

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)		
)		
Applications of)	File Nos.	SAT-T/C-20210322-00037
V Opco LLC, AT&T Inc.,)		SAT-T/C-20210322-00038
and DIRECTV)		SES-T/C-20210322-00546
Enterprises, LLC)		SES-T/C-20210322-00547
)		ULS File No. 0009450204
For Consent to Transfer)		
Licenses and Authorizations)		

**JOINT REPLY OF
THE ABC TELEVISION AFFILIATES ASSOCIATION,
CBS TELEVISION NETWORK AFFILIATES ASSOCIATION,
FBC TELEVISION AFFILIATES ASSOCIATION,
AND NBC TELEVISION AFFILIATES**

The ABC Television Affiliates Association, CBS Television Network Affiliates Association, FBC Television Affiliates Association, and NBC Television Affiliates (collectively, the “Affiliates Associations”) hereby submit this Reply to the Joint Response of AT&T Inc. and TPG Capital concerning the above-captioned transfer of control applications (the “Applications”).¹

While brief, the Joint Response demonstrates precisely why the FCC should condition any grant of the Applications on New DIRECTV’s obligation to introduce local-into-local service in 12 neglected rural markets.² AT&T and its new joint venture simply cannot be trusted

¹ See Joint Response of AT&T Inc. and TPG Capital, filed May 12, 2021 (the “Joint Response”).

² As described in the Affiliates Association’s Joint Comments, DIRECTV’s 12 neglected markets are: Bowling Green, Kentucky; Grand Junction-Montrose, Colorado; Cheyenne, Wyoming-Scottsbluff, Nebraska; San Angelo, Texas; Casper-Riverton, Wyoming; Ottumwa, Iowa - Kirksville, Missouri; Victoria, Texas; Helena, Montana; Presque Isle, Maine; Alpena, Michigan; North Platte, Nebraska; and Glendive, Montana

to serve the public interest or provide non-discriminatory local television service to all Americans absent a Commission order to provide full local service in all 210 DMAs.

AT&T and TPG object to the Affiliates Associations' observation that New DIRECTV will be outside the control of AT&T, but the Applications demonstrate that fact beyond any doubt. Regardless of its majority equity position, AT&T will control only two of New DIRECTV's five voting board members.³ Under this structure, even if AT&T were inclined to respond to local television viewers' needs for local news, weather, and emergency information, it will have no ability to do so absent concurrence of TPG and New DIRECTV's CEO. Unlike AT&T, which has a true local presence in all 12 neglected markets and at least potential incentives to serve television viewers in those markets, private equity firm TPG and New DIRECTV's bottom-line-focused CEO will have no incentive to consider expanding local-into-local service to the 12 neglected markets.⁴ The Commission needs to step in to protect these Americans.

AT&T and TPG next raise the brand new claim that New DIRECTV can't economically offer local-into-local service in the 12 neglected DMAs "due to a broken retransmission consent regime."⁵ They claim that this is "well known to the Commission," but in past transactions

³ See Applications, Description of Transaction, Public Interest Showing, and Related Demonstrations at 2.

⁴ The Affiliates Association never disputed that DIRECTV "do[es] business in every local television market." That is precisely the point – DIRECTV provides the 12 neglected markets with a local-free service, taking money out of these communities while undermining local broadcast television stations. At least while DIRECTV is part of AT&T, which has customer, infrastructure, employees, and investments in local markets across the country, it is subject to local pressures that AT&T might face. As a stand-alone company, New DIRECTV will have almost no direct investment in *any* local community outside its El Segundo, California headquarters. Whereas AT&T might have had incentive to serve the neglected markets, New DIRECTV will not.

⁵ Joint Response at 2-3.

AT&T and DIRECTV have never argued that retransmission consent is the problem; rather, they've always told the Commission that they lacked satellite bandwidth to serve the neglected markets. For example, in 2014, AT&T and DIRECTV told the Commission “[t]he key factors affecting local-into-local service are DIRECTV’s satellite capacity and the significant infrastructure costs of collecting and uplinking broadcast signals.”⁶ The Commission believed them, granting AT&T’s takeover of DIRECTV without any local-into-local conditions.⁷ In 2008 DIRECTV and Liberty Media told the Commission that it would provide local-into-local service in then-neglected markets “as far and as fast as it can, consistent with economic, satellite capacity, and technological limitations” but that rolling out HD service in support of the DTV transition was a higher priority than introducing local service in small, rural markets.⁸ The Commission accepted these rationales as properly balancing the public interests at stake at that time.⁹ In 2003, News Corporation claimed that DIRECTV needed additional satellites to expand local service to all markets, and the Commission accepted this claim.¹⁰

The Commission should notice a pattern here. Every few years, DIRECTV and a suitor come before the agency seeking approval for a transaction. To avoid providing local-into-local service in neglected markets, they raise whatever excuse is convenient and in vogue at the time of the request. The bottom line is always the same; DIRECTV won’t introduce local-into-local

⁶ See Joint Opposition of AT&T Inc. and DIRECTV to Petitions to Deny and Condition and Reply Comments, MB Docket No. 14-90, at 66, filed Oct. 16, 2014.

⁷ AT&T, Inc. and DIRECTV, *Memorandum Opinion and Order*, 30 FCC Rcd 9131, 9226-27 (paras. 245-48) (2015).

⁸ See Consolidated Opposition to Petitions to Deny and Response to Comments, MB Docket No. 07-18, at 12-13, filed Apr. 9, 2007.

