August 14, 2017

The Honorable Ajit V. Pai
Chairman
Federal Communications Commission
445 12th Street N.W.
Washington, D.C. 20554

Dear Chairman Pai:

We write to express our concern regarding reports that suggest favorable treatment of Sinclair Broadcast Group, Inc. (Sinclair) since you became Chairman of the Federal Communications Commission (FCC). These reports raise two overarching questions:

- Whether actions taken by the FCC under your leadership show a pattern of preferential treatment for Sinclair, and

- Whether a series of interactions between your office, the Trump Campaign and Trump Administration, and Sinclair demonstrate inappropriate coordination.

The FCC is an independent agency, and we are sending you this letter amid recent criticism of your commitment to independence as the Chairman of the FCC.\(^1\) Given the press reports on this matter, we wanted to provide you the opportunity to address these reports and ask that you provide answers to our questions at the end of this letter so that we can better assess your actions regarding Sinclair, and recent related actions taken by the FCC.

I. Since the beginning of the Trump Administration, the FCC has taken a series of swift actions that have benefitted Sinclair.

The United States has maintained for decades a policy that restricts the number of viewers a single broadcast entity can reach nationwide so that the American public has access

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\(^1\) See, e.g., Brian Fung, *The FCC’s independent chair is getting too cozy with the White House, critics say*, Washington Post (June 23, 2017).
to a diversity of local voices over the air. As the largest owner of television broadcast stations in the country, Sinclair had expanded to the limits of these FCC ownership rules. Since taking office, however, you have implemented a series of actions that ease these restrictions and allow Sinclair to expand its reach quickly. You have simultaneously proposed to allow the industry to adopt a new broadcast technology that will likely benefit Sinclair more than any other company.

a. The FCC eased ownership caps by reinstating the outdated “UHF Discount,” allowing Sinclair to quickly acquire more broadcast stations.

To ensure the American people have access to multiple voices over the air, Congress capped the number of viewers that any one broadcast entity can reach nationwide. \(^2\) When implementing this cap under older analog technologies, however, the FCC recognized that stations using Ultra High Frequency, or UHF, channels faced technical limitations that prevented them from reaching as many viewers. As such, the FCC did not count these UHF stations as heavily against the nationwide cap. \(^3\) But the switch to digital television technology eliminated this technical difference, and the FCC, under the leadership of the prior FCC Chairman, removed this “UHF Discount” rule in 2016. \(^4\)

Although analysts believed that Sinclair would not be permitted to make a major acquisition without the UHF discount in place, Sinclair nonetheless began exploring purchasing the second largest owner of broadcast stations, Tribune Media Company (Tribune). \(^5\)

A few weeks after reports of this possible transaction, the FCC, under your leadership, took a party-line vote to reinstate the UHF Discount rule, \(^6\) despite your having acknowledged that “our nation’s transition from analog to digital television has eroded the basis for the UHF discount.” \(^7\) Sinclair noted in its recent 10-K filing that your reinstatement of this discount


\(^3\) 47 CFR § 73.3555(e)(2)(i).


\(^5\) Leon Lazaroff, Tribune Media Rising on Deal Speculation Despite Obstacles to Sale, TheStreet, Inc. (Mar. 6, 2017).


\(^7\) Dissenting Statement of Commissioner Pai, Re: Amendment of Section 73.3555(e) of the Commission’s Rules, National Television Multiple Ownership Rule, Report and Order,
“would reduce our reach (for FCC purposes) to approximately 24% of U.S. households, which would expand our ability to make televisions [sic] station acquisitions in the future.”

In May 2017 Sinclair announced, just two weeks after the FCC’s action, that it intended to purchase Tribune— a transaction that would result in a combined company reaching approximately 70 percent of American households.

b. The FCC established an expedited timeline for its review of the proposed Sinclair-Tribune transaction, allowing Sinclair to grow as quickly as possible.

