The Cost of Communication:
Sales Managers Evaluate "Free Air Time"

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Abstract

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The purpose of this exploratory study is to examine free air time in the context of its impact on the local television market by utilizing a national survey of sales managers at network affiliates.

The impetus for the study is the McCain-Feingold Act, which would provide each federal candidate in the general election a total of 30 minutes of free air time. Local stations would be compelled to provide this free time or lose their license. However, because legislative districts are different from television markets, many TV markets would have to support several congressional districts, including those in other states.

The current study surveyed sales managers at the four main network affiliates in the top ten markets, ten medium markets (#51-60), and ten small markets (#151-160). In the results, CBS and NBC affiliates reported they would likely raise all advertising rates in order to make up the lost revenue. ABC affiliates were more likely to state that making up the lost revenue would be impossible, probably due to local competition. Additionally, stations with a lower-rated local newscast were more concerned about the impact of McCain-Feingold than stations with a more highly rated local newscast.

The study concludes that the largest economic impact would be felt through the alienation of regular advertising clients, who would lose all their prime time advertising slots to federal candidates in the two to seven weeks before an election.

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The financing of federal political campaigns has been a matter of debate for several decades. Questions have arisen over who can give to a campaign, how much one can give, how the contributions are to be disclosed, and in recent years, even how much a night in the Lincoln bedroom could be worth. There are laws governing these areas, but as experts have noted, there is no end to the available loopholes (Carr, 1996; Salant, 1996).

With the public's increasing anger about such loopholes, Congress has, since the Watergate scandal, worked to develop a meaningful plan of campaign finance reform (Salant, 1996). Some reforms have passed only to be amended and weakened; others have been struck down by the Supreme Court. As former House Speaker Newt Gingrich noted, "We've created all sorts of Mickey Mouse rules" (Sabato & Simpson, 1996, p. 326). Most of the bills offered never make it to the floor of the senate but instead are simply killed in committee. In 1997 alone, more than 125 campaign finance reform bills were introduced in the House and Senate (Herrnson, 1998). Only two of them received any serious legislative debate; none were passed into law (Congressional Bill Summary, 1999).

At the heart of the campaign finance reform debate is the issue of "Free TV." Free TV would decrease campaign expenditures by requiring local broadcasters--either through FCC rulings or congressional law--to provide free advertising time for federal candidates for office. The free time is usually proposed in conjunction with having candidates meet spending limits or other criteria. Proponents maintain that because

television is the biggest campaigning expense, spending limits can only be met if television air time is provided free of charge. The cost to the stations is justified through the "public interest" clause in the Communications Act of 1934. This clause requires stations to operate in the "public interest" in order to maintain their licenses. Public interest as a concept, however, is not defined. Opponents to free TV claim serious First- and Fifth-Amendment concerns and express doubt that the bills offered to date would bring any serious reform.

One of the few campaign reform bills to receive serious consideration in the Senate was the Bipartisan Campaign Act of 1997, also known as McCain-Feingold (S. 25 PCS). The original bill would have established spending limits and, for those who follow the bill's guidelines, provided free television advertising time. Candidates would have had to choose whether or not to comply with the bill, but the free television time was the incentive for compliance. McCain-Feingold provides the most comprehensive plan to date on the distribution of free time: each candidate for federal office would receive thirty minutes of free air time in each market where he or she has constituents. The time provided must be divided between at least two stations in the market. However, the bill specifies prime-time, which is more expensive, and the station would be required to comply or risk losing its license. The chosen time cannot be pre-empted or refused. McCain-Feingold exempts national signals (assumed to be the networks) (Sec. 102.c.5) leaving the free air time to be provided solely at the local level. The bill also exempts stations for whom compliance would generate extreme hardship, but does not define what criteria would demonstrate hardship (Sec. 102.c.5).

What McCain-Feingold--and other similar plans--fail to take into account is the lack of congruence between the Nielsen Designated Market Areas for television (DMAs) and the Congressional districts. Stations in a given market would be providing air time for more than one Congressional race. Stations might also be required to provide free air time for Congressional and Senatorial candidates in other states. For example, the New York City market (which is the largest DMA) would have to provide free air time for candidates from Connecticut and New Jersey as well as New York, bringing their total to 64 candidates in any presidential election year. At thirty minutes per candidate during prime-time, these stations would stand to lose more than seven weeks of prime-time revenue.

But it's not just the largest markets that would be affected. Market 58, Charleston-Huntington West Virginia, would be compelled to provide free time for 18 candidates, including Senate races from Kentucky and Ohio, both of which are in the Charleston-Huntington DMA. Even the smaller markets often cover different states, as does market 153. This market combines Rochester and Austin, Minnesota, as well as Mason City, Iowa. With only three affiliate stations between the three cities--and 12 candidates to provide for--each station stands to lose more than two weeks of revenue.

During his speech to the Conference on Free TV and Political Reform, President Clinton credited President John Kennedy with originating the idea of free air time in 1962 (speech, March 11, 1997). Since 1966, campaign finance reform bills using free air time as an incentive have been offered regularly in both the House and Senate (Salant, 1996). And although the concept has been around for many years, scandals in the 1980s and 1990s have heightened public awareness of the problem, and many proponents believe

that the momentum toward reform is building (Doherty and Cassata, 1996). Currently,

Senator John McCain, co-author of the McCain-Feingold Act, is campaigning for

President on the issue of campaign finance reform. And yet another campaign finance

reform bill was introduced in the House in January, 1999 (H.R. 417). Campaign finance

reform through free television advertising is a timely issue that keeps being resurrected

on a regular basis.

