

A LA CARTE CABLE PRICING AND THE
FUTURE OF LOCAL BROADCAST TELEVISION

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A LA CARTE CABLE PRICING AND THE
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Abstract: Television has been a staple of the American lifestyle since its adoption in the 1950s. Advertising has been the primary source of revenue for local stations, although many stations strengthened their bottom line with compensations paid by their parent network. In the late 1980s and early 1990s, local broadcast stations were faced with a more fragmented audience due to the rapid growth of cable television. National networks stopped compensating local broadcast stations in the early 2000s, making it more difficult for local broadcast stations to maintain their revenue streams and profit margins.

In 1992 Congress created retransmission consent to ensure that broadcasters would be able to negotiate with cable and satellite operators for fair compensation for their programming. Cable operators resist retransmission compensation, saying it has raised programming costs and resulted in higher prices for consumers. The higher costs are passed along to consumers in the form of subscriber fees. Many politicians, consumers, and industry groups have been concerned about the high prices of cable television service and have been researching ways to reduce fees. One alternative to high subscriber fees is offering channels a la carte or on an individual basis. A mandated a la carte delivery option would significantly change the way cable operators and local broadcast stations would negotiate retransmission compensation.

The major findings in this study include the significance retransmission fees have on the financial health of local television stations, the importance of retransmission negotiations between cable operators and local broadcast stations and the impact offering programming a la carte could have on local broadcast television.

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CHAPTER I

A LA CARTE CABLE PRICING AND THE FUTURE OF LOCAL BROADCAST TELEVISION

Since the establishment of local broadcast television in the late 1940s and early 1950s, television has played a major role in the American lifestyle. Each week viewers across the nation would wait patiently for their favorite programs to be broadcast on local stations. Often entire families would gather in front of their sets to catch their favorite programs such as *I Love Lucy*, *The Ed Sullivan Show*, and *Gunsmoke* (tv.com, 2015).

The three national networks that emerged, including the American Broadcast Company (ABC), National Broadcast Company (NBC) and Columbia Broadcast System (CBS), supplied local stations with programming. In exchange for airing those programs, local stations received money from the networks called compensation. “In larger markets, the networks provided only a fraction of an affiliate’s overall revenues, while in smaller markets, network compensation contributed as much as twenty-five to thirty percent of revenues” (Blumenthal & Goodenough, 2006, p. 9). The network payments to medium and small stations were extremely important and helped local broadcasters fund news and public affairs programming to better serve the public interest (Prato, 1992).

Network compensation, combined with local advertising income, had been the primary sources of revenue for local broadcast stations since the beginning of the industry. Audience ratings (the basis for establishing advertising rates) translated directly into revenue for local

television programming services, but in the late 1980s and early 1990s, local audience ratings started declining, causing a direct revenue decline. During this time, national networks also began phasing out compensation to local broadcast stations, making it even more difficult for stations to maintain their profit margins. New competition (i.e., advertising moving to the Internet) coupled with the elimination of network compensation created financial losses and forced local broadcast stations to seek other revenue opportunities to continue operations and stay profitable.

One new source of revenue would be from cable and satellite companies carrying local station signals. “In the early 2000s, local broadcasters began to negotiate retransmission consent agreements that included monetary compensation with DBS operators, telephone companies entering the video market, and ultimately cable operators” (Eisenach, 2009, p. 9). In the Cable Television Consumer Protection Act (Cable Act) of 1992, Congress gave broadcasters the right to negotiate with cable systems for reasonable compensation (retransmission consent), or alternatively to require cable systems to carry their signals on an uncompensated basis, known as must carry. Retransmission consent simply provided broadcasters with a means of obtaining an economically efficient level of compensation for their broadcast signals (“Cable Act,” 1992). Broadcasters began aggressively pursuing retransmission consent payments to replace network compensation losses and to transition to a business model more akin to that of basic cable networks, which have long relied on both subscriber fees and advertising revenue (Napoli, 2011). Together with advertising revenue, retransmission compensation provided a dual revenue stream for television stations. This dual revenue stream has leveled the economic playing field between cable operators and local broadcasters, which was one of the goals of the Cable Act of 1992 (Eisenach, 2009).

As local broadcasters started collecting retransmission fees, the rush to acquire local television stations by media companies spiked in the 2010s. Consolidation has resulted in 589 local broadcast stations in the hands of just 12 media companies. Ten of the 12 companies

reported revenue growth though the third quarter of 2014 (January-September) compared with the same period a year earlier (Matsa, 2014).

Even with the strong financial payoffs for media consolidation, the exponential growth of online streaming has made an impact on the way viewers consume media and has presented a new challenge to local broadcasters. On October 15th and 16th, 2014, Home Box Office (HBO), the most critically acclaimed cable network, and CBS, the most watched broadcast network, bet on the future of selling a subscription service for the delivery of its television content. These two new Internet streaming services bypass cable television and deliver content directly for those who want to pay for the service. Derek Thompson of *The Atlantic* suggested that in less than 24 hours the future of television delivery may have unfolded right in front of our eyes (Thompson, 2014). This type of a la carte service could someday bypass network affiliates as well as cable and satellite service providers and give major broadcast and cable networks a direct route to viewers, revolutionizing the way television is delivered and paid for (Stelter & Pallotta, 2014).

As noted by the actions of HBO and CBS, video consumption habits appear to be changing at an accelerating rate. Technology-savvy Millennials are leading the way, a generation that wants to watch when they want, what they want and where they want. To stay competitive with new direct to the home technology, local broadcast stations and cable systems may have to alter the way they deliver content to the home. Heuman (2011) expressed the following in regard to user control and empowerment associated with changing viewing habits:

The idea of a “channel” is soon to be obsolete. What we need is a la carte selection of individual programs (programs after all is what we watch, not channels). Video on demand technology is rapidly being developed. The future is everything on demand. Forget channels; they will be interesting artifacts by the time the wheels of government rulemaking grind out a decision on a la carte channel selection (p. 49).

Heuman's view demonstrated that viewers no longer need to accept a prescribed time for viewing programs as access to video content has become a matter of using one of several interfaces capable of delivering a la carte content anytime and anywhere (Frieden, 2011). A la carte, or per-channel programming, means a channel is offered on an individual per-channel basis rather than as part of a bundle or tier of programming ("Must-Carry/Retransmission Consent Election," 2013).

Local broadcasters are facing unprecedented competitive pressures and an uncertain future. The shift in consumer behavior toward digital and online platforms presents a challenge to the current regulatory system of retransmission compensation between cable operators and local broadcasters. According to cable operators, the retransmission consent scheme is broken. Broadcasters contend, however, that the retransmission consent scheme is working as intended (Burton, 2012). The marketplace for programming is rapidly evolving to the next level. Cable companies and local broadcasters have something to fear from the rise in content streaming services. To compete in today's television marketplace, cable systems may be forced to offer channels a la carte, which could change the economics of the television business, including the way content owners and local broadcast stations negotiate for distribution with cable systems.

With ongoing disputes between cable systems and local television stations regarding retransmission compensation, it is important to study the issue of retransmission consent and the future of local broadcast television. This study utilized a survey of general managers of local broadcast stations. The study focused on three distinct areas of the television business. First, the researcher examined how retransmission fees have impacted the financial health of local broadcast stations. Second, the researcher examined the economics of retransmission fees and the issues of negotiating retransmission consent for local broadcasters. Third, the researcher studied how a la carte offerings would affect a local station's financial health vis-a-vis the value of the retransmission fee.

Intended benefits of the study included (a) obtaining a better understanding of how retransmission fees have impacted the financial health of local broadcast stations and recognizing the importance retransmission fees have on a station's revenue projections; (b) ascertaining what criteria is used in determining market value for a local broadcast stations programming, including what role station ratings play in negotiating retransmission compensation; and (c) what effect offering programming a la carte would have on retransmission negotiations and ultimately impact a station's value. The study may also be used as a tool to better understand how video content will be consumed in the future.

The remainder of the study is organized as follows: Section 2 presents a literature review of studies of the broadcast television and cable industries and outlines a series of research questions. Section 3 explains the methodology of the study, and discusses how the survey was carried out. Section 4 discusses the findings of the research. Section 5 offers a discussion about the results and their implications.

CHAPTER II

REVIEW OF LITERATURE

As stated in the introduction, this research focuses on the impact of retransmission fees for local television stations, how a la carte delivery of programming could impact that industry, and how delivering programming a la carte could change the economics of the television business, including the way local broadcast stations negotiate for distribution with cable systems. Four specific themes are presented in this literature review: (a) the case for retransmission consent, (b) the economics of retransmission fees, (c) the drivers of a la carte pricing, and (d) issues regarding a la carte pricing.

The Case for Retransmission Consent

Cable television grew rapidly in the late 1980s and early 1990s and progressed from a simple delivery service to a video information and entertainment provider. Cable's early growth was attributed to cable operators' ability to pick up broadcast signals from hundreds of miles away, providing customers with new programming choices ("The Evolution," 2014). Cable's pioneering of satellite communications technology also led to a pronounced growth of services to consumers. Satellite delivered channels paved the way for the explosive growth of cable networks and companies. Deregulation provided by the 1984 Cable Act also provided a strong positive effect and led to the rapid growth of cable services ("Cable Act," 1984). Cable operators receive revenues from two primary sources, local advertising and subscriber fees. Local advertising revenues are payments received from businesses for advertising insertions that the cable or satellite operator provides. Subscriber revenues are the monthly fees paid by subscribers to

receive cable service (Clements & Abramowitz, 2006). Cable companies in turn make payments to cable networks that provide programming. Some subscriber revenue will then be paid to local stations in the form of retransmission fees.

Under the current regulatory system, local television stations and local cable systems must enter into negotiations with each other for permission to retransmit a broadcast signal over a cable system. The vast majority of these retransmission consent negotiations are resolved privately, without government intervention and without the loss of broadcast signals to cable subscribers. Sometimes negotiations reach an impasse, and the result can be signal blackouts for cable subscribers (Burton, 2012). One of the longest television blackouts occurred when Shentel Cable fought with Allbritton's WJLA-TV, which serves parts of Washington, D.C., and Virginia. The dispute left subscribers without the ABC affiliate for 271 days in 2012 ("Longest Blackout Ever," 2012). On September 2, 2013, CBS and Time Warner Cable reached a new broadcasting rights agreement ending a month-long blackout of the network's shows at several key markets in the country, including New York, Los Angeles and Dallas (Yu, 2013). The American Television Alliance, whose mission is to give consumers a voice to lawmakers, commented on the retransmission disputes between CBS and Time Warner saying, "When subscribers of six different providers in 58 markets are blacked out of 84 separate stations, how can Congress and the Federal Communications Commission (FCC) fail to acknowledge that the 21-year-old retransmission system is broken" ("Statement from the American Television Alliance," 2013, para. 3).

Proponents argue the current retransmission consent regulation is an economically efficient, market-based approach to compensating broadcasters for the value of their programming (Eisenach, 2009). Both broadcasters and cable system operators have a strong economic incentive to agree to terms of carriage because local broadcast stations remain the most watched channels on cable systems (Clements & Abramowitz, 2006). Supporters say the fact that there is an occasional dispute does not mean the retransmission system is broken:

Evidence shows that retransmission consent is achieving Congress' intended purpose of allowing broadcasters to receive an economically efficient level of compensation for the value of their signals, and that this compensation ultimately benefits consumers by enriching the quantity, diversity, and quality of available programming, including local broadcast programming (Eisenach & Caves, 2010, p. 2).

In a marketplace where goods are bought and sold, understanding the dynamics of negotiating retransmission consent between cable operators and local television stations is important. The findings of this study may help the cable and television industries strengthen their businesses and realize new opportunities to better serve their communities.

The Economics of Retransmission Fees

For years, cable and satellite distributors have complained about paying too much for lower-rated channels that consumers do not want and do not watch ("Support Communities," 2014). In many cases, these cable channels are paid far more than broadcast channels, despite having only a fraction of the ratings broadcast content generates for the distributors. This practice causes price increases in bundled program packages by cable and satellite operators and these increases are passed on to consumers. Many times these bundling practices require consumers to purchase products in which they have little interest which ultimately drive up programming costs. (Crawford & Cullen, 2007).

Overall, programming costs account for a small portion of cable operators' expenses. According to a study by Eisenach (2010), of the top five publically traded multi-system operators (MSOs), monthly revenues per subscriber (sub) per month rose by \$38.06 per month between 2003 and 2008, while programming expenses rose by only \$6.65. Additionally, programming expenses for the MSOs increased by approximately 40% from \$15.90 per subscriber (sub) per month to \$22.55 per sub per month, total revenues increased by approximately 55% from \$66.86 per sub per month to \$106.92 per sub per month. Despite these healthy revenues, cable and

satellite companies are lobbying politicians to revise the retransmission negotiation process. “One of cable operators’ arguments against retransmission consent is that any compensation paid to broadcasters for their signals is ultimately passed along to consumers in the form of higher retail prices” (Eisenach, 2009, p. 23). Regardless of the FCC’s continued support for retransmission consent, it is clear that cable operators will continue to seek to fight for changes in the law.

While cable and satellite providers are upset about the cost of niche cable networks, the industry is also frustrated by having to pay retransmission fees to local television stations in its service area. Negotiating retransmission fees has become a high priority for local television stations due to the complications of the new media landscape. Cable operators would like to return to the pre-1992 era, when broadcasters had no right to negotiate for compensation (Eisenach, 2009). But eliminating the ability of local broadcasters to negotiate for the value of broadcast signals would likely mean less choice for viewers and fewer dollars for stations to dedicate to local news, public affairs programming, coverage of emergency weather events and community activities (“Protect TV Viewers,” 2013). Retransmission consent ensures that all local stations can negotiate with cable and satellite systems for the popular programming they create, produce and transmit.

