

XI. Economies from consolidation

The magnitude of potential economies from consolidation appear significant.

NAB data permit a possible estimate of the magnitude of savings if consolidation in the industry were to take place. In 1990, the industry spent an estimated \$1.7 billion on general and administrative expenses. If 10% of these costs were eliminated via consolidation,⁵ the \$170 million in savings would raise industry profit by 30%. If local stations decided to invest half the savings in programming, this would immediately boost per station programming investment -- which has grown at only 1% yearly in real terms since 1987 -- by 5%. The remaining savings would still raise industry profitability by 15%.

XIII. Quality from consolidation

Group ownership improves the quality of radio service.

Efficiency available through group ownership of broadcast stations can play a significant part in improving the quality of radio service to the public.

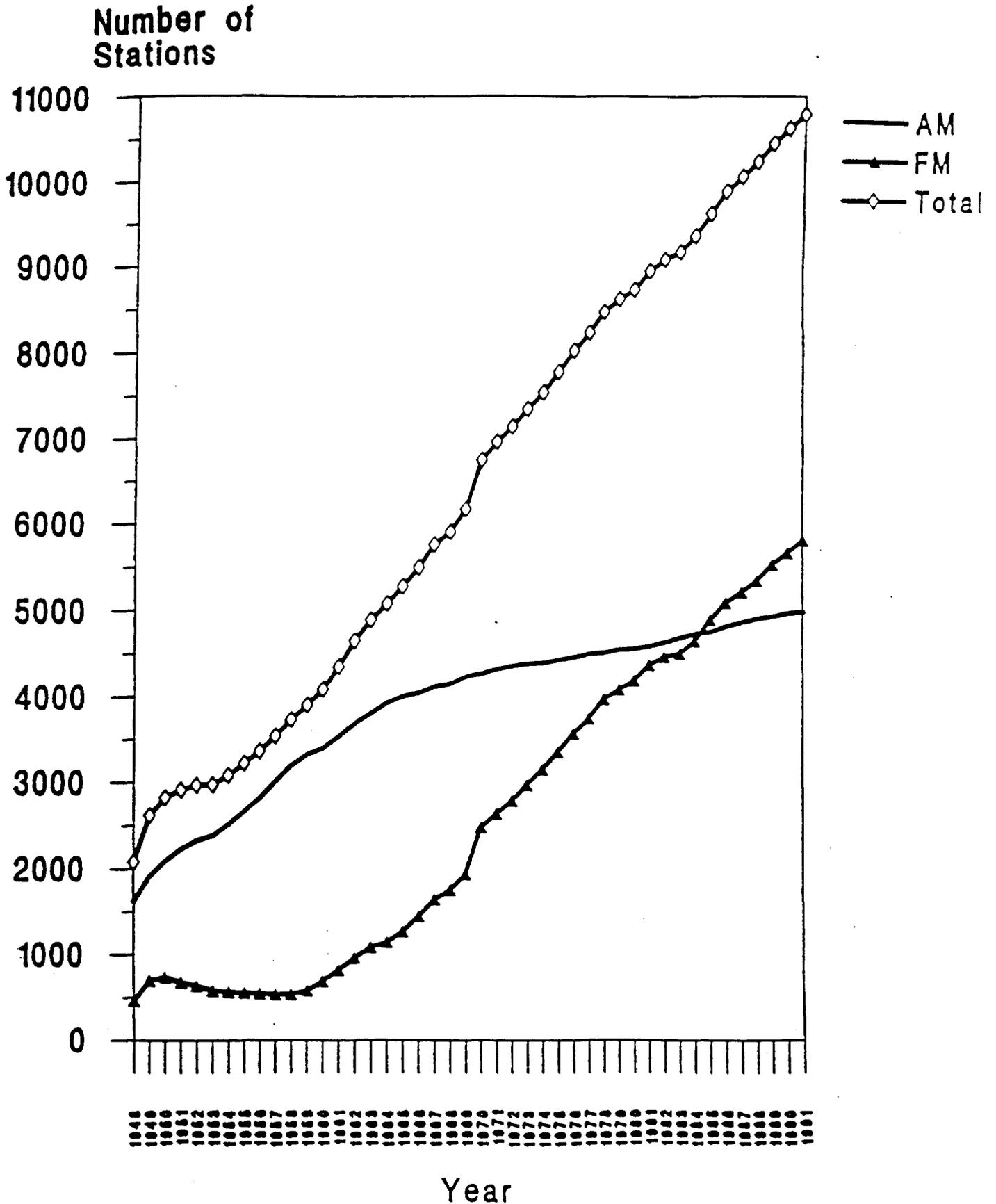
Information provided in the record of this proceeding indicates that consolidated radio operations will permit increased expenditures on informational programming, may allow some previously marginal stations to remain on the air, and may provide for activation of unused channels or the improvement of the facilities of existing stations. Group W, which operates all-news stations in New York and Los Angeles, suggests that if the rules permitted it to own additional stations in these markets, it could create Hispanic all-news stations to serve their substantial Hispanic populations. CBS states that its stations, whether news or music formats, provide significant local news and other informational programming and attributes its ability to do so to resources available to it as a group owner. In particular, CBS notes that the 5 FM stations it has acquired during the last decade have all substantially increased their news and informational programming under CBS's ownership.