The purpose of this study, then, is to examine the call for free air time in the context of

its impact on the local television market. To date, no published studies have examined

the consequences local affiliate stations would face should this bill--or one like it--

become law. This exploratory study will utilize a national survey of sales managers at

network affiliates in 30 designated market areas (DMAs) to determine their familiarity

with McCain-Feingold, to obtain their evaluations of the bill's economic impact on the

station, and to investigate how stations might cope with the proposed loss of revenue.

Media Economics

In order to evaluate the economic impact of free air time, however, it is first

necessary to understand broadcast economics. Economics, although most often equated

directly with money, is really the study of the marketplace. Albarran defines economics

as "the study of how societies use scarce resources to produce valuable commodities and

distribute them among different groups" (1996, p. 212). This, in essence, is the so-called

"law" of supply and demand. In a capitalistic economy, companies (as opposed to the

government) are given the challenge of determining which resources will be used to

create what products for which consumers. It is a balance of using finite resources to

meet needs and wants (Picard, 1989). When the correct amount of products are created and sold a company prospers.

Media economics looks at how media industries function in the marketplace. A market is defined as an interrelationship between buyers and sellers (Albarran, 1996). Although the broadcast media does not provide a tangible product, it still operates in an economic, market framework. Alexander, Owers and Carveth define media economics as "a term employed to refer to the business operations and financial activities of firms producing and selling output into the various media industries" (1998, p. 2). Similarly, Albarran defines media economics as "the study of how media industries use scarce resources to produce content that is distributed among consumers in a society to satisfy various wants and needs" (1996, p. 5). For purposes of this study, the marketplace analysis will focus on local television.

Picard writes: "Media in the United States are for the most part capitalist ventures, operated by private parties for the purpose of generating profit, and are thus subject to the operational principles of the market system" (1989, p. 14). Limited resources, such as the air waves, electricity, programming, and information are used to create a product consumers want and need: entertainment and news. This programming must bring together an audience that advertisers want to reach, and must target not only numbers but specific characteristics (such as age, gender, race, and economic status) as well. The programs are marketed to viewers to encourage them to watch. These audience members that tune in are then "packaged" and sold to advertisers (see Figure A). This, then, is the primary product of the local television station: access to an audience (Picard, 1989; Albarran, 1996).

Local stations compete only in their geographic market (Picard, 1989). In other words, local markets determine the value of the product; they do not compete with stations from other markets. This market is defined by the geographical reach of the station and its competing stations.   The DMAs are drawn by the Nielsen Media Research Company (Nielsen Media Research web site, 1999; *Broadcasting & Cable Yearbook*, 1998).

Figure A: Broadcast Economic Model
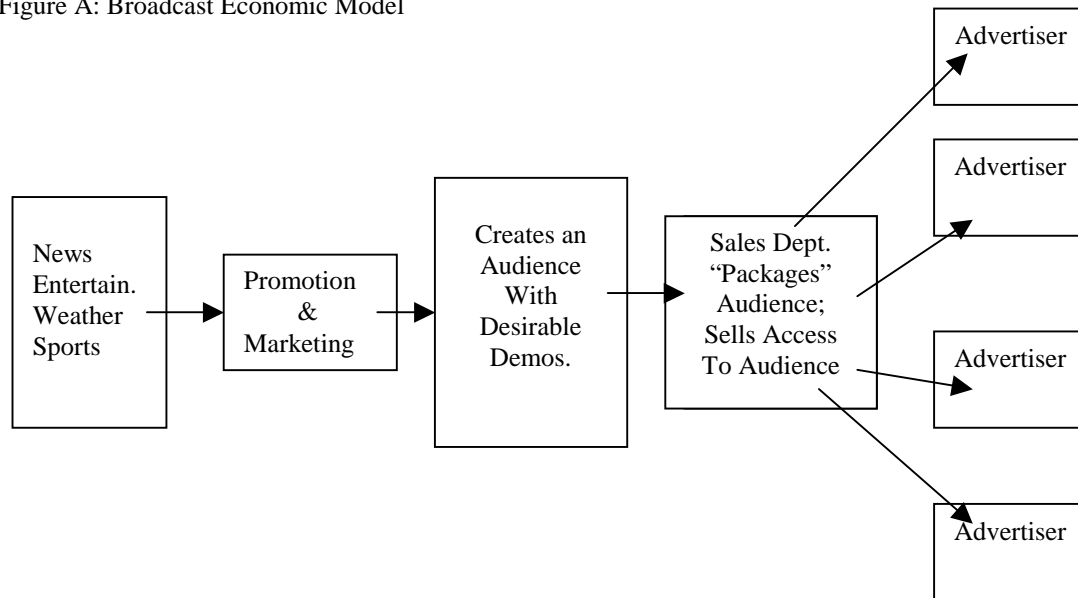
Because local stations function in a geographic market, they depend on repeat sales, i.e. building relationships with their customers (see Warner & Buchman, 1991). Smaller markets are especially dependent on regular repeat clients because the prospect pool they draw from is much smaller than that of a larger market.

