

BELO

Robert W. Dechard
Chairman of the Board
President and Chief Executive Officer

June 16, 2003

The Hon. John McCain
Chairman, Senate Commerce Committee
and Committee Members
United States Senate
Washington, DC 20510-6125

Dear Mr. Chairman and Committee Members:

On behalf of Belo Corp., I ask you to permit the recently-concluded FCC rulemaking on television ownership to be implemented as voted by the majority of the Commission. Belo believes that a well-reasoned, moderate rulemaking such as the one presented on June 2 is essential to the well-being of television licensees and other media organizations that practice outstanding journalism and are dedicated to community service. More importantly, viewers across America will benefit.

The Commission's June 2 rulemaking recognizes current industry, market and competitive conditions, and is a realistic modification of the current rules. A discussion paper outlining our Company's perspective concerning the detail of the rulemaking is attached. In the absence of such a rulemaking, litigation challenging the current rules is a near-certainty and there is a substantial chance that the courts, once presented with these lawsuits, would eliminate *all* ownership restrictions for television licensees. Belo's belief is that this would not be in the best interests of the American public, of the businesses that hold television licenses, or journalism.

Moreover, we worry about a precedent of immediate legislative reaction to the decision of a regulatory agency, particularly on matters as complex and far-reaching as television ownership rules. Congress cannot appear to be influencing the flow of news and information; instead, we should rely on established regulatory procedures, the timing of which in this instance is mandated by a previous act of Congress. Congress can always pass legislation in the future, with appropriate deliberation, requiring the FCC to address matters that reflect the then-current market environment.

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The debate about this rulemaking over the past three months has been about philosophy and ideology, not about the business realities of a consolidating industry operating in a free market environment. Concerns about the quality and type of news and information broadcast via television (or other distribution means) cannot be "solved" by government intervening in one dimension of our complex media marketplace. Just as in politics, a few major themes define American journalism, and these evolve with the rest of American society. It is impossible to guarantee that, at any given point in time, every political or ideological view will be present in each of the hundreds of local news and information programs broadcast each day across the United States. Congress makes no effort to do so with cable MSOs and satellite distributors -- both of which are far more consolidated in ownership than television.

It is interesting that in the case of the Internet, Congress has steadfastly declined to regulate this new medium, and a very robust, diverse, locally-driven news and information environment has been established without any undue concern about concentration.

The business reality is that all industries in a free marketplace consolidate as the industries mature and competitive conditions change. There are abundant examples in the U.S. (retailing being a good current example). Moreover, it is impossible to compel owners of individual assets, or small groups of assets, to remain owners so as to "ensure diversity of voices." And, as Belo has noted consistently over the past two years, the relationship between the current price of media assets and return on invested capital is such that there is not likely to be any great acceleration of consolidation, or acquisitions, simply because this rulemaking has been completed.

The consolidation of the television industry has been fairly orderly since the Telecommunications Act of 1996, yet our industry needs clarity and consistency in the regulatory framework, which buttress the ability of companies like Belo to hold our own versus television networks, cable MSOs and satellite distribution companies. Regulatory uncertainty and litigation do not serve that end.

Three times since 1990, Congressional intent has been ignored to the disadvantage of local licensees like Belo: retransmission consent following the Cable Television Consumer Protection Act of 1992; the slow and erratic transition to digital television for

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the first six years following the Telecommunications Act of 1996; and, the Satellite Home Viewer Improvement Act of 1999, whereby the satellite industry was forgiven for flouting laws prohibiting it from the core markets where television licensees operate. These ambiguous legislative outcomes impaired television licensees like Belo in maintaining the competitive parity we believe is in the best interests of American citizens.

There should not be a political maelstrom now about a rulemaking that is, in fact, consistent with legislative history beginning with the Telecommunications Act of 1996 and is moderate in its modification of current restrictions. We think you should give this rulemaking a chance to be implemented as proposed, then carefully monitor actual market outcomes insofar as permitted transactions are concerned. And, we believe that the Committee and Congress could, and should, enable the Commission to lengthen the period between Commission reviews of ownership rules.

