

REMARKS OF  
LAWRENCE H. ROGERS, II  
PRESIDENT  
TAFT BROADCASTING COMPANY  
AT A MEETING OF  
THE CINCINNATI SOCIETY OF FINANCIAL ANALYSTS  
DECEMBER 11, 1969

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Everyone, whether he admits it or not, always enjoys talking about himself and what he does.

It's the same in our business... only more so. When we convene our management group, we fondly say... "There's not a straight man in the house"... and it's largely true because when your area of responsibility is the public's source of entertainment, news, and information, you are always on center stage. In our case we even have the Big Brothers of Government staring over our shoulders from both wings of the stage.

So I emphasize that it is a genuine pleasure to be asked to share your platform and talk to you informally about what we are up to. I'll be brief as possible in order to give you the maximum opportunity to ask questions.

When you gentlemen last asked me to appear here, approximately five years ago, your principal question was... "Why did we just spend \$33 million dollars buying Transcontinent Television Corporation and could we make it pay off?" My answer, naturally, was... "Of course we could." Because our projected

increases in the profits of those new properties were fairly modest and we could accomplish our goals with ease. That was true as far as it went. What we didn't tell you, because you didn't ask, is that we were able to eliminate something on the order of \$800 thousand dollars a year in duplicated G & A expense by not moving into Transcontinent's home office in New York. We are very pleased with the results of that decision and I think it safe to say we will continue to be residents of the Queen City as long as you will have us.

I would like to start by reiterating Charlie's forecast of our probable performance this fiscal year. There is more reason than ever for us to give some hint as to our expectations, but at the same time it is much more difficult to do so accurately than it has ever been in the past. The main reason why we feel we should share our expectations with you is that we are a very much more complex company than we have ever been before and we have several new ventures under way, at least some of whose performances are bound to be disappointing during their start up periods.

These same facts make it well nigh impossible for us to predict with any certainty how our performance will look over the next three to six months. Of one thing we are confident, however: that on balance all these moves in the long term will add enormous strength and earnings to the Company.

Aside from the other factors I shall touch upon, broadcasting is no longer as easy to forecast as it once was; this despite the fact that our broadcasting headquarters staff have normally come within two percent on their quarterly budget -vs- performance reviews. But quarterly is about all we can do dependably. The fact is it is now almost impossible to make accurate long-term sales forecasts:

not alone because business is rather uncertain, but because of the spectacular flexibility that has been built into the business through such modern marvels as overnight rating services, demographic break-outs, and instant retrieval EDP systems. This flexibility has been accelerated by the entry of networks into spot selling techniques. Not only do national advertisers buy spot rating points per thousand ladies of a specific age group, they do so on a network basis as well. It is no longer uncommon for an advertiser to put a substantial spot advertising budget on a "suspense" basis; subject to renewal, cancellation, or change, as often as every two weeks. This facilitates what the media men call "target marketing", but it creates major administrative pains in the neck to us, not to mention the whim-whams it gives the Vice President in Charge of Sales!

I suppose the philosophical approach is to admit that everyone's problem has grown more complex through technology, so why not ours? In any event, we live with it; and we have learned to cope with it. Business continues to roll into broadcasting and the prospect is that it will continue to be about as good as the economy.

#### AM RADIO

Breaking broadcasting down into components, AM Radio is teacher's pet. It is not only where our Company started, but Taft never soured on it in the early days of TV. We recall the classic speech by one of our major competitors in 1949 in which he pronounced "Radio Is Dead". That astonishingly lively corpse in the past six months turned in an increase of 12% in sales and 14% in operating profit. It is a very important increment of our total business, second only to TV in

profitability, and the prospects for continued improvement are good.