Evidence from the broadcast television industry indicates that group-owned stations do substantially more news and public affairs programming. Significantly, individual stations maintain editorial autonomy even though they are group-owned.

The newspaper industry is characterized by numerous large newspapers (e.g., The Wall Street Journal, New York Times, Washington Post) that provide high quality news service. This large size is generally necessary to support the resources that provide this level of quality. The newspaper industry is not subject to limits on ownership comparable to those for radio.

⁵ NAB data submitted in 1987 indicate that savings in G&A expenses from co-owned, co-located AM/TV and FM/TV stations ranged from 30% to 50%. Savings from multiple ownership of geographically distinct stations would, presumably, be lower.

On-Air Radio Stations (1948-1991)



Attachment 2

AMERICA'S TOP RADIO GROUP OWNERS BY REVENUE

1990 Rank	Group	Stations	(million) 1990 Revenue	% of Total Revenue*
1	Cap Cities/ABC	18	\$232.2	2.6
2	CBS	19	216.9	2.5
3	Westinghouse	17	200.0	2.3
4	Infinity	14	131.5	1.5
5	Cox	12	103.9	1.2
6	Emmis	10	101.9	1.2
7	Bonneville	10	96.2	1.1
8	Gannett	12	91.2	1.0
9	Viacom	10	90.0	1.0
10	Great American	17	87.2	1.0
11	Jacor	12	75.8	0.9
12	Noble	14	73.7	0.8
13	Malrite	10	73.5	0.8
14	Susquehana	15	70.9	0.8
15	Greater Media	12	67.4	0.8
16	EZ	12	62.9	0.7
17	Shamrock (Disney)	12	58.8	0.7
18	Booth/Genesis	14	55.0	0.6
19	Tribune	3	50.0	0.6
	Nationwide	13	50.0	0.6
	Beasley	14	50.0	0.6
22	Cook Inlet	7	47.6	0.5
23	Summit	9	46.6	0.5
24	NewCity	11	46.4	0.5
25	Evergreen	6	45.6	0.5
26	Pyramid	9	41.2	0.5
27	Chase	5	40.3	0.5
28	Clear Channel	15	39.0	0.4
29	Sconnix	7	38.6	0.4
30	Edens	7	37.2	0.4
			cume	27.5%

Source: Duncan's Radio Market Guide 1991

* Total 1990 advertising revenue for radio \$8,765,000,000 (TV Factbook p. 336)

1990 HHI for radio ownership = 49 (down from 77 based on 1980 data)

The Herfindahl-Hirschman Index (HHI) is a measure of industry concentration used by the Department of Justice (DOJ) and is based on the market shares (revenues) of the firms in the defined market. Specifically, the HHI is the sum of the squares of the market shares (revenues) of all the participants in the market. When evaluating proposed mergers, DOJ considers an industry unconcentrated if the post-merger level of concentration results in an HHI of below 1000.

