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March 10, 2017

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington DC 20554

Re: Written Ex Parte Communication, MB Docket Nos. 14-50, 09-182

Dear Ms. Dortch:

On March 6, 2017, the National Association of Broadcasters (“NAB”) filed a Notice of Ex Parte Communication in the above-referenced dockets which stated that numerous broadcasters accompanied representatives of the NAB to meetings with members of the Chairman’s and Commissioners’ staffs and that during these meetings the broadcasters shared information about their local communities and highlighted the need for changes to the Commission’s broadcast ownership limits. This letter is filed on behalf of Galaxy Communications LLC (“Galaxy”). Galaxy’s CEO, Ed Levine, participated in the meetings referenced in NAB’s March 6 ex parte letter.

Galaxy is the licensee of 15 radio stations serving the Syracuse and Utica, New York markets. During the meetings with NAB, Mr. Levine discussed how the competitive landscape faced by Galaxy’s radio stations has changed dramatically in recent years and, in particular, provided evidence regarding the increasing share of local advertising revenue garnered by online media. Attached hereto is an analysis prepared by Dr. Mark R. Fratrick, Sr. Vice President, Chief Economist of BIA/Kelsey (“BIA Analysis”). The BIA Analysis documents the declining position of local radio stations in the increasingly diverse Syracuse, New York media market. More specifically, the BIA Analysis shows that the share of revenue garnered by local radio stations has been declining for several years and will continue to do so while the share garnered by online and mobile sites and apps is increasing rapidly. Based on estimated local advertising revenues for 2017, Syracuse local radio stations will generate 11.4% of the local ad revenue while online sites not associated with traditional media properties will generate 11.8% and mobile sites and apps will garner 8.6%. By 2021, BIA estimates that Syracuse local radio will generate only 9.8% while the revenue generated by online sites not associated with traditional



media will be 14.1% and the share of mobile advertising will increase to 18.5%. In fact, the BIA Analysis indicates that by 2021 Google alone will generate 13.3% of local advertising revenue in Syracuse and all local radio stations will generate only 9.8%. The BIA Analysis also states that “[w]hat is occurring in the Syracuse, NY radio market is occurring in all markets of different sizes. Local radio stations face new and varied competition to attract audiences and to sell access to those audiences to advertisers.”

Galaxy believes that in considering the Petition for Reconsideration filed by NAB in the above-captioned proceedings with respect to the quadrennial review of the Commission’s multiple ownership rules, the Commission should reexamine the local radio ownership rule and carefully evaluate evidence in the record, including the attached BIA Analysis, which demonstrates that the competitive landscape faced by local radio stations today is dramatically different than what existed in 1996 when the local radio ownership rule was enacted. Based on the extensive evidence in the record of the increasing competition local radio stations face from numerous media, including online companies and major players such as Google and Facebook, the FCC should substantially relax the existing local radio ownership caps in all markets.

Respectfully submitted,

/s/ Sally A. Buckman

Sally A. Buckman

Counsel for Galaxy Communications LLC

cc: Alison Nemeth
J. David Grossman
Robin Colwell

Analysis of Local Radio Station's Share

In the Syracuse, NY Media Market

Mark R. Fratrick, Ph.D.

Sr. Vice President, Chief Economist

BIA/Kelsey

February 22, 2017



Introduction

Recent years have seen a significant change in the competitive local media environment. In a market like Syracuse, NY there are numerous radio and television stations, as well as daily and weekly newspapers, providing a wide variety of different viewpoints. These “traditional” media properties are owned by many different owners.

Added to that listing of traditional media sources are a number of highly competitive non-broadcast local advertising platforms that provide alternative sources of information and entertainment through online websites and mobile apps. Consumers in the Syracuse, NY market now have a tremendous number of choices to turn to for news, information, and entertainment. Local advertisers now have multiple new non-broadcast online and mobile apps available to place targeted advertising messages. For example, as the following analysis demonstrates, local, digital advertising revenue captured by major social media platforms such as Google, Facebook, and Bing combined (\$40.5 million) exceeds the advertising revenue garnered by all of the local Syracuse radio stations (\$32.5 million). In fact, Google’s share of the Syracuse advertising market (\$29 million), by itself, will soon exceed the combined advertising revenue share of all over- the- air local radio stations (\$30.2 million) as well as the share obtained by the digital platforms of these radio stations.