⁹ News Corp., *et al.*, and Liberty Media Corp., *Memorandum Opinion and Order*, 23 FCC Rcd 3265, 3327-28, 3329 (para. 137) (2008)

¹⁰ General Motors Corp., *et al.*, and News Corp. Ltd., *Memorandum Opinion and Order*, 19 FCC Rcd 473, 616 para. 332 (2003).

service in the neglected markets. DIRECTV used to say the problem was satellite capacity; now, for the first time, they say the problem is the retransmission consent rules. The reality is that DIRECTV doesn't care about providing local service in these communities. It's time for the Commission to break this cycle and promote localism by requiring New DIRECTV to roll out local-into-local service in all 210 DMAs.

Even taking AT&T and TPG at their word that the problem today is retransmission consent, the Commission should reject that justification for denying local television stations to hundreds of thousands of Americans. DIRECTV doesn't charge its customers separately for local channels. That means viewers in the 12 neglected markets are paying the same price as viewers in markets that do receive local channels. In other words, viewers in the 12 neglected markets are paying for local channels, but they aren't receiving them.

What AT&T and TPG are saying with their retransmission consent excuse is that the only way New DIRECTV will introduce local service in the 12 neglected markets is if Congress and the Commission regulate broadcasters' retransmission consent rates. The Commission should reject New DIRECTV's transparent rent-seeking and stop letting AT&T and TPG hold hundreds of thousands of rural American television viewers hostage to the company's lobbying agenda.¹¹ Absent a binding obligation imposed by the Commission, New DIRECTV will keep denying viewers local service and starving resource-challenged local television stations in the 12

¹¹ The Commission has rightly and repeatedly rejected invitations by DIRECTV and its MVPD allies to interfere in the free retransmission consent market that Congress created. *See, e.g.,* NBI Holdings, LLC, *Memorandum Opinion and Order*, 34 FCC Rcd 10554, 10555-56 (2019); Tribune Media Company, *Memorandum Opinion and Order*, 34 FCC Rcd 8436, 8451-53; Raycom Media, Inc., *Memorandum Opinion and Order*, 33 FCC Rcd 12349, 12356-58 (2018). Applicants' not-so-subtle suggestion is that the Commission's refusal to bend the law to DIRECTV's whims leads to degraded local service for viewers in the neglected markets. The Commission should not accept New DIRECTV's threat to continue punishing viewers in the neglected markets for the failure of its regulatory agenda.

neglected markets, effectively suppressing local news operations in an effort to boost profits for its new owners. This is exactly the kind of reckless, anti-local attitude the Affiliates Associations predicted would infect New DIRECTV, and AT&T and TPG didn't even wait for the transaction to close to put it on full display. The only way to ensure that New DIRECTV actually serves all of the Americans covered by its satellite licenses is to adopt the local-into-local condition the Affiliates Associations are requesting.

AT&T and TPG also falsely claim (as they have many times before the Commission) that their “over-the-air antenna solution” is equivalent – indeed superior – to providing local-into-local service.¹² Nothing could be further from the truth. DIRECTV offers viewers in the 12 neglected markets a “channel connector” option that consists of using a small indoor UHF-only over-the-air antenna to pick up local signals.¹³ For most viewers in the 12 neglected markets, this “solution” will never work reliably. First, in these typically large, rural DMAs, many viewers are outside the range of a reliable over-the-air signal; in fact that's why these viewers are attracted to MVPD services like DIRECTV. So, no antenna “solution” will serve those viewers. Second, even for households that are within range of a quality over-the-air broadcast signal, the antenna DIRECTV provides is not likely to deliver most stations' signals. The reason is basic physics. In the 12 neglected markets, 23 of the 41 full-power stations licensed to local communities – a full 56% – are VHF stations.¹⁴ Due to their wavelength, VHF signals require a large outdoor antenna for reliable reception. The small, indoor UHF antenna DIRECTV

¹² See Joint Response at 2-3.

¹³ See Local Channel Connector, <https://support.directv.com/equipment/local-channel-connector-faq>.

¹⁴ Notably, the rate of VHF stations in the 12 neglected markets is twice the national rate. Nationwide, only 28% of full-power television stations are VHF stations. See <https://docs.fcc.gov/public/attachments/DOC-371337A1.pdf>.

provides is therefore likely to lead to little more than frustration and disappointment – not local signal reception. It should go without saying that offering a “solution” that delivers – at best – less than half of a market’s local television stations is really no solution at all. It might sound good in Washington, D.C., but it doesn’t help viewers in remote areas of neglected markets like Casper-Riverton, Wyoming, or Presque Isle, Maine. In truth, the only beneficiary of DIRECTV’s antenna “solution” is DIRECTV itself, through convincing the Commission to repeatedly grant assignment applications that better serve DIRECTV’s interests than the public’s.

IV. CONCLUSION

For the foregoing reasons and those described in their Joint Comments, the Affiliates Associations urge the Commission to condition its approval of the Applications on New DIRECTV finally making good on its commitment to provide local-into-local television service to all 210 Nielsen DMAs.

Respectfully submitted,

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May 24, 2021

CERTIFICATE OF SERVICE

I hereby certify that on May 24, 2021, I caused a copy of the foregoing Joint Reply of the ABC Television Affiliates Association, CBS Television Network Affiliates Association, FBC Television Affiliates Association, and NBC Television Affiliates was filed with the Commission through the IBFS filing portal with respect to the captioned dockets.

A copy of the foregoing Joint Comments was also served by overnight mail on the following (and, where indicated, by electronic mail):

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A Copy of the foregoing Joint Comments was also served on the following Commissioners and Commission staff by electronic mail:

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