Attachment 3

AVERAGE NUMBER OF COMMERCIAL BROADCAST OUTLETS
IN DIFFERENT MAJOR MARKET CATEGORIES

<u>Markets</u>	<u>TV Stations</u>	<u>AM Stations</u>	<u>FM Stations</u>	<u>Total Radio */</u>
1-25	13	28	22	50
26-50	9	19	14	33
51-75	8	14	13	27
76-100	7	12	11	23
101-125	6	8	9	17
126-150	6	8	10	18
151-175	4	6	8	14
176-200	3	4	5	9
201-209	2	3	4	7

Sources: Data compiled from 1991 Broadcasting Yearbook, pp. B-470-476, and Arbitron 1991 ADI Market Guide.

*/ These numbers include only commercial stations which meet minimum audience reporting criteria to be listed within the Metro area. Therefore, noncommercial stations as well as stations that have a nonreportable audience share within the Metro area are not included. Also excluded are stations located outside designated Metro areas. Thus, these numbers represent an undercount of the actual number of radio stations.

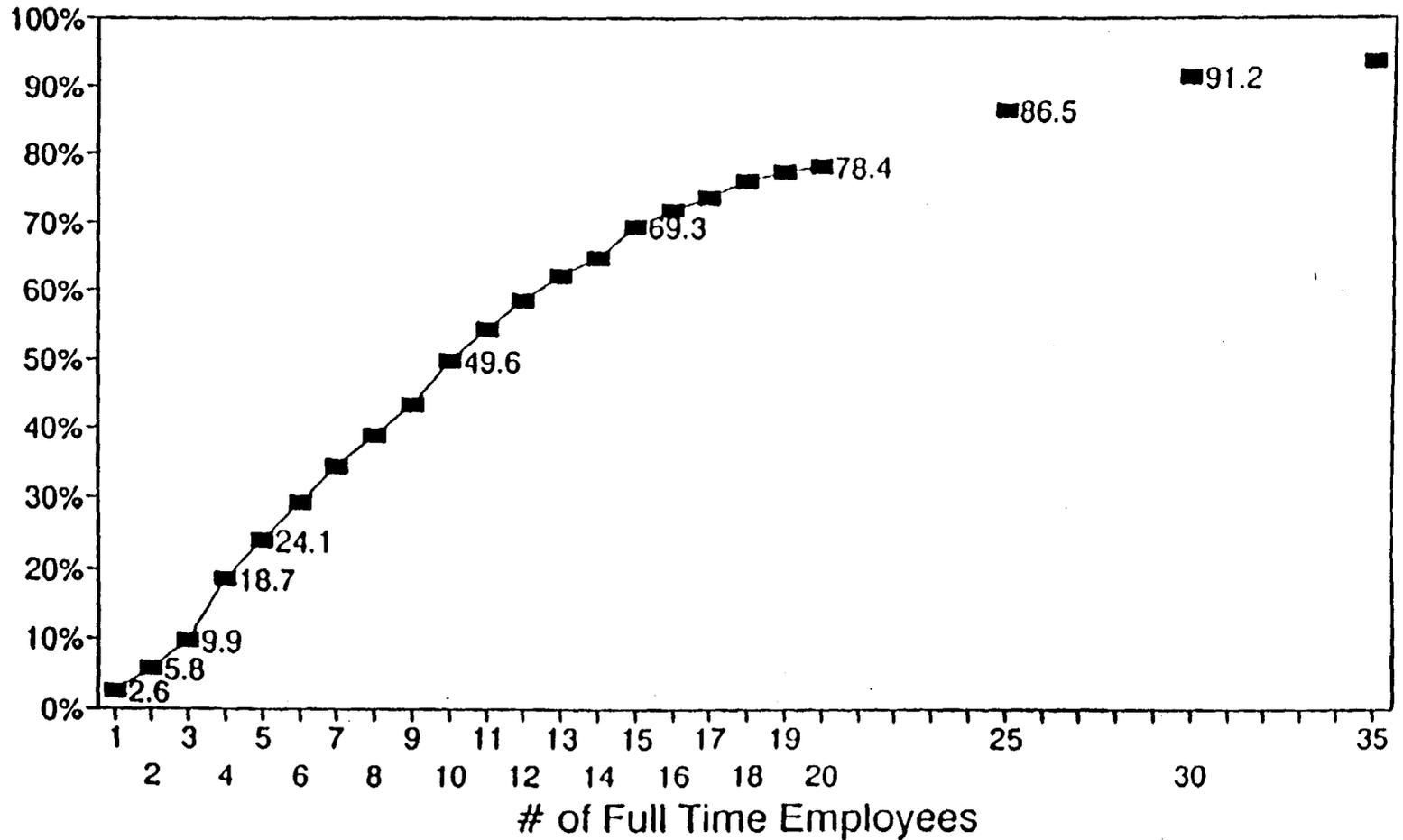
Attachment 4

NUMBER OF RADIO STATIONS IN SELECTED MARKETS, 1939-1990.

<u>Market</u>	<u>1990</u>	<u>1979</u>	<u>1969</u>	<u>1959</u>	<u>1949</u>	<u>1939</u>
Pittsburgh	47	35	31	22	19	6
Cincinnati	25	25	21	13	8	5
Birmingham	31	20	17	13	10	3
Las Vegas	26	13	11	6	3	0
Austin	23	13	11	7	4	2
Sarasota	13	10	9	4	3	1
Lincoln	12	11	8	4	3	1
Canton	11	9	9	6	4	1
Eau Claire	11	8	7	5	4	1
Erie	13	8	6	5	4	1
Tyler	11	7	6	4	2	1
Wichita Falls	8	6	5	3	3	1

Source: Inquiry and Proposed Rulemaking, Deregulation of Radio, BC Docket No. 79-219, October 5, 1979, Table 2 and 1991 Broadcasting Yearbook, p. B-470-76.

Cumulative Distribution-Radio Stations By Full Time Employees