Sinclair officially filed its application to merge with Tribune at the end of June. Days later, the FCC established a pleading cycle for the proceeding of just 30 days. Even though the proposed transaction is between the two largest owners of broadcast stations, the FCC set a timeline for public comment that was shorter than the pleading cycles set for previous transactions.

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9 Alex Sherman, Sinclair Buys Tribune in $3.9 Billion Deal, Creating TV Goliath, Bloomberg (May 7, 2017).


Critics assert that the public has received inadequate time to assess and respond to a deal of this magnitude. Within a week of the FCC’s action, the agency received a Motion for Extension of Time—a long with a request for additional information and documents—from parties with an interest in the proceeding. These parties contend that Sinclair’s applications provide “insufficient information for the Commission to validate, let alone quantify, the claimed public interest benefits.”

c. The FCC approved Sinclair’s multimillion dollar deal to purchase stations owned by Bonten Media Group (Bonten), shortly after the FCC revoked a processing guidance that would have required close scrutiny of the transaction.

The FCC granted the transfer of seven TV licenses from Bonten to Sinclair in various markets across the country, including in markets where Sinclair now holds sharing agreements. Sharing agreements allow a company like Sinclair to manage operational aspects of other stations that it does not own.

The FCC’s approval of the Bonten deal came after you directed the Media Bureau to rescind—with explanation—its 2014 guidance on how the FCC scrutinizes license transfer applications that involve sharing agreements between broadcast stations. The 2014 guidance expressed the Media Bureau’s concern that entities may essentially control more stations than the FCC’s local ownership rules permitted, and outlined how the FCC should scrutinize transactions that include these agreements to ensure they would not risk “impair[ing] the

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15 Id. at 1.


17 KBVU JSA, KBVU SSA, and KBVU Option Agreement, Attachment 15, Application for Consent to Transfer License from Bonten Media Group, LLC to Sinclair Television Group, Application File No. BTCCDT-20170505ABL (May 5, 2017).

existing licensee’s control over station operations and programming” or be “otherwise contrary to the public interest.”19

The FCC’s approval of the Bonten transaction raises important questions, including whether the Commission’s staff, without the previous guidance, was able to adequately scrutinize the impact of sharing agreements when reviewing the application. For example, after the Bonten approval, Sinclair now owns one of the five full-power TV stations in the Eureka, CA market,20 KAEF-TV,21 but it controls another full-power station, through a Joint Sales Agreement and a Shared Services Agreement, as well as having a purchase option agreement for that station.22

As shown by the effect in Eureka, one of the country’s smallest TV markets, the FCC’s approval of this deal raises questions about whether Sinclair has effectively circumvented the FCC’s local TV ownership rules.23 Other timing questions are also raised given that the FCC made its decision in less than two months after the filing of this $240 million dollar deal.24

d. The FCC has started a proceeding to allow TV broadcasters to begin using Next Gen TV – a technology whose primary patent-holder is Sinclair.

In addition to taking steps that allowed Sinclair to quickly expand its reach, the FCC also commenced a proceeding that would allow TV broadcasters – including Sinclair – to use a transmission standard, Next Gen TV, with very few consumer protections in place.25 Some have raised questions about how consumers will be affected by this proposal,26 such as


21 See note 16.

22 See note 17.


whether consumers will lose their signal,\textsuperscript{27} or whether their viewer data will be monitored without government oversight.\textsuperscript{28}

Although the proposal for Next Gen TV came from various broadcast groups, Sinclair is the lead proponent of the technology.\textsuperscript{29} For example, ONE Media 3.0, a wholly owned subsidiary of Sinclair,\textsuperscript{30} has disclosed that it has at least six patents that are necessary to the Next Gen TV transmission standard.\textsuperscript{31} ONE Media 3.0 will provide licenses to those that will need to use the patents to implement the new standard.\textsuperscript{32} Reports suggest that the royalties from the licenses for these patents could be worth billions of dollars.\textsuperscript{33}