The best focus of the Committee's attention, in our estimation, is in addressing digital must-carry for television licensees like Belo, including the right to the entire spectrum licensed to us; intensifying the pace of the digital television transition, which, among other things, will return valuable spectrum to the federal government; and assuring the critical right of network affiliates to assign affiliation agreements to purchasers of licenses. These priorities ensure the ability of smaller and mid-size companies like Belo to maintain our current market positions in a highly-competitive, fast-changing and inexorably consolidating marketplace.

Thank you for your interest in the future of local television.

Sincerely,



RWD:cci

Enclosure

BELO

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BELO CORP. DISCUSSION PAPER

Belo Corp. is very concerned by suggestions that the Federal Communications Commission's recently-adopted television ownership rules be rescinded completely or substantially modified by congressional action. The FCC's rulemaking was mandated by the Telecommunications Act of 1996, which required the Commission to review its broadcast rules every two years and determine whether they are still necessary based on the current competitive conditions. Belo's view is that competitive conditions have changed dramatically, even since 1996, and that the Commission in promulgating these current rules faithfully followed congressional intent and appellate court mandates.

Many of these television ownership rules were first adopted in the 1970's. As competitive conditions changed with the development of UHF stations, an increase in the number of national networks, and the growth of the cable television and satellite businesses, the Commission modified the rules, but always incrementally, taking account of the need to make only the most appropriate adjustments. In this latest round prompted by the biennial review, the Commission followed its past practice, making only moderate adjustments to the ownership rules. As part of this rulemaking, the Commission was required to factor into its competitive analysis the explosive growth of cable television networks, weekly newspapers, magazines and the Internet. Belo participated in this rulemaking, as it has in ownership rulemakings over the last 40 years, and we believe the Commission employed an especially rigorous analysis, with outside and in-house economic studies and consumer surveys, thousands of pages of comments and field hearings, and, most importantly, a sound understanding of the dictates from the D.C. Court of Appeals vis-à-vis the empirical underpinnings for any new ownership rule changes.

This June 2 rulemaking certainly should be subject to the scrutiny of both the Senate and House Oversight Committees and both committees are about to conclude their reviews. However, there has been an overabundance of discussion both in Congress and from the press and public deeply critical of the Commission. Some statements have gone so far as to prophesy that the new rules mean the end of robust, diverse public debate on our local television stations. For a host of reasons, this could hardly be further from the truth. In the first place, the new rules, like their predecessors, represent only incremental changes warranted by a voluminous record and numerous studies buttressing the policy conclusions. These new rules, as did past ownership rules changes, secure the availability of diverse news sources.

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Second, there are strong, historically-based public policy grounds for the relaxation of the newspaper/television cross-ownership and local television rules. Rather than a contraction of news and information programming, newspaper-owned and network-owned local television stations (based on the Commission's studies) provide not only more local news programming, but programming of a higher quality than their market counterparts. Their market counterparts incidentally are only in the rarest of cases locally-owned television stations.

Third, there is a significant point missing from the post-FCC rulemaking debate: local news and informational programming is an economically-driven product in local television. Belo, like other local television operators, derives an important part of its revenue from local news and information programming. We and our industry peers will continue to serve the public interest as local television operators because we are public trustees *and* because it is good business. Local television news is diverse and balanced, providing both sides of issues. This is what our viewers demand from our informational programming--a balanced recounting of the day's local news. Thus, local television, based on marketplace incentives and viewer preferences, will continue, as always, to be one of the principal vehicles for informing the American public and electorate. Our electorate will continue to have the finest television news system in the world.

Before Congress takes any action overturning or modifying the new Commission rules, Belo believes the rules deserve a chance to be implemented. The Commission has performed admirably a daunting task in ascertaining competitive conditions and consumer behaviors in the media marketplace, and adopting rules which are sensible and modest. As a local television operator and newspaper publisher, we are confident that the American public will continue to receive diverse, informative local news and public affairs.