Source: 1991 NAB/BCFM Radio Financial Survey

Attachment 6

COMPOUND ANNUAL RATES OF GROWTH: RADIO STATION REVENUE VS. GNP 1980-1990
(Nominal and Real Percent)

	1980-90		1980-85		1985-90	
	Nom.	Real	Nom.	Real	Nom.	Real
Radio Revenue Overall	8.5	3.6	11.0	5.9	6.1	2.0
Radio Revenue Per Station	6.6	1.7	9.0	3.3	4.2	0.2
GNP	7.1	2.3	8.0	2.4	6.4	2.3

Source: McCann-Erickson, Inc.; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics

Attachment 7

RADIO FINANCIAL DATA — 1960-1990

<u>Year</u>	<u>(millions of dollars)</u>		<u>No. of</u>	<u>Rev/Sta.</u>	<u>Rev/Sta.</u>	<u>Income</u>	<u>Income per</u>
	<u>Revenue */</u>	<u>Income**/</u>	<u>Com'l</u>	<u>Rev/Sta.</u>	<u>in</u>	<u>per Sta.</u>	<u>Sta. in</u>
			<u>Sta.</u>	<u>(000)</u>	<u>1990 \$</u>	<u>(000)</u>	<u>1990 \$</u>
1960	597.7	45.9	4,134	145	629	11	49
1965	792.5	77.8	5,496	144	601	14	58
1966	872.1	97.3	5,748	152	607	17	68
1967	907.3	80.8	5,950	152	586	14	54
1968	1,023.0	113.4	6,180	166	613	18	66
1969	1,085.8	100.9	6,503	167	596	16	57
1970	1,136.9	92.9	6,519	174	581	14	47
1971	1,258.0	102.8	6,659	189	609	15	48
1972	1,407.0	134.3	6,875	205	640	20	63
1973	1,501.9	148.6	7,027	214	629	21	62
1974	1,603.1	131.1	7,068	227	597	19	50
1975	1,725.0	138.2	7,230	239	582	19	46
1976	2,019.4	228.0	7,370	274	623	31	70
1977	2,274.5	301.3	7,514	303	658	40	87
1978	2,635.3	378.3	7,653	344	689	49	98
1979	2,873.6	321.4	7,714	373	665	42	75
1980	3,206.0	280.2	7,871	407	647	36	57
1987	5,774.0	632.0	8,943	646	742	71	82
1988	6,267.0	867.0	9,050	692	787	96	109
1989	6,670.0	869.0	9,223	723	761	94	99
1990	7,007.0	560.0	9,435	743	743	59	59

