To the Graduate Council:

I am submitting herewith a thesis written by David Stuart Renfrew entitled "TNi; An Example of Retransmission Consent Compromise Between Broadcaster and Cable Operator: A History." I have examined the final copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Science, with a major in Communications.

Norman R. Swan, Jr., Major Professor

We have read this thesis and recommend its acceptance:

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Associate Vice Chancellor and
Dean of The Graduate School

TNi; An Example of Retransmission Consent Compromise Between Broadcaster and Cable Operator: A History

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ABSTRACT

The purpose of this study is to document the history of TNi, a new local cable channel formed as a result of the retransmission consent negotiations between Knoxville's WBIR-TV Channel 10 and Scripps-Howard Cable Company. The study traces the history of the new channel from the negotiations through development, launch and the first eighteen months of operation.

The findings were based on eight interviews with the management of both WBIR and Scripps-Howard who were involved with the formation and operation of TNi. First the study reviews the events that led to the retransmission consent negotiations that were completed in October, 1993. Then, the history of TNi is presented in six categories: Contract Negotiations, Organization, Programming, News, Technical, and Sales and Promotions. The study concludes by examining the success of TNi and its future potential.

The findings indicate that the negotiations between WBIR and Scripps-Howard were amicable. Both companies made an equal investment in the set-up of the channel and agreed to share profit or loss. WBIR was the active partner in the development and operation of TNi and had sole control over content. A series of poor decisions were made by WBIR's management during the formation of the channel and this had a negative impact on TNi's performance. Several changes were made at the end of the first year, but, at the time of this writing, the future of the TNi remains uncertain.

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CHAPTER ONE

Introduction

The Cable Television Consumer Protection and Competition Act Of 1992 (1992 Cable Act) gave local broadcasters the right to seek compensation from their cable distributors for the retransmission of their signals over the cable systems. The level and type of compensation was to be determined by negotiations between the broadcaster and each cable operator. The settlements agreed to varied widely both nationally and in local markets. This study focuses on one type of retransmission consent settlement: the establishment of new local cable channels, jointly owned and operated by the local broadcaster and its primary cable distributor. As of October 1993, there were 23 new joint venture cable stations planned (McClellan, "Retrans plans," 16). Specifically, this research is a history of one retransmission consent channel that was launched in May, 1994 in Knoxville, Tennessee. TNi: The i Channel is a joint venture between Knoxville's NBC affiliate WBIR-TV Channel 10 and Scripps-Howard Cable Company.

Retransmission Consent Channels and the 1992 Cable Act

The modern cable industry evolved from Community Antenna Television (CATV) systems that were launched in the late 1940's.

CATV systems were established to allow communities in remote or mountainous areas to improve their television reception by erecting a common antenna in a locale that would improve the signal reception from nearby broadcasters. Cables were used to carry the signal from the antenna to people's homes. In the early 1960's, broadcasters challenged the use of their signals by CATV operators. The courts held that the stations "really sustained no economic injury through this unauthorized carriage of their signal" (Teeter and Le Duc 404).

The laws governing copyright, at that time, had been written in 1909, before the birth of radio, during the times of vaudeville theater and music halls. The 1909 Copyright Act prohibited copyrighted material form being "performed" without permission (Teeter and Le Duc 407). In *Fortnightly Corp. V. United Artists Television, Inc (1968)*, the Supreme Court held that the retransmission of programming materials by CATV operators was not a "performance" of the material and did not, therefore, infringe on the copyright of the program distributor (Carter, Franklin and Wright 470).

When microwave technology allowed the importation of signals by CATV operators from around the country, the Supreme Court held that even though a viewer in a distant market could only view the programming via cable, there was still no copyright infringement:

> When a television broadcaster transmits a program, it has made public for simultaneous viewing and hearing the contents of that program. The privilege of receiving the broadcast electronic signals and of

> converting them into the sights and sounds of the program inheres in all members of the public who have the means of doing so. The reception and rechanneling of these signals for simultaneous viewing is essentially a viewer function, irrespective of the distance between the broadcast station and the ultimate viewer (*Teleprompter Corporation v. Columbia Broadcasting System (1974)*).

The 1976 Copyright Act defined the retransmission of broadcast signals within a cable system as copyright infringement. Notwithstanding, the act set up a compulsory license system which allowed cable operators to carry distant signals without the permission of the broadcaster so long as a royalty fee was paid to the Copyright Royalty Tribunal. This tribunal was authorized by the government in the 1976 Copyright Act to collect a royalty from cable operators and distribute it among program producers, syndicators and broadcasters. Cable operators did not have to pay royalties to local broadcasters for the retransmission of their signal. However, they still had to carry the signals of local broadcasters under the Federal Communication Commission's (FCC) must carry rules.