Retransmission negotiations can be a complicated and costly process. “A broadcaster who chooses broadcast consent over must-carry must negotiate with cable companies for consent to retransmit its signal. When negotiations between broadcasters and cable operators break down, the lack of consent leads to a possible blackout of the broadcast signal. When this happens consumers are inevitably harmed” (Burton, 2012, p. 619). Two cases of blackouts have been examined in the literature review including “The Longest Blackout Ever” and the dispute between Time Warner Cable and CBS in 2013. In a statement before the Subcommittee on Communications, Technology and the Internet, Jay Rockefeller (D-WV), cautioned cable operators and broadcasters with this statement regarding retransmission consent:

If you fail to fix this situation, all three parts of it, we’re going to fix it

for you. But, when we do that, we will seek to do more than referee your corporate money disputes, because more than just retransmission consent ails our television markets. We need new catalysts for quality news and entertainment programming. We need slimmed down channel packages that better respect what we really want to watch, because people are tired of always escalating rates (Longo, 2013).

While cable systems call for reform of the retransmission consent regulations, broadcasters resist government intervention (Burton, 2012). Reforming retransmission consent may be a good alternative to the present negotiation process.

The Drivers of A La Carte Pricing

Numerous studies by the Federal Communications Commission, National Cable Television Association and by independent researchers on the delivery of a la carte programming have been conducted since the Cable Act of 1992. A numerical simulation by Rennhoff and Serfes (2009) concluded that a la carte regulation (a regulation that would force cable systems to unbundle) would be beneficial for consumers. The model developed for the study offered some guidance as to whether cable firms should be forced to unbundle, but also stated that, “if cable providers respond to a la carte regulations, by raising prices, it is not clear that a la carte pricing will be welfare improving” (Rennhoff & Serfes, 2009, p. 549). Some researchers have stated that offering networks a la carte would not serve the public interest given the fact that many niche channels that benefit from bundling practices would not survive (Heuman, 2011). Traditional broadcasters and cable systems are also tasked with protecting their established economic model that includes retransmission fees, bundling of cable networks and exclusive delivery of sports and entertainment programming. New technologies such as broadband, which has the capacity to deliver multiple streams of programming, is the new competitor to cable operators and broadcasters and may be the biggest driver to a la carte viewing (Van Tassel, 2001).

John McCain ,(R-AZ), has supported giving consumers the ability to buy cable channels individually, thus giving them more control over viewing options in their home and, as a result, over their monthly cable bill. In a speech on the Senate floor, McCain cited government research that found that the average price of expanded basic cable services had increased from \$25 per month in 1995 to more than \$54 today (Sasso, 2013). According to a 2013 report on cable pricing by the Federal Communications Commission (FCC), during the period from 1995 to 2012, the price of expanded basic cable service increased at a compound average annual growth rate of 6.1%, while the Consumer Price Index (CPI) increased at a compound average annual growth rate of 2.4% (“Report on cable industry prices,” 2013, n.d.). As a result of the concern for increasing cable services, McCain introduced the Television Consumer Freedom Act in 2013, with the objective to encourage the wholesale and retail “unbundling” of programming by distributors and programmers (Smith, 2013). According to Crawford and Yurukoglu (2012), a regulation mandating a la carte pricing would radically alter the options of the roughly 110 million U.S. television households that collectively spend more than \$50 billion annually and watch an average of more than seven hours of television per day (p. 643).

Donders and Evens (2001) emphasized that both Internet and telecommunications companies are entering the broadcast market, which means more options for consumers. New ways to consume video include Internet connected-gaming devices such as Microsoft’s X-Box and Sony’s PlayStation. A number of upcoming over-the-top (OTT) broadband services are on the horizon including HBO, CBS All Access and ESPN (OTT services are delivered direct to the home via a broadband connection for a fee). Consuming content on mobile devices such as smartphones and tablets seem to be favorites of the younger generation (Caumont, 2013). Digital technology around the world is disrupting the traditional television industry, which is fighting to keep its economic advantage. Traditional cable operators are threatened by the success of OTT video platforms such as Netflix, Hulu and Hulu Plus, iTunes and Amazon Video on Demand. Although Donders and Evens studied the situation in two foreign countries, the traditional

broadcast model in those countries compares favorably to that of the United States. The study concluded that old players (i.e., cable operators, television stations and satellite operators) are eager to defend their business model by deploying strategies for preserving market power and inventing bottlenecks such as scarcity of bandwidth and program exclusivity for new technologies to conquer. This study is important because it reflects the concern that a similar practice is taking place in the United States in regards to competition from new media.

In her book *Digital TV over Broadband Harvesting Bandwidth*, Van Tassel (2001) discussed our digital destiny: “Communications and media are being revolutionized by the transformation of standalone, stranded information processing machines into connected devices and appliances that all talk to one another and exchange data” (p. 505). Here, the author emphasized the importance of the information and communications industries in the United States by stating, “These industries are a major source of employment, and make up a sizable portion of the nation’s exports. Now, we must add to this economic powerhouse the receipts from Internet services and access providers, the production of Internet content, and the jobs and companies created by the e-economy [*sic*]” (Van Tassel, 2001, p. 505). Delivering this information and entertainment to consumers is by far the bigger part of the revenue stream, and, as consumers opt for broadband access, delivery of video content a la carte over broadband may be the future of television.

To understand the far-reaching implications of digitization, Cover (2005) studied what the new forms of television program distribution meant for broadcast scheduling. According to Cover, new developments in digital distribution has set the stage for the next generation of viewing patterns: “The rise of new, networked, digital and recorded media forms...has worked to change the ways in which ‘media time’ (time spent with older media forms as opposed to emergent technologies) operates” (Cover, 2005, p. 14). The study showed rigid television scheduling is less compatible with viewing patterns of the 2000s and that self-scheduling of television programming using digital assets frees consumers to be entertained on a schedule they

select without interruption from pre-set work and play timetables. This unparalleled access to an ever expanding inventory of new content alternatives at a time when cable growth is declining is one of the biggest concerns of the broadcast and cable industries and needs further study to evaluate its pace on the viewing habits of consumers.

In a pure a la carte world, the buyers and sellers of video content could transact more directly without the interference from a cable operator or other gatekeeper. Offering channels a la carte would give consumers new forms of empowerment for selective viewing. In a study regarding a campaign for a la carte delivery of cable channels in the U.S., Heuman (2011) stated, "...they (the viewer) reach even further, toward the aura of control and empowerment associated with the Web and digital culture" (p. 33). The study characterized the practice of consumers paying for what they do not watch and bundling a subsidy or tax on viewers. The research also revealed that small or niche cable channels that rely on bundling for their existence would bear the heaviest burden in a riskier a la carte environment and that consumers could miss out on surfing channels beyond their known preferences and might be paralyzed when it comes to selecting a la carte channels. Freedom of choice and control promises consumers new empowerment but has the potential to disrupt the current television ecosystem.

Bundling practices might possibly be one of the biggest drivers of consumer demand for a la carte viewing. A study by Crawford (2008) designed to test the discriminatory incentives to bundle and quantify their importance in the cable television industry found that adding six of the top 15 cable networks to program bundles significantly increased cable demand by consumers. Premium program networks such as HBO and niche channels also had an impact on cable companies desire to bundle to increase cable demand. The results supported a discriminatory explanation for product bundling by cable systems and their resistance to an a la carte pricing model. Bundling increases total economic welfare for cable systems but leaves consumers worse off, mainly because it acts as a price discrimination mechanism (Crawford, 2008).

Hazlet's economic analysis of cable television pricing (2006) concluded that by establishing subscription fees that entitle customers to access a wide assortment of programs on the expanded basic tier (or bundle), cable operators could offer greater program variety to the consumer. Bundling also allowed distributors and content creators to realize a profit because of the shared revenue from the subscriber. In addition the research suggested that imposing an a la carte model would make it harder for viewers to discover programs. Even though the findings favored bundling, proponents of an a la carte model made two distinct cases regarding selective viewing. First, the economic justification was that it would reduce consumer cable bills. Second, a la carte would end the flow of unwanted programming into the subscriber's homes. The overwhelming opinion remains that prices for bundles are unfair when users believe that they are paying to support channels they do not value (Hazlet, 2006). Freedom of choice and control promises consumers new empowerment and has the potential to disrupt current viewing habits.

Issues Regarding A La Carte Pricing

On September, 17, 2014, Jay Rockefeller, (D-WV), and John Thune ,(R-SD), introduced Senate Bill 2799 cited as the Satellite Television Access and Viewer Rights Act (STAVRA). The bill was designed "to extend the authority of satellite carriers to retransmit certain television broadcast station signals, and for other purposes" (Senate Resolution 2799, 2014, p. 1). One of the other purposes was to reduce the leverage of broadcast stations in negotiations with cable providers by allowing consumers to drop any broadcast channels that they don't want to pay for. In other words, the bill would allow consumers to purchase channels a la carte or what the senators referred to as *Local Choice*.

The bill passed the Senate but the *Local Choice* provisions were struck before the vote was taken. After the bill passed, Rockefeller and Thune issued a joint statement on Committee Passage of the Satellite Television Access and Viewer rights Act (STAVRA). "*Local Choice* proved to be something that was too big and bold to be included in STAVRA due to the limited time we have, we are pleased that we were able to start a conversations about the proposal"

(Rockefeller & Thune, 2014, p. 1). If the bill had passed in full, the plan would have dramatically reshaped the economics of television in that consumers would have been able to pick and pay for only the channels they wanted to watch. National Association of Broadcasters (NAB) President Gordon Smith commented that the NAB was thankful for the consideration Senate Commerce Committee members eliminated the *Local Choice* proposal citing the numerous negative consequences the bill would have on localism, broadcasters and the millions of broadcast television viewers (“NAB Statement,” 2014). Defending the amended bill, the American Television Alliance stated, “Today’s passage of STAVRA is a clear and convincing victory for those fighting to fix our broken retransmission consent system. STAVRA contains several significant provisions that will help curb skyrocketing retransmission fees and blackouts, despite broadcasters’ wishes” (Senate Commerce Committee, 2014, para. 2). Some industry analysts suggest, “If Washington tries to ‘outsmart’ the marketplace...unintended consequences are sure to ensue as they always do. Attempted government arbitration of retransmission disputes is likely to result in more blackouts, not fewer” (McDowell, 2013, p. 1).

The Role of the FCC

The Federal Communications Commission (FCC) is an independent U.S. government agency overseen by Congress that regulates interstate and international communications by radio, television, wire, satellite and cable in all 50 states, the District of Columbia and U.S. territories. Cable operators, advocacy groups and consumers are pressuring the FCC to reform the laws regarding retransmission consent. Some research contends that broadcasters are not spending retransmission dollars on news and public affairs programming the way the FCC and Congress intended. Consequently, retransmission consent provisions are not accomplishing their original goal of enhancing broadcasters commitment to localism (Napoli, 2011). A report by the advocacy group TVfreedom stated that retransmission consent costs are a drop in the bucket for cable and satellite providers but are an invaluable source of funding for television broadcasters and that the

funds are critical to local television stations' ability to provide local news, community and emergency information, as well as top-quality entertainment programming ("TVfreedom," 2014).

In a report to Congress in 2005 regarding retransmission consent and exclusivity rules, it was noted that cable and satellite service was rapidly penetrating television households and increasingly was competing for advertising dollars with free over-the-air television. Congress recognized that local television stations rely on advertising to provide free over-the-air local service and that competition from cable television posed a threat to the economic viability of television broadcast stations. "Therefore it mandated cable carriage to ensure the continued economic viability of free local broadcast television" (SHVERA, p. 5). This mandate was intended to level the playing field for broadcasters, giving them control over the use of their signal and permitting them to seek compensation from cable operators for carriage of their signals. Congress emphasized that it intended "to establish a marketplace for the disposition of the rights to retransmit broadcast signals" but did not intend "to dictate the outcome of the ensuing marketplace negotiations" (SHVERA, 2005, p. 6). It is apparent that several parties, including consumers, advocacy groups, cable operators and broadcasters, were affected by the retransmission fee negotiation process and have to be considered in the value chain of program delivery.

Distributive and Integrative Negotiation Theory

Negotiation is the process whereby people attempt to settle what each shall give and take or perform and receive in a transaction between them (Rubin & Brown, 1975). Negotiations are an essential part of any business and take place on a daily basis. The implementation of the negotiation process is dependent on many factors such as the negotiation skills of the involved parties, available information regarding the transaction and the chosen approach and behavior. The negotiation outcome depends on the chosen design and the chosen design may lead to different outcomes (Stoshikj, 2014). The basic features of negotiation, as recognized by

Thompson (1990), include the negotiating parties, their interest, the negotiation process, and the negotiation outcome.

Negotiation experts distinguish between two types of negotiation: (a) distributive and (b) integrative (Kreitner & Kinicki, 2013). The structure of the bargaining situation is determined by the degree of conflict between parties' interests. Pure conflict exists when parties' interests are perfectly negatively correlated: that is, any outcome that increases one party's utility decreases the other party's utility in fixed-sum fashion. Pure conflict situations are known as distributive negotiations (Walton & McKersie, 1965). Two people bargaining over the price of a used car for which the seller wants more money and the buyer wants to pay as little as possible is an example of a distributive negotiation. In the rate dispute CBS versus Time Warner Cable, a distributive negotiation occurred. It took over 30 days for the two parties to reach an agreement suggesting a great deal of conflict had to be resolved before a solution could be reached.

Sometimes parties' interests are neither completely opposed nor purely compatible. Such situations are known as integrative negotiations (Walton & McKersie, 1965). In these negotiations the outcome represents a win-win strategy, which benefits both parties (Kreitner & Kinicki, 2013). Pruitt (1986) gave the example of a couple in conflict over where to spend a vacation. The husband prefers a cabin in the mountains; the wife prefers a luxury hotel on the seashore. An integrative agreement is reached when the couple agree to vacation in a luxury hotel in the mountains. Many researchers contend that most negotiation situations are integrative (Pruitt & Rubin, 1986; Raiffa, 1982; Walton & McKersie, 1965). In the retransmission negotiations between cable operators and local broadcast stations, past research reflects that most negotiations are resolved without any problems and the negotiation process is working the way Congress intended. This would indicate that most retransmission negotiations are integrative and that both parties want a solution that benefits both parties. By working together using an integrative approach, the parties may enjoy higher benefits in the future as technology and delivery options change. According to Pruitt & Rubin (1986), integrative agreements allow negotiators to achieve

greater utility, allow negotiators to avoid potential stalemates, and are more stable over time, foster harmonious relations between parties, and contribute to the welfare of the broader community (Pruitt & Rubin).