Media economics is an important aspect of the industry that is often overlooked. But as Picard states,

> Media cannot be considered separately from the economic system in which they operate because the economic forces of the system direct and constrain the choices of those who manage media, just as they do the choices of managers of any other industry (1989, p. 14).

Whether it is acknowledged or not, economics plays a vital role in the success of the local television station.

The Current Study

This research study surveyed sales managers at affiliate stations in 30 markets to determine their familiarity with McCain-Feingold, evaluate the economic impact on their stations, and investigate how stations might cope with the proposed loss of revenue. These questions were designed also to begin a foundational basis for further study in this area. The assumption for this study, based on current political theory, is that when given a limited amount of free air time for political advertising (30 minutes each) during prime time, most candidates would choose to advertise on two or more of the four major affiliates in order to reach the largest number of voters possible. Affiliate stations, recognized as being affiliated with the networks ABC, CBS, FOX, and NBC (Broadcasting & Cable Yearbook, 1998), were selected because they usually represent the largest share of viewers in a market. Because McCain-Feingold calls for the free air time to be used during prime-time, this virtually eliminates independent stations, which can't match the ratings of the affiliates during prime-time, and radio, which is not sought after during prime-time. (The bill targets television, not radio.) In the 30 markets selected, 106 affiliate stations were identified and surveyed.

The markets chosen for this study are the top ten markets (#1-10), ten medium markets (#51-60), and ten small markets (#151-160) as identified by Nielsen Media Research (web site, 1999). Each Designated Market Area (DMA) identifies the counties within a state or states that are served exclusively by the specified television signal

"based on measured viewing patterns" (*Broadcasting & Cable Yearbook*, 1998, p. B-148). DMAs do not follow county or state lines; many, in fact, serve several states. DMAs are ranked by size from largest to smallest; there are currently 210 (Nielsen Media Research web site, 1999).

The top ten markets were chosen for two primary reasons. First, they represent almost 30 percent of all television households in the United States, with a combined total of more than 29 million households (Broadcasting & Cable, 1998). Second, these stations are the least likely to qualify for an exemption due to economic hardship as provided for in the bill.

The ten medium markets (#51-60) would also have a difficult time proving economic hardship, but are very likely to be hit hard by the free air time. National advertising stops with the 50th market which makes local sales all the more important to these markets. Additionally, political television advertising is currently much more affordable for state and local candidates in these markets than in the top ten, which allows this study to examine the impact the bill would have on state and local politics.

The small ten markets (#151-160) were included for additional comparison. These are not the smallest markets but are large enough to be disqualified from the economic hardship clause. These markets are entirely dependent on local advertising.

The DMA maps from each market were then compared to the overlapping Congressional district maps (Barone & Ujifusa, 1998) (see Appendix A) to determine the number of House and Senate seats each DMA would cover. Because these numbers varied from market to market, the surveys were personalized to take this difference into account.

Research Questions

Four research questions were addressed in this study. The questions were evaluated in each cluster (top ten, medium ten, and small ten) and then compared to each other.

1. How familiar are sales managers with the provisions for "free TV" set forth in the *Bipartisan Campaign Reform Act of 1997* (McCain-Feingold*)*?

2. What would the "free" time cost the station in lost revenue (estimate)?

3. What steps would stations most likely take to recover the lost revenue?

4. What effect, if any, would this Act have on the availability of television advertising time for state and local races?

Method

A survey and cover letter was mailed to each of the 106 affiliate stations in the identified markets (see Appendix B for survey and letter). In order to assess the monetary value of the free air time, the surveys were personalized for each market.

Because Senate races alternate, usually only one Senate race per state is run in an election cycle. However, because many DMAs overlap states, a television market may carry several states' Senate races. Therefore, the number of Senate races covered by a market has also been determined by comparing the DMA listings (Broadcasting & Cable, 1998) to the Congressional listings (Barone & Ujifusa, 1997) (see Appendix A).

In addition to the candidates for the U.S. House and Senate, each market would be required to carry the Presidential and Vice Presidential contenders as well. Although a third party candidate could arise (as Perot did in 1992) this study will limit the presidential ticket considered to two pairs, one Democrat and one Republican.

Survey Questions

The questionnaire used both closed- and open-ended questions (see Appendix B). The first research question sought to determine familiarity of McCain-Feingold. In the survey, question one asked managers to rate how familiar they were with McCain-Feingold before they received the survey. This was answered using a Likert scale to measure familiarity, with one being very familiar and five being "never heard of the Act." Questions two and three were forced choice with "other" being one of the choices. These two questions dealt with identifying the various sources from which the respondent might have received information about the Act. Sources listed were own network, NAB, trade magazines, newspapers, industry acquaintances, and other organizations besides NAB. Question two asked for all sources, while question three asked for the primary source only.

Questions four and five were open-ended, and were designed to validate and clarify the questions regarding information sources. Question four asked what specific information was received from NAB, and question five asked about information received from the station's own Network.

The second research question sought to determine what the free air time would cost stations in lost revenue. Question fifteen on the survey was personalized for each market. This question identified the number of possible candidates the individual market would have during a general election, then asked, "If each candidate chose to air 10 minutes of 30-second spots on your station during the month of October this would equal (personalized) minutes of free air time provided by you. Using current prime-time lowest unit rates, how much would this cost your station in lost revenue?" This allowed sales

managers the opportunity to realistically assess the economic impact the bill would have on their individual station. It is important to stress that these figures are estimates.