In 1965, the FCC required cable systems, under certain conditions, to carry the signals of local broadcasters. These "must carry" rules remained in effect until the mid 1980's when they were found, in *Quincey Cable TV, Inc. v. Federal Communication Commission (1985),* to be an unconstitutional infringement on the first amendment rights of cable operators. Despite a subsequent attempt to soften the rules by the FCC, the revised must carry rules were again struck down on first amendment grounds in *Century Communications Corporation v. Federal Communications Commission (1987).* Cert was denied by the Supreme Court in 1988 (Carter, Franklin and Wright 476-478).

Thus, from the mid-eighties until the passage of the 1992 Cable Act, local broadcasters could neither prevent cable companies from carrying their signal (despite the fact that they received no compensation for it), nor could they compel the cable system to carry their signal. The 1992 Cable Act addressed this problem.

The 1992 Cable Act re-regulated the cable industry signaling the end of the Reagan and Bush administrations' policy of deregulation. This policy had created a cable industry that was an unregulated monopoly in most markets. The end result was generally poor service and higher prices. A coalition of consumer groups led the charge to re-regulate the industry, and they saw broadcasters as a strategic ally. A deal was struck where they would jointly lobby for a bill "that included a provision that would allow broadcasters either to charge cable operators to use their local signals or order cable companies to carry the signals for free" (Bergal 96). The coalition of broadcasters and consumer groups and their allies were up against a cable industry and the Bush White House, both staunchly against re-regulation. After Bush vetoed the bill, consumer anger over cable rates and service in an election year was sufficiently high to garner enough votes in Congress to override the Bush veto (Bergal 97).

Although much of the attention surrounding the passage of the act focused on the possible reduction in cable rates, local broadcasters had won a tremendous victory over the cable industry. The contribution that local affiliate stations had made to the success of cable was acknowledged:

> Cable systems, therefore, obtain great benefits from local broadcast signals which, until now, they have been able to obtain without the consent of the broadcaster or any copyright liability. This has resulted in an effective subsidy of the development of cable systems by local broadcasters. While at one time, when cable systems did not attempt to compete with local broadcasters for programming, audience, and advertising, this subsidy may have been appropriate, it is no longer and results in competitive imbalance between the 2 industries ("Cable Television Consumer Protection and Competition Act of 1992" 1462-3).

Congress sought to redress this "subsidy" by incorporating retransmission consent and must carry rules into the act.

The 1992 Cable Act gave broadcasters the choice of either entering into retransmission consent negotiations with their cable distributors or requiring their signal to be carried under the act's must carry provisions. If a station elected to enter into retransmission consent negotiations and an agreement was not reached, then the cable company was not required to carry that signal under the must carry provisions of the act ("Cable Television Consumer Protection and Competition Act of 1992" 1482-3). The purpose of tying the two provisions together was to allow the more successful local broadcasters to negotiate compensation from the cable operators while the less desirable, low powered local broadcasters could require cable operators to carry their signal under the must carry provisions (Carter, Franklin and Wright 503).

The stage was set for a showdown. Cable system owners were far from willing to start paying for something they had always had for free. Cable operators believed they were aiding broadcasters by providing a clearer signal for a significant number of viewers. Broadcasters felt that the cable companies were greatly enhancing their service on the backs of the networks at no charge. A representative of Tribune Broadcasting owners of Superstation WGN-Chicago pointed out that "if the Discovery Channel is worth 50 cents a month per subscriber, what is WGN, with all those sports, worth" (Fabrikant)?

By June of 1993, broadcasters had to notify their cable distributors whether they wanted must-carry or wished to enter into retransmission consent negotiations. In a survey of 432 television stations nationwide, the National Association of Broadcasters found that "80% of all TV stations [were] seeking retransmission consent rather than must-carry agreements with at least one cable system" ("20% of TV Stations Opt exclusively for Must-Carry"). The survey also showed that only 20.2% of broadcasters were pursuing retransmission consent with every cable system in their service areas while on average broadcasters sought retransmission consent with 65.8% of all their cable distributors, opting for must-carry for the rest ("20% of TV Stations Opt exclusively for Must-Carry"). These findings were confirmed in a survey by Cable Networks Inc. (CNI), a cable ad sales firm. "Based on a late July survey of 440 TV stations in the top-100 markets, CNI said 54% are choosing mix, 21% (including all Fox affiliates) wanted retransmission consent compensation, and 17% opted for must-carry (8% wouldn't disclose plans)" ("Most TV stations opt for must carry and retransmission consent"). The CNI survey also found that although most of the stations seeking retransmission consent were initially asking for cash, "most indicated that they will probably accept other forms of compensation such as carriage of additional channels, ad time, channel position" ("Most TV stations opt for must carry and retransmission consent").

When retransmission negotiations officially began in the summer of 1993, many smaller TV stations chose not to seek compensation. They had "less leverage with cable operators" (Fabrikant), and they were content to have their signal carried. These stations felt that they would lose revenue if their signal was not readily accessible to a wider and generally more affluent cable audience. On the other hand, larger stations and those dominant in local markets bargained from a stronger position. They believed that "consumer demand for their programming [entitled] them to payment by cable operators" (Fabrikant). Cable operators were adamantly opposed to making cash payments to the broadcasters. Instead, they wanted to offer various non-cash concessions to the broadcasters ranging from free advertising time to new cable channels. In numerous markets, the larger and more dominant TV stations entered into agreements with cable systems leading to the formation of new local cable channels. As of October 1993, there were 23 new joint venture cable stations planned (McClellan, "Retrans plans: programming the new channels" 16).

