

**STATEMENT OF JACK DEMPSEY,  
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**Committee on Small Business  
Subcommittee on Contracting and Technology  
“The DTV Transition and Small Businesses: Small Firms Contributing to a Big Change”  
May 7, 2008**

My name is Jack Dempsey, and I am the general manager of Media General’s WJHL-TV station in Johnson City, Tennessee, which is located in the Tri-Cities Tennessee/Virginia market, the 91<sup>st</sup> ranked television market in the U.S. The Tri-Cities market covers a large, mountainous area, including the three cities of Johnson City and Kingsport, Tennessee, and Bristol, which straddles the Tennessee/Virginia border.

For more than 22 years, I have been involved in broadcasting in the Tri-Cities market, and during that time I have seen tremendous changes. Most significant among these changes is that WJHL now competes with hundreds, if not thousands, of new programming and information sources reaching our viewers in print, over-the-air, through cable and satellite, by wireline and wireless telephony, and on the Internet. At the same time that we have seen our audience fractionalized by this competition, WJHL and television stations like it throughout the country have invested millions of dollars to convert their broadcasting facilities from analog to digital, have educated their viewers about the change, and now produce or purchase new digital television (DTV) programming.

We remain fully committed to the DTV transition because we believe it will bring significant benefits to the public, but I came here today to explain that we have made this transition at a significant cost. At this point in time, we have spent at least \$6 million on making the DTV transition, and unfortunately, this transition has produced virtually no increase in revenue that we can use to offset the costs that we have had to incur. The impact has been

particularly severe in smaller markets like the Tri-Cities designated market area (DMA). The costs of implementing the DTV transition are relatively the same in small and large markets, but the potential for small markets to recoup the costs is far less than in larger markets.

*Technical Changes.* To transition WJHL to digital broadcasting, the Federal Communications Commission (FCC) assigned our station Channel 58 for temporary operations until the transition ends on February 17, 2009. Our analog channel is Channel 11, and we will return to that channel at the end of the transition. In first constructing WJHL's transitional DTV facilities on Channel 58, we had to buy and install a new antenna on the side of our tower, keeping our analog antenna in place at the top. In addition to a new antenna, we had to install a new DTV transmitter, a new filter, and new transmission line. We completed construction of our initial transitional DTV facilities in early 2002. Since then we have been "simulcasting," or broadcasting in both analog and digital modes, which has increased our electrical costs because we are essentially running two facilities. For three of the past six years, we were authorized to operate our digital facilities on Channel 58 at reduced power, but since 2005 we have been at full power. In small markets such as ours, where less than 17 percent of the residents own television sets with DTV tuners, it has been important for us to continue broadcasting in analog to reach most of our audience. This dual operation, however, particularly now that DTV channel 58 is broadcasting at full power, has come at a high cost.

Having built and operated one set of transitional digital facilities for six years on Channel 58, we must soon undertake the costs of installing facilities that will broadcast on the permanent DTV Channel 11 that the FCC assigned to us as part of the channel election process that finally concluded earlier this year. To do this, we will install a new Channel 11 antenna atop WJHL's tower later this year and convert our Channel 11 analog transmitter to digital. On February 17,

2009, WJHL will stop broadcasting in analog on Channel 11 and begin permanent digital operations on that channel. By the time we cut over to our permanent DTV channel, we expect that we will have spent at least \$6 million to complete WJHL's transition to digital. Almost a third of that amount will have been spent on the transitional Channel 58 equipment that we will no longer use after February 17, 2009, such as the Channel 58 DTV antenna mounted on the side of WJHL's tower as well as the transmitter, filters, and transmission line used with that antenna. Unfortunately, these items will have virtually no resale value, and, as a result, about one-third, or \$2 million, of our DTV conversion expenses will have been "stranded" costs that we can not recoup.

*Viewer Education.* It is in our best interest to educate all of our viewers on the benefits of the digital transition and the steps necessary to ensure our viewers continue to receive broadcast signals. For that reason, we are proud partners with the government and other industry groups in this effort. I have included with my testimony three attachments that detail the work of broadcasters. First is a list of the members of the DTV Transition Coalition, second is the Comprehensive DTV Consumer Education Campaign document that details all that the National Association of Broadcasters is doing to ensure a smooth transition, and finally is the DTV.gov Transition Partners Quarterly Report filed with the FCC on April 9<sup>th</sup> that includes a review of all the industry efforts that are being undertaken.