Question 16 took the amount listed in question 15 and asked what percentage of the annual budget it represented. Question 17 continued by asking managers to estimate what percentage of the fall quarter billing that amount represented.

The third research question was reflected in question 18, which asked for an opinion regarding how the lost revenue would be replaced. This answer was open-ended.

The fourth research question asked about the effect on state and local candidates. Question 19 used a Likert scale to measure the likelihood of state and local candidates being shut out of the television advertising process. Number twenty also addressed the issue of state and local political advertising by asking which part of the broadcast day might be available for purchase. This answer was forced-choice with "other" being an option.

<div align="center">Distribution</div>

Identified stations were each called one month before the survey was mailed to ascertain the specific name and title of the sales manager in charge of political advertising. Surveys, complete with cover letter and return mailer, were then mailed directly to the correct person during the third week of January. Returns were noted on the master list. After two weeks, each manager who had not yet responded received a second survey, as well as a follow-up phone call reminder from a trained phone survey specialist. Those still not responding received a second phone call and, in some cases, a third phone call. All respondents were given the opportunity to fax in their survey.

Results and Analysis

Survey results are reported here in numbers and percentages. An SPSS program using the "Crosstabs" sub-program and "chi-square" tests was used to evaluate all figures. Analysis of Variance (ANOVA) was utilized to determine differences between groups. For the statistical tests, significance was set at $p \leq .05$.

In the 30 markets surveyed, there were a total of 106 stations affiliated with ABC, CBS, FOX, or NBC. Most of the 10 smaller markets did not have all four affiliates.

Of the 106 stations surveyed, 55 station managers responded for a total response rate of 52 percent. Of those, 21 declined to answer the survey, bringing the number of actual participants to 35 (33 percent). The top ten markets had the lowest response rate overall (46 percent, n=19) and the lowest participant rating (20 percent, n=8). The mid-ten markets had the highest response rate at 58 percent (n=22) but the middle participation rating at 39 percent (n=15). The small ten had a 55 percent overall response rate (n=15) but the largest participant rating at 44 percent (n=12) (see Table 1).

Table 1 Response and Participation Rate

Market	# Stations	#/% Responses		# Participants	% of Participants
Top 10	41	19	46%	8	20%
Mid 10	38	22	58%	15	39%
Small 10	27	15	55%	12	44%
Overall	106	56	53%	35	33%

Of the 35 participating affiliate stations, 10 were ABC affiliates. CBS and NBC had 9 affiliates each, with only four FOX affiliates participating. Additionally, one station had just switched to UPN, and two stations declined to identify their affiliation.

Research Questions

The first research question asked how familiar sales managers were with the

provisions of McCain-Feingold. Of those participating, 11 reported being only "vaguely

familiar" with the proposed plan (31 percent). Seventeen managers reported being

"somewhat familiar" (48.5 percent) and five reported being "very familiar" (14 percent).

Additionally, one manager had "simply heard of" McCain-Feingold (3 percent) and one

manager stated that he/she had never heard of the Act (3 percent) (see Table 2).

Table 2 Familiarity with the McCain-Feingold Act

How familiar are You with the provisions Of the McCain-Feingold Act?		MARKET SIZE			Total
		Top 10	Mid 10	Small 10	
Very Familiar	Count	3	1	1	5
	Mkt. %	37.5%	6.7%	8.3%	14.3%
Somewhat Familiar	Count	4	9	4	17
	Mkt. %	50.0%	60.0%	33.3%	48.5%
Vaguely Familiar	Count	1	4	6	11
	Mkt. %	12.5%	26.7%	50.0%	31.4%
Simply heard of it	Count		1		1
	Mkt. %		6.7%		2.9%
Never heard of it	Count			1	1
	Mkt. %			8.3%	2.9%
Total	Count	8	15	12	35
	Mkt. %	100.0%	100.0%	100.0%	100.0%

When this question was broken down by market, the correlation shows an association

between market size and familiarity level. The nature of this indicates that the largest

markets reported being more familiar with McCain-Feingold than the smaller markets.

This is significant based on the Spearman Correlation (value =447, $p \leq .006$, n=34).

However, there was no statistical significance in the chi-square (X^2 (10)=13.257, p=.210). This could be attributed to the distribution and small sample size of the largest markets. The Eta directional measure shows a correlation between familiarity (value=.398) and market (value=.430).

ABC showed the highest percentage of familiarity with 70 percent (n=7) of their managers reporting to be "somewhat familiar" or "very familiar" with the provisions of McCain-Feingold. Fifty-five percent (n=5) of the NBC managers reported being "somewhat familiar" with the Act, while CBS had the lowest ratings with 56 percent (n=5) reporting to be only "vaguely familiar" or "simply heard of the Act." There was no statistical significance between networks (X^2 (20)=16.844, p=.663).

A crosstabulation of network by market showed no statistical significance (X^2 (8)=.456). This was expected, and validates the sampling procedure. A significance here would indicate oversampling of one type affiliate over another.

