to pursue, a joint master control facility that would serve all three stations with equipment and technical assistance appropriate to each individual program service. The stations secured almost \$300,000 in additional funding from the Commerce Department's PTFP program.

WNET engaged in several years of intensive collaborative planning with WLIW and WNYE-TV. In the midst of these efforts, but for unrelated reasons, EBC sold its longtime offices and studios and was building a new, state-of-the-art, all digital-ready facility further downtown in Manhattan. EBC decided to incorporate the potential for a joint master control into the design for its new location.

Although the parties' talks did not result in combining the three stations' technical facilities, they did lead to merger discussions between WNET and WLIW, given WLIW's belief that it would be financially hard-pressed to meet its DTV conversion obligations, and both licensees' realization that the difficulties of partial consolidation pointed up the virtues of a more complete integration of their operations.

From EBC's point of view, the planned transaction that emerged from these discussions will enable it economically to provide both more viewing choices and more extensive educational services in its tri-state service area (NJ, NY and CT), consistent with CPB's continuing policy of encouraging consolidation of infrastructure within public broadcasting. By utilizing a joint master control, combining accounting and other back-office functions, consolidating outreach and fund-raising, coordinating scheduling on the two stations and cross-promoting them, and integrating the two licensees' membership programs, EBC expects to be able to eliminate wasteful infrastructure duplication and costly inter-station competition for viewer and corporate support and for program purchases, and to channel greater financial and creative resources into generating new programming, outreach efforts and educational services of the highest caliber. The anticipated benefits will be to create a bigger "footprint" for EBC's major educational initiatives, increase the viewership of both WNET and WLIW, and create a stronger overall public television presence in the greater New York area. That area - the largest U.S. television market - will, of course, also continue to be served by WNYE-TV as well as by other noncommercial educational television stations licensed to the New Jersey Public Broadcasting Authority and to Connecticut Public Broadcasting, Inc.

The following excerpts from remarks made at the July 31, 2001 WLIW Board of Trustees meeting by Robert T. Coonrod, President, Corporation for Public Broadcasting, demonstrate the public interest in the proposed consolidation:

"Public broadcasting depends on community support for its survival. WLIW is a community licensee and this Board is charged under the Communications Act with very important and significant responsibilities to represent community interests in making this decision. I am impressed with the thoroughness and focus of the comments that I have heard so far. The comments on how to better serve the people of Long Island, how to provide more local programming, and how to promote these services are all things that are important considerations.

"The Corporation for Public Broadcasting encourages cooperation and collaboration among television stations in the same market. We do that because the emphasis needs to be on how to improve local service. We have been promoting that idea for a long time because you raise the level of community support by improving the service to the community and that level of community support manifests itself in a number of ways. It manifests itself in financial support from individuals in the community, philanthropic support within that community, and through corporate support within that community. So there is a direct link between how well the community is served and the kind of support received.

“Since 1995, we have also focused on this issue for more specific reasons. In 1995, Congress began expressing real interest in how public television has been built out over the years. In the early days, between 1967 and 1987 or so, the emphasis was to build out to public television. After ‘87, the emphasis began to look at how to improve service and how to deliver the service once the system is built out. By 1995, there was some concern about the fact that we were putting too much emphasis on infrastructure and not enough on service. One of the things that Congress said to us was ‘Unless you fix the problem, we’re going to fix it for you.’

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“One of the things we know is that stations collaborating effectively in a single market tend to do a much better job of improving their non-federal financial support. At the same time, on the cost side, they could reduce their requirements and, on the revenue side, they could do a significantly better job of improving their performance.

“Then, in the late ‘90s, we also began to focus on the requirements of the digital transition. Clearly we focused appropriately on the cost of the digital transition. But we also wanted to focus on the opportunities of the digital transition. There are two kinds of opportunities: One is the opportunity to provide better service and more programming; the other is that digital technology offers opportunities for server-based services and everything else that actually are easier to organize -- don’t require the same level of infrastructure that analog broadcast systems have. So working together with another television station in the same market is very important. If you think about the digital transition -- yes -- the cost part is a significant and important part of it, but the other aspects -- this approach that you are taking -- is one really worth considering.”

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The Trustees were invited to ask Mr. Coonrod questions.

Question from Barry Shapiro: “To what extent do you believe that the combined entity – WNET and WLIW -- will find it easier to receive funds from the Corporation [for] Public Broadcasting?”

Answer from Robert Coonrod: “There are two parts to the normal grant -- Base Grant and Incentive Grant. WNET has already lost its Base Grant, WLIW has lost part of its Base Grant. So what we are operating in here is almost a pure incentive environment. In other words, this is based on performance. And **there is no question in my mind that the two stations working together are going to be more effective than when they are in competition.** So, therefore, the probability of them getting a larger share of the basic pie, on the basis of incentives, is that it is pooled money and you compete for it with other stations. So the two stations competing jointly are likely to do better than they would do individually -- on sort of a micro level. But on a macro level, to the extent that we can use examples like this to argue that public broadcasting is making the kinds of strides it needs to make going forward, I think it also increases the possibility of getting more federal funding. So, I think it works at both levels.” [emphasis added]

In sum, the resources provided by EBC will alleviate the economic pressure of WLIW's digital conversion, enabling WLIW to fulfill its mission without jeopardizing its financial stability so that it can become a stronger resource for the community. At the same time, WNET will be able to channel more financial and creative resources into the creation of great programming, outreach and educational services. The result will be to realize the fullest potential of non-commercial public television in the New York metropolitan region.