If we observe the state of negotiations between cable operators and local broadcast stations, it is apparent that both distributive and integrative negotiations are taking place. As technology and additional viewing options for consumers make their way into the American lifestyle, it would be valuable to understand how future negotiations will be conducted, especially under an a la carte scenario. A classic analogy used to convey the distributive and integrative aspects of negotiation is the sisters and the orange problem (Follett, 1940). Two sisters each want a single orange. A common solution is simply to cut the orange in half, which the sisters ultimately decide to do, but this outcome is suboptimal because a mutually beneficial, or win-win, solution actually exists. By focusing on their demands, the sisters fail to realize their underlying interests: one of them only wants the rind to bake a pie, and the other needs to make orange juice. A superior solution would fully satisfy the disputing sisters and involved dividing the orange into its two parts, such as the one sister receives the entire peel, and the other receives all of the juice. Implied in this story is the supposition that the protagonists failed to brainstorm alternatives that would have helped them discover the needs-based solution (or win-win solution) and settled for a suboptimal solution instead (Wilson & Thompson, 2014, p. 360).

Because negotiation behavior is a fundamental form of social interaction, it is a major area of research in several fields. Thompson and Hastie (1990) hypothesized that the accuracy of negotiators perceptions of the other party's interests should play a large role in determining outcomes. The reasoning was that negotiators who make inaccurate judgments about the other party assume that the other party's interests are completely opposed to their own, and they, therefore, overlook opportunities for mutual gain and settle for suboptimal solutions (Thompson, 2015). When negotiations take place between cable operators and local television broadcasters

over retransmission rights, it is important to study the results of the negotiation as well as the negotiation process.

Summary

Several major points emerged from this review of current research on the subject of a la carte viewing, retransmission fees and the future of local broadcast television. While cable companies and local television stations may sometimes be at odds, the growing importance of retransmission fees to these stations is apparent. Considering the potential impact of technology and regulation is important in studying the future of a la carte viewing of television programming. The idea of a la carte cable pricing is being driven by the shift in consumer viewing behavior and could have a profound impact on the television industry. Concerns about where the industry is heading include the impact on local broadcaster's financial health, new over-the-top subscriptions services that will deliver content directly to the home and government regulations that are designed to protect the traditional television system that is designed to serve the public interest. In addition, negotiating retransmission fees is a big concern to cable operators and local station managers as stations scramble to find new revenue streams. It is evident that the television industry is standing at a tipping point as viewers embrace new offerings that give them the control they are seeking. This research project directed questions to local television general managers to better understand the impact of offering channels a la carte. The findings may help the television industry as it continues to recognize and develop new revenue opportunities in an effort to better serve the public interest.

Research Questions

As noted in the literature review, the researcher examined (a) the case for retransmission consent, (b) the economics of retransmission fees, (c) the drivers of a la carte pricing, and (d) issues regarding a la carte pricing. This study was particularly interested in the impact mandated a la carte cable pricing would have on local television stations' retransmission fees. The literature has indicated that any a la carte pricing mandate may alter the way cable systems and local

broadcast stations negotiate retransmission fees. In a marketplace where goods are bought and sold, understanding the dynamics of negotiating retransmission consent between local television stations and cable operators is important. The findings may help the television industry strengthen its business and realize new opportunities to better serve their communities. Therefore, the research questions focused on four key areas.

The first research question explored how retransmission fees have benefited local television stations. Research has shown that retransmission consent was initiated as a way to give local broadcast stations control over the use of their signal and to be compensated by cable operators (Napoli, 2011).

RQ1: How have retransmission fees impacted the financial health of local broadcast television stations?

The second research question helped identify the necessary information station managers might need to negotiate a fair per subscriber fee for their station. Under the regulatory system at the time of this research, local stations and local cable systems must enter into negotiations with each other for permission to retransmit a broadcast signal over a cable system.

RQ2: What factors do broadcast station manager's use in determining desired television retransmission fees?

The third research question helped the researcher understand what influence a la carte cable pricing would have on a local stations retransmission fees. Competition from companies entering the broadcast market offering video services direct to the consumer could disrupt the television ecosystem.

RQ3: What impact do broadcast station managers believe a la carte cable pricing will have on local television station retransmission fees?

The fourth research question concerned the financial health of local broadcast stations. Local broadcasters negotiate retransmission consent payments from cable operators to receive an economically efficient level of compensation for the value of their signals (Eisenach & Caves,

2010). A la carte cable pricing could change the way local broadcasters negotiate retransmission fees.

RQ4: What impact do broadcast managers believe a la carte cable pricing would have on the financial health of local broadcast television?

CHAPTER III

METHODOLOGY

The goal of this study was to ascertain the impact mandated a la carte pricing would have on local television stations and its retransmission fees. The study used survey questions to gather information from television station general managers. Survey research involves the collection of information from a sample of individuals through their responses to questions. The survey research method was used because it is the best method for collecting large amounts of data from many people in different locations, and it has high external validity (Buddenbaum & Novak, 2001).

Sample

The sample consisted of local television general managers in the United States. Names and email addresses were collected from the National Association of Broadcasters database. A target list of more than 1000 general managers was asked to respond to the survey. It is important to note that some general managers who manage stations for large corporations do not conduct retransmission negotiations. Many negotiations are managed at the corporate level. For this study, the researcher surveyed general managers whether they negotiate or not. The researcher used specific guidelines for maximizing response rates including (a) request for participation from respondents in advance, (b) the researcher sent another reminder one week prior to the survey, and (c) researcher sent reminders during the survey to inform participants about the deadline (Dillman, 1991). The researcher anticipated a respondent return of 30%, which is customary for this type of survey based on published response rate guidelines (Sheehan, 2006).

Instrument

The survey was submitted to the Institutional Review Board (IRB) at Oklahoma State University for review. The IRB waived requiring approval as it determined no personal information was being sought in the survey. Each survey included a series of questions using a Likert-type scale with answers ranging from (5) strongly agree to (1) strongly disagree.

To address RQ1 subjects responded to statements such as (a) “Retransmission fees have impacted my stations financial health in a positive way;” (b) “Without retransmission fees my station would suffer financially;” (c) “Retransmission fees are important to my station’s annual revenue projections;” and (d) “My station’s news and public service programming would be negatively affected without retransmission fees.”

To address RQ2 the researcher formulated statements based on a qualitative study he conducted in 2014 on retransmission fees of local stations in the state of Oklahoma. The Oklahoma State University IRB approved the study (“Retransmission Fees and the Future of Local Broadcast Television”). The researcher conducted interviews with seven local station general managers about retransmission consent negotiations. The answers obtained from the general manager interviews determined what factors to ask about in this study. Factors found in the initial research included answers to questions regarding stations setting standards for retransmission compensation and whether management sets monetary expectations for the value of their programming. In addition, general managers suggested station ratings contributed to the revenue potential for retransmission compensation as well as comparing one station’s performance to another. Thus, for this study, subjects were asked to respond to statements including (a) “When negotiating retransmission fees, my station has a standard per subscriber dollar amount you are trying to achieve;” (b) “Price per subscriber is the primary difficulty in negotiating retransmission fees for my station;” (c) “Station ratings play an important role in determining the amount of retransmission compensation for my station;” (d) “Researching how other stations in my market are being compensated is important in determining your stations

desired per subscriber fee;” (e) “Station consolidation is affecting retransmission negotiations in my market;” and (f) “It is important that my station avoids conflict during retransmission negotiations.”

To address RQ3, statements included (a) “Offering programming a la carte by cable systems will have no effect on my local station’s retransmission compensation;” (b) “Negotiating retransmission fees with cable systems under an a la carte scenario will be significantly different for my station;” (c) “My station’s ratings will be extremely important in negotiating retransmission fees with cable systems under an a la carte mandate;” (d) “Local stations will have a greater negotiating position with cable systems under an a la carte scenario;” (e) “Low rated stations will have difficulty in negotiating retransmission fees under an a la carte mandate;” (f) “Variety of programming will effect my retransmission negotiations with cable systems;” and (g) “As delivery options change, my station wants a retransmission solution that benefits both parties.”

To address RQ4, statements included (a) “Retransmission fees impact the value of local television stations;” (b) “Under an a la carte scenario, a local station’s value would be affected in a negative way;” (c) “The financial health of local television stations relies on retransmission fees;” (d) “A la carte cable pricing would have a positive affect on my stations financial health;” (e) “It would be easier to negotiate retransmission fees under an a la carte scenario;” and (f) “My station is eager to employ a win-win retransmission negotiation strategy with cable operators.”

Procedure

The survey was sent to general managers on March 27, 2015 and the survey ended on April 15, 2015. The researcher used the online survey tool Survey Monkey. A link to the survey was provided in e-mails sent out to respondents. A total of 28 statements were presented. At the end of the survey, participants were asked to provide demographic information about their station including size of market, location and network affiliation. Participants were also asked to provide some personal demographics such as age, gender, station position held and years as a manager.

Data Analysis

Completed surveys were analyzed using SPSS for MacIntosh. First, the responses to the Likert-type scale were coded: Strongly disagree (1), Moderately disagree (2), Agree (3), Moderately agree (4), Strongly agree (5).

Prior to the analysis, variables were screened for accuracy and the assumptions of a *t*-test. First, the data were screened in SPSS for missing values. If less than 5% was missing, Listwise deletion was used (Mertler & Vannata, 2005, pp. 36-37). If 5% to 15% was missing, mean substitution was used. The variable was not used if missing data exceeded 15% and it could not be determined to have been missing randomly.

Next, the data were screened for univariate outliers using frequency distributions, descriptive statistics, stem and leaf plots, and boxplots. Frequency distributions were examined for the categorical independent variable to determine if any data was out of its normal range. In addition, the valid percentages in each category of the independent variable were examined to ensure that they did not exceed the standard of less than 90% of the data in one category (Mertler & Vannatta, 2005, p. 38). Because the analysis involved grouped data and the assumptions of a *t*-test must be satisfied for both groups, that data was split by the dependent variable. Minimum and maximum values were reviewed to determine if any data was out of its normal range. The means and standard deviations were also examined for each group to determine if they were plausible. Stem and leaf plots and boxplots were examined for univariate outliers. When possible, the data was checked with the original instrument to ensure its accuracy. Moreover, z-scores were generated and values of ± 3.0 or more were considered extreme enough to cause problems (Garson, 2008). To minimize the effects of the outliers, winsorizing was used (Trabachnick & Fidell, 1996, p. 69).

The data then were screened for univariate normality using graphs and descriptive statistics. Histograms and Q-Q Normal Probability Plots were used to assess the shape of the distribution and detect if more than one mode was present. Subsequently, skewness and kurtosis

were assessed using the conservative benchmarks of ± 1.0 (Garson, 2009) and ± 2.0 respectively. If the values were greater than these benchmarks, the sample size for each group was also checked to determine if the Central Limit Theorem applied. A sample size of at least 30 for each group is required for the theorem to apply to a *t*-test (Tabachnick & Fidell, 1996, p. 71). If the theorem applied, the assumption was assumed to be satisfied. If the assumption of normality was violated and the Central Limit Theorem did not apply, the variables were transformed.

Finally, the variables were screened for homogeneity of variance. Boxplots were examined to determine if the height of the box portion of the plots was similar. In addition, Levene's Test for Equality of Variance was conducted. If the significance value exceeded .05, the assumption was satisfied. If not, the *t* for Equal Variances Not Assumed was used.

The data in this study was analyzed using *t*-tests to determine whether a statistically significant difference exists between the means of television stations in markets 1-25 and 26-210. This measure is used because 50% of the television households are in the top 25 markets and the remaining 50% of the television households are located in markets 26-210 ("Local Television Market Estimates," 2015). The researcher also conducted *t*-tests comparing markets 1-100 and 101-210, a normal market comparison used in the television industry. This study used guidelines provided by Frankfort-Nachmias and Leon-Guerrero (2002) to determine the strength of the association. The *t*-tests gave the researcher the Measures of Association using Eta and Eta Squared. Eta showed the strength of association between the variables and Eta Squared provided the researcher the explained variance.

In addition, data was analyzed using the one-way analysis of variance (ANOVA) to determine whether a statistically significant difference exists between the means of network affiliations ABC, NBC, CBS and FOX. A One-Way Analysis of Variance was conducted in cases where more than two means were compared. Alpha was set at .05 according to Frankfort-Nachmias and Leon-Guerrero's guidelines (2002).

Validity

Panel validity was sought as the researcher conducted a pretest of the survey with five television station general managers who have some knowledge of the subject matter. This organized review of the survey's content is to ensure that the survey contains everything it should and does not include anything that it should not (Litwin, 1995). Three of the pretests were returned. General managers responding found no problems with the validity of the survey.

Reliability

To test for reliability, the researcher used a five-point Likert-type scale employing alternate-form reliability. Alternate-form reliability is when questions or responses are reworded, or their order is changed to produce two items that are similar but not identical (Litwin, 1995). This procedure forces respondents to read the response alternatives carefully and thus reduces practice effect.

Researcher presented four research questions regarding retransmission fees and the financial health of local television stations throughout the survey. Survey question number one; Retransmission fees have impacted my station's financial health in a positive way. Survey question number three; Retransmission fees are important to my station's annual revenue projections. Survey question number twenty-two; Retransmission fees impact the value of local television stations. Survey question number twenty-four; The financial health of local television stations relies on retransmission fees. The answers to all four questions were compared and found to be consistent with the test for alternate-form reliability.

CHAPTER IV

FINDINGS

The goal of this study was to ascertain the impact that mandated a la carte pricing would have on local television stations and their retransmission fees. The sample consisted of local television general managers in the United States. Data was collected and screened and two *t*-tests were run: (a) comparing answers from markets 1 through 25 with those from markets 26 through 210 (see Appendix Table 4) and (b) comparing answers from markets 1 through 100 with those from markets 101 through 210. (see Appendix Table 5). In addition, a One-Way Anova test was conducted comparing answers from stations affiliated with the national networks: ABC, CBS, NBC and Fox (see Appendix Table 6).