All retransmission negotiations had to be concluded by October 5, 1993. If a settlement was not reached, then the cable company had to drop the broadcast station from its lineup unless both parties agreed to extend the negotiating period. By late October, a study by independent research firm Myers Reports, commissioned by CNI, revealed that of the 446 television stations surveyed, only 4% did not have complete carriage of their signal throughout their Area of Dominant Influence (ADI). Sixteen percent of stations were being carried throughout their ADI by a combination of negotiated settlements and agreed extensions to complete negotiations. Fourteen percent of stations used the must carry provision to achieve 100% coverage throughout their ADI. Nineteen percent of stations had 100% coverage throughout their ADI by means of completed retransmission settlements and must carry ("Cablers cut only 4% of stations"). These figures must however be viewed with a degree of caution, since 173 stations either refused to comment or did not participate in this final wave of the CNI commissioned, longitudinal study.

It is unclear whether the government envisioned the creation of retransmission channels as one of the forms of compensation to emerge from the retransmission consent negotiations. However, their development forwarded another long term goal for the government, the maintenance and expansion of local programming: “a primary objective and benefit of our Nation’s system of regulation of television broadcasting is the local origination of programming. There is a substantial governmental interest in ensuring its continuation” (“Cable Television Consumer Protection and Competition Act of 1992” 1461).

The decision by broadcasters to enter into joint ownerships with the cable operators in lieu of monetary or other compensation represented a significant gamble for the stations. During the retransmission consent negotiations, many were skeptical about the success of such ventures. In an article in *Mediaweek*, the director of local broadcasting at Foote Cone Belding, Howard Nass, was skeptical about the success of the new channels: “the opportunity for failure is immense” (Miles). He wondered whether advertisers needed more news outlets and pointed out that programming a whole station “is an expensive proposition for a station even if it does use its own news resources” (Miles 10). Other industry executives felt that the new ventures may “take five years to return a profit” (McClellan, "Retrans plans: programming the new channels" 16).

Nevertheless, those involved with the new channels appeared upbeat about the opportunities. Robert Horton, Technical Director for WBIR, pointed out that "WBIR had the ideas and the ability to expand their programming and production capabilities, but they didn't have the (air) time" (Dorfman).

Pittsburgh's NBC affiliate, WPXI-TV, and the local cable operator, TCI, were among the first to announce the launch of a new local cable channel as a form of retransmission consent settlement. John Howell, Vice President and General Manager of WPXI, and James Mazur, General Manager of TCI, jointly authored an article in *Electronic Media* on their experience with the retransmission consent negotiations. Howell and Mazur were quick to point out that they reached their agreement months before the October 5, 1993 settlement date "without the customary saber rattling" (Howell and Mazur). They viewed their new channel as "an interesting example of how the private sector can create innovative solutions to government-imposed problems" (Howell and Mazur). They felt that their new partnership demonstrated that two competing communications companies that were expected to enter the negotiations in an adversarial manner could work together and create a new service for the local market. The WPXI-TCI deal gave WPXI a tangible new product to take into the retransmission consent negotiations with their other cable distributors (Howell and Mazur).

No matter how much expertise a channel's management has, it is an enormous challenge to effectively program an entirely new channel. For a start, few had done this before. A network affiliate station has a very narrow window of opportunity to schedule its own programming in the structure of the network feed. Once news programming is included, there is little time left. Station managers were confronted with programming at least eighteen hours a day seven days a week. They had to do this within budget constraints and devise programming that would attract viewers and advertisers from the other cable channels.

Station planners considered numerous programming options. Many felt that the key to the success of the new channels was an emphasis on local programming. John Shreves, Vice President and General Manager of the NBC affiliate in Richmond, VA expected his new cable channel's format to be a "mix of local news, information, sports and weather" (McClellan, "Local channels now, local programs later" 46). Shreves believed that there was interest for other locally produced programming on subjects such as finance, home repair and food and nutrition. Shreves felt that the key question regarding local production is whether the shows can be efficiently produced (McClellan, "Local channels now, local programs later" 46). WBIR considered capitalizing on the popularity of talk radio by carrying live pictures from the radio station's studios (Miles). Other stations decided to concentrate on news and or weather formats.

The WPXI-TCI partnership in Pennsylvania announced plans to devote their retransmission channel to news. The plan for the channel was for it to "feature simulcast and time-shifted airings of WPXI's newscast in addition to local live event and special event coverage" ("WPXI, TCI of Pennsylvania to Create Cable-Exclusive Local/Regional News Channel"). However, as Richard Fisher, director of the NBC affiliate in San Francisco, pointed out, stations must be extremely careful not to cannibalize their own news sales. He suggested that the best way to protect against this is by carefully targeting the audience (Miles).