Questions two through four of the survey sought to determine where sales managers got their information about McCain-Feingold. When asked to identify all sources of information, trade magazines received the highest percentage in all markets (71 percent overall, n=34) (see Table 3). Seventy-five percent (n=6) of the top ten markets ranked trade magazines as a source, followed by 67 percent (n=10) of the mid-ten markets and 73 percent (n=8) of the small ten markets. "Other organizations" received the lowest percentage at 14 percent.

Newspapers as a source of information produced the only statistically significant difference. Managers of the top ten markets were significantly more likely to get information about McCain-Feingold from newspapers than managers in the mid-ten

or small ten (see Table 4). This was significant at $(X^2 (2) = 8.311, p = .016)(n=34)$.

Table 3 Information Source Response Percentages

Information Source	Top 10	Mid-10	Small 10	Total
Network	50%	20%	27%	29%
NAB	50%	20%	55%	38%
Trade Mag.	75%	67%	73%	71%
Newspapers	50%	13%	0	18%
Acquaintances	25%	40%	46%	38%
Organizations	0	13%	27%	14%
Other	13%	27%	9%	18%

Table 4 Information Received from Newspapers by Market

Received information From Newspapers		MARKET SIZE			
		Top 10	Mid 10	Small 10	Total
No	Count	4	13	11	28
	Mkt. %	50.0%	86.7%	100.0%	82.4%
Yes	Count	4	2		6
	Mkt. %	50.0%	13.3%		17.6%
Total	Count	8	15	11	34
	Mkt. %	100.0%	100.0%	100.0%	100.0%

The third question of the survey asked managers to identify the single most important source of information on McCain-Feingold (see Table 5). Trade magazines received the highest percentage with 47 percent (n=16) citing them as their primary source of information. Broken down into market size, trade magazines were chosen by 55 percent of the small ten markets (n=6), 47 percent of the mid-ten markets (n=7), and 38 percent of the top ten markets (n=3). NAB was chosen as the primary source for 21 percent of the respondents (n=7) while 18 percent chose their own Network as their primary information source (n=6) (see Table 5).

The second research question sought to estimate what the "free" air time would cost the station in lost revenue. On the survey, questions 6 through 10 were designed to establish political spending during the 1996 elections. This was broken down into estimated total figures, percentages, and percentage of the fall quarter billing. For these answers, analysis was conducted in each market cluster to determine the mean.

Table 5 Primary Information Source--by Market

Primary Information Source		MARKET SIZE			
		Top 10	Mid 10	Small 10	Total
Network	Count	2	3	1	6
	Mkt. %	25.0%	20.0%	9.1%	17.6%
NAB	Count	3	1	3	7
	Mkt. %	37.5%	6.7%	27.3%	20.6%
Trade Mag.	Count	3	7	6	16
	Mkt. %	37.5%	46.7%	54.5%	47.1%
Newspapers	Count		1		1
	Mkt. %		6.7%		2.9%
Industry Acq.	Count		2		2
	Mkt. %		13.3%		5.9%
Other	Count		1	1	2
	Mkt. %		6.7%	9.1%	5.9%
Total	Count	8	15	11	34
	Mkt. %	100.0%	100.0%	100.0%	100.0%

In the top ten markets, the mean for the total amount of political revenue in 1996 was $4,300,000 (see Table 9). Of that amount, managers estimated that 60 percent was for federal candidates (mean=59.67 percent) or $2,580,000. In estimating the cost of free air

time, the mean for question 15 was $2,355,000 in lost revenue. This reflects 6 percent of that quarter's billing (mean=6.0 percent).

For the mid-ten markets, the mean for total political revenue was $1,081,000. The percentage of federal time was estimated to be 57 percent (mean=57.23 percent) for a total of $616,170. The cost of the free air time was estimated to be mean $200,000. This reflects approximately 8 percent of that quarter's billing (mean=8.33 percent).

In the small ten markets, the total political revenue was estimated to have a mean of $396,000. Of this, 68 percent was estimated to be federal (mean=67.89 percent) which comes to $269,280. Managers estimated the cost for free air time to be $58,000., which reflects almost 7 percent (mean=6.67 percent) of that quarter's billing (see Table 6).

Table 6 Financial Analysis by Mean

Market	'96 Fed $	Cost/Free Time	% quarter bill
Top 10	2580K	2355K	6.00
Mid-10	616K	200K	8.33
Small 10	269K	58K	6.67

The third research question asked what steps stations would take to make up the lost revenue. This was an open-ended question. Two trained coders analyzed the data and established three primary categories: increase rates, can't make it up, and other. In the market clusters, 44.4 percent (n=12) of all markets said that they would raise rates on all other advertising. When analyzed by network affiliation, however, ABC affiliates were significantly more likely to say that this revenue could not be made up, while NBC and CBS affiliates were significantly more likely to say that they would increase rates (X^2 (12)=34.231, p=.001, n=26). Lambda showed a significant correlation (value=.273, p=.143) (See Table 7.)