Participants

A total of 61 of 658 general managers completed the online *A La Carte Cable Pricing and the Future of Local Broadcasting* survey, representing a 9.3% response rate. Of the 46 respondents who reported their gender, 44 (72%) were male and 2 (3.3%) were female. Fifteen respondents (25%) did not specify a gender. Of the 46 respondents who reported their race or ethnicity, 43 (70.5%) were White and 3 (5%) were Hispanic or Latino. Fifteen (25%) did not identify a race or ethnicity.

Thirty-six respondents (57.4%) had a Bachelor's Degree, 7 (11.5%) had a Master Degree and 1 (2%) held a Doctorate Degree. Two (3.1%) did not have a college degree. More than a third of the general managers responding, 22, have been in the television business for more than 10

years (36.1%). Sixteen respondents (26.2%) have been in their current position as general manager for 1 to 5 years and 8 respondents (13.1%) have held their current position 5 to 10 years. Fifteen respondents (25%) did not report their years of service.

One of the most interesting statistics was that of the 45 general managers that responded to the question, “Have you ever negotiated retransmission fees for a television station?” 37 (61%) answered yes. This indicates that a large portion of the survey respondents have some knowledge of the retransmission negotiation process. Only 8 (13%) said no and 16 (26.2%) did not answer the question. In addition, 24 (39.3%) currently do not negotiate retransmission consent for their station, while 21 (34.4%) currently do negotiate retransmission consent for their stations. Sixteen (26.2%) did not respond to the question.

A total of 46 (75%) general managers reported their market size. Market size was defined using Nielsen Local Television Market Station Universe (“Local Television Market Estimates,” 2014). Twenty-eight of the stations (46%) were in the top 100 markets and 18 of the respondents’ stations (29.5%) were in the markets 101-210 category. Taking a closer look at the breakdown of the reporting stations, 9 stations were in markets 51 to 75, and 9 were in markets 76 to 100 – each representing 15% of the survey sample. Five stations (8.2%) were in markets 1 to 25, and 5 stations (8.2%) were in markets 26 to 50. Fifteen (25%) of the respondents did not state their market size.

Forty-six (75.4%) of the 61 respondents indicated network affiliations as follows: ABC 15 (25%), NBC 11 (18%), CBS 9 (15%), Fox 9 (15%), and other 2 (3%). Fifteen (25%) did not state a network affiliation.

Results

Research Question 1, asking how retransmission fees have impacted the financial health of local broadcast television stations, consisted of four sub-questions. When assessing whether retransmission fees have impacted a station’s financial health in a positive way (Q1), 43 (70%)

respondents strongly agreed, 10 (16.4%) agreed, 6 (9.8%) moderately agreed, 1 (1.6%) strongly disagreed and 1 (1.6%) moderately disagreed. (See Table 1). When asked if their station would suffer financially without retransmission fees (Q2), 30 (49.2%) strongly agreed, 22 (36.1%) agreed, 5 (8.2%) moderately agreed, 3 (4.9%) strongly disagreed and 1 (1.6%) moderately disagreed. When asked if retransmission fees were important to their station's annual revenue projections (Q3), 39 (64%) strongly agreed, 13 (21.3%) agreed, 6 (9.8%) moderately agreed, 2 (3.3%) strongly disagreed and 1 (1.6%) moderately disagreed. When asked if their station's news and public service programming would be negatively affected without retransmission fees (Q4), 25 (41%) strongly agreed, 20 (33%) agreed, 7 (11%) moderately agreed, 5 (8%) moderately disagreed, 3 (5%) strongly disagreed and 1 (2%) did not answer the question.

Research Question 2 asked what factors do broadcast station managers use in determining desired television retransmission fees, and consisted of 7 sub-questions. When asked if their station had a standard per-subscriber dollar amount they were trying to achieve (Q6), 20 (33%) agreed, 13 (21%) strongly agreed, 11 (18%) moderately agreed, 3 (5%) moderately disagreed and 14 (23%) did not answer. When asked their stations' target price per subscriber range (Q7), 21 (34%) of respondents selected the \$1 to \$1.50 per subscriber range, 20 (33%) specifically declined to answer, 4 (7%) selected other, 3 (5%) selected \$0.75 cents to \$1, 3 (5%) selected more than \$2 per subscriber, 1 (2%) selected less than \$0.50 cents per subscriber and 9 (15%) did not respond to the question. When asked whether price per subscriber was the primary difficulty in negotiating retransmission fees for their station (Q8), 20 (33%) agreed, 14 (23%) moderately agreed, 14 (23%) strongly agreed, 4 (7%) moderately disagreed, and 9 (15%) did not answer. When asked if station ratings played an important part in determining the amount of retransmission compensation (Q9), 18 (30%) moderately disagreed, 11 (18%) agreed, 10 (16%) moderately agreed, 7 (11%) strongly disagreed, 4 (7%) strongly agreed and 11 (18%) did not

Table 1 Survey Question Percentages

| Survey Questions | Strongly Disagree | Moderately Disagree | Agree | Moderately Agree | Strongly Agree |
|-------------------------|--------------------------|----------------------------|---------------------------|-------------------------|-----------------------|
| Q1: | 1 (1.6%) | 1 (1.6%) | 10 (16.4%) | 6 (9.8%) | 43 (70.5%) |
| *Q2: | 3 (5%) | 1 (1.6%) | 22 (36.1%) | 5 (8.2%) | 30 (70.5%) |
| Q3: | 2 (3.3%) | 1 (1.6%) | 13 (21.3%) | 6 (9.8%) | 39 (64%) |
| Q4: | 3 (5%) | 5 (8%) | 20 (33%) | 7 (11%) | 25 (41%) |
| Q6: | 0 (0%) | 3 (5%) | 20 (33%) | 11 (18%) | 13 (21%) |
| Q7: | Less than .50 1 (2%) | .75 to \$1 3 (5%) | \$1 to \$1.50 21 (34%) | More than \$2 3 (5%) | Other 4 (7%) |
| Q8: | 0 (0%) | 4 (7%) | 20 (33%) | 14 (23%) | 14 (23%) |
| Q9: | 7 (11%) | 18 (30%) | 11 (18%) | 10 (16%) | 4 (7%) |
| Q10: | 3 (5%) | 9 (15%) | 21 (34%) | 9 (15%) | 9 (15%) |
| Q11: | 7 (11%) | 14 (23%) | 16 (26%) | 7 (11%) | 5 (8%) |
| *Q12: | 1 (2%) | 11 (18%) | 19 (31%) | 15 (25%) | 5 (8%) |
| Q14: | 5 (8%) | 12 (20%) | 21 (34%) | 9 (15%) | 3 (5%) |
| Q15: | 3 (5%) | 15 (25%) | 12 (20%) | 15 (25%) | 5 (8%) |
| Q16: | 2 (3%) | 11 (18%) | 15 (25%) | 11 (18%) | 12 (20%) |
| Q17: | 1 (2%) | 14 (23%) | 20 (33%) | 4 (7%) | 11 (18%) |
| Q18: | 0 (0%) | 15 (25%) | 15 (25%) | 15 (25%) | 5 (8%) |
| Q19: | 2 (3%) | 6 (10%) | 25 (41%) | 14 (23%) | 2 (3%) |
| Q20: | 0 (0%) | 1 (2%) | 26 (43%) | 11 (18%) | 11 (18%) |
| Q22: | 0 (0%) | 0 (0%) | 15 (25%) | 6 (10%) | 25 (41%) |
| Q23: | 4 (7%) | 23 (38%) | 6 (10%) | 11 (18%) | 1 (2%) |
| Q24: | 3 (5%) | 5 (8%) | 8 (13%) | 13 (21%) | 17 (28%) |
| Q25: | 1 (2%) | 20 (33%) | 13 (21%) | 8 (13%) | 3 (5%) |
| Q26: | 1 (2%) | 22 (36%) | 12 (20%) | 7 (11%) | 3 (5%) |
| Q27: | 0 (0%) | 3 (5%) | 23 (38%) | 9 (15%) | 10 (16%) |

answer. When asked if their station researched the market to determine a fair per subscriber price (Q10), 21 (34%) agreed, 9 (15%) moderately disagreed, 9 (15%) moderately agreed, 9 (15%) strongly agreed, 3 (5%) strongly disagreed and 10 (16%) did not answer. When asked if station consolidation was affecting retransmission negotiations in their market (Q11), 16 (26%) agreed, 14 (23%) moderately disagreed, 7 (11%) moderately agreed, 7 (11%) strongly disagreed, 5 (8%) strongly agreed and 12 (20%) did not answer. The survey also suggested stations were somewhat eager to avoid conflict during retransmission negotiations (Q12), with 19 (31%) agreeing, 15 (25%) moderately agreeing, 11 (18%) moderately disagreeing, 5 (8%) strongly agreeing, 1 (2%) strongly disagreeing and 10 (16%) did not answer.

Research Question 3 asked what impact broadcast station managers believe a la carte cable pricing will have on local television retransmission fees. When asked if cable systems offering programming a la carte would have no effect on their station's retransmission compensation (Q14), 21 (34%) agreed, 12 (20%) moderately disagreed, 9 (15%) moderately agreed, 5 (8%) strongly disagreed, 3 (5%) strongly agreed and 11 (18%) did not answer. When asked if negotiating retransmission fees under an a la carte scenario would be significantly different for their station (Q15), 15 (25%) moderately disagreed, 15 (25%) moderately agreed, 12 (20%) agreed, 5 (8%) strongly agreed, 3 (5%) strongly disagreed and 11 (18%) did not answer. When respondents were asked about station's ratings being extremely important in negotiating retransmission fees with cable systems under an a la carte mandate (Q16), 15 (25%) agreed, 12 (20%) strongly agreed, 11 (18%) moderately disagreed, 11 (18%) moderately agreed, 2 (3%) strongly disagreed and 10 (16%) did not answer. When asked whether local stations would have a greater negotiating position with cable systems under an a la carte scenario (Q17), 20 (33%) agreed, 14 (23%) moderately disagreed, 11 (22%) strongly agreed, 4 (7%) moderately agreed, 1 (2%) strongly disagreed and 11 (18%) did not answer. When general managers were asked whether low-rated stations would have difficulty in negotiating retransmission fees under an a la carte mandate (Q18), 15 (25%) moderately disagreed, 15 (25%) agreed, 15 (25%) moderately

agreed, 5 (8%) strongly agreed and 11 (18%) did not answer. When asked if variety of programming would affect retransmission negotiations with cable systems (Q19), 25 (41%) agreed, 14 (23%) moderately agreed, 6 (10%) moderately disagreed, 2 (3%) strongly agreed, 2 (3%) strongly disagreed and 12 (20%) did not answer. When asked if stations sought a retransmission solution benefitting both parties in the changing technological environment (Q20), 26 (43%) agreed, 11 (18%) moderately agreed, 11 (18%) strongly agreed, 1 (2%) moderately disagreed and 12 (20%) did not answer.

Research Question 4 asked what impact broadcast managers believe a la carte cable pricing would have on the financial health of local broadcast television. When general managers were asked if retransmission fees impact the value of local television station (Q22), 25 (41%) strongly agree, 15 (25%) agree, 6 (10%) moderately agree and 15 (25%) did not answer. When asked under an a la carte scenario would a local station's value would be affected in a negative way (Q23), 23 (38%) moderately disagreed, 11 (18%) moderately agreed, 6 (10%) agreed, 4 (7%) strongly disagreed, 1 (2%) strongly agreed and 16 (26%) did not answer. When asked if the financial health of local television stations relies on retransmission fees (Q24), 17 (28%) strongly agreed, 13 (21%) moderately agreed, 8 (13%) agreed, 5 (8%) moderately disagree, 3 (5%) strongly disagree and 15 (25%) did not answer. When asked if a la carte cable pricing would have a positive affect on their station's financial health (Q25), 20 (33%) moderately disagreed, 13 (21%) agreed, 8 (13%) moderately agreed, 3 (5%) strongly agreed, 1 (2%) strongly disagreed and 16 (26%) did not answer. When asked if it would be easier to negotiate retransmission fees under an a la carte scenario (Q26), 22 (36%) moderately disagreed, 12 (20%) agreed, 7 (11%) moderately agreed, 3 (5%) strongly agreed, 1 (2%) strongly disagreed and 16 (26%) did not answer. When asked if their station was eager to employ a win-win retransmission strategy with cable operators (Q27), 23 (38%) agreed, 10 (16%) strongly agreed, 9 (15%) moderately agreed, 3 (5%) moderately agreed and 16 (26%) did not answer.

Impact of Market Size

To discover if market size had any influence on the answers, the researcher ran *t*-tests on markets 1-25 compared to markets 26-210 and markets 1-100 compared to 101-210. Comparison of markets 1-25 and markets 26-210 represents half of the television homes in the United States. The comparison of markets 1-100 and markets 101- 210 represents a common comparison in the television industry, (See Tables A and B in Appendix).

The researcher identified only two questions that had results that were statistically significant, or unlikely to have happened by chance alone. Identifying only two questions that showed significance was likely due to only five responses from markets 1-25. Question number two stated, “Without retransmission fees, my station would suffer financially.”

Table 2

T-test Comparing market size by without retransmission fees, my station would suffer financially.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|-----------|----------|----------|-----------|----------|--------|----------|
| M. 1-25 | 5 | 3.0000 | .00000 | -2.186* | .313 | .098 |
| M. 26-201 | 41 | 4.2195 | 1.23516 | | | |

* $p < .05$ M. indicates market size

An independent *t*-test was conducted because the means of two unrelated groups were compared. As Table 1 shows, $t(44) = -2.19$, $p = .03$, markets 1-25, $M = 3.0$, were less impacted by retransmission fees than markets 26-210, $M = 4.22$. An analysis of association using eta, $\eta = .31$, indicated a weak relationship between markets 1-25 and markets 26-201, according to Frankfort-Nachmias and Leon-Guerrero’s guidelines (2002, p. 253). Eta-squared was used to determine the explained variance, $\eta^2 = .098$. Market size explained 9.8% of the variation in stations suffering financially without retransmission fees.

Question number 12 stated, “It is important that my station avoids conflict during retransmission negotiations.”