The purpose of this paper is to document the position of local radio stations in this increasingly diverse Syracuse, NY media market place in which they compete. Through the use of BIA/Kelsey’s Media Ad View,¹ we can assess the relative importance of non-traditional media in providing alternative sources of news, information and entertainment by “following the money trail.” Local advertisers are increasingly utilizing other advertising platforms and media because consumers are increasingly gravitating to those new media as sources for news, information and entertainment.

¹ BIA/Kelsey’s Media Ad View product is a comprehensive examination of the local media marketplace providing estimates for 16 different advertising platforms for all local markets. This service is subscribed by all different local media companies ranging from the traditional media companies as well as the newer online companies. These subscribers use these estimates for planning and strategic purposes.

Our analysis of the Syracuse market demonstrates that there has been a dramatic change in local market competition. Local media markets are now defined by intense competition for local advertising revenue across all media platforms, including traditional and social media.

The competitive impact of new media technologies has become especially acute in medium and small markets such as Syracuse. After analyzing this wider media market in Syracuse, NY, it is clear that while local radio stations are an important player, there are an increasing number of choices for consumers to access news, information, and entertainment. As a result, the relative share of local advertising revenue captured by local radio stations in this market has been decreasing in recent years. Therefore, it seems only appropriate that the current radio local ownership rules, which were designed before the emergence and dramatic growth of these new media platforms seem outdated and ripe for revision. Importantly it is clear that the competitive impact of social media is not confined to the largest markets.

Wider Market for Information, News and Entertainment

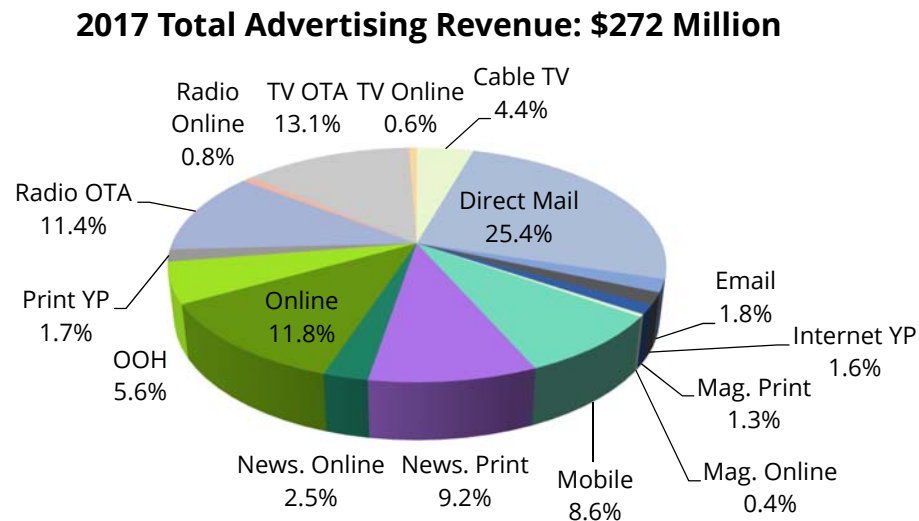
One cannot overlook the incredible changes in the wider media marketplace with the increased number of alternative sources for news, information, and entertainment. From the increased popularity of hundreds of cable/satellite delivered networks to the increased number of mobile apps available on smartphones to the almost infinite number of websites, consumers have an ever-expanding number of choices to access news, information, and entertainment.

In response to this significant increase in choices being offered to consumers and advertisers migrating to these new media, BIA/Kelsey started offering information on this wider marketplace. Specifically, BIA/Kelsey started its Media Ad View service where estimates on advertising revenue are provided showing the relative position of all the different media/advertising platforms now available in the local markets.