\textsuperscript{27} The FCC is seeking comment on a simulcasting requirement for TV stations that decide to transition to Next Gen TV. The proponents of Next Gen TV have sought the ability to simulcast their existing signal on another broadcast station “serving a substantially similar community of license.” \textit{See Next Gen TV NPRM}, supra n. 25, at ¶ 23. If the Commission adopts the proposal from proponents, some over-the-air consumers may not be able to receive the simulcast signal because they live outside of the other station’s service area. Further, the Commission has sought comment on whether to allow stations to lower the signal quality of simulcast signals (e.g. provide formerly HD signals in standard definition).


\textsuperscript{32} \textit{Id.}

\textsuperscript{33} \textit{See, e.g., Doug Halonen, Billions of $ At Stake in ATSC Next Gen Effort}, TV News Check (Feb. 18, 2017) (tvnewscheck.com/article/83062/billions-of--at-stake-in-atsc-nextgen-effort).
II. Your interactions and the Trump Administration’s interactions with Sinclair raise questions about the multiple FCC actions that have directly benefited the company.

Multiple press reports have suggested a favorable relationship existed between Sinclair and the Trump campaign, and now exists with the Trump Administration. This includes a report involving a meeting with President Trump and Sinclair's Executive Chairman, during which “potential FCC rules changes were discussed.”

Reports further indicate that you, as Chairman of the FCC, have personally had a number of interactions both with the Administration and with Sinclair, as discussed below. Taken together, the volume of these interactions raise questions about the objectivity of recent FCC actions befitting Sinclair. Some of these reported interactions include the following:

- **After the election, President Trump reportedly met with the Executive Chairman and former CEO of Sinclair and discussed changing FCC rules to benefit Sinclair.** A news account stated that after the election, President Trump met with David Smith, Sinclair’s Executive Chairman and former CEO. According to this report, “potential FCC rule changes were discussed” after President Trump asked Mr. Smith, “What do you need to happen in your business?”

- **Before you became Chairman of the FCC, you reportedly met with then President-elect Trump in New York.** Reports indicate that on January 16 of this year, you met with then-President-elect Trump in New York in a meeting that did not appear on your official calendar.

- **After you became Chairman of the FCC, you reportedly met with President Trump in the Oval Office.** In March, shortly after you became Chairman of the FCC, you met with President Trump in the Oval Office. An FCC spokesperson confirmed that the meeting occurred, but did not indicate what was discussed during the meeting. When asked directly about your meetings with President Trump, you declined to disclose what you discussed with President Trump, saying “I am not at liberty to say.”

- **The week after the election, you reportedly attended a company conference for Sinclair’s general managers, during which you met with Sinclair’s CEO.** A report

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34 Claire Atkinson and Josh Kosman, *Sinclair is close to buying all of Tribune’s TV stations*, New York Post (Mar. 14, 2017).

35 *Id.*


38 *Pai Declines to Discuss Trump Meetings*, TVNewsCheck (Mar. 8, 2017).
indicates that you attended on November 16, 2016 a Sinclair company summit for
general managers at the Four Seasons Hotel in Baltimore.\(^{39}\) During that event, you
reportedly met with Sinclair’s then-CEO David Smith.\(^{40}\)

- **You again met with both the current and former CEO of Sinclair in January.**
  According to a Politico report, in January of this year, you met with Sinclair’s former-
  CEO, David Smith, as well as the newly-named Sinclair CEO, Chris Ripley.\(^{41}\)

- **The President’s campaign reportedly “struck a deal” with Sinclair to “secure
  better media coverage.”**\(^{42}\) This arrangement came to light after the election, when
  Jared Kushner reportedly revealed that in exchange for access to then-candidate
  Trump and his campaign, “Sinclair would broadcast Trump interviews across the
  country without commentary.”\(^{43}\) Sinclair representatives have defended this
  arrangement by claiming that the Clinton campaign was offered the option for
  extended interviews with local anchors as well, but did not accept.\(^{44}\)