Table 3

T-test Table Comparing market size by stations avoiding conflict during retransmission negotiations.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|-----------|----------|----------|-----------|----------|----------|-----------------------|
| M. 1-25 | 5 | 2.400 | 1.1402 | -2.239* | .320 | .102 |
| M. 26-201 | 41 | 3.396 | .91683 | | | |

* $p < .05$ M. indicates market size

An independent *t*-test was conducted because the means of two unrelated groups were compared. As Table 2 shows, $t(44) = -2.24$, $p = .03$, markets 1-25, $M = 2.4$, were less concerned about avoiding conflict during retransmission negotiation than markets 26-210, $M = 3.4$. An analysis of association using eta, $\eta = .32$, indicated a weak relationship between markets 1-25 and markets 26-210, according to Frankfort-Nachmias and Leon-Guerrero’s guidelines (2002, p. 253). Eta-squared was used to determine the explained variance, $\eta^2 = .10$. Market size explained 10% of the variation in the importance of stations voiding conflict during retransmission negotiations.

Other questions that came close to significance when comparing markets 1-100 and 101-210 included (Q11), asking is station consolidation affecting retransmission negotiations in their market ($p = .09$) and (Q26), asking if it would be easier to negotiate retransmission fees under an a la carte scenario ($p = .09$).

In addition, the researcher conducted one-way ANOVA tests on affiliates of ABC, NBC, CBS and Fox in order to determine whether any of the answers were influenced by network affiliation. No answers were significant, although (Q14) asking cable systems offering

programming a la carte will have no effect on my station's retransmission compensation ($p = .07$)
came close to significance.

CHAPTER V

DISCUSSION & CONCLUSION

The purpose of this study was to investigate the impact retransmission fees have on the financial health of local television stations, how a la carte delivery of programming could impact that industry, and how a la carte programming could change the economics of the television business, including the way local broadcast stations negotiate for distribution with cable systems. The researcher found that (a) retransmission fees are an important part of the financial health of local television stations, (b) that negotiations are an important part of the retransmission consent process, and (c) that negotiating retransmission fees under an a la carte mandate could influence the financial health of local broadcast stations.

The most important findings of this research centered on retransmission fees and the financial health of local broadcast stations. Research question one asked, “How have retransmission fees impacted the financial health of local broadcast television stations?” More than 70% of general managers agreed to some extent that retransmission fees impacted their station’s financial health in a positive way. When general managers were asked if their station would suffer financially without retransmission fees, a *t*-test showed a significant difference, ($p = .03$) between markets 26-210, ($M = 4.22$) and television markets 1-25, ($M = 3.0$). This indicates that smaller stations (markets 26-210) are more reliant on retransmission fees for their financial health than larger stations (markets 1-25). This could be due in part that advertising

dollars contribute a greater percentage of annual revenue dollars in markets 1-25 than retransmission fees. In addition, many of the top 25 market stations are owned by one of the major networks (ABC, NBC, CBS or Fox) and account for retransmission fees at the corporate level. General manager comments from stations in markets 26-210 suggested for greater importance: “It is the difference between profitability and not” and “Retransmission fees constitute over 40% of our station’s revenues and have even exceeded our advertising revenue in a few months.” Larger market (1-25) general managers suggested “They are a positive force now, but the network takes well over half of the money paid to the station” and “Provides nearly 20% of total revenue but will be compromised by my network in the future.” This means that many stations have to re-compensate their network for the programming they provide.

The study offered three additional survey questions about a station’s financial health that can be viewed as a sign for the critical nature of retransmission fees in all television markets. The question, “Retransmission fees are important to my station’s annual revenue projections” had a mean score in markets 1-25 and 26-210 of 4.4. This mean score suggest retransmission fees are an important part of a station’s annual income. The question, “Retransmission fees impact the value of local television stations” had a mean score in markets 1-25 and 26-210 of 4.2 also suggesting a positive response to retransmission fees when it comes to station valuation, or what a station is worth. The third question regarding the financial health of local broadcast stations asked “The financial health of local television stations relies on retransmission fees” had a mean score in markets 26-210 of 3.9 and in markets 1-25 the mean score was 3.0. These results suggest that retransmission fees in markets 26-210 are an important part of a local television station’s bottom line and helps strengthen their ability to provide important local programming to viewers. In markets 1-25 the results indicate that retransmission fees are not as important to their financial health as markets 26-210. Network compensation was discontinued in the early 2000s and retransmission fees have helped replace network compensation dollars and have allowed local

stations to be compensated for their programming which improves their financial health.

The majority of general managers surveyed in markets 1-25 and in markets 26-210 agree that retransmission fees impact a station's financial health in a positive way. Respondents' comments in markets 1-25 included, "Retransmission fees have offset much of the national advertising declines." Comments from markets 26-210 included "These fees are necessary for keeping local broadcasters financially viable and preserving localism"; "To compete with the dual revenue stream that cable networks receive, broadcast TV must get paid for its content." Overall, retransmission consent represents an economically efficient way for a broadcaster to be compensated by cable operators for the value of their programming (Eisenach & Caves, 2010).

The primary objective of federal television regulation is to protect local origination of programming such as local news and public affairs (Cable Act, 1992). Local television stations' general managers in markets 26-210 responded to what the federal government stated as its primary objective with comments such as, "Retransmission fees allow us to produce local programming we would not otherwise be able to afford" and "Without retransmission fees smaller stations would find it difficult to maintain their current programming commitments." Other general managers stated, "The additional revenue stream has helped us offset the continued equipment upgrades necessary to stay compliant with the FCC" and "The loss of retransmission revenue would result in staff and news cuts in order to show a profit for our investors." In examining these responses, these general managers are showing the importance of retransmission fees to a local station's financial health. Retransmission fees benefit both large and small stations, giving them an additional revenue stream that helps stations pay for their operating expenses and programming commitments. Most general managers agree retransmission fees have provided stations with "very healthy financial impact."

The second part of the survey asked questions regarding negotiating retransmission consent. Research question two asked, "What factors do broadcast station manager's use in determining desired television retransmission fees?" It is clear that local stations devise strategies

to obtain the highest value for their programming, including researching the market, comparing their per-subscriber pricing to other stations, and developing a target price per subscriber. In answering questions regarding negotiation of retransmission fees, many general managers agreed that their station had a standard per subscriber dollar amount they were trying to achieve. Markets 26-210 had a mean score of 3.9 and markets 1-25 had a mean score of 3.8 indicating a positive response. Seventy-nine percent of general managers also agreed, moderately agreed or strongly agreed price per subscriber was the primary difficulty in negotiating retransmission fees for their station. This indicates market research by general managers is necessary to obtain the maximum value for their programming. When general managers were asked about a station's target price per subscriber, the study showed that stations are negotiating an average price between \$1 and \$1.50 per subscriber. Some general managers in markets 26-210 suggested, "The per subscriber fees, paid to broadcast and cable networks, is way out of balance, especially when ratings are considered," and "Our audience is ten times ESPN's, but we only receive a fraction of their fees." Another general manager commented, "Retransmission negotiations greatly favor the larger station groups and will accelerate the disappearance of small or privately owned stations groups." Overall, these general manager comments represent their attitude that there is a significant inequity in the amount of retransmission compensation they receive compared to the ratings their stations deliver for a cable system. Future negotiations may be based on audience delivery as well as diversity of programming.

It is interesting to note that when commenting on negotiating retransmission fees, most general managers took an Integrative Negotiation approach, meaning they were looking for a harmonious relationship with their cable system (Pruitt & Rubin, 1986). On the question that stated, "It is important that my station avoids conflict during retransmission negotiations," there was a significance difference ($p = .03$) in answers according to market size. An independent *t*-test was conducted comparing markets 1-25 to markets 26-210. The *t*-test showed that general

managers in markets 26-210 ($M = 3.4$) were more concerned about avoiding conflict during retransmission negotiations than markets 1-25, ($M = 2.4$). The significant difference in avoiding conflict in large and small markets could be due, as suggested earlier, to retransmission revenue in larger markets representing a smaller percentage of annual revenue when compared to overall revenue and larger markets having greater leverage because the major networks own most of the affiliates in the top 25 markets.

A successful retransmission negotiation was the goal of the federal government when it refined the rules of retransmission consent. Many general managers agree that they want a mutually beneficial outcome when negotiating retransmission consent. When general managers were asked, "As delivery options change my station wants a retransmission solution that benefits both parities," 67% of general managers agreed, moderately agreed or strongly agreed that they wanted a solution that benefited both cable operators and local television stations. When general managers were asked if their station "Was eager to employ a win-win retransmission strategy with cable operators," general managers overwhelmingly agreed with 69% agreeing, moderately agreeing or strongly agreeing, indicating a win-win negotiation was important. Comments from general managers in markets 1-25 included, "Local TV stations are among the highest viewed stations on any cable system, stronger negotiating position." In markets 26-210 general managers comments included, "Looking for a mutual understanding of each other's situation" and another respondent commented about the importance of "building a strong local relationship with cable operators."

Most general manager comments stressed the importance of working together to find a common ground for negotiations. Television stations working together with cable systems to find a profitable solution to a la carte pricing, using an integrative approach to negotiations, could be the key to future negotiations. An integrative negotiation can create a marketplace of values through discussion and find common ground for negotiation that will help build relationships for

future negotiations (Kreitner & Kinicki, 2013). This win-win relationship could help create new revenue opportunities and fight challenges from new programming competitors.

Donders and Evens (2001) emphasized that both Internet and telecommunications companies are entering the broadcast market, which means more options for consumers. As noted in the literature review, several factors are driving a la carte pricing, including high cable rates and unfair bundling practices, along with new competition such as over-the-top (OTT) broadband program services and the Internet. Most general managers agree that a strong station or a station with high ratings would have an advantage in negotiating retransmission fees. Research question three asked, "What impact broadcast station managers believe a la carte pricing will have on local television retransmission fees?" In responding to the question, "Cable systems offering programming a la carte will have no effect on my station's retransmission compensation," a high percentage of general managers (54%) agreed, moderately agreed or strongly agreed. It is interesting to note that two questions addressing negotiations under an a la carte pricing, "Negotiating retransmission fees with cable systems under an a la carte scenario will be significantly different for my station," had a mean score in all markets of 3.2 while the question, "My station's ratings will be extremely important in negotiating retransmission fees with cable systems under an a la carte mandate," had a mean score in all markets of 3.4, indicating a station's ratings will have an impact on negotiating retransmission fees under an a la carte mandate. When asked how a la carte cable pricing would influence their station's retransmission negotiations, respondents in markets 1-25 commented, "If our programming is strong (local augmented by network, must see), it is supply and demand." Additional general manager comments included, "Local TV stations are among the highest viewed stations on any cable system, stronger negotiating position." General managers in markets 26-210 suggested, "Strong local news will be a benefit for stations negotiating new agreements with cable companies." The majority (58%) either agreed, moderately agreed or strongly agreed that "Low rated stations will have difficulty in negotiating retransmission fees under an a la carte mandate" while 75% agreed

on some level that “Variety of programming will affect my retransmission negotiation with cable systems.” This indicates that low rated stations may have a hard time getting retransmission fees from cable operators and that variety of programming will help in retransmission negotiations. The survey also suggests that the majority of general managers are going to rely on strong local programming to compete in an a la carte world and with new competition from non-traditional video platforms.

Some of the concerns regarding negotiations from general managers in markets 26-210 included, “A la carte could reduce our subscribers, thus reducing our income”; “The public will pick their station of choice”; “At this time the impact of ‘a la carte’ pricing is total speculation.” These comments indicate there are real concerns if cable systems offer programming a la carte. Strong stations with a variety of programming may be the key to survival in the a la carte era. To compete in the new competitive programming marketplace, television stations and cable operators need to develop a new a la carte strategy. Developing an integrative approach to retransmission negotiations could result in new partnerships between cable operators and local broadcasters resulting in additional revenue opportunities in the future.

Research question four asked “What impact do broadcast managers believe a la carte cable pricing would have on the financial health of local broadcast television?” Overall, general managers were uncertain on what impact a la carte pricing would have on a station’s financial health. When general managers were asked, “Under an a la carte scenario, a local station’s value would be affected in a negative way,” 55% of general managers agreed and 45% disagreed. This could indicate that general managers overall are uncertain about the impact a la carte cable pricing would have on a station’s value. When asked if a la carte cable pricing would have a positive effect on their station’s financial health, a third of the respondents (33%) moderately disagreed. Answers to these questions indicate that some stations would see no effect on their station’s value while other may be harmed by an a la carte mandate. When general managers were asked, “Whether it would be easier to negotiate retransmission fees under an a la carte

scenario,” 36% moderately disagreed, indicating it would make negotiations harder. Low-rated stations and stations that lack program variety may struggle with retransmission negotiations as consumers find alternative program suppliers as noted in the comments from general managers below. Most of the general managers (76%) agreed, moderately agreed or strongly agreed on the statement, Retransmission fees impact the value of local television stations. Regarding negotiations under an a la carte scenario, general managers believe strong stations with a large local news presence will have an advantage under an a la carte mandate. Some general managers in markets 26-210 expressed concern that, “Some subscribers might choose to not buy our signal. That would lower our retransmission consent revenues.” Another general manager said, “Cable operators focus on trying to take local advertising dollars from television stations. A la carte pricing will likely have a negative impact on cable’s attempt to grab local advertisers away from broadcast TV.”

Congress adopted its retransmission consent provisions to allow broadcasters to negotiate for compensation for the value of their signals. Broadcasters provide valuable content to cable television providers and use retransmission consent fees to deliver high-quality news and local content to viewers. In the majority of retransmission consent negotiations, an agreement is reached peaceably. In these negotiations, the current rules are working as intended. Under an a la carte scenario the rules will change. Now is the time for local broadcasters and cable operators to develop a plan for the future delivery of programming a la carte. Working together, they can develop new delivery options and revenue opportunities that exceed consumer expectations.

Implications

Local television stations have dominated the television business for more than 50 years. And while some station profits are down, the vast majority of stations are still making money (Schechner & Dana, 2011). Local stations have faced challenges from cable and satellite delivered programming to new broadband competitors, including online movie companies and direct to the consumer programming services delivered over the Internet. With all the new

competition local stations continue to be resilient, tapping into and embracing new technologies. Local stations are developing new revenue streams with their second channel allocations and online and mobile services such as news and weather apps. And because local stations are granted a license to the airwaves that broadcast local television signals, major networks such as ABC, NBC, CBS and Fox could not distribute content to a broad audience without them. The network affiliation system gives local stations access to original content, such as major sporting events, awards shows and time sensitive original programming which create advertising sales opportunities for local stations. These opportunities strengthen local sales so stations can deliver on their promise of quality news, public service and emergency programming. To protect local stations lobbying may occur asking the government to protect local broadcasters from networks distributing content directly to consumers. The government could serve local broadcasters by passing rules that prevent major networks from going around local affiliates to deliver their programming using OTT services. This type of policy would assure local broadcasters have a continuous stream of premium content to monetize.