Syracuse, NY Radio Market View

To get a sense of this wider marketplace in which local radio stations now competes, Figure 1 shows the Media Ad View 2017 estimated results depicting the advertising shares of the various media/advertising platforms for the Syracuse, NY radio market.²

Figure 1 – 2017 Syracuse, NY Radio Market Media Ad View: Media/Ad Platforms Shares



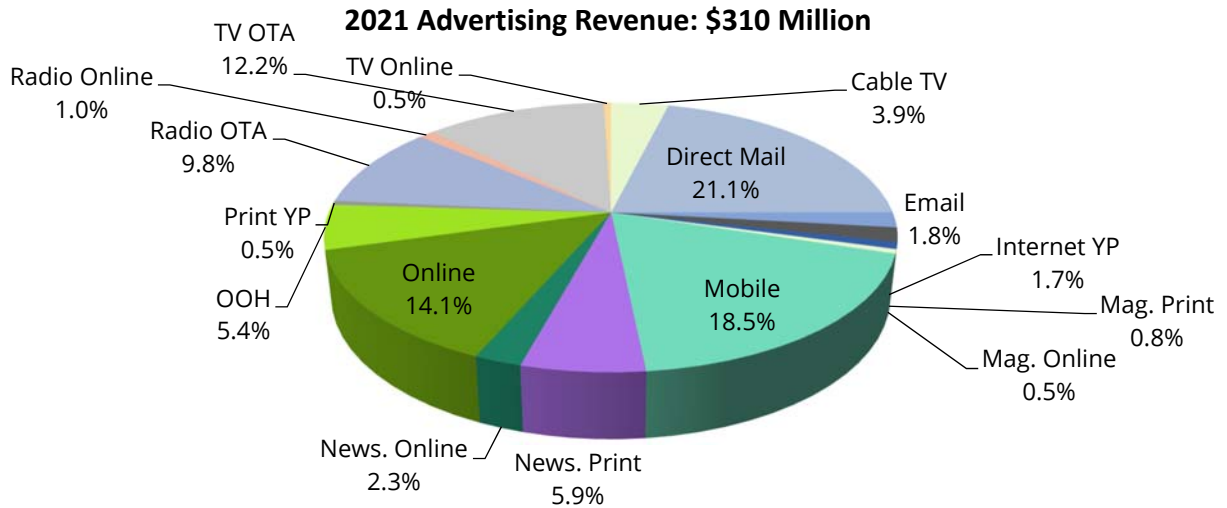
(BIA/Kelsey, 2017)

As seen, local radio stations generate less than one-eighth (11.4%) of the total local advertising revenue from their over-the-air broadcasts. On the other hand, several new media are garnering significant and increasing shares of this local advertising market, reflecting consumers' use of those media for news, information, and entertainment. Online, representing the online sites not associated with traditional media properties, now attracts enough users to garner nearly one-eighth (11.8%) of the total advertising spending. In similar fashion, mobile sites and apps attracting a considerable usage by consumers now realize over one-twelfth (8.6%) of this advertising revenue. These new online/digital media are expected to experience double-digit growth over the next few years, indicating the increasing appetite for consumers to access news, information, and entertainment with these new media.

² The Syracuse, NY radio market is the 91st radio market ranked in terms of population by Nielsen Audio and encompasses three counties in upstate New York.

To realize the potential impact of these new other media providing news, information, and entertainment, one only has to look at the estimates of their shares of advertising revenue only four years later and see how much they are expected to increase. Figure 2 shows the Media Ad View 2021 estimated Syracuse, NY estimates depicting the advertising shares of the various media/advertising platforms.

Figure 2 - 2021 Syracuse, NY Radio Market Media Ad View: Media/Ad Platforms Shares



(BIA/Kelsey, 2017)

The following table shows the actual dollar amounts for these 16 advertising platforms for the two years – 2017 and 2021.