Radio is volatile. That is, there can be major overnight changes. Since none of our stations is a "fad" or "format" station, we think we have built in maximum protection against major downturns. Cincinnati and Columbus AM's lead their markets and do extraordinarily well for us. In Kansas City a long rebuilding program has begun to bear fruit. and we have finally turned the corner in Buffalo where a bad loser has been turned into the black and is a potential winner. I look for a measurable contribution to net earnings from Buffalo radio by the end of this fiscal year. Birmingham being our smallest radio market, it also has the most intense competition. But it turned in its biggest gross and net in history this past October.

We continue to keep a weather eye out for a possible AM acquisition; but prices we have seen for some marginal major market properties are astronomical. We're in no hurry there.

#### FM RADIO

FM has become a mature service, a full-fledged entertainment and advertising medium in its own right. We have activated independent FM operations, each under its own General Manager, and we are striving to make each profitable as soon as possible. It is worthy of note that in Philadelphia...not one of our FM markets...an FM station is now fourth ranked station in town among all stations. Its manager claims over one million in billings.

Although we will talk about regulatory matters later, I would comment that any sophisticated broadcaster must take into account the possibility of

divestiture: that is, an insistence on the part of government that AM-FM combinations be made subject to the duopoly rules. Frankly I should not be too surprised if it came in five years. If so, I would like to have preserved all our options: to have our choice at the proper time, and to have the most marketable FM licenses in our communities if we are ever forced to sell them.

### TELEVISION

And then there's television.....

Far and away the biggest revenue and earnings producer in Taft is the TV stations. Obviously the percentage of total decreases as our other activities become more substantial. But we never lose sight of the fact that these stations are what have made possible our other activities.

Even so, in the past six months we have had continued increases in sales and profits....though the increases are small. Last fiscal year every dollar aspect of TV hit new highs except network. This is what the insurance people call "inherent vice". It is neither unusual nor anything to be particularly concerned about. The network structure remains central to television, as it will for years to come. But there are signs of the evolutionary process which in the case of radio made networks practically vestigial except for their function as a national news service. At some future time networks will become more a service for news, sports, and special events, and less the backbone of the entertainment medium. But that time is not this year or next.

As the revenue aspect of networks continue to erode, stations will be less willing to give up huge blocks of time which can be sold much more profitably with local, syndicated, or movie programming.

This is the reason why we have worked diligently, if not always successfully, to develop new independent syndicated programming. Our stations simply must have it if they are to make that extra dollar, and so must all other station operators.

An analysis of our TV revenues by day parts will reveal...for all stations, NBC as well as ABC...that what we call the "dinner hour" (roughly 4:30 to 7:30 PM, New York Time) produces by a good margin the largest amount of net revenue of any period of the day. And that includes prime time.

We have generally programmed this period with off-network syndication such as PERRY MASON and the Westinghouse twins, MERV GRIFFIN and MIKE DOUGLAS, and of course the News, which is the biggest revenue producer per rating point of any TV programming.

But we have now lost MERV GRIFFIN to the CBS network; we'll soon use up PERRY MASON; and we don't think MIKE DOUGLAS will last forever. So there's a critical problem: the short supply of non-network programs capable of recruiting an audience. The problem has been with us for years; but it is now much more acute than it used to be. This is the main reason behind our decision some years ago to diversify into the program production field rather than buy CATV or some other hardware system. There are so many hardware systems that the software shortage is daily being compounded.

It is also the reason why we are now engaged in a daily syndicated live on video-tape show for all our stations and as many others as we can sell. The DENNIS WHOLEY SHOW has, in effect, replaced MERV GRIFFIN for dozens of stations that miss him sorely. Although there are a spate of new replacement programs being offered, none of them has the sex appeal...or more properly,

the young audience appeal. . . . to have replaced the GRIFFIN show's pulling power. We have a real shot at this market. It's a big project. . . . \$50,000 a week. . . . but the stakes are so high we cannot do without it. We need a good sale in one of the top markets. . . . New York or Los Angeles. . . . or perhaps five or six lesser sales such as a Cleveland, Dallas, or Pittsburgh, to get out of the woods. Certainty of such sales follows good ratings performance in the November ARB's and Nielsen's. We simply won't know until the first of the year how we have made out. And we will have to assess very carefully after the 1st of January what are our chances. If we can hang in there long enough to bring off this project successfully, the rewards are as great as the acquisition of another major market TV station. If not, we will have some major wounds to lick. Every single market factor which led us to make this major syndication decision is still there, and we firmly believe in the project. Even so, it will undoubtedly have a depressing effect on both our third and fourth quarter earnings.