Knoxville, WBIR and Scripps-Howard

According to Nielsen, the Knoxville Designated Market Area (DMA) is comprised of twenty-four counties in east Tennessee and southeast Kentucky. Nielsen ranks Knoxville as the sixty-second largest market in the nation with approximately four hundred and fifty thousand viewing households. Table 1 summarizes the Knoxville market and Table 2 compares the Knoxville market with select national averages. This data predicts that the growth rates of the Knoxville market will increase in the near future. Knoxville has three network affiliates: WATE (ABC), WKXT (CBS), WBIR (NBC), as well as Fox (WTNZ) and a public broadcasting station.

WBIR-TV Channel 10 is the dominant station in the Knoxville market, and, in terms of market penetration, it is one of the top

Table 1 (*The Television Industry: 1994 Market-By-Market Review* 204)

MARKET SUMMARY	1982	1987	1992	1997	2002	**1982-1992 Growth Rate**	**1992-2002 Growth Rate**
Population (000s)	**1,062**	**1,087**	**1,086**	**1,148**	**1,206**	**0.2%**	**1.0%**
Households (000s)	**386**	**409**	**421**	**452**	**487**	**0.9%**	**1.5%**
Retail Sales ($ mill.)	**4,506**	**6,625**	**8,283**	**12,016**	**17,708**	**6.3%**	**7.9%**
EBI ($ mill.)	**8,145**	**11,081**	**13,796**	**19,950**	**29,378**	**5.4%**	**7.9%**

	Nov. 1988	Nov. 1993	Race (%)		Age (%)	
Cable Penetration	59%	71%	White:	94.5%	<18:	24.3%
VCR Penetration	60%	82%	Black:	4.3%	18-34:	25.2%
			Hispanic:	0.4%	18-49:	47.8%
			Other:	0.8%	25-54:	43.0%
					35+:	50.5%

Table 2 (*The Television Industry: 1994 Market-By-Market Review* 204)

COMPARATIVE SUMMARY	Market Estimate	National Average	**% of Nat'l Average**
1992-2002 Population Growth	1.0%	0.8%	**130.8%**
1992-2002 HH Growth	1.5%	1.2%	**122.7%**
1992 TV Revenue/HHs	$91	$105	**86.6%**
1992 Retail Sales/HHs	$19,693	$19,860	**99.2%**
Cable Penetration (Nov. 1993)	71%	67%	**106.0%**
VCR Penetration (Nov. 1993)	82%	81%	**101.2%**
1987-1992 TV Revenue Growth	[illegible]	3.0%	**50.3%**
1993-1997 TV Revenue Growth	4.8%	4.3%	**99.2%**

stations in the country. This has been especially true in regard to their news products. For over a decade, WBIR has consistently dominated the local news market (Johnston, see also Purifoy). The latest Nielsen data shows WBIR's six and eleven o'clock newscasts with an average eleven point lead in the ratings over their nearest rival (WBIR Sales Material, Feb. 1996). In February of 1996, WBIR's market share from sign on to sign off averaged 46% of households compared to 26% of households for WATE, 24% of households for WKXT and 7% of households for WTNZ (WBIR Sales Material, Feb. 1996).

Prior to its recent acquisition by Gannett in the fall of 1995, WBIR was owned by Multimedia Inc, a diverse media conglomerate headquartered in Greenville, S.C. When retransmission negotiations began, Multimedia authorized their General Managers to enter into negotiations with their respective cable operators on their own and to use the new channel option as "part of their arsenal" (Miles). The programming resources of Multimedia made the challenge of programming a prospective new channel less daunting for their General Managers. The entertainment division of Multimedia produces and or syndicates six daily talk shows including *Donahue, Jerry Springer*, and *Rush Limbaugh.*

E. W. Scripps Co. is a diversified media company with interests in publishing, broadcasting and cable television. The company owns Scripps-Howard Cable Company which is the largest cable company in the Knoxville area serving over 92,000 subscribers in Knox County.

WBIR was in a strong bargaining position when retransmission negotiations began with Scripps-Howard. These negotiations led to the creation of TNi. The two companies agreed to share the investment costs, editorial control and revenues from the station. In exchange, Scripps-Howard was allowed to carry WBIR (Giesel). WBIR was the only station in the Knoxville market to launch a new cable channel as compensation for retransmission consent.

Statement of the Problem

The purpose of this study is to provide an historical overview of the retransmission consent negotiations between broadcasters and cable providers that led to the development of retransmission channels. The study then provides a detailed history of the agreement reached between one local station, WBIR-TV, and its local cable provider, Scripps-Howard, that led to the launch of the new local cable channel TNi. A history of the channel's development, launch and first eighteen months of operations is provided and the results analyzed.

Research Questions

The research questions for this study are as follows:

(1) What is the relationship between TNi, WBIR and Scripps-Howard?

