

Year in Review: Broadcasting and Cable 1999

Broadcasting

There were 12,615 radio stations operating in the United States at the end of 1999. Of these, 4,783 were commercial AM stations, 5,766 were commercial FMs and 2,066 were noncommercial FMs. There were 1,616 operating television stations: 561 commercial VHF, 682 commercial UHF, 125 noncommercial VHF and 248 noncommercial UHF. Most commercial TVs are network affiliated; approximately 598 operate as independents. The 598 figure for independents includes some Mexican border stations.

There is no limit to the number of AM, FM or TV stations an entity may own. Although there are no national radio ownership limits, the number of stations a company can own in a particular market depends on the size of the market. In markets with 45 or more commercial radio stations, a broadcaster may own eight stations, but no more than five of a kind (AM or FM). In markets with 30-44 stations, seven total, four of a kind. With 15-29 stations, six total, four of a kind. With 14 or fewer stations, five total, three of a kind (but no more than half the stations in the market). In TV an entity may own as many TV stations as it wants, as long as they don't reach more than 35% of the nation's television homes.

Newspaper owners may no longer purchase broadcast properties in the same market, nor may

radio station owners acquire TV stations there, nor TV owners acquire radio outlets. TV stations may no longer acquire cable TV franchises in the same city.

In 1998, according to estimates by the Television Bureau of Advertising and the Radio Advertising Bureau, commercial broadcasting had total advertising revenues of approximately \$54.8 billion. Television advertising accounted for \$39.4 billion (71.9%) of revenues; radio advertising, for approximately \$15.4 billion (28.1%). Public broadcasting had a 1998 gross revenue of \$2.0 billion—15.6% from the federal government.

In 1998, television billings for stations and networks amounted to \$16.5 billion (national network and national syndication), \$10.6 billion (national non-network) and \$12.3 billion (local), according to estimates by the Television Bureau of Advertising. The Radio Advertising Bureau estimated radio billings for stations and networks were \$720,000,000 (national network), \$2,768,000,000 (national non-network), and \$11,923,000,000 (local).

There are 100.8 million U.S. homes (98% of all homes) with television sets, about 76% of which have more than one set. About 99% of the TV homes have color. It is estimated that about 85%

of TV homes are equipped with a VCR, and that about 68% are linked with cable systems, according to Nielsen Media Research.

The Radio Advertising Bureau estimates that 99% of all U.S. homes have radio sets.

The average American home watches TV seven hours and 26 minutes a day, according to the September 1998-June 1999 broadcast year data reported by Nielsen Media Research. And a 1997 study by Roper-Starch Worldwide Inc. shows that 69% of the U.S. public turns to TV as the source of most of its news, and that 53% believe news reports on TV are the most credible.

The average 30-second prime-time network television announcement now costs \$120,000 (spots on a top-rated series cost \$325,000; low-rated spots average about \$55,000). An estimated 130 million people watched the 2000 Super Bowl telecast. Thirty-second announcements during that event cost \$2.1 million. Thirty-second announcements on individual TV stations range from \$20,000 in top-rated specials in major markets to as low as \$10 in the second-hundred markets. Radio spots cost from \$1,500 or more in major markets to less than a dollar in small towns.

Cable

There are 11,800 operating cable systems in the U.S., serving some 34,000 communities. Another 100 franchises are approved but not built. Texas has the most systems (892) and California the most subscribers (6 million). Operating systems currently reach about 67 million subscribers, perhaps over 175 million people—68% of the nation's TV households. The largest (Time Warner Cable in New York) has over 1 million subscribers. Some have fewer than 100. AT&T Broadband & Internet Services is the largest multiple system operator (MSO), with about 16 million subscribers. Industry revenues last year totaled approximately \$41 billion. Most systems offer 50 or more channels. Systems constructed after March 1972 must have a minimum 20-channel capacity. The average monthly fee (basic service) is \$28. Costs of laying cable range from \$10,000 per mile in rural areas to \$100,000 in urban areas and up to \$300,000 where underground cable is required. An estimated 5,000 systems originate programming in their own studios; the average is 23 hours

weekly. Equipment costs are as low as \$30,000 for a small black-and-white operation and \$200,000 for a color studio.

Over 2,950 systems (25% of all systems) accept advertising on their local origination channels (excluding automated channels), with rates from \$2 to \$600 per 30-second spot. Most cable systems derive less than 5% of their gross revenues from advertising. Pay cable is on approximately 9,300 systems and reaches 44 million subscribers in 50 states. Most pay cable operators are reporting close to 72% penetration of their subscriber count. Home Box Office Inc. initiated the first national satellite interconnected pay network Sept. 30, 1975, using transponder time leased on the Satcom satellite. Aside from contracting for packaged pay programs, like HBO, cable operators can lease a channel to a pay program operator or secure their own programming directly from a supplier. Many systems have multiple cross-ownership ties.

Although wireless cable systems offer programming similar to cable systems, the subscriber receives the programming in a different way. A wireless cable system uses a microwave transmitter to send video programming to the rooftop antennas of subscribers. According to the Wireless Communications Association International, there are more than 290 wireless cable systems. Another alternative to cable is provided by DBS (direct broadcast satellites). United States Satellite Broadcasting Co. and DirecTV Inc. began operation in 1994. EchoStar began DBS service in 1996. The DBS operators transmit via high-power satellites to small antennas on the ground. A midpower DBS company, Primestar Partners, is providing DBS service. Midpower DBS systems also transmit via satellite but require bigger antennas on the ground. In 1999 DirecTV merged with United States Satellite Broadcasting Co. and acquired Primestar. There are over ten million DBS subscribers.