Source: 1960-1980 data are from FCC Annual Financial Reports and are based on the universe of stations; 1987-1990 data are interpolations of McCann-Erickson data and the NAB/BCFM Radio Financial Reports for those years. The NAB data are based on a weighted sample of radio stations.

*/ Gross advertising revenues plus all other broadcast revenue less commissions. 1960-1980 data includes network revenue; 1987-1990 does not include network revenue.

**/ Before federal income tax. Prior to 1973, income data do not include interest. Beginning with 1973, income data include interest.

Attachment 8

ANNUAL VOLUME OF ADVERTISING IN THE UNITED STATES
(in millions of dollars)

Medium	1980	1984	1985	1986	1987	1988	1989	1990
Radio (% of total)	3,702 (6.9)	5,817 (6.6)	6,490 (6.8)	6,949 (6.8)	7,206 (6.6)	7,798 (6.6)	8,323 (6.7)	8,726 (6.8)
Television (% of total)	11,416 (21.3)	19,310 (22.0)	20,298 (21.4)	22,026 (21.6)	22,941 (20.9)	24,490 (20.7)	25,367 (20.5)	26,616 (20.7)
Cable TV (% of total)	53 (0.1)	538 (0.6)	724 (0.8)	855 (0.8)	963 (0.9)	1,196 (1.0)	1,527 (1.2)	1,789 (1.4)
Newspapers	14,794	23,522	25,170	26,990	29,412	31,197	32,368	32,281
Magazines	3,149	4,932	5,155	5,317	5,607	6,072	6,716	6,803
Farm Pub.	130	181	186	192	196	196	212	215
Direct Mail	7,596	13,800	15,500	17,145	19,111	21,215	21,945	23,370
Bus. Pub.	1,674	2,270	2,375	2,382	2,458	2,610	2,763	2,875
Outdoor	578	872	945	985	1,025	1,064	1,111	1,084
Yellow Pages	2,900	4,900	5,800	6,500	7,300	7,781	8,330	8,926
Misc.	<u>7,558</u>	<u>11,678</u>	<u>12,107</u>	<u>12,799</u>	<u>13,431</u>	<u>14,531</u>	<u>15,271</u>	<u>15,955</u>
Total	53,550	87,820	94,750	102,140	109,650	118,050	123,930	128,640

Source: Robert J. Coen, McCann-Erickson Inc.