(2) What were the original goals for TNi and have these goals been met?

(3) What is the organizational structure of TNi?

(4) How has the programming mix evolved during the first eighteen months of operations?

(5) What were the goals for *i Channel News* and what precipitated its cancellation?

(6) What is the financial status of TNi in terms of sales and distribution of revenues?

(7) How has TNi promoted itself on TV and in the community?

Significance of Study

This research will be valuable to people interested in future trends in broadcasting. For the first time, many of the nation's prominent broadcasting stations and their local cable distributors are investing time, effort and resources in a new genre of local cable channels. How this relationship develops and whether such operations are successful will help to determine whether more of these ventures will appear in the future as retransmission deals are renegotiated. It will also reveal whether local televisions stations are able to develop and launch local programming that will attract an audience at a time when industry experts are predicting significant growth in the number of cable channels available. Although the results from this research are not readily generalizable to other markets, if a top rated station such as WBIR is unable to succeed in this new venture, then the chances are high that other stations would have the same result.

Methodology

The principal research method for this study was personal interviews. This method was most suitable for this research for several reasons: (1) there were very few written records pertaining to the subject of this research, and the interview was the only way to document the history of the negotiations and development of the new channel; (2) the key personnel involved with the development of TNi were still available to be interviewed; (3) the dynamic nature of the interview process may have revealed unexpected relationships, opinions and views beyond information obtained from other sources.

All of the management from both WBIR and Scripps-Howard who were involved with the retransmission consent negotiations, the development, or operation of the new channel were interviewed. A total of eight people were interviewed. Two key interviews were with the General Managers at the time of the retransmission negotiations: Jim Hart, former General Manager of WBIR, and Barbara Lewis, General Manager of Scripps-Howard. The staff of WBIR who made up a "management committee" that developed the concept for the new channel and oversaw its operation for the first year were interviewed: Jim Swinehart, former News Director; Steve Dean, Creative Services Director; Bob Horton, Technical Director, Chris Gallu, General Manager and former General Sales Manager. Other interviewees included Tim Bernal, hired at the start of the second year to manage TNi, and Charlie Johnston, the Research Director for WBIR.

All of the interviews were conducted by the researcher, and all of the interviews were taped. The tapes were then transcribed and hard copies were made. Pertinent portions of the interviews are given in the results section of this research. The interviews were analyzed by the researcher and conclusions drawn for the final component of this research. Follow up interviews were made by phone, if additional questions arose during the research or clarification of certain points was needed.

Limitations of the Study

A key limitation of this study, as with all studies where the interview is the primary research method, was that much of the information was based on human memories. As time passes, specific details are forgotten and thoughts about the original decision making process may be tainted due to the influence of hindsight. Ideally, this research would have been conducted during the negotiation process and the first eighteen months of TNi's operation, but that was not done and could not be done. So, the interview process, flawed as it may be, was the next best thing to direct observation. It was also important that this research was done while those involved with the decision process were accessible and memories were still relatively fresh.

Although both companies agreed to cooperate with this research, certain documents pertaining to the negotiations were not available to the researcher. Unfortunately, the contract signed by WBIR and Scripps-Howard was not available due to a confidentiality agreement. WBIR was not required to make such information available in its public file (Horton).

This research was also limited by the lack of ratings data. It was difficult to ascertain the "success" of both the channel and its shows without these figures. Thus, the success of TNi and its programming was being judged by the people who were responsible for them based on their feedback from the viewing public and their personal opinions. It was beyond the means of this researcher to verify these opinions independently.

A final limitation on the application of this research was that it focused on the outcome of one retransmission settlement. Specific local conditions diminish the generalizability of this study to other markets. Hopefully, this research will provide a basis for a comprehensive study of all the new retransmission channels.

CHAPTER TWO

Review of Related Literature

Since, at the time of this writing, retransmission channels have only been in operation for approximately two years, there has been little published scholarly research on the new channels that emerged from the retransmission negotiations. For the purposes of this literature review, it is therefore necessary to examine related literature from earlier periods.

The first article reviewed is a case study of the retransmission negotiations in Youngstown, Ohio. The second article reviewed is a thesis on the passage of the 1992 Cable Act. The third article reviewed examines the impact of retransmission consent on local programming. The final three articles reviewed examine issues of localism in broadcasting: the future of local programming in a changing communication environment; a study on the amount of local programming available on independent television stations; and an examination of local news content comparing coverage of the central city with coverage in outlying areas. These articles on localism are relevant to the development of a local cable channel focused on local news, talk and information programming.

Foust conducted a case study of the very public retransmission negotiations that took place in Youngstown, Ohio, in 1993. Both sides in the retransmission negotiations utilized a variety of media in a public relations campaign aimed at influencing public opinion on the debate. The focus of the campaign was the impact that the negotiations may have on the consumer (4). Foust finds that although the public relations campaign "succeeded in sparking public discussion of the issue" (20), he is uncertain which side actually benefited. In the end, the cable company reached agreements with each of the local stations and not one station was dropped from cable. Foust concludes that the publicized negotiation in Youngstown showed that "two segments of the communications field that may see each other as enemies actually can have a cooperative relationship, and what the public relations campaigns waged by both sides showed is that in future negotiations the battle to win public opinion will be an important aspect of winning the war" (23).

