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Supreme Court Ruling to Deliver \$300M In Media Advertising

*By Michael Learmonth
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NEW YORK (AdAge.com) -- President Barack Obama may have condemned last week's Supreme Court decision as bad for democracy, but one thing is almost certain: It will be good for the media business.

In the wake of the high court's 5-4 decision overturning campaign finance laws, media companies and agencies were digesting the impacts -- more direct spending by corporations, unions and wealthy individuals, as well as more issue-oriented money pouring into the system. And much of that additional money -- \$300 million, according to a Needham & Co. estimate, on top of the predicted \$2.8 billion -- will flow to local TV stations.

Couple the Supreme Court's decision with the Scott Brown Senate win in Massachusetts, which has "Republicans smelling blood in the water" and we'll see 10% more political ad dollars, said Laura Martin, a Needham analyst. "These two factors work together to create an arms race between corporations and unions, and the only weapons dealers are the local TV stations," she said.

"The local stations are salivating over this," said Jennifer Hungerbuhler, VP of local TV at Carat, a unit of Aegis. "I expect political spending to be way up, so we want to get into the market early and lock in the lowest rates possible."

The high court majority overturned two key elements of campaign finance law: the ban on corporations using their own money to engage in political activity and the blackout period that prevents certain groups from spending money on ads within 60 days of an election. The court ruled such limits are an unconstitutional violation of the First Amendment.

Response

President Obama condemned the ruling: "I am instructing my administration to get to work immediately with Congress on this issue," he said. "We are going to talk with bipartisan congressional leaders to develop a forceful response to this decision. The public interest requires nothing less."

But aside from the implications for democracy, analysts and ad industry executives are expecting an impact on the bottom lines of local TV stations, and in some cases the diversified media companies that own them.

A consequence of increased spending is that inventory will be tight in battleground states, making it harder for marketers to get messages out. Before, the McCain-Feingold campaign finance law prevented political-action-committee spending in the final days of an election, but with that restriction lifted, analysts predict the cost of time on local stations to skyrocket right before an election.

Local TV buyers are looking at individual markets and trying to schedule campaigns around the political season next fall. But that might not be possible in, say, California, if opponents of Proposition 8, which banned gay marriage in the state, succeed in getting another initiative on the ballot, triggering a months-long political battle.

Fitch estimates that TV stations take in 70% to 85% of political spending, but much of that is concentrated in battleground states like California and Pennsylvania. "Hearst's television division, which has a meaningful presence in early primary states and swing states, [is] likely to attract a disproportionate share of any increases," Mr. Simonton said.

Winners

Another media company set to benefit is CBS, the largest owner of local stations in the U.S., covering 40% of the country. In the last mid-term election, CBS stations brought in \$160 million in political advertising; Needham's Ms. Martin estimates it will add another \$50 million in 2010 as a result of the ruling, as well as the Senate win for Mr. Brown, which will accelerate spending on both sides of the aisle.

News Corp., Disney and NBCU will also benefit, as well as station groups like Gannett, Scripps, Belo, Meredith, Gray Television and Sinclair Broadcast Group. Typically, for stations with leading news operations, political revenue accounts for about 10% of advertising during congressional election years, second only to automotive.

Evan Tracey, president of TNS Media Intelligence's Competitive Media Analysis Group, said the ruling puts what already looks like a big-money political year "on steroids."

But he also argued that big business was already accessing the system indirectly through PACs and lobbyists, and that most large corporations will want to keep their names from being closely tied to any political issue.

"It's not like this money wasn't getting into politics to begin with," Mr. Tracey said. "Before, it was kept out by a revolving door. But they've taken out the door altogether."

Open Season

Yet he sees the bigger influx coming from wealthy individuals, trade unions and political veterans like the AARP, NRA and the chamber of commerce rather than corporate

America. "If you're a publicly traded company, a company with a board of directors, you might not do this," he said.

Don't expect to see political ads sponsored by Coca-Cola. That said, for industries under regulatory assault, like health care and Wall Street, it's open season to the extent they can do so without risking public backlash.

Candidates and congressional seats targeted as critical by either party could theoretically face almost unlimited money from the opposing side. That's bad for the system and, at a certain point, becomes counterproductive.

Tim Kay, director-political strategy at National Cable Communications, argued the influx will "clutter the airways, hampering the ability of the candidates to define themselves and their opponents. This decision makes it even more important to be smart and targeted with your money -- particularly candidates with limited resources."

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