As a station, we at WJHL have also made extensive efforts to educate the public about the transition. As you know, the FCC earlier this year adopted rules requiring all television stations to broadcast public service announcements, crawls, and other on-air notices informing the public of the February 17, 2009 deadline for the end of analog television broadcasting. Those rules went into effect on March 31, 2008, and under them, we are broadcasting at least 16

PSAs and 16 crawls, snipes, or tickers every week. To comply with these requirements, before the end of analog broadcasting in February 2009 we will also broadcast at least one 30-minute special providing detailed information about the transition for our viewers.

Importantly, we at WJHL did not wait until we had mandates from the federal government to run PSAs, but rather were broadcasting a series of PSAs related to the transition early on. We have also devoted time in our newscasts to covering the transition, and we have dedicated a portion of our Internet homepage to providing information on the transition.

In addition, I am a member of the DTV speakers' bureau of the National Association of Broadcasters. In this role, I have spoken about the transition to numerous civic organizations, such as the Bristol Morning Rotary Club, the Jonesborough Kiwanis Club, and Metropolitan Johnson City Kiwanis Club. In the first half of the year since I began speaking to groups like this about the DTV transition, I have noticed a great increase in awareness about what is coming. At my first meeting with the Bristol Morning Rotary in February, only one of thirty-five members had heard of the February 17, 2009 DTV transition deadline. In my last address to the group, everyone attending the meeting was aware of the transition. I believe that through these and other efforts, which have involved direct and indirect costs, WJHL and the broadcast industry have been very effective in ensuring that members of the public know about, and are prepared for, the transition to digital broadcasting. This awareness has not, however, made the transition any less expensive for us, nor has it resulted in any significant income from our DTV broadcasts, but it is vitally important to the success of the transition and we stand committed to educating our viewers.

*DTV Programming, Cable Carriage and Network Compensation.* As I said, since 2002 we have offered a simulcast of the programming on our analog channel on our primary DTV

channel. This channel has also offered high definition programming to those who can receive it. In late 2006, we launched a 24-hour locally-produced weather channel using a second DTV channel. The programming on this channel is updated throughout the day by our local meteorologists, and many of the weather maps and other graphics are updated hourly. The very limited cable carriage of this multicast channel has also affected our ability to obtain any new revenue from the channel. Although we have arranged for its carriage on the two largest cable systems serving our DMA, they carry the channel only on their digital tiers, which reaches 35-40 percent of the cable homes in the market.

Additionally, in the current must-carry/retransmission consent cycle, we have not received any fees from cable systems carrying our channels or our popular content, be it analog or digital.

The small level of revenue that is actually produced by our digital weather channel, which in 2007 totaled \$7,300, is a mere drop in the bucket compared to the costs of production and broadcast. As much as we would like to sell more advertising, our efforts to do so are hampered by the lack of any ratings information for this multicast channel. In addition, there is no commercially available ratings information measuring the viewership of our primary DTV channel separate and apart from our analog channel. Without ratings data, we are stymied from coming up with other ways to obtain more advertising revenue from our DTV investment.

While we have committed large sums of money, time, and effort to building our digital facilities, educating the public, and providing DTV programming, we find that other streams of revenue are evaporating. For instance, at one time we received compensation from our network affiliation agreement, but today the market has changed such that local affiliates are now paying the networks for content.

Now more than ever, broadcasters face far greater competition from a wider variety of sources, while traditional revenue streams such as network compensation have dissipated. In the midst of this increase in competition and decline in revenues, we have been required by law to spend significant amounts of money on building facilities for digital broadcasting and informing the public about the changes. These costs have had a particularly severe impact on small broadcasters in smaller markets. What many do not know or understand is that as a smaller broadcaster in a smaller market, we face essentially the same costs as broadcasters in large markets, but we lack the advertising revenues of those large market stations to soften the impact of these costs.

Nonetheless, we remain fully committed to the DTV transition and believe that through our efforts and sacrifices, the public will be well prepared on February 17, 2009. While I do not bring you a specific “ask” today, I urge the Committee on Small Business to keep these broadcaster sacrifices in mind in the future as you consider any legislation that may have an effect -- direct or indirect -- on our industry.