

Foley, Iraq War Fuel Record Political Ad Sales for Broadcasters

By Christopher Stern

Oct. 26 (Bloomberg) -- Local television stations around the U.S. are reaping record revenue from a blitz of political advertising in the waning days of the midterm congressional elections.

Spending on political advertising at local stations, previously estimated to hit \$1.4 billion, will exceed that amount "with lead-pipe certainty," said Evan Tracey, chief operating officer of Campaign Media Analysis Group, which tracks campaign finance. He now predicts a record \$2 billion in spending this year, \$300 million more than in 2004, when there were both congressional and presidential elections.

"It's a tsunami, frankly," said Jerry Watson, vice president and general manager at NBC affiliate KTTC-TV in Rochester, Minnesota.

Republicans, Democrats and outside groups have accelerated spending since media reports last month that ex-Representative Mark Foley, a Florida Republican, sent sexually explicit e-mails to a former congressional page. That means more money for television ads, which remain the best way for local politicians to reach voters, Tracey said.

The spending has been spurred by the competitive nature of this year's elections. Polls show Democrats have a chance to secure the net gain of 15 seats they need for a majority in the House and possibly the six seats they need to control the Senate.

In Rochester, Watson says he doesn't have enough air time to satisfy the demand before the Nov. 7 elections. He is pulling local ads for car dealerships and replacing them with more lucrative political plugs.

Filled to Capacity

"Any spot we put on now, means we are taking one out," said Watson, whose station is owned by closely held Quincy Newspapers in Quincy, Illinois.

The extra money is filtering to station owners such as McLean, Virginia-based Gannett Co., Dallas-based Belo Corp. and Cincinnati-based E.W. Scripps Co. Each reported third-quarter results that were bolstered by political spending.

"Our television operations have experienced significant political advertising revenue as we approach the height of election season," Belo Chief Executive Officer Robert W. Dechard wrote in an Oct. 16 letter to employees. "Paid advertising by candidates across the nation is projected to be strong."

Belo owns 19 television stations and newspapers, including the Dallas Morning News.

The Foley controversy is having an added impact on TV stations because it erupted in the weeks immediately preceding the election, when campaigns typically spend as much as 75 percent of their advertising budgets, said Tracey, whose Campaign Media Analysis is part of New York-based TNS Media Intelligence.

Minnesota Race

In Minnesota's First District, where Watson's station is located, national organizations including the Democratic Congressional Campaign Committee and the National Republican Congressional Committee have spent more than \$570,000 since Oct. 1, compared with just \$5,000 the month before, according to Federal Election Commission records.

Money suddenly moved into the rural district after polls showed incumbent Republican Gil Gutknecht is barely holding off his Democratic challenger, Tim Walz. According to a Constituent Dynamics poll conducted between Oct. 8 and 10, Gutknecht leads Walz by the statistically insignificant margin of 48 percent to 47 percent.

Paul Jaquint, general manager of WNDU-TV in South Bend, Indiana, is seeing the impact in a tight race between Republican Representative Chris Chocola and his Democratic challenger, Joe Donnelly.

“It's been fairly steady since the first of October,” said Jaquint. In the past two weeks, Jaquint increased his estimate for total political revenue this year at WNDU, owned by Atlanta-based Gray Television Inc., to more than \$2 million from \$1.8 million. The increase from \$1.5 million in 2004, the last election year, is about a 35 percent jump, Jaquint said.

Rhode Island Casino

Outside groups supporting local candidates or ballot issues are the most lucrative advertisers, according to station managers such as Jay Howell at WPRI-TV, a Fox affiliate in Rhode Island. These third-party advocates pay the highest rates because they aren't subject to campaign-finance laws that grant federal candidates air time at deep discounts, he said.

A referendum that would allow Las Vegas-based Harrah's Entertainment Inc. and the Narragansett Indian Tribe to build a new casino in Rhode Island is getting support from gaming interests with “unlimited resources,” Howell said.

Howell's station, owned by Providence-based Lin Television Corp., also is benefiting from a tight race between Rhode Island Republican Senator Lincoln Chafee and Democratic challenger Sheldon Whitehouse.

Millionaire's Amendment

Chafee loaned \$500,000 to his campaign, which triggered the so-called millionaire's amendment, according to Abby Meyer, deputy finance director for Chafee's campaign. Under FEC rules, Chafee's loan allows Whitehouse to solicit more money from donors who have already given the federal limit of \$2,100.

“This is the biggest ever for this market by far,” Howell said of the demand for political advertising time.

With demand so high for political ads, station managers are raising prices. The Republican and Democratic National Committees are paying “top, top dollar,” said Mike Burgess, general manager of KOB-TV in Albuquerque, New Mexico. “We start them out at the top fixed rate, which nobody pays by the way, then we double it. It will triple in the final week.”

While the prices are outrageous, Burgess said, “They will pay it if they want to get on.”

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