In *The Politics of Cable Regulation: The Passage of the 1992 Cable Act*, Bergal conducted a case study of the re-regulation of the cable television industry. The thesis begins with a history of cable's evolution and regulatory history including an examination of why the industry was deregulated in the 1980's. The preponderance of the thesis is devoted to examining the process by which the cable industry was re-regulated with the passage of the 1992 Cable Act. Bergal concludes that the act passed despite a Presidential veto due to consumer anger over spiraling cable rates: "It was an election year, and incumbents realized that Americans were fed up with being ripped off and treated arrogantly by a multi-billion dollar industry that controlled their linkage to television. The powerful forces of cable, Hollywood, and the White House weren't enough to overcome lawmakers' fear of losing reelection over a popular consumer issue" (97). Bergal's thesis concludes by examining the aftermath of the 1992 Cable Act. In reference to the retransmission consent negotiations, Bergal concludes that "in a high stakes game of telecommunications brinkmanship, the broadcast industry yielded to cable's demands and most gave up any attempt to get cash for their signal" (103).

Veraldi examined the impact retransmission consent would have on local programming. She argues that following the passage of the 1992 Cable Act broadcasters will have a commercial incentive to develop local programming, because retransmission consent gives broadcasters "property rights" over their original programming and cable no longer has "free" access to local programming such as news and sports. According to Veraldi, a station that creates strong local programming, as opposed to syndicated or network programming, stands a "good chance of tapping into cable's end-user revenue stream" (487). A small number of cable subscribers will be interested and willing to pay for local programming and such programming is not available from other sources. Veraldi also points out that an additional incentive exists for broadcasters to create original programming since it would help them to avoid having to share any of the benefits the receive, either directly or indirectly, from retransmission consent with the networks and or syndicators (489). Broadcasters would be able to claim that they are being compensated for their own productions. Veraldi concludes by calling on Congress to reexamine the compulsory license fees that cable companies still have to pay for stations imported from distant markets. She feels that all broadcasters, distant and local, should compete in an open marketplace and compensation levels should not be dictated by the government (490).

Sohn and Schwartzman examined the issue of broadcasting and localism in the in the developing "communications revolution". They argue that local broadcasters are well placed to compete in a more competitive and technologically advanced communications marketplace because they are positioned to provide a unique and necessary service: "Broadcast licensees are distinctly different from other telecommunications providers in that they provide universally obtainable, real time services that are inherently locally based. And, even as our culture, and thus the nature of mass media, becomes more uniform throughout the nation, there will be a need for such services in this country" (387). The emerging new communications technologies are unlikely to challenge the position of local broadcasters, Sohn and Schwartzman point out, because their services will not be free, their physical construction will not be conducive to local programming, and local programming is expensive to produce. They feel that even cable is an "ill suited" (388) local programming provider because its penetration in most markets is only around 60%. Sohn and Schwartzman contend that there is an increasing desire for local information among Americans, a desire that will not be satisfied by a monolithic mass media: "Involvement in local places of worship, political organizations, and other community based organizations has increased. Many Americans have rejected the "melting pot" idea of America and have opted instead to take pride in the individuality of their communities and cultures" (388).

Hale and Vincent conducted a content analysis to determine the amount of local programming available on independent television stations. They point out that although the number of independent stations had "drastically increased" (367) during the mid 1980's, the amount of local programming available on independent stations had "declined markedly" (367). They find that in 1986, independent stations in top ten markets showed an average of 7.4 hours of local programming per week, and this amount steadily declined through the ADI rankings to stations in the '101 and up' markets showing an average of 1.3 hours of local programming per week (365).

Adams conducted a content analysis to examine local news coverage and compared news coverage of events in the main city, the city of license, with other cities in the ADI. Adams finds that in most of the stations he studied "the central city secured more coverage than all of the other cities combined" (257). He concludes that "local television news appears unlikely to provide genuine sustained coverage outside of the central city" (264).

Thus, the research foundation for an examination of retransmission channels is drawn from a variety of sources: a study of retransmission negotiations, articles on the debate and passage of the 1992 Cable Act, and articles examining issues of localism in broadcasting. This history of one retransmission channel is among the first research to document and examine this new development in local television. Although the results from this research are not readily generalizable to all other retransmission channels, the information contained herein forms the basis for future scholarly research.

CHAPTER THREE

Results: A Historical Review of TNi

Contract Negotiations

The Cable Television Consumer Protection and Competition Act of 1992 (1992 Cable Act) gave broadcasters the choice of entering into retransmission negotiations with their cable distributors or invoking a must carry provision under which broadcasters could compel stations to carry their signal. Broadcasters had until June of 1993 to decide which option they wanted to pursue.