Attachment 9

ANNUAL VOLUME OF LOCAL RADIO, TV AND CABLE TV ADVERTISING
 COMPARED TO TOTAL ADVERTISING ON THESE MEDIA

Year	Local Radio Advertising		Local TV Advertising		Local Cable Advertising		Total Local Advertising		Total Adver. (\$mil.)
	(\$mil.)	(%)	(\$mil.)	(%)	(\$mil.)	(%)	(\$mil.)	(%)	
1980	2,740	18.1	2,967	19.6	8	0.1	5,715	37.7	15,171
1981	3,121	18.3	3,368	19.7	17	0.1	6,506	38.1	17,076
1982	3,492	18.1	3,765	19.5	32	0.2	7,289	37.8	19,306
1983	3,876	17.6	4,345	19.8	50	0.2	8,271	37.6	21,969
1984	4,300	16.8	5,084	19.8	80	0.3	9,464	36.9	25,665
1985	4,790	17.4	5,714	20.8	130	0.5	10,634	38.7	27,512
1986	5,178	17.4	6,514	21.8	179	0.6	11,871	39.8	29,830
1987	5,463	17.6	6,833	22.0	203	0.7	12,499	40.2	31,110
1988	5,955	17.8	7,270	21.7	254	0.8	13,479	40.3	33,484
1989	6,300	17.9	7,612	21.6	330	0.9	14,242	40.4	35,214
1990	6,609	17.8	7,856	21.2	396	1.1	14,861	40.0	37,131

Source: Robert J. Coen, McCann-Erickson Inc.

Attachment 10A

1990 OPERATING MARGIN — ALL STATIONS AVERAGE BY VOLUME
(Percent of Sales)

<u>Station revenue (\$)</u>	<u>Operating margin (%)</u>
Over 16 million.....	35.1
13-16.....	28.5
10-13.....	32.2
8-10.....	23.6
7-8	12.9
6-7.....	24.1
5.5-6.....	26.8
5-5.5.....	26.1
4.5-5.....	8.8
4-4.5.....	20.4
3.5-4.....	5.0
3-3.5.....	0
2.5-3.....	8.4
2-2.5.....	-1.3
1.5-2.....	3.2
1-1.5.....	-10.9
900,000-1 million.....	-10.9
800-900,000.....	-8.7
700-800,000.....	-1.5
600-700,000.....	-11.5
500-600,000.....	-2.7
400-500,000.....	-1.8
300-400,000.....	-6.7
200-300,000.....	-4.6
100-200,000.....	-4.7
Less than 100,000.....	-8.5

Note: "Operating margin" equals earnings before interest and taxes, expressed as a percent of sales.

Source: NAB Radio Financial Report, 1991. These financial data are based on a sample of radio stations.

Attachment 10B

1988 OPERATING MARGIN — ALL STATIONS AVERAGE BY VOLUME
(Percent of Sales)

<u>Station revenue (\$)</u>	<u>Operating margin (%)</u>
Over 15 million.....	36.7
12-15.....	35.0
9-12.....	29.7
7-9	23.6
5-7.....	24.3
3-5.....	18.7
2-3.....	8.8
1-2.....	1.7
750,000 - 1 million.....	2.8
500-750,000.....	-0.4
250-500,000.....	-2.4
Less than 250,000.....	-0.2

Note: "Operating margin" equals earnings before interest and taxes, expressed as a percent of sales.

Source: NAB Radio Financial Report, 1991. These financial data are based on a sample of radio stations.

Attachment 10C

1986 OPERATING MARGIN — ALL STATIONS AVERAGE BY VOLUME
(Percent of Sales)

<u>Station revenue (\$)</u>	<u>Operating margin (%)</u>
Over 14 million.....	34.2
10-14.....	26.4
5-10.....	23.7
3-5.....	16.7
2-3.....	7.8
1-2.....	4.2
750,000 - 1 million.....	-0.7
500-750,000.....	-6.6
250-500,000.....	-6.2
Less than 250,000.....	-21.7

Note: "Operating margin" equals earnings before interest and taxes, expressed as a percent of sales.

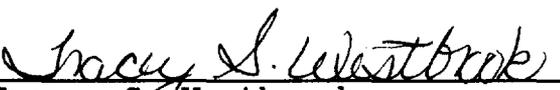
Source: NAB Radio Financial Report, 1991. These financial data are based on a sample of radio stations.

CERTIFICATE OF SERVICE

I, Tracey Westbrook, a secretary in the law firm of Pepper & Corazzini, do hereby certify that true copies of the foregoing "Supporting Comments of the New Jersey Broadcasters Association" were sent this 20th day of April, 1992, by first-class United States mail, postage prepaid, to the following:

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