The fourth research question examines the effect free air time would have on the availability of TV advertising time for state and local candidates. Examining market percentages shows that 50 percent (n=4) of the respondents in the top ten markets are

Table 7 Making Up Lost Revenue--by Network

		NETWORK					
		ABC	CBS	FOX	NBC	UPN	Total
Can't Make up	Count	4	1		1		6
	% within Network	57.1%	14.3%		12.5%		23.1%
Increase Rates	Count	2	3	1	5		11
	% within Network	28.6%	42.9%	33.3%	62.5%		42.3%
Cut out local Political	Count					1	1
	% within Network					100%	3.8%
Other	Count	1	3	2	2		8
	% within Network	14.3%	42.9%	66.7%	25.0%		30.8%
Total	Count	7	7	3	8	1	26
	% within Network	100.0%	100.0%	100.0%	100.0%	100.%	100.0%

undecided as to whether they would continue selling to local candidates. In contrast, 40 percent of the mid-ten (n=6) and 50 percent of the small ten (n=6) indicated that they would be very likely to continue (see Table 8). The analysis here is conflicting. The Spearman correlation indicates an association between the size of the market and the likelihood of continued local political sales (value=-.335, p=.049, n=35). In this analysis, the smaller markets are much more likely to continue selling to state and local candidates than the top ten. However, this does not appear in the chi-square analysis as statistically significant (X^2 (8)=13.549, p=.094, n=35).

Additionally, stations were asked to report the Nielsen rating of their newscast. Analysis of variance indicated that stations with a lower Nielsen rating expected a bigger negative impact from the loss of revenue than those stations with a higher rating. Stations

that ranked their newscasts as third or fourth in the market expected a 17 percent drop in

total revenue. Stations claiming to rank first or second in the Nielsen ratings expected

only a three percent drop in total revenue. This was statistically significant (F=3.875,

p=.030, n=26).

Table 8 Continuing Local Political Time--by Market

How likely would you be to continue selling local/state political?		MARKET SIZE			
		Top 10	Mid 10	Small 10	Total
Very Likely	Count		6	6	12
	Mkt. %		40.0%	50.0%	34.3%
Somewhat Likely	Count	1	3	2	6
	Mkt. %	12.5%	20.0%	16.7%	17.1%
Undecided	Count	4	2	1	7
	Mkt. %	50.0%	13.3%	8.3%	20.0%
Somewhat Unlikely	Count		3	1	4
	Mkt. %		20.0%	8.3%	11.4%
Very Unlikely	Count	3	1	2	6
	Mkt. %	37.5%	6.7%	16.7%	17.1%
Total	Count	8	15	12	35
	Mkt. %	100.0%	100.0%	100.0%	100.0%

Discussion and Implications

   The second research question for this study asked what the free air time would cost

stations in lost revenue. For local television stations, this study indicates that the

provisions of McCain-Feingold would have financial consequences. As we have seen,

although stations operate under a government license they also function as businesses in

the local marketplace. Requiring these stations to provide free advertising time for

federal candidates would cost anywhere from an estimated $2,355,000 for top ten

markets to $58,000 for the smaller markets. Additionally, this lost revenue would be

concentrated into one quarterly cycle, costing stations anywhere from six to eight percent of their income (not profit) for that cycle. For the larger stations, this would equal four to seven weeks of prime time revenue that would be lost.

The third research question asked what steps local stations would take to make up the lost revenue. CBS and NBC affiliates reported that the only way to make up these losses would be to increase rates for other advertising times. The implication, then, is that advertisers would bear the burden of making up the lost revenue. These costs would undoubtedly be passed along to consumers in the form of higher prices for goods and services.

ABC affiliates were more pessimistic, claiming that this revenue could not be recouped. Indeed, it could become difficult because of the marketplace in which these stations function. In short, cable television, radio stations, and newspapers would not be affected by McCain-Feingold. It might be very difficult for network affiliates to raise prices enough to cover their losses because other media outlets--and advertising sources--would not be forced to raise prices.

Results from the study also indicate that stations with a lower-rated newscast were more concerned about McCain-Feingold than stations whose newscast was rated number one. Stations with a lower rating felt that the impact of free air time would be much greater. The implication here is that stations with a lower news rating depend more on their prime time local spaces for revenue while stations with a number one newscast depend on the newscast for most of their revenue. McCain-Feingold specifically defines prime time as Monday through Friday, 6:00 to 10:00 p.m. The bill makes no allowances

for time zone differences. Stations with a highly rated newscast that airs before or after the specified times will still have a revenue base from which to draw.

Other consequences of free air time include the future of political advertising for local and state candidates, which is research question four. The small ten markets reported that they would be very likely to continue selling air time to state and local candidates. This is probably because of the smaller size of the market and the sense of community the small size fosters. The top ten markets were undecided as to whether they would continue selling state and local time. Because of the huge number of candidates fielded in the largest markets, this would be a very difficult decision.

The first research question dealt with how familiar station managers were with McCain-Feingold. All in all, station managers were not highly informed on the issue of free air time. Only 14 percent (n=5) reported being "very familiar" with McCain-Feingold. Forty-eight percent (n=17) were "somewhat familiar" while 38 percent (n=11) reported being "vaguely familiar" or less. Trade magazines were the most important source of information for all market sizes.

Additionally, managers in the top ten markets were significantly more likely to get information about McCain-Feingold from newspapers than managers in the other markets. The assumption is that newspapers in smaller markets may be less concerned about free air time and may devote less (or no) coverage to it.

<div align="center">Conclusions</div>

Media economics deals not just with money, but also with how a station functions in the marketplace. Certainly the free air time would have monetary value for a station. As the survey results show, the top ten stations estimated this time would be worth

$2,355,000. Mid-ten stations estimated the value at $200,000. Even the smaller stations would lose valuable time estimated at $58,000.