This study also focused on a la carte cable pricing and the future of local television stations, which is just one of the many challenges facing local broadcasters. To better understand the changing dynamics of the relationship between cable systems and local broadcast television stations, it is important to look back at their history. After the ascension of cable television on the media landscape, the Federal Communications Commission adopted laws to protect local broadcasters from unfair practices by cable operators. The purpose of these laws was to ensure the economic viability of free local broadcast television and its ability to originate quality local programming including news, public affairs and emergency services. Many of these laws have resulted in an adversarial relationship between cable operators and local broadcasters. Retransmission compensation is one of the most contentious issues between cable operators and broadcasters, with cable operators arguing that the retransmission consent regulations are outdated and harming consumers. One way consumers are harmed is when negotiations break

down, resulting in signal blackouts. The retransmission consent issue has “morphed over the years into a fight between well-financed special interests to see who could best game the rules to their own advantage” (Burton, 2012, p. 623). The good news for local broadcast television is that retransmission fees add an additional revenue stream to help supplement costs of new equipment and programming commitments. The bad news is that national broadcast networks are increasingly taking an active role in their affiliates’ retransmission consent negotiations in an effort to obtain “reverse compensation” from their local affiliates. However, retransmission consent for the first time gives television broadcasters a substantial property right in their local programming. This property right allows stations to produce more (and more diverse) local news and informational programming (Napoli, 2011). Broadcasters themselves have recently emphasized the linkage between local public service programming and retransmission fees as noted in the discussion section of this study. It is imperative that local broadcasters, as a public trustee, continue to invest in news and public affairs programming. Such programming long has been central to the FCC’s localism goals (Napoli, 2011).

Cable systems delivering programming a la carte is another challenge facing local broadcasters and is one of the most toxic suggestions from consumers for controlling runaway cable subscriber fees. Consumers are driving this initiative due to the influence of the Internet and new services that avoid the gatekeepers and deliver programming directly to the consumer. Services such as Netflix and HBO Go are disrupting the entire ecosystem. Research finds that 17% of broadband households are likely to subscribe to an over-the-top (OTT) video service from HBO and that roughly one-half would cancel their pay-tv service after subscribing to the HBO OTT service (Parks Associates, 2015). Consumers have realized several alternatives to the static distribution model offered by local broadcasters and cable operators and no longer subscribe to a set time for viewing popular programs. This opportunity is driving a la carte conversations as an alternative to traditional media delivery. The market for television programming is highly competitive. A la carte delivery by cable operators may change the way retransmission consent is

negotiated, opening new options for content delivery. Both broadcasters and cable operators have a degree of market power and by working together using their market power, both industries could increase viewing time and advertising dollars in local television advertising markets. One way local stations and cable systems could use their market power is to offer additional channels that viewers could pay for. Local television stations are producers of content. Local cable operators are distributors of content. Creating new channels such as local weather reports, movie channels or even a channel that sells cars around the clock could create new advertising opportunities or subscription fees that could be shared by these new media ventures. Moving beyond normal business practices, making partners out of competitors, embracing opportunities, sharing marketing responsibilities and working collaboratively could build a platform for a successful future.

Emerging technology, new forms of program distribution and contentious cable negotiations are not the only challenges facing broadcasters. Policy changes are also a concern for local television stations. Congress and the FCC have a long-standing reputation for protecting the industry from financial harm. The reasons are clear: local broadcasters operate in the public interest and provide important news and emergency programming that help protect local citizens. In the 2000s the television industry faces different types challenges due to technology and competitive issues, most importantly broadband and wireless distribution of programming or streaming. The question remains how will the government deal with these challenges to once again protect the financial interest of local broadcasters so they can continue to provide and pay for important local programming services. Past government action that has benefitted broadcasters include relaxed rules that led to station consolidation not to exceed more than 39% of all U.S. television households, local television multiple ownership rule that allows an entity to own up to two television stations in the same market, new incentive auctions of broadcast airwaves set to take place in 2016 that will allow broadcasters to sell some of their spectrum (FCC.gov, 2015). The government is seeking to pay stations billions of dollars to move off those

airwaves, and then it plans to sell those airwaves to wireless carriers. These actions have helped broadcast property owners pool resources resulting in reduced costs and more efficient operations. In the future it will be important to see how the government protects local broadcast stations as local television's mass audience appeal splinters into niches as viewers flock to alternative entertainment choices. With the uncertainty of the future, local broadcasters must work to develop new partnerships, create additional categories of advertisers and learn how to survive on less. One possible new partnership could be with local newspapers. Although the FCC revised the newspaper/broadcast cross-ownership rule in its 2006 quadrennial review order, the court's 2011 decision vacated and remanded that modified rule. As a result, the FCC's rules continue to prohibit common ownership of daily newspaper and a full-power broadcast station (AM, FM, or TV) if the station's service contour encompasses the newspaper's city of publication (FCC.gov, 2015). A decision by the FCC to relax its existing ban on newspaper/broadcast cross-ownership could create an exciting partnership. A local television station joining with daily newspaper, co-producing news stories and creating advertising opportunities could be another way to benefit the industry. The new partnership would encourage media properties to pool resources, share costs in an effort to increase revenues.

Looking ahead, more and more local broadcasters are moving beyond their basic broadcast roots and embracing new technologies that allow viewers to connect with content in non-conventional ways such as on mobile devices and through the Internet. Putting content directly into the hands of consumers has opened up some new advertising categories resulting in a change of traditional viewing and programming distribution methods of the past. Broadcasting has to continue to evolve using new technologies and distribution methods to ensure that broadcast television's one-to-many architecture successfully extend to emerging platforms (Ashworth, 2015). Because of the new forms of competition this is a critical time for cable operators and local broadcasters to work together to challenge the new program competitors.

Broadcasting has a bright future as long as local broadcasters can deliver programming in the public interest.

Limitations and Future Research

The survey was sent to 658 local television station general managers in the United States. The return rate was 9.2%. The goal was to at least have a 30% return, which may have a deeper foundation for the findings of the survey. The researcher suggests the 9.2% return rate was due to general managers' lack of knowledge of the retransmission consent process and a la carte cable pricing or because retransmission consent is handled at the corporate level. In addition, there were a low number of respondents from markets 1-25. Indications are that the larger markets 1-25 are not as reliant on retransmission fees as smaller markets 26-210, which may have contributed to the lower participation rate and could have had an affect on significance testing. In addition, researcher did not propose a neutral answer in the Likert-type scale that could have influenced some of the percentages.

Furthermore, many general managers declined to answer the survey questions; (i.e.) "My station's target price per subscriber ranges from less than \$0.50 cents per subscriber to more than \$2 per subscriber" and "Price per subscriber is the primary difficulty in negotiating retransmission fees for my station". Many general managers may have been reluctant to answer these questions because of corporate guidelines. It is also understood that general managers move from market to market and sharing this type of information could hinder their career. The low response rate could have hindered the results for these questions.

The study could have also been more focused on retransmission fees and the financial health of local broadcast stations or a la carte cable pricing. Although both of the issues are important to study, and they do relate to each other, a more focused approach may have resulted in more participation by general managers and a more comprehensive reflection of the industry.

Lastly, the subject of retransmission consent and the possibility of cable operators offering programming a la carte is an extremely toxic subject to the television industry. The

researcher tried to obtain endorsements from several industry groups, but due of the controversy surrounding the subject matter none of the groups were willing to endorse the survey. Cable operators, local television stations and industry groups all agree that these subjects are important to study due to new competition from stand-alone services and for the protection of consumers. Future studies should be conducted by respected industry organizations that can influence a greater participation by individuals involved in the retransmission negotiation process.

Conclusion

Local broadcast stations are the backbone of the television industry. Government regulations are necessary to help local stations stay competitive in today's marketplace. The retransmission consent negotiation process is important to local broadcasters because it gives them an opportunity to get paid for the programming they provide to local cable operators and because it generates revenue that helps pay expenses associated with serving the public interest. For the most part general managers agree retransmission fees add value to their station.

It is important for cable operators and local stations to work together to compete with the new direct-to-home services being brought to market today. Delivering programming a la carte may be the answer, but a shared revenue opportunity must be negotiated between cable operators and local broadcasters to stay competitive with new delivery platforms. Consumers are accessing video at a rapid pace. Millennials are leading the way, demanding what they want to watch, when they want to watch and on the delivery platform they choose.

This study also suggests that using Integrative Negotiation Theory as a way to bring cable operators and local broadcast stations together in an effort to provide better service to viewers and to stay competitive in the wide range of new programming service providers. Working together, cable operators and local broadcasters can address issues amicably and create a model for future negotiations that aim to benefit both parties mutually.

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APPENDICES

Table 4*Simple Main Effects Table for t-tests television markets 1-25/26-210.*1. Retransmission fees have impacted my station's financial health in a positive way.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|--------|----------|----------|-----------|----------|--------|----------|
| 1-25 | 5 | 4.2000 | 1.09545 | -976 | .146 | .021 |
| 26-210 | 41 | 4.6098 | .86250 | | | |

2. Without retransmission fees, my station would suffer financially.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|--------|----------|----------|-----------|----------|--------|----------|
| 1-25 | 5 | 3.0000 | .00000 | -2.186* | .313 | .098 |
| 26-210 | 41 | 4.2195 | 1.23516 | | | |

3. Retransmission fees are important to my station's annual revenue projections.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|--------|----------|----------|-----------|----------|--------|----------|
| 1-25 | 5 | 4.4000 | .89443 | .019 | .003 | .000 |
| 26-210 | 41 | 4.3902 | 1.11530 | | | |

4. My station's news and public service programming would be negatively affected without retransmission fees.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|--------|----------|----------|-----------|----------|--------|----------|
| 1-25 | 5 | 3.0000 | 1.22474 | -.996 | .149 | .022 |
| 26-210 | 41 | 3.4146 | .83593 | | | |

6. When negotiating retransmission fees, my station has a standard per subscriber dollar amount you are trying to achieve.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|--------|----------|----------|-----------|----------|--------|----------|
| 1-25 | 4 | 3.7500 | .95743 | -.226 | .037 | .001 |
| 26-210 | 36 | 3.8611 | .93052 | | | |

7. My station's target price per subscriber ranges from...

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 3 | 4.3333 | .57735 | .696 | .133 | .018 |
| 26-210 | 26 | 4.0000 | .80000 | | | |

8. Price per subscriber is the primary difficulty in negotiating retransmission fees for my station

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.8000 | .83666 | -.055 | .008 | .000 |
| 26-210 | 41 | 3.8242 | .94573 | | | |

9. Station ratings play an important role in determining the amount of retransmission compensation for my station.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 2.8000 | .83666 | .250 | .038 | .001 |
| 26-210 | 41 | 2.6646 | 1.16808 | | | |

10. My station researches the market to determine a fair per subscriber price for my station's retransmission compensation.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 2.8000 | .83666 | -.917 | .137 | .019 |
| 26-210 | 41 | 3.3037 | 1.18659 | | | |

11. Station consolidation is affecting retransmission negotiations in my market.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.0000 | .70711 | .373 | .056 | .003 |
| 26-210 | 41 | 2.7862 | 1.24821 | | | |

12. It is important that my station avoids conflict during retransmission negotiations.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 2.4000 | 1.14018 | -2.239* | .320 | .102 |
| 26-210 | 41 | 3.3962 | .91683 | | | |

14. Cable systems offering programming a la carte will have no effect on my station's retransmission compensation.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 2,4000 | 1.14018 | -1.102 | .164 | .027 |
| 26-210 | 41 | 2,9512 | 1.04765 | | | |

15. Negotiating retransmission fees with cable systems under an a la carte scenario will be significantly different for my station.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.2000 | .83666 | .054 | .008 | .000 |
| 26-210 | 41 | 3.1707 | 1.15979 | | | |

16. My station's ratings will be extremely important in negotiating retransmission fees with cable systems under an a la carte mandate.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.4000 | 1.14018 | -.026 | .004 | .000 |
| 26-210 | 41 | 3.4146 | 1.20365 | | | |

17. Local stations will have a greater negotiating position with cable systems under an a la carte scenario.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.6000 | 1.34164 | .687 | .103 | .011 |
| 26-210 | 41 | 3.2195 | 1.15135 | | | |

18. Low rated stations will have difficulty in negotiating retransmission fees under an a la carte mandate.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 2.8000 | .83666 | -1.002 | .149 | .022 |
| 26-210 | 41 | 3.2683 | 1.00061 | | | |

19. Variety of programming will affect my retransmission negotiations with cable systems.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.2000 | .44721 | .117 | .018 | .000 |
| 26-210 | 41 | 3.1512 | .90970 | | | |

20. As delivery options change my station wants a retransmission solution that benefits both parties

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.4000 | .54772 | -.784 | .117 | .014 |
| 26-210 | 41 | 3.7224 | .89423 | | | |

22. Retransmission fees impact the value of local television stations.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 4.2000 | 1.09545 | -.044 | .007 | .000 |
| 26-210 | 41 | 4.2195 | .90863 | | | |

23. Under an a la carte scenario, a local station's value would be affected in a negative way.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.0000 | 1.00000 | .927 | .138 | .019 |
| 26-210 | 41 | 2.5514 | 1.02352 | | | |

24. The financial health of local television stations relies on retransmission fees.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.0000 | 1.00000 | -1.509 | .222 | .049 |
| 26-210 | 41 | 3.8780 | 1.24890 | | | |

25. A la carte cable pricing would have a positive affect on my stations financial health.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 2.6000 | .89443 | -.535 | .080 | .006 |
| 26-210 | 41 | 2.8484 | .98874 | | | |

26. It would be easier to negotiate retransmission fees under an a la carte scenario.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 2.6000 | .89443 | -.374 | .056 | .003 |
| 26-210 | 41 | 2.7736 | .98615 | | | |