Table 1 - Local Media Advertising Platforms Revenue for 2017 & 2021 for the Syracuse Radio Market (\$000s)

Advertising Platform	2017	2021	Percent Change
Cable TV	11,822	12,024	1.7%
Direct Mail	67,352	65,676	-2.5%
Email	4,858	5,683	17.0%
Internet YP	4,476	5,361	19.8%
Mag. Print	3,166	2,511	-20.7%
Mag. Online	1,056	1,621	53.5%
Mobile	29,094	57,654	98.2%
News. Print	22,456	18,297	-18.5%
News. Online	6,666	7,027	5.4%
Online	33,703	43,743	29.8%
OOH	15,302	16,740	9.4%
Print YP	3,609	1,616	-55.2%
Radio OTA	30,200	30,578	1.3%
Radio Online	2,290	3,130	36.7%
TV OTA	34,335	37,982	10.6%
TV Online	1,670	1,553	-7.0%
TOTAL	272,055	311,195	14.4%

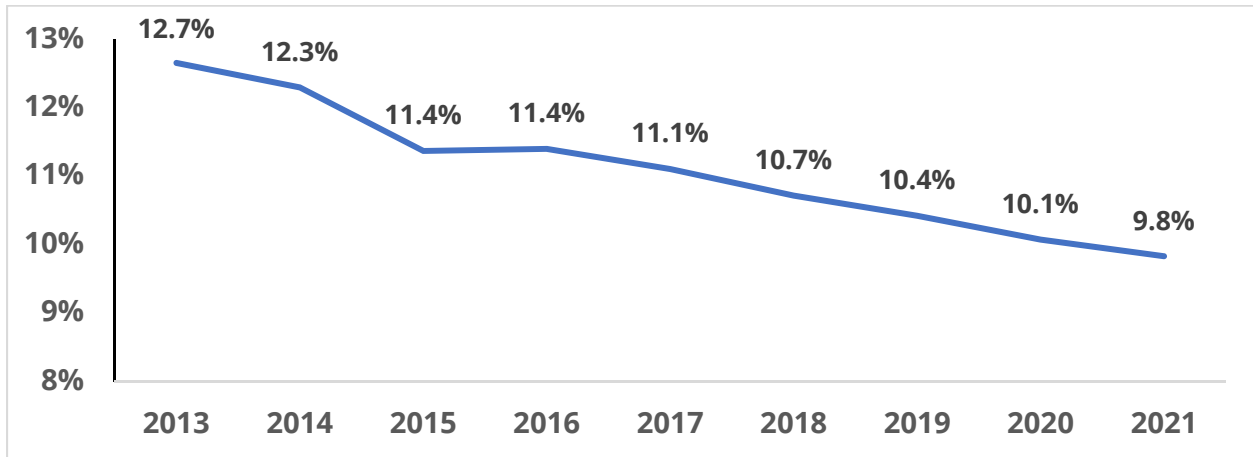
(BIA/Kelsey, 2017)

Given the expected increased use of the new media, the share of local advertising revenue attributable to local radio stations will decrease to 9.8%. In contrast, the online sites not associated with traditional media properties, will attract enough users to garner one-seventh (14.1%) of that local advertising revenue. Mobile advertising will increase the fastest, reaching nearly one-fifth (18.5%) of that total advertising revenue, once again reflecting the increased use of mobile devices for accessing news, information, and entertainment.

Historical Examination of Local Radio's Share in the Syracuse, NY Market

This expected decrease in the advertising share attributable to local radio stations in the Syracuse, NY radio market is a continuation of a recent trend. Figure 3 shows the local radio stations share of local advertising revenue attributable to their over-the-air advertising revenue starting in 2013.