- **Sinclair hired former Trump Administration official Boris Epshtein as a
  commentator and political analyst.** In April, Boris Epshtein, who was “most
  recently Special Assistant to The President and Assistant Communications Director
  for Surrogate Operations for the Executive Office of President Trump,” and formerly a
  “senior advisor to the Trump campaign,” joined Sinclair to provide on-air political
  commentary.\(^{45}\) Epshtein’s segments are “must-run” programming for Sinclair
  stations, with nine segments airing per week.\(^{46}\) One report has criticized the segments

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\(^{39}\) Todd Shields, *Possible Tribune Suitor Sinclair Woos FCC’s Pai on Regulations,*
Bloomberg (Mar. 27, 2017).

\(^{40}\) Margaret Harding McGill, *A peek at Pai’s calendar shows post-election agenda,*

\(^{41}\) *Id.*

\(^{42}\) Josh Dawsey and Hadas Gold, *Kushner: We struck deal with Sinclair for straighter
coverage,* Politico (Dec. 16, 2016).

\(^{43}\) *Id.* See also, Paul Farhi, *How the nation’s largest owner of TV stations helped
stations devoted broadcast time to 15 exclusive interviews with then-candidate Trump and
also required stations to air “must-run” segments during the stations’ morning or evening
newscasts that were favorable to then-candidate Trump or that were critical of his opponent).

\(^{44}\) See note 42.

\(^{45}\) Cynthia Littleton, *Trump Spokesman Boris Epshtein Joins Sinclair Broadcast
Group as Political Analyst,* Variety (Apr. 17, 2017).

\(^{46}\) *Id.*
as “propaganda,” and reporting on Sinclair’s selection of “must-run” programming has raised “suggestions that Sinclair pushed right-leaning views.”

We hope this letter will serve as an opportunity to respond to reports suggesting that you have failed to exercise adequate independence as FCC Chairman and that may have resulted in the agency giving unusual and possibly preferential treatment to Sinclair.

In order to provide you an opportunity to respond to these assertions, we ask that you provide answers to the attached list of questions. Your assistance in this matter is greatly appreciated, and we look forward to receiving a response by August 28.

Sincerely,

Frank Pallone, Jr.
Ranking Member

Mike Doyle
Ranking Member
Subcommittee on Communications and Technology

Diana DeGette
Ranking Member
Subcommittee on Oversight and Investigations

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ATTACHMENT

Meetings/Correspondence:

1. In a July 25, 2017 hearing before the Energy and Commerce Committee’s Subcommittee on Communications and Technology, you had the following exchange with Ranking Member Pallone:

   Q: My question to the Chairman is numerous press accounts have detailed how your policies have benefited Sinclair Broadcast Group. There has also been speculation that the Trump Administration has been in touch with your office about a number of these policies, so I wanted to give you a chance to respond to those allegations, and specifically, can you tell us what the Administration has said – either to you or anyone in your office – about Sinclair or the UHF discount?

   A: Thank you for the question Congressman. No one in the White House or the Administration generally has made any representations to me about any FCC proceeding relating to that company. They’ve not asked me to take any particular action or expressed views on the merits, and certainly not with respect to the UHF discount.

   Beyond making “any representations to [you] about any proceeding relating to that company,” more specifically, has any White House official in the current Administration discussed Sinclair at all with you? If so, what was discussed?

   Has any White House official in the current Administration discussed Sinclair at all with anyone in your office? If so, what was discussed?

2. Please provide a list of all the meetings either you or members of your office have had with representatives of Sinclair, including any lobbyists and lawyers representing Sinclair, since November 8, 2016. Did the Sinclair representatives discuss issues within the FCC’s jurisdiction with you? If so, please provide a summary of the issues discussed.

3. Please provide all correspondence between you or members of your office and representatives of Sinclair, including any lobbyists and lawyers representing Sinclair, since November 8, 2016.