Jim Hart, General Manager of WBIR TV Channel 10 from 1981 until September, 1994, began initial discussions with WBIR's principal cable distributor, Scripps-Howard Cable in Knoxville as early as December 1992, shortly after the new cable act became law. According to Hart, WBIR first raised the idea of a local cable channel as part of the retransmission deal. WBIR was then part of Multimedia Inc., a diverse conglomerate of companies that owned four other television stations in St. Louis, Cleveland, Cincinnati, and Macon, Georgia. WBIR was the only Multimedia station where, after consultations with their major cable distributor, a second channel was possible. Once this was established, Multimedia decided to use the leverage that the retransmission negotiations offered with their cable distributors to have its new Talk Channel carried in these markets

(Hart). However, since WBIR had already started negotiations with its cable distributors, it was allowed to opt out of this approach (Hart).

The General Manager of Scripp Howard's Knoxville operation is Barbara Lewis. According to Lewis, Scripps-Howard did not have a company-wide policy for dealing with the retransmission consent negotiations. Individual managers were left to make the "best deals that [they] possibly could" (Lewis). However, "the overall objective was not to pay cash, but to do other cooperative, promotional arrangements if at all possible" (Lewis).

Hart negotiated the deal personally with Lewis, although they used their respective company attorneys to deal with the legal issues involved. The negotiations began in February of 1993 and continued throughout the spring. Building from the original proposal, Hart would tender ideas and Lewis would sign off on those that she agreed with and counter-offer on things she felt were worth negotiating. Hart drew on the expertise of WBIR's staff to help develop a concept and possible programming for the new channel and to ascertain technical limitations.

According to both Hart and Lewis, the negotiations were conducted with a professional and positive attitude. Hart emphasized that WBIR had worked to cultivate a relationship with Scripps-Howard prior to the retransmission consent process: "ever since Barbara came to town, even before with her predecessor, we had worked to have a relationship with the cable network and this was signified by working out the deal to insert local cut ins in the Headline News channel."

A final agreement was reached in the Fall of 1993. Although this researcher did not get access to the contract, Hart summarized the principal elements of the agreement. The new channel was to be set up with an equal cash investment from both companies. WBIR was to have total editorial and programming control of the channel's content, but WBIR agreed to keep Scripps-Howard informed regarding the programming they would do. Operating costs and advertising revenues were to be shared equally. Both companies agreed to provide promotional support for the new channel.

The contract contains a clause allowing either party to terminate the agreement at any time. If that happened, the contract has a "fall back retransmission agreement" (Lewis) that would be automatically adopted. Hart and Lewis also made an oral agreement to review the position of the channel at the end of the first and second year (Lewis). The 1992 Cable Act requires that all retransmission settlements are to be renegotiated every three years.

Hart and Lewis agreed that WBIR's dominant position in the Knoxville market gave the station more leverage with the cable company than the other local broadcast stations. In fact, Lewis felt that once an agreement was reached between WBIR and Scripps-Howard, the leverage of the other stations was lowered taking the pressure off of Scripps-Howard. Due to confidentiality clauses in the agreements, Lewis could not divulge the specifics of the agreements with the other local stations. She did say that the agreements consisted of a combination of advertising time and in some instances promotional support.

In accordance with the provisions of the 1992 Cable Act, WBIR elected to enter into retransmission negotiations with all cable systems within approximately thirty five miles of Knoxville, which was basically WBIR's grade A coverage area (Hart). For the cable systems outside this area, WBIR opted for must carry. As a group, Multimedia had extensive discussions about seeking a cash settlement for retransmission compensation. However, according to Hart, "the cable operators just hung together as a group and there were very few instances where broadcasters got paid just for the privilege of carrying their signal." Notwithstanding, Hart succeeded in negotiating a cash settlement from one local cable distributor: Intermedia Partners.

A subsidiary of TCI Cable, Intermedia Partners operates the cable system in Loudon and Blount counties. These counties border southern Knox County. Hart reached an agreement with Intermedia Partners where they would pay WBIR per subscriber, and, in exchange, they would be allowed to carry WBIR's programming. Intermedia would pay WBIR ten cents per subscriber the first year, eleven cents the second year and twelve cents the third year (Hart). As part of the agreement, Intermedia would carry TNi, and they would get approximately four minutes of spots per hour to sell on it (Hart). However, this deal did not work out as Hart had envisioned it. Shortly before TNi launched, in May of 1994, Hart discovered that Intermedia was selling TNi in their territory against WBIR's Channel 10 "and telling folks that you could buy Channel 10 on their cable system for ten bucks and we were selling it for eight hundred for a news spot." WBIR renegotiated the deal with Intermedia. Under the terms of the new agreement, WBIR agreed not to charge Intermedia for retransmitting Channel 10 on their cable system. In exchange, Intermedia agreed to carry TNi, but it was not given any spots to sell (Hart).