Figure 3 - Local Radio Stations' Over-the-Air Advertising Share in the Syracuse, NY Radio Market: 2013-2021



(BIA/Kelsey, 2017)

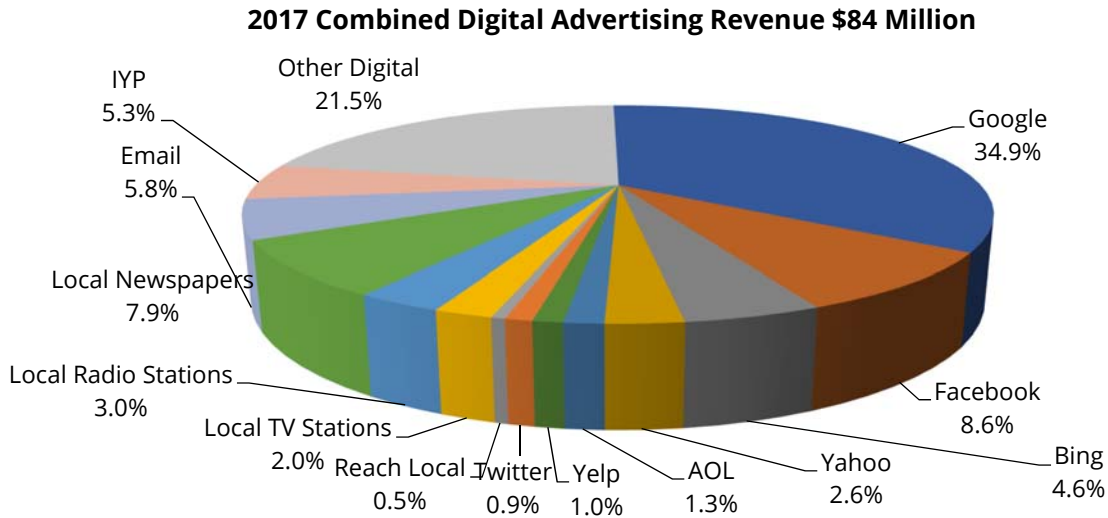
Clearly, local radio stations are feeling the impact of the increased competition they face for both audiences and advertisers. As more consumers turn to non-broadcast related online sites, as well as mobile apps, local businesses are redirecting their advertising spending. Further, with the expected continuing growth in the popularity in non-broadcast related mobile and online properties, we believe that the share going to local radio stations will continue to decrease.

Online Companies in the Syracuse, NY, Market

Turning to this growing segment, many of the online and mobile companies are attracting great usage nationwide and in many different markets. With this greater usage by consumers, these non-broadcast related mobile and online companies are selling advertising targeted to specific local markets. This focus on local markets prompted BIA/Kelsey to start estimating the actual advertising revenue generated by these online and mobile firms that is attributable to each of the local markets. This new service, BIA/Kelsey's *Local Competition Report*, is being used by both traditional and online/mobile media companies to assess the local competition.

Figure 4 shows the estimated shares of these online and mobile companies of the total local advertising in the Syracuse, NY radio market.

Figure 4– Combined Digital (Mobile + Online) Advertising Revenue in the Syracuse, NY Radio Market



(BIA/Kelsey, 2017)