27. My station is eager to employ a win-win retransmission strategy with cable operators.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|--------|----------|----------|-----------|----------|----------|-----------------------|
| 1-25 | 5 | 3.2000 | .44721 | -.983 | .147 | .022 |
| 26-210 | 41 | 3.6225 | .94055 | | | |

*p<.05 **p<.01

Table 5*Simple Main Effects Table for t-tests television markets 1-100/101-210.*

| <u>1. Retransmission fees have impacted my station's financial health in a positive way.</u> | | | | | | |
|---|----------|----------|-----------|----------|----------|-----------------------|
| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
| 1-100 | 28 | 4.6786 | .669641 | .085 | .161 | .026 |
| 101-210 | 18 | 4.3889 | 1.14475 | | | |
| <u>2. Without retransmission fees, my station would suffer financially.</u> | | | | | | |
| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
| 1-100 | 28 | 4.0000 | 1.12217 | -.596 | .089 | .008 |
| 101-210 | 18 | 4.2222 | 1.39560 | | | |
| <u>3. Retransmission fees are important to my station's annual revenue projections.</u> | | | | | | |
| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
| 1-100 | 28 | 4.4286 | 1.03382 | .288 | .043 | .002 |
| 101-210 | 18 | 4.3333 | 1.18818 | | | |
| <u>4. My station's news and public service programming would be negatively affected without retransmission fees.</u> | | | | | | |
| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
| 1-100 | 28 | 3.2143 | .99469 | -1.517 | .223 | .050 |
| 101-210 | 18 | 3.6111 | .60768 | | | |
| <u>6. When negotiating retransmission fees, my station has a standard per subscriber dollar_amount you are trying to achieve.</u> | | | | | | |
| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
| 1-100 | 25 | 3.8800 | .92736 | .263 | .043 | .002 |
| 101-210 | 15 | 3.8000 | .94112 | | | |
| <u>7. My station's target price per subscriber ranges from....</u> | | | | | | |
| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
| 1-100 | 18 | 4.0556 | .87260 | .183 | .035 | .001 |
| 101-210 | 11 | 4.0000 | .63246 | | | |

8. Price per subscriber is the primary difficulty in negotiating retransmission fees for my station.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.7857 | .91721 | -.324 | .049 | .002 |
| 101-210 | 18 | 3.8774 | .96322 | | | |

9. Station ratings play an important role in determining the amount of retransmission compensation for my station.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 2.8036 | 1.05488 | .929 | .139 | .019 |
| 101-210 | 18 | 2.4861 | 1.24402 | | | |

10. My station researches the market to determine a fair per subscriber price for my station's retransmission compensation.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.2581 | 1.07473 | .066 | .010 | .000 |
| 101-210 | 18 | 3.2348 | 1.30742 | | | |

11. Station consolidation is affecting retransmission negotiations in my market.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.0532 | .707111 | .762 | .257 | .066 |
| 101-210 | 18 | 2.4303 | 1.24821 | | | |

12. It is important that my station avoids conflict during retransmission negotiations.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.2857 | 1.04906 | -.019 | .003 | .000 |
| 101-210 | 18 | 3.2914 | .89218 | | | |

14. Cable systems offering programming a la carte will have no effect on my station's retransmission compensation.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|--------------|----------|----------|-----------------------|
| 1-100 | 28 | 2.7857 | 1.03126-.841 | | .126 | .016 |
| 101-210 | 18 | 3.0556 | 1.10997 | | | |

15. Negotiating retransmission fees with cable systems under an a la carte scenario will be significantly different for my station.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.2143 | 1.22798 | .301 | .045 | .002 |
| 101-210 | 18 | 3.1111 | .96338 | | | |

16. My station's ratings will be extremely important in negotiating retransmission fees with cable systems under an a la carte mandate.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.4643 | 1.17006 | -.362 | .055 | .003 |
| 101-210 | 18 | 3.3333 | 1.23669 | | | |

17. Local stations will have a greater negotiating position with cable systems under an a la carte scenario.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.2500 | 1.23603 | -.078 | .012 | .000 |
| 101-210 | 18 | 3.2778 | 1.07406 | | | |

18. Low rated stations will have difficulty in negotiating retransmission fees under an a la carte mandate.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.1429 | .89087 | -.635 | .095 | .009 |
| 101-210 | 18 | 3.3333 | 1.13759 | | | |

19. Variety of programming will affect my retransmission negotiations with cable systems.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.1857 | .77159 | .282 | .042 | .002 |
| 101-210 | 18 | 3.1111 | 1.02262 | | | |

20. As delivery options change my station wants a retransmission solution that benefits both parties

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | <i>η</i> | <i>η</i> ² |
|---------|----------|----------|-----------|----------|----------|-----------------------|
| 1-100 | 28 | 3.6650 | .81654 | -.217 | .033 | .001 |
| 101-210 | 18 | 3.7222 | .95828 | | | |

22. Retransmission fees impact the value of local television stations.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|---------|----------|----------|-----------|----------|--------|----------|
| 1-100 | 28 | 4.2857 | .89679 | .626 | .094 | .009 |
| 101-210 | 18 | 4.1111 | .96338 | | | |

23. Under an a la carte scenario, a local station's value would be affected in a negative way.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|---------|----------|----------|-----------|----------|--------|----------|
| 1-100 | 28 | 2.6289 | 1.02373 | .809 | .035 | .001 |
| 101-210 | 18 | 2.5556 | 1.04162 | | | |

24. The financial health of local television stations relies on retransmission fees.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|---------|----------|----------|-----------|----------|--------|----------|
| 1-100 | 28 | 3.5357 | 1.37389 | -1.712 | .250 | .062 |
| 101-210 | 18 | 4.1667 | .92355 | | | |

25. A la carte cable pricing would have a positive affect on my stations financial health.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|---------|----------|----------|-----------|----------|--------|----------|
| 1-100 | 28 | 2.6708 | .81679 | -1.320 | .195 | .038 |
| 101-210 | 18 | 3.0556 | 1.16175 | | | |

26. It would be easier to negotiate retransmission fees under an a la carte scenario.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|---------|----------|----------|-----------|----------|--------|----------|
| 1-100 | 28 | 2.5613 | .83204 | -1.724 | .251 | .063 |
| 101-210 | 18 | 3.0556 | 1.10997 | | | |

27. My station is eager to employ a win-win retransmission strategy with cable operators.

| | <i>n</i> | <i>M</i> | <i>SD</i> | <i>t</i> | η | η^2 |
|---------|----------|----------|-----------|----------|--------|----------|
| 1-100 | 28 | 3.5186 | .73889 | -.536 | .081 | .006 |
| 101-210 | 18 | 3.6667 | 1.13759 | | | |

*p<.05 **p<.01

Table 6 One-Way ANOVA Tables

Descriptive Statistics Table for network affiliation.

Table 1

1. Retransmission fees have impacted my station's financial health in a positive way.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 4.7 | .724 |
| NBC | 9 | 4.8 | .667 |
| CBS | 11 | 4.3 | 1.272 |
| FOX | 9 | 4.9 | .333 |
| Total | 44 | 4.6 | .839 |

Table 2

One-Way ANOVA for retransmission fees have impacted my station's financial health in a positive way.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|-----|--------|----------|
| Between | 2.22 | 3 | .741 | 1.1 | .271 | .074 |
| Within | 27.96 | 40 | .699 | | | |
| Total | 30.18 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

2. Without retransmission fees, my station would suffer financially.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.9 | 1.458 |
| NBC | 9 | 3.7 | 1.414 |
| CBS | 11 | 4.4 | .924 |
| FOX | 9 | 4.7 | .667 |
| Total | 44 | 4.1 | 1.231 |

Table 2

One-Way ANOVA for without retransmission fees, my station would suffer financially.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|-----|--------|----------|
| Between | 7.35 | 3 | 2.45 | 1.7 | .336 | .113 |
| Within | 57.83 | 40 | 1.45 | | | |
| Total | 65.18 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

3. Retransmission fees are important to my station's annual revenue projections.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 4.6 | .828 |
| NBC | 9 | 4.1 | 1.364 |
| CBS | 11 | 4.5 | .934 |
| FOX | 9 | 4.5 | 1.333 |
| Total | 44 | 4.5 | 1.067 |

Table 2

One-Way ANOVA for retransmission fees are important to my station's annual revenue projections

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.47 | 3 | .490 | .413 | .173 | .030 |
| Within | 47.44 | 40 | 1.186 | | | |
| Total | 48.91 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

4. My station's news and public service programming would be negatively affected without retransmission fees

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.5 | .915 |
| NBC | 9 | 3.6 | .527 |
| CBS | 11 | 3.4 | .809 |
| FOX | 9 | 3.3 | 1.000 |
| Total | 44 | 3.4 | .818 |

Table 2

One-Way ANOVA for my station's news and public service programming would be negatively affected without retransmission fees.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | .29 | 3 | .098 | .138 | .101 | .010 |
| Within | 28.50 | 40 | .713 | | | |
| Total | 28.79 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

6. When negotiating retransmission fees, my station has a standard per subscriber dollar amount you are trying to achieve.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 14 | 3.7 | 1.069 |
| NBC | 9 | 4.1 | .782 |
| CBS | 8 | 3.8 | .886 |
| FOX | 7 | 4.1 | .899 |
| Total | 38 | 3.9 | .924 |

Table 2

One-Way ANOVA for negotiating retransmission fees, my station has a standard per subscriber amount you are trying to achieve.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.48 | 3 | .492 | .556 | .216 | .047 |
| Within | 30.10 | 34 | .885 | | | |
| Total | 31.58 | 37 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

7. My station's target price per subscriber ranges from

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 11 | 4.3 | .505 |
| NBC | 4 | 3.8 | .500 |
| CBS | 8 | 3.8 | 1.281 |
| FOX | 6 | 4.0 | .000 |
| Total | 29 | 4.0 | .778 |

Table 2

One-Way ANOVA for my station's target price per subscriber ranges from

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 2.17 | 3 | .723 | 1.22 | .358 | .128 |
| Within | 14.79 | 25 | .592 | | | |
| Total | 16.97 | 28 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

8. Price per subscriber is the primary difficulty in negotiating retransmission fees for my station.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.8 | .941 |
| NBC | 9 | 4.1 | 1.167 |
| CBS | 11 | 3.7 | .900 |
| FOX | 9 | 3.8 | .833 |
| Total | 44 | 3.8 | .938 |

Table 2

One-Way ANOVA for price per subscriber is the primary difficulty in negotiating retransmission fees for my station.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | .910 | 3 | .303 | .328 | .155 | .024 |
| Within | 36.95 | 40 | .924 | | | |
| Total | 37.86 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

9. Station ratings play an important role in determining the amount of retransmission compensation for my station.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 2.8 | 1.207 |
| NBC | 9 | 2.2 | 1.092 |
| CBS | 11 | 2.8 | 1.072 |
| FOX | 9 | 2.8 | 1.301 |
| Total | 44 | 2.7 | 1.153 |

Table 2

One-Way ANOVA for station ratings play an important role in determining the amount of retransmission compensation for my station.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 2.23 | 3 | .744 | .541 | .197 | .039 |
| Within | 55.01 | 40 | 1.357 | | | |
| Total | 57.24 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

10. My station researches the market to determine a fair per subscriber price for my station's retransmission compensation.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.3 | 1.290 |
| NBC | 9 | 3.2 | 1.199 |
| CBS | 11 | 2.8 | 1.085 |
| FOX | 9 | 3.8 | .972 |
| Total | 44 | 3.3 | 1.167 |

Table 2

One-Way ANOVA for my station researches the market to determine a fair per subscriber price for m station's retransmission compensation.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|-------|--------|----------|
| Between | 4.42 | 3 | 1.474 | 1.089 | .275 | .076 |
| Within | 54.16 | 40 | 1.354 | | | |
| Total | 58.58 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

11. Station consolidation if affecting retransmission negotiations in my market.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.4 | 1.056 |
| NBC | 9 | 2.6 | 1.404 |
| CBS | 11 | 2.5 | 1.206 |
| FOX | 9 | 2.4 | 1.130 |
| Total | 44 | 2.8 | 1.218 |

Table 2

One-Way ANOVA for station consolidation is affecting retransmission negotiations in my market.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|-------|--------|----------|
| Between | 7.69 | 3 | 2.562 | 1.826 | .347 | .120 |
| Within | 56.14 | 40 | 1.403 | | | |
| Total | 63.83 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

12. It is important that my station avoids conflict during retransmission negotiations.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.4 | .910 |
| NBC | 9 | 3.6 | 1.130 |
| CBS | 11 | 3.2 | .872 |
| FOX | 9 | 3.1 | 1.167 |
| Total | 44 | 3.3 | .982 |

Table 2

One-Way ANOVA for it is important that my station avoids conflict during retransmission negotiations.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.14 | 3 | .378 | .375 | .165 | .027 |
| Within | 40.31 | 40 | 1.008 | | | |
| Total | 41.45 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

14. Cable systems offering programming a la carte will have no effect on my station's retransmission compensation.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.2 | .884 |
| NBC | 9 | 3.0 | 1.118 |
| CBS | 11 | 3.0 | 1.265 |
| FOX | 9 | 2.1 | .782 |
| Total | 44 | 2.9 | 1.074 |

Table 2

One-Way ANOVA for cable systems offering programming a la carte will have no effect on my stations retransmission compensation.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|-------|--------|----------|
| Between | 7.81 | 3 | 2.605 | 2.491 | .397 | .157 |
| Within | 41.82 | 40 | 1.046 | | | |
| Total | 49.64 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

15. Negotiating retransmission fees with cable systems under an a la carte scenario will be significantly different for my station.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.1 | 1.032 |
| NBC | 9 | 3.3 | 1.224 |
| CBS | 11 | 3.4 | 1.361 |
| FOX | 9 | 3.2 | .833 |
| Total | 44 | 3.2 | 1.096 |

Table 2

One-Way ANOVA for negotiating retransmission fees with cable systems under an a la carte scenario will be significantly different for my station.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | .69 | 3 | .231 | .181 | .116 | .013 |
| Within | 51.03 | 40 | 1.276 | | | |
| Total | 51.73 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