The other principal problem area that makes forecasting an inexact art at best is Philadelphia TV. Our acquisition of a UHF independent there brought us up to the legal maximum in TV station licenses.

We went after Philadelphia for two main reasons:

1. It provided entry into the nation's fourth largest market in the business we know best.
2. It provides us experience in the future of commercial TV as well as a hand in shaping it.

That future involves the growing importance of the independent. . . . or non-network affiliated. . . . TV stations in the large cities. That future is with us now. As you are no doubt aware, right here in Cincinnati Channel 19 is successfully

competing with the three network VHF stations including WKRC-TV. And the same company's Channel 17 station is showing impressive audience shares in Philadelphia where we are competing with them with WTAF-TV on Channel 19.

Philadelphia offers a market of more than a million UHF converted homes with over \$50 million dollars a year revenue. There are only three VHF stations in Philadelphia. . . . all network affiliates, one of them owned by CBS. . . . and only three UHF's. It is by far the biggest market with the fewest stations in the nation.

Our experience indicates that dollar share of market closely follows audience shares. We feel that a 5% share is easily attainable in Philadelphia with our combination of strong management, ingenious programming, resourceful sales efforts, and a willingness on the part of the home office to grit our teeth and hang on. And \$2.5 million revenue will make us a nice profit. The initial losses are heavy, but anticipated, and we don't know yet when they will abate. The first chance we have is improvement in audience shares in the November rating books. If we get the numbers, we'll get the money, and some of the pressure will be off. If not, we'll have to dig in and wait.

We are absolutely convinced that the job can and will be done. Potentially, WTAF-TV can deliver us the same sort of results as our major market VHF's.

One last note on broadcasting. We are often asked, "Have you not reached your peak?" No, we haven't. There is still considerable earnings growth available to us in Buffalo, Kansas City, Cincinnati, and Columbus, not to mention Philadelphia. I believe we can expect a continued growth rate parallel to the economy. But the added impact of the success of both the DENNIS WHOLEY SHOW and Philadelphia could mean increased broadcast earnings contributions as high as 25%.



REGULATORY

I would like to treat the regulatory situation now rather than saving the bitter pill for last. It is much more pleasant to end up with dessert.

Storms of controversy surrounding broadcasting come and go with the certainty and regularity of the tides. In my twenty-four years in the business, and reading about its previous twenty, I have never seen nor heard of a time when so many real or imagined regulatory woes assailed the broadcast licensee from so many directions. Since we don't intend to quit, I can only suggest that the onslaught is a tribute to our capability and effectiveness.

Following the storm of controversy after the Chicago Convention, the atmosphere, on balance, has cooled somewhat. The granting of origination and commercial rights to CATV, plus interconnection, spells some long-range worries about pay-TV by wire. But it will have no noticeable short-range impact, in my opinion. The most serious problem of the past year has been the fallout from the WHDH case wherein the Commission took away a Boston television license and gave it to a competing group. I'll not deal with the details of the circumstances beyond pointing out that the Commission declared it was not precedental. But in point of fact, it has caused a flurry of so-called "strike" applications. Some of these amount to attacks on renewals of licenses of some competent and dedicated operators. It is unlikely, in my opinion, after the testimony on the Pastore Bill that incumbent licensees will be subject to inevitable challenges at every renewal. But the problem will probably get somewhat worse before it gets better.