Local sales managers are divided on how this loss would be covered. While many stations (especially NBC and CBS affiliates) thought that higher advertising rates would be necessary, other stations (especially ABC affiliates) felt that this revenue would be difficult to make up. Although other affiliate stations would be affected, other advertising resources such as cable, independent broadcast stations, radio, and print would not have to raise their advertising rates since McCain-Feingold does not apply to them.

Of greater concern, however, is the impact McCain-Feingold would have on a station's regular clientele. If free air time policies were implemented then "In the weeks before elections, there would be little, if any, remaining time that broadcasters could sell to advertisers" (DeVore & Tremaine, 1998, p. 10). Most local affiliates have only 18 local avails (spots available to sell locally) or less during prime time, which could quickly be consumed by the free air time. Virtually all of the stations would lose prime time local avails for at least two weeks before the election; some of the larger markets would lose up to seven weeks of prime-time avails. Not only is this time that could go to support the station, this loss could also jeopardize the station's relationships with on-going clients. As discussed previously, local stations, especially small ones, depend on building on-going relationships with their clients. Requiring these stations to provide free air time would force long-term relationships off the air each election year, which could be costly in terms of client relations. This, then, could be the biggest economic hit taken by the stations, especially since cable, independent stations, radio, and print would not be

affected by McCain-Feingold. Free air time would throw the market competition out of balance.

<div align="center">Limitations</div>

As with any survey, sample size is always a concern. Although the overall response results were strong, participants from the top ten markets were few. For the most part, top ten stations that declined to participate cited station attorney's reservations about responding to the survey. A larger sample of top ten stations would have strengthened the study.

Additionally, because a specific policy on free air time has not been passed by Congress, the researcher had to select a viable plan for the purposes of this study. Although there are several plans available, McCain-Feingold provided the most details, including a unit of measure (30 minutes per candidate), and has received more attention in the Senate than any plan to date. Therefore, McCain-Feingold was chosen as the stimulus to solicit opinions and estimates.

<div align="center">Areas for Future Study</div>

This study opened up several areas of inquiry. First, a more in-depth study is needed to establish the correlation between the Nielsen ratings for local newscasts and the impact of free TV. The assumption is stations with a highly ranked newscast perceive themselves as being in a stronger position to make up the revenue lost to free air time. This finding deserves further attention.

The impact of free air time also needs to be evaluated on the Spanish networks, Univision and Telemundo. Although their audiences are smaller than the four main networks, the Spanish networks provide access to a specific, highly-segmented audience.

In many Congressional districts, Hispanic voters form a powerful voting block. Research needs to be conducted to ascertain the impact McCain-Feingold would have on these stations.

Summary

For far too long, both industry spokespersons as well as Congressional figures have talked in generalities without examining the real impact of the McCain-Feingold bill. This study seeks to define the parameters of the free TV debate and, by evaluating the economic impact on local stations, provide documentation for a public and Congressional debate. Therefore, this scholarly evaluation has implications for the industry as well as the campaign finance reform debate, and contributes to the general body of knowledge as well.

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Congressional & Senate Districts
By Television Markets

1. New York, NY New Jersey, Connecticut	House: 28 districts; Senate: 3 Total Candidates: 64
2. Los Angeles, CA	House: 25 districts; Senate: 1 Total Candidates: 54
3. Chicago, IL Indiana	House: 17 districts; Senate: 2 Total Candidates: 40
4. Philadelphia, PA Delaware, New Jersey	House: 14 districts; Senate: 3 Total Candidates: 36
5. San Francisco-Oakland-San Jose, CA	House: 12 districts; Senate: 1 Total Candidates: 28
6. Boston, MA Vermont, New Hampshire	House: 12 districts; Senate: 3 Total Candidates: 32
7. Dallas/Ft. Worth, TX	House: 10 districts; Senate: 1 Total Candidates: 24

8. Washington, D.C.
        Virginia, Maryland,
        Pennsylvania, W. Virginia
	House: 12 districts; Senate: 4
	Territorial Delegate: 1
	Total Candidates: 35

9. Detroit, MI	House: 9 districts; Senate: 1 Total Candidates: 22
10. Atlanta, GA Alabama, N. Carolina	House: 11 districts; Senate: 3 Total Candidates: 30
51. Wilkes Barre-Scranton, PA	House: 5 districts; Senate: 1 Total Candidates: 14
52. Jacksonville, Brunswick Florida, Georgia	House: 6 districts; Senate: 2 Total Candidates: 18
53. Albany-Schenectady-Troy	House: 4 districts; Senate: 1 Total Candidates: 12
54. Dayton, OH Indiana	House: 6 districts; Senate: 2 Total Candidates: 18
55. Fresno-Visalia, CA	House: 4 districts; Senate: 1 Total Candidates: 12