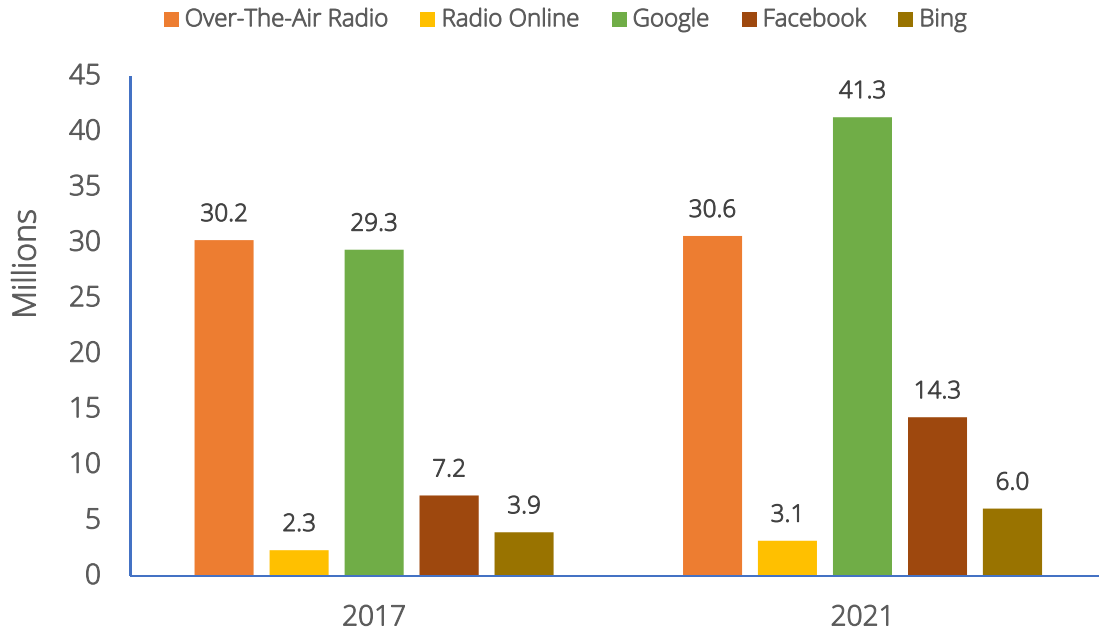
Google leads all companies in generating mobile and online advertising revenue, including the local traditional media involved in online activities. The ability to provide the Syracuse, NY radio market with needed news, information, and entertainment has allowed Google to boost their advertising revenue immensely, with an estimated \$29.3 million of revenue in that radio market alone.

Comparing the data from the previous figures reveal that we are on the cusp of a significant transformation in the Syracuse market. This comparison can be seen in Table 2 below.

Table 2 - Comparison of Advertising Revenue Generated by Local Radio Stations and Online Companies in the Syracuse, NY Radio Market

Advertising Platform	2017 Adv. Revs (\$000s)	2017 Adv. Share	2021 Adv. Revs. (\$000s)	2021 Adv. Share
Over-The-Air Radio	30,200	11.4%	30,578	9.8%
Radio Online	2,290	0.8%	3,130	1.0%
Google	29,334	10.8%	41,270	13.3%
Facebook	7,214	2.7%	14,258	4.6%
Bing	3,900	1.4%	6,023	1.9%

(BIA/Kelsey, 2017)



The data above for the Syracuse, NY radio market make clear that non-broadcast related Internet and social media are having a significant competitive effect in local markets. Google, by itself, will soon eclipse the total amount generated by all of the local radio stations in the Syracuse radio market. As these local advertising markets begin to trend more toward digital services, and away from traditional media, the competitive posture of companies like Google increase, while the relative competitive position of traditional radio stations decline.

Conclusion

What is occurring in the Syracuse, NY radio market is occurring in all markets of different sizes. Local radio stations face new and varied competition to attract audiences and to sell access to those audiences to advertisers. As consumers seek additional sources for news, information and entertainment, local advertisers seeking access to those audiences, have increased their advertising spending with these new platforms. As a result, while local radio stations still remain an important part of the local advertising marketplace, in Syracuse and elsewhere, their position has diminished.

Given the growth and new competitive pressures from digital and social media platforms, government policies designed to restrict common ownership of radio stations in local markets like Syracuse, NY should be reexamined. The data presented above demonstrates that relaxation

of the local radio ownership rules is warranted not only in the largest markets, but in small and medium markets as well. The competitive impact of firms such as Google on local advertising markets is especially acute in medium and small market. Thus, when examining these rules, government policies must look beyond the suggestion that deregulation should only occur only in large markets. Allowing for increased economic efficiencies by expanding local radio market combinations in markets such as Syracuse, NY may be necessary to help ensure the economic vitality of the traditional free, over the air local radio stations. Changing the local ownership rules could help ensure that local radio stations remain an important component of a diverse media marketplace now being shared with an increasingly significant non-broadcast digital and social media sector.