The cigarette controversy is now sufficiently resolved, in the wrong way, that the demise of cigarette revenues is virtually irreversible and most broadcasters

are well down the road toward accommodating the situation by developing new sources of income. The biggest and most obvious one is retailing. When the final blow falls, it will hit the networks hardest and, because it is the weakest, it will hit ABC hardest of all. . . . even though it has the least amount of cigarette advertising. The reason for this seeming anomaly is that once the cigarettes go off CBS and NBC, it will open up more availabilities to other advertisers who simply can't get on now.

The Red Lion Case, decided 8 to 0 by the Supreme Court last summer, and Vice President Agnew's blistering attack, which are not quite separate phenomena, have given a good many broadcasters what I believe to be largely unnecessary grief. The Supreme Court has clearly directed broadcasters to make their transmitters available to all shades of public opinion, exactly what Vice President Agnew was demanding. And I, for one, don't think it's a bad idea. The fact is, Taft Broadcasting Company has operated from its beginning in accordance with the Fairness Doctrine principles the Supreme Court has finally and irrevocably made into law. I simply don't understand why so many broadcasters consider that a problem. For us it isn't.

As an aside I might point out that regardless of what the Vice President, or the President, might say, their role in the regulation of broadcasting is the appointment of Commissioners. From that point on, the Commission is a technical arm of Congress, and it is Congress which will or will not attempt to impose restrictions on free speech. As a practical matter, the President or the Vice President can't do it even if they want to.

We are aware that these regulatory problems have caused weakness in broadcasting stocks. We believe our performance justifies the renewal of all our licenses in a more or less routine way. But I assure you we are undertaking

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every conceivable step to see to it that all Commission standards are not only being met but also exceeded. The number one corporate policy is the maintenance of our broadcasting licenses.

HANNA-BARBERA PRODUCTIONS, INC.

Progress at the studio continues at an accelerated pace. Earnings were impressive the last fiscal year and almost certainly will improve this year. For the first half of our fiscal year, revenues were up by a third over last year while profits remained flat, largely due to the write-off of our disappointing and expensive failure, HUCK FINN. We had two tremendous hit shows last year and we have two, and possibly three more this year, two of which, DASTARDLY AND MUTTLEY AND THEIR FLYING MACHINES and THE PERILS OF PENELOPE PITSTOP, are spinoffs from last year's WACKY RACES on CBS. Although CBS re-ran WACKY RACES this year instead of ordering new product, it means that between the three of them we have a combination of shows in sufficient number to be enormously valuable in future syndication. The number one show in the kids area this year is our surprise, SCOOBY DOO. Unhappily it was so good it knocked off the rating level of THE BANANA SPLITS on NBC and may cause a termination of that show which will cut down somewhat on our expected merchandising and syndication revenues.

There is a tremendous amount of activity at the studio now including two paid-for development deals for nighttime series with two of the three major networks.

The educational effort is coming along nicely with a couple of hundred projects actually in production. It is still too early to tell what the profitability will be, but the signs indicate great potential.

We are expanding our activities in the production of commercials, in the field of industrial promotion films, and audio-visual aids for sales promotion purposes.

The studio has projected impressive increases in these areas of production over the next five years.

In addition we have ended Hanna-Barbera's dependence on third party contractors by opening a new national sales subsidiary, Sy Fischer Inc., and only this week we have cut the cord in the area of outside contractors licensing the use of our characters, shows, titles, and music for merchandising purposes. These are two more steps which will add to profits long range but may cut into them short range.

Our complete dominance of the network Saturday morning field prompted the New York Times Sunday Magazine to do a feature article on the studio just last week.

At this point I would like to offer you a short breather in the form of an entertaining demonstration film that shows the kinds and quality of the work being done by Hanna-Barbera under our new diversification program.

(Roll Film)

FOUAD SAID PRODUCTIONS, INC.