16. My station's ratings will be extremely important in negotiating retransmission fees with cable systems under an a la carte mandate.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.4 | 1.298 |
| NBC | 9 | 3.9 | 1.364 |
| CBS | 11 | 3.5 | .934 |
| FOX | 9 | 3.3 | .866 |
| Total | 44 | 3.5 | 1.131 |

Table 2

One-Way ANOVA for my station's ratings will be extremely important in negotiating retransmission fees with cable systems under an a la carte mandate.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.78 | 3 | .595 | .477 | .180 | .032 |
| Within | 52.22 | 40 | 1.330 | | | |
| Total | 55.00 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

17. Local stations will have a greater negotiating position with cable systems under an a la carte scenario.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.3 | 1.345 |
| NBC | 9 | 3.6 | 1.236 |
| CBS | 11 | 3.1 | 1.136 |
| FOX | 9 | 3.2 | .972 |
| Total | 44 | 3.3 | 1.173 |

Table 2

One-Way ANOVA for local stations will have a greater negotiating position with cable systems under an a la carte scenario.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.14 | 3 | .380 | .262 | .139 | .019 |
| Within | 58.02 | 40 | 1.451 | | | |
| Total | 59.16 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

18. Low rated stations will have difficulty in negotiating retransmission fees under an a la carte mandate.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.0 | .845 |
| NBC | 9 | 3.6 | 1.130 |
| CBS | 11 | 3.5 | .934 |
| FOX | 9 | 3.2 | 1.093 |
| Total | 44 | 3.3 | .973 |

Table 2

One-Way ANOVA for low rated stations will have difficulty in negotiating retransmission fees under an a la carte mandate.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 2.22 | 3 | .741 | .769 | .234 | .055 |
| Within | 38.51 | 40 | .963 | | | |
| Total | 40.73 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

19. Variety of programming will affect my retransmission negotiations with cable systems.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.3 | .816 |
| NBC | 9 | 3.2 | .662 |
| CBS | 11 | 2.9 | 1.044 |
| FOX | 9 | 3.3 | .707 |
| Total | 44 | 3.2 | .823 |

Table 2

One-Way ANOVA for variety of programming will affect my retransmission negotiations with cable systems.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.37 | 3 | .457 | .659 | .217 | .047 |
| Within | 27.75 | 40 | .694 | | | |
| Total | 29.12 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

20. As delivery options change my station wants a retransmission solution that benefits both parties.

| | N | M | SD |
|-------|----|-----|------|
| ABC | 15 | 4.0 | .926 |
| NBC | 9 | 3.8 | .785 |
| CBS | 11 | 3.4 | .674 |
| FOX | 9 | 3.7 | .866 |
| Total | 44 | 3.7 | .838 |

Table 2

One-Way ANOVA for as delivery options change my station wants a retransmission solution that benefits both parties.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|-------|--------|----------|
| Between | 2.72 | 3 | .908 | 1.321 | .300 | .090 |
| Within | 27.48 | 40 | .687 | | | |
| Total | 30.20 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

22. Retransmission fees impact the value of local television stations.

| | N | M | SD |
|-------|----|-----|------|
| ABC | 15 | 4.1 | .990 |
| NBC | 9 | 4.1 | .928 |
| CBS | 11 | 4.1 | .874 |
| FOX | 9 | 4.5 | .882 |
| Total | 44 | 4.2 | .912 |

Table 2

One-Way ANOVA for retransmission fees impact the value of local television stations.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.25 | 3 | .415 | .482 | .187 | .035 |
| Within | 34.48 | 40 | .862 | | | |
| Total | 35.73 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

23. Under an a la carte scenario, a local station's value would be affected in a negative way.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 2.5 | .915 |
| NBC | 9 | 2.4 | .995 |
| CBS | 11 | 2.6 | .820 |
| FOX | 9 | 3.1 | 1.269 |
| Total | 44 | 2.6 | .992 |

Table 2

One-Way ANOVA for under an a la carte scenario, a local station's value would be affected in a negative way.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|-------|--------|----------|
| Between | 3.01 | 3 | 1.002 | 1.021 | .267 | .071 |
| Within | 39.27 | 40 | .982 | | | |
| Total | 42.28 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

24. The financial health of local television stations relies on retransmission fees.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.8 | 1.125 |
| NBC | 9 | 3.6 | 1.414 |
| CBS | 11 | 4.1 | 1.044 |
| FOX | 9 | 3.8 | 1.394 |
| Total | 44 | 3.9 | 1.193 |

Table 2

One-Way ANOVA for the financial health of local television stations relies on retransmission fees.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | .98 | 3 | .328 | .218 | .127 | .016 |
| Within | 60.20 | 40 | 1.505 | | | |
| Total | 61.18 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

25. A la carte cable pricing would have a positive affect on my station's financial health.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 2.9 | 1.060 |
| NBC | 9 | 2.9 | .601 |
| CBS | 11 | 2.6 | 1.021 |
| FOX | 9 | 3.1 | 1.167 |
| Total | 44 | 2.9 | .979 |

Table 2

One-Way ANOVA for a la carte cable pricing would have a positive affect on my station's financial health.

| | Sum of Squares | f | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.23 | 3 | .409 | .410 | .173 | .030 |
| Within | 39.94 | 40 | .999 | | | |
| Total | 41.17 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

26. It would be easier to negotiate retransmission fees under an a la carte scenario.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 2.8 | 1.082 |
| NBC | 9 | 2.8 | .667 |
| CBS | 11 | 2.5 | .924 |
| FOX | 9 | 3.1 | 1.167 |
| Total | 44 | 2.8 | .978 |

Table 2

One-Way ANOVA for it would be easier to negotiate retransmission fees under an a la carte scenario.

| | Sum of Squares | df | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|------|--------|----------|
| Between | 1.73 | 3 | .578 | .587 | .205 | .042 |
| Within | 39.39 | 40 | .985 | | | |
| Total | 41.12 | 43 | | | | |

*p < .05

Descriptive Statistics Table for network affiliation.

Table 1

27. My station is eager to employ a win-win retransmission strategy with cable operators.

| | N | M | SD |
|-------|----|-----|-------|
| ABC | 15 | 3.7 | 1.112 |
| NBC | 9 | 3.8 | .789 |
| CBS | 11 | 3.2 | .405 |
| FOX | 9 | 3.9 | .928 |
| Total | 44 | 3.6 | .890 |

Table 2

One-Way ANOVA for my station is eager to employ a win-win retransmission strategy with cable operators.

| | Sum of Squares | f | Mean Squares | F | η | η^2 |
|---------|----------------|----|--------------|-------|--------|----------|
| Between | 3.21 | 3 | 1.071 | 1.389 | .307 | .094 |
| Within | 30.85 | 40 | .771 | | | |
| Total | 34.06 | 43 | | | | |

*p < .05



FUTURE OF BROADCAST TELEVISION SURVEY

WELCOME

Thank you for participating in our survey. Your feedback is important. Before starting please read the information page. It will explain the survey, who is conducting the survey and why.

Project Title: A La Carte Cable Pricing and the Future of Local Broadcast Television

Researcher: Max M. Andrews, graduate student in the School of Media and Strategic Communications at Oklahoma State University.

Advisor: Dr. John McGuire, Ph.D.

Purpose: We are interested in examining the effect cable systems offering a la carte programming will have on the financial health of local broadcast stations.

Time: The online survey should take approximately 15 minutes to complete.

Compensation: No compensation will be offered for participation in the study.

Voluntary: Your participation is voluntary. If you wish to withdraw your participation, you may do so at any time and your data will not be included in the research.

Risk: There is minimal risk involved in this study. Because of the nature of this research, risks are no greater than in everyday conversation.

Confidentiality: Your confidentiality will be protected, as no names will be used in connection with research data collected. Researchers will identify subjects only by randomly selected number (e.g., Subject 1) and gender. The researcher will maintain the surveys in a locked cabinet within the School of Media and Strategic Communications on the OSU campus. Survey is used for a thesis in partial fulfillment of the requirements for a Degree of Masters of Science. All survey materials will be destroyed on or before May 31, 2015. IRB research oversight will have access to the records.

Contact: If you have questions, contact Max Andrews at 405-269-1607 or at max.andrews@okstate.edu or Dr. John McGuire, Ph.D. john.mcguire@okstate.edu. 405-744-8279.

Questions: If you have any questions about your rights as a research volunteer, you may contact Dr. Sheila Kennison, IRB Chair, 219 Cordell North, Stillwater, Oklahoma 74078 or irb@okstate.edu. (405-744-3377) Signing this consent indicates that you understand and agree to the conditions mentioned above.



FUTURE OF BROADCAST TELEVISION SURVEY

RETRANSMISSION FEES

The first set of questions will explore how retransmission fees have impacted local television stations. Research has shown that retransmission consent was initiated as a way to give local broadcast stations control over the use of their signal.

1. Retransmission fees have impacted my station's financial health in a positive way.

Strongly disagree Moderately disagree Agree Moderately agree Strongly agree

2. Without retransmission fees, my station would suffer financially.

Strongly disagree Moderately disagree Agree Moderately agree Strongly agree

3. Retransmission fees are important to my station's annual revenue projections.

Strongly disagree Moderately disagree Agree Moderately agree Strongly agree

4. My station's news and public service programming would be negatively affected without retransmission fees.

Strongly disagree Moderately disagree Agree Moderately agree Strongly agree

5. Please comment on the impact retransmission fees have had on your station's financial health.



LOCAL STATION NEGOTIATIONS

The next set of questions seeks to identify the necessary information a station manager might need to negotiate a fair per subscriber fee for their station.

6. When negotiating retransmission fees, my station has a standard per subscriber dollar amount you are trying to achieve.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

7. My station's target price per subscriber ranges from....

- Less than .50 cents per subscriber
- .50 cents to .75 cents per subscriber
- .75 cents to \$1.00 per subscriber
- \$1.00 to \$1.50 per subscriber
- More than \$2.00 per subscriber
- No comment
- Other (please specify)

8. Price per subscriber is the primary difficulty in negotiating retransmission fees for my station.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

9. Station ratings play an important role in determining the amount of retransmission compensation for my station.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

10. My station researches the market to determine a fair per subscriber price for my station's retransmission compensation.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

11. Station consolidation is affecting retransmission negotiations in my market.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

12. It is important that my station avoids conflict during retransmission negotiations.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

13. Please comment on other factors have you found useful in your station's retransmission negotiations.



FUTURE OF BROADCAST TELEVISION SURVEY

A LA CARTE PRICING

This set of questions seeks to understand what influence a la carte cable pricing would have on a local stations retransmission fees.

14. Cable systems offering programming a la carte will have no effect on my station's retransmission compensation.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

15. Negotiating retransmission fees with cable systems under an a la carte scenario will be significantly different for my station.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

16. My station's ratings will be extremely important in negotiating retransmission fees with cable systems under an a la carte mandate.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

17. Local stations will have a greater negotiating position with cable systems under an a la carte scenario.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

18. Low rated stations will have difficulty in negotiating retransmission fees under an a la carte mandate.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

19. Variety of programming will affect my retransmission negotiations with cable systems.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

20. As delivery options change my station wants a retransmission solution that benefits both parties.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agrees | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

21. Please expand on how a la carte cable pricing would influence your station's retransmission negotiations.



LOCAL STATION'S FINANCIAL HEALTH

This set of questions deals with a la carte cable pricing and the financial health of local broadcast stations.

22. Retransmission fees impact the value of local television stations.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

23. Under an a la carte scenario, a local station's value would be affected in a negative way.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

24. The financial health of local television stations relies on retransmission fees.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

25. A la carte cable pricing would have a positive affect on my station's financial health.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

26. It would be easier to negotiate retransmission fees under an a la carte scenario.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

27. My station is eager to employ a win-win retransmission strategy with cable operators.

| | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Strongly disagree | Moderately disagree | Agree | Moderately agree | Strongly agree |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

28. Please suggest other ways a la carte cable pricing might impact your station's financial health



FUTURE OF BROADCAST TELEVISION SURVEY

DEMOGRAPHIC INFORMATION

Please assist our survey with the following demographic information. No information in this survey will be shared or exchanged with any party.

29. According to Nielsen Local Television Market Universe Estimates my station falls in the following category.

- Markets 1 to 25
- Markets 26 to 50
- Markets 51 to 75
- Markets 76 to 100
- Markets 100+

30. My station's network affiliation is?

- American Broadcast Company (ABC)
- National Broadcast Company (NBC)
- Columbia Broadcast System (CBS)
- Fox Broadcasting Company (FOX)
- Other

31. Do you currently handle retransmission negotiations for your station?

- Yes
- No

32. Have you ever negotiated retransmission fees for a television station?

- Yes
- No

33. How many years have you been in the television business.

- One to five years
- Five to ten years
- More than ten years

34. How many years have you been in your current position.

- One to five years
- Five to ten years
- More than ten years

35. Level of education.

- No college
- Bachelors Degree
- Masters Degree
- PHD

36. Gender

- Female
- Male

37. Ethnic group.

- White
- Black or African American
- Hispanic or Latino
- American Indian
- Asian
- Other

38. Would you like to receive the results of the survey?

- Yes
- No

VITA

Max Murray Andrews

Candidate for the Degree of

Master of Science

Thesis: A LA CARTE CABLE PRICING AND THE FUTURE OF LOCAL
BROADCAST TELEVISION

Major Field: Mass Communications

Biographical:

Education:

Completed the requirements for the Master of Science in Mass Communications at
Oklahoma State University, Stillwater, Oklahoma in July, 2015.

Experience:

Andrews Communications Corporation, (GolfTV) 2009-present
Golfweek Magazine, GolfweekTV, GM Video Syndication 2005-
2009
GolfTV, Inc., Owner / Manager, 2000-2005
Q4i.com, Senior Vice President Sales & Marketing, 1999-2000
Andrews Communications Corporation, President, 1985-1999
KJTL-TV, Channel 18, (Fox) President and General Manager,
1984-1985
KTVV-TV, Channel 36, (NBC) President and General Manager,
1983-1984
KAUZ-TV, Channel 6, (CBS) General Manager, 1979-1983
KAUZ-TV, Channel 6, (CBS) Station Manager, Account
Executive, Producer, Script Writer, 1972-1979