4. Have you or members of your office corresponded with representatives of Sinclair, including any lobbyists and lawyers representing Sinclair, since November 8, 2016, using a non-government email account? If so, please provide this correspondence.

5. Please provide a list of any meetings you had with President Trump, or President-elect Trump, since November 8, 2016. Did Mr. Trump discuss issues within the FCC’s jurisdiction with you? If these meetings did occur, please provide a summary of the issues discussed. If these meetings did occur, did Mr. Trump discuss Sinclair Broadcast Group with you? If so, please provide a summary of the discussion.

Next Gen TV:

6. As discussed above, the FCC has started a proceeding to allow TV broadcasters to begin using Next Gen TV – a technology whose primary patent-holder is Sinclair – amid concerns about how consumers would be affected by the transition. How do you intend to protect consumers so that they do not lose broadcast TV signals as stations transition to Next Gen TV?

7. How do you intend to establish privacy protections for consumer data that will be collected using the Next Gen TV standard?

Sinclair-Tribune Proposed Merger:

8. As discussed above, several parties have expressed concerns that the FCC has established a pleading cycle that is too short for the FCC to determine whether the proposed Sinclair/Tribune transaction is in the public interest. How do you intend to ensure that the comment/pleading cycle for the proposed Sinclair/Tribune merger will allow for all interested parties to have adequate time to review, analyze, and comment on issues raised by the proposal?

9. Will you extend the comment/pleading cycle to mirror the time frames provided for in the AT&T-DirecTV merger? If so, please describe your plan. If you will not commit to this measure, please explain the basis for your decision.

10. Did representatives of Sinclair inform you or your office of a possible transaction with Tribune before the FCC voted to reinstate the UHF Discount? If so, please provide a copy of the written request, or a description of the oral request and the date of the relevant meeting or phone call.

11. You established a short timeframe within which the public could comment on Sinclair’s proposed transaction with Tribune. Did representatives of Sinclair ever request an expedited FCC review of the proposed transaction, or request that the FCC review the proposed transaction within a particular timeframe? If so, please provide a copy of the written request, or a description of the oral request and the date of the relevant meeting or phone call.
Processing Guidance on License Transfer Applications:

12. Will you start a proceeding for the full Commission’s consideration on how the Media Bureau should review license transfer applications with sharing agreements or financial agreements? Specifically, what is your plan to ensure that the Media Bureau has specific procedures to fully evaluate the impact of such transactions on the local markets and consumers? If you do not plan to put these specific procedures in place, please explain your reasons for not doing so.

13. Did the Media Bureau staff evaluate any sharing agreements or financial agreements for stations in the same markets as the stations that Sinclair recently acquired from Bonten?

14. Please provide a list of all pending TV license transfer applications, including data on transferor, transferee, acceptance date, days pending, whether sharing and/or financial agreements are involved, and primary application file numbers.

15. Please provide a list of all TV license transfer applications that have been granted since March 2014, including data on transferor, transferee, acceptance date, granted date, whether sharing and/or financial agreements were involved, and primary application file numbers.

Other Potential Proceedings:

16. In January, you met with Sinclair representatives and Armstrong Williams to discuss Joint Sales Agreement attribution rules. Do you plan to start a proceeding – or include in any Broadcast Ownership Quadrennial Review – a proposal to reverse the current Joint Sales Agreement attribution rule for TV and/or radio stations?

17. Sinclair’s CEO recently said to investors, “[w]e do expect this new FCC to tackle the ownership rules,” and “[w]e’re very optimistic about this new FCC and the leadership of Ajit Pai….we definitely anticipate that more consolidation will happen.” Do you plan to start a proceeding – or include in any Broadcast Ownership Quadrennial Review – a proposal to relax the local TV ownership (“duopoly”) rule? Do you plan to start a proceeding regarding the national TV ownership cap? If so, when?


51 See note 39.