Another new subsidiary added last year is providing considerable excitement. Fouad Said Productions is right in the thick of the technological revolution which is remaking the Hollywood film industry. Fouad Said, whose company we acquired for stock a year ago, built his organization literally out of his own hip pocket. He had five minibus-size Cinemobile\* units when we bought him. These were used

eight additional units ranging in size all the way up to the 45-foot Mark V double-decker, which not only contains every conceivable piece of gear to make a big screen major motion picture, but has comfortable transport facilities, dressing rooms, kitchen, and producer's office for a cast and crew of 47. All eight new units and most of the old ones are in constant operation all over the world. Most leading producers. . . .MGM, Twentieth Century-Fox, Universal, CBS, ABC, Steve McQueen. . . .are already using the Cinemobile System. In January of this year they were a gleam in Fouad's eye; in October they produced upwards of \$300 thousand dollars in revenue and a profit margin which prompts us to believe Fouad Said can become a leading contributor to Company earnings. From a standing start, in less than a year Fouad Said is the biggest facilities company in Hollywood. There has never been anything like this turnaround in the motion picture industry and we are really excited about the prospects.

Now we have another movie for you which was produced by Fouad showing one of his old units in action on the Fess Parker DANIEL BOONE show. As an example of the synergism of our Company, the sound track was done here in Cincinnati by an amateur. We will have to content ourselves with still pictures to show you the new machines because they have been so busy we haven't yet had an opportunity to prepare a film presentation on them.

(Roll Film)

#### AMUSEMENT PARK

Since we have acquired Hanna-Barbera, we have devoted considerable planning time in an effort to establish a direction for the studio in the amusement park field. We have approached it from every conceivable direction. Should we

build a park? Or buy one? Or license our characters to existing parks? Or try a joint venture? Where should it be? California? Florida? Ohio?

We looked at virtually every modern amusement park and allied enterprise in the United States and discussed the prospects with their managements. We lunched with the Disney management and got a cordial reception and lots of good advice. We were approached by Fess Parker to be in a joint venture with him in his proposed Kentucky park. And finally we fell into discussions with the management of Coney Island with which all of you are no doubt familiar since it has been a major Cincinnati fixture for upwards of a century. Distilling all the input, we came up with these basics:

1. There are only a handful of modern amusement parks in the nation and one of them is Coney Island. The only other one in this part of the United States is Cedar Point, outside Cleveland, and it is one of the best.
2. Their financial performance is comparable to major market TV stations.
3. We decided we could not afford to divert the energies of Hanna-Barbera to the building and operation of an amusement park. It is a specialized business in and of itself.
4. Most park operators would not pay substantial prices for Hanna-Barbera characters because other originators would furnish them free in return for exposure. On the other hand, Hanna-Barbera can make invaluable design and

entertainment contributions to any park which we might control.

5. We felt despite the year round season, California is too far from us to exercise rigid management control and, together with Florida, it is already overcrowded with competition. Taken as a whole, the amusement park business generates astonishing profits in only a summer season.
6. Management and experience are the principle factors in modern amusement park success.

To make a long story short, our investigations also turned up the fact that the Coney management is very highly regarded by all other amusement park people in the United States. Growing out of our discussions with them of a possible joint venture came the resolve to make the purchase which created Coney Island as Taft Broadcasting Company's newest operating division.

Just this week you have read of the land acquisition at Kings Mills. With its prime location on the Interstate Highway System and twelve million people within a 150-mile radius, we feel that the development of an entirely new, bigger, and better park to serve this part of the country will be a major contributor to our future corporate success. Meantime we are delighted with the enthusiasm and cooperation of the Coney management and the fact that it has already engendered a fine relationship between the creative staffs of the Coney division and Hanna-Barbera. Not the least important, it has taken its place as one of our major profit contributors.



To summarize, we have every reason to believe that Taft Broadcasting Company now constitutes a balanced and integrated complex designed to serve nearly every aspect of the information, entertainment, and leisure time market. Every economic forecast of the '70's indicates that this is one of the largest and fastest growing potential markets to be developed and we intend to be in the forefront of it.