56. Las Vegas, NV	House: 2 districts; Senate: 1 Total Candidates: 8
57. Little Rock-Pine Bluff, AS	House: 4 districts; Senate: 1 Total Candidates: 12
58. Charleston-Huntington Kentucky, Ohio, W. Virginia	House: 5 districts; Senate: 3 Total Candidates: 18
59. Tulsa, OK Kansas	House: 5 districts; Senate: 2 Total Candidates: 16
60. Austin, TX	House: 3 districts; Senate: 1 Total Candidates: 10
151. Odessa-Midland, TX New Mexico	House: 5 districts; Senate: 2 Total Candidates: 16
152. Wilmington, NC	House: 3 districts; Senate: 1 Total Candidates: 10
153. Rochester-Austin, MN-Mason City, IA Minnesota, Iowa	House: 3 districts; Senate: 2 Total Candidates: 12
154. Binghamton, NY	House: 2 districts; Senate: 1 Total Candidates: 8
155. Bangor, ME	House: 1 district; Senate: 1 Total Candidates: 6
156. Anchorage, AK	House: 1 district; Senate: 1 Total Candidates: 6
157. Panama City, FL	House: 2 districts; Senate: 1 Total Candidates: 8
158. Biloxi-Gulfport, MS	House: 1 district; Senate: 1 Total Candidates: 6
159. Abilene-Sweetwater, TX	House: 2 districts; Senate: 1 Total Candidates: 8
160. Palm Springs, CA	House: 1 district; Senate: 1 Total Candidates: 6

Mr. Marty Schack
Local Sales Manager
WBBM-TV
630 N. McClurg Ct.
Chicago, IL 60611

Dear Mr. Schack:

   As you may know, the proposed Congressional Bipartisan Campaign Reform Act of 1997 requires all broadcast television stations to provide free air time to all candidates for federal office. This includes the office of President, as well as candidates for the U.S. House of Representatives and the U.S. Senate.

   Each federal candidate would receive 30 minutes of free air time to be divided among the stations in a given market. The time allotted is between the primary (including any run-offs) and the general election. Candidates may opt to wait for the last few weeks before the election and the stations are obligated to provide the time desired, which then becomes non-preemtable. This time must be provided during prime time, Monday through Friday between 6:00 and 10:00 p.m..

   I am a mass communication graduate student at the University of _____currently working on my dissertation. My area of study is television sales and marketing; my dissertation research involves the economic impact this bill would have on local affiliates such as yours. In order to study this, however, I need your help with the enclosed questionnaire. Could you please fill it out and return it in the postage paid envelope? Your specific name or identified station figures will not be published; I am merely looking to report market numbers, dollar amounts, and percentages. I will provide a copy of my findings to all participating stations, which will hopefully prove useful to you.

   Because this is a timely issue, I would appreciate it if you could return the survey to me as quickly as possible.   I do appreciate your support for this project. I know how valuable your time is, but I also believe my report will greatly benefit the industry as a whole. I do hope you'll take a moment to give me your opinion. Thank you for your help.

Sincerely,

Chicago

Marty Schack, Local Sales Manager
WBBM-TV   Network Affiliation _____

How long have you been with this station? _____

How long have you held your current position? _____

1. Before receiving this letter, how familiar were you with the specific provisions of

    the Bipartisan Campaign Reform Act of 1997? (circle the number that matches your

    answer)

1	2	3	4	5
very familiar	somewhat familiar	vaguely familiar	simply heard of the Act	never heard of the Act

2. If you were familiar with the Act, from where did you receive your information? (check all that apply).

    your own network   Industry acquaintances

    NAB   Industry organizations (besides NAB)

    Trade magazines   Other _____

      Newspapers

3. Where did you receive MOST of your information? (check only one)

    your own network   Industry acquaintances

    NAB   Industry organizations (besides NAB)

    Trade magazines   Other _____

      Newspapers

4. What, if any, information have you received about the Act from NAB?

_____

5. What, if any, information have you received from your own network?

_____

6. How much political advertising did your station do during the general election of 1996
    (Sept. Oct. Nov.) $_____

7. In your estimation, how much of this amount was from federal candidates?
    (President, U.S. House of Representatives, U.S. Senate)
    $_____

8. Your political advertising for the general election of 1996 reflects what percentage of your
total market? _____%

9. In your estimation, how much of your political advertising revenue came from state or local campaigns during the 1996 election cycle? $ _____

10. What percentage of your market does this reflect? _____%

11. During elections, do you receive requests for air time from candidates outside your market?
   Yes   No   If yes, how many candidates usually make this request? _____

12. How many local avails does your station have each night during prime time?
   (Mon.-Fri., 6-10 p.m.) _____

13. How many local newscasts are currently in your market, counting your own? _____

14. Based on Nielsen ratings, how does your station's local newscast rank in your
   market?
                #1   #2   #3   #4   #5

15. In your market, a general election could have up to 40 federal candidates. If
   each candidate chose to air 10 minutes of 30-second spots on your station during
   the month of October this would equal 400 minutes of free air time provided by
    you. Using current prime-time lowest unit rates, how much would this cost your station
   in lost revenue? $_____

16. This amount reflects what percentage of your annual budget? _____%

17. This amount reflects what percentage of that quarter's regular billing?_____%

18. In your opinion, what would your station do to make up that lost revenue?

19. State and local candidates are not included in this bill. In your opinion, how likely
   would you be to continue selling air time to state and local candidates?

1	2	3	4	5
very likely	somewhat likely	undecided	somewhat unlikely	very unlikely

20. If you continue to sell to state and local candidates, would the time available most
   likely be

            All dayparts

            Prime-time only

            All dayparts except prime-time

            Other (please explain) _____