Agreements were reached with a total of five cable companies to carry TNi as part of retransmission settlement. These cable companies serve four of east Tennessee's more populous counties: Knox, Blount, Loudon and Hamblen (see map: Appendix C, p. 80). This meant that once TNi was up and running, it would be available in 180,067 households in east Tennessee (TNi Promotional Literature).

A key area in the Knoxville metro area that they were unable to get TNi into was the city of Oak Ridge, in Anderson County. Horton said the reasons for this were partly technical and partly political. Tennessee Cable Vision operates the system in Oak Ridge. The system is not fiber optic and all the available channels are in use or have been assigned for specific purposes. A couple of the channels are being held by the municipal government, but they will not release them for other uses without compensation (Horton). In addition to the lack of channel space on the system, there is another major technical hurdle that would have to be overcome. There is a gap of several miles between Scripps-Howard's system and Tennessee Cable Vision's system. A fiber optic wire could be run between the two systems, but, in addition to the expense, it would have to cross a river and permission would have to be sought from the Department of Transportation. A permanent microwave link could be set up, but this would involve significant expense (Horton).

Organization

Once the agreement with Scripps-Howard was formalized in October of 1993, Jim Hart formed a management team to devise programming and direction for the new channel. After lengthy discussions, Hart felt that since several people on WBIR's staff were interested in the new channel and wanted to be part of it, they would try a team management approach for the new channel. The key players involved with the the development of TNi, along with Hart, were the Creative Services Director for WBIR, Steve Dean; the News Director, Jim Swinehart; the Technical Director, Robert Horton; and the General Sales Manager, Chris Gallu. There was a sense among the management team that they were exploring new ground. Dean pointed out that "there is something seductive about starting up a TV channel," and although those involved already had full-time jobs, they decided that they wanted to manage it: "it would be fun to start something up" (Dean). Swinehart echoed Dean's sentiments: "this was a first of its kind and we all wanted to be a part of it, we all wanted to have a piece of it and have an opportunity to try and create this thing and make it work.... I know from my part of it, I was really unwilling to give that up."

Six full-time staff members were hired for TNi. Vicki Basquett was hired as the operations manager, and she supervised two full-time control operators who put the channel on the air. Bob Deck was hired as the host of Prime Talk. Jordan Palmer was hired to produce *Prime Talk* and other TNi shows: *Work Out with Missy Kane*, *Simply Computing*, and *The Dr. Bob Show*. Two recent college graduates were hired as the TNi sales team. Patti Doherty was hired to produce *iChannel News*.

WBIR's Technical Director, Bob Horton, said that setting up TNi was just like setting up an entirely new television operation within WBIR. TNi had to have most of the elements that a regular station would have: a system of billing, a sales team, a production team, technical support, *et cetera*. When TNi was being set up, they tried "to use Channel 10's facilities and people as much as [they] could to keep entry costs as low as possible" (Horton). However, there were occasions when suppliers were not willing to view TNi as part of WBIR. When Horton was looking for software to run the traffic system for TNi, the software company wanted to bill WBIR as though TNi was an entirely separate station. In order to get around this, TNI was set up as a department within WBIR (Horton).

As a department of WBIR, TNi had the same billing categories as the other departments: "agency commission costs, music license fees, travel, meals, entertainment, salaries, overtime, talent fees, auto expenses, telephone expense, janitor expense,.... , repair and maintenance for equipment, office and art supplies, videotape" (Horton). A system was set up where TNi would be billed if they needed, for example, a technical support person from WBIR to help with an outside recording. However, if something breaks at TNi and a part has to be ordered and installed, TNi would only be billed for the part and not the labor of the WBIR technician who installs the part (Horton).

Towards the end of the first year of operation for TNi, management reexamined TNi and implemented several significant changes. One of these change was abandoning the original team management approach and hiring a permanent manager to oversee TNi. According to Dean, the excitement during the initial planning stages quickly wore off. The management team had not realized the amount of time that they would have to devote to starting up and operating the new channel during the first year. With hindsight, Dean felt that it would have been better to have had a person solely in charge of TNi right from the beginning. Swinehart also felt that managing the channel by committee was, with hindsight, a mistake: "it probably would have been a much smarter thing to do to have had a manager from day one who was ultimately responsible... and I think that we all new that, even when we were talking about it in the original early planning stages, we knew that a manager was where we should be."

In addition to the restructuring that took place in TNi's management at the end of the first year, management decided to shift the programming focus towards more local sports. This reorientation in the programming focus factored into the choice for TNi's new "manager" or Director of Marketing and Operations: Tim Bernal. Bernal was the former manager of the Knoxville Cherokees hockey team. He was hired specifically for his local sports marketing background (Dean). Bernal assumed sole responsibility for the channel and reported directly to WBIR's General Manager, Chris Gallu.

Programming

In November of 1993, shortly after the retransmission settlement with Scripps-Howard was finalized, WBIR commissioned a study with Leigh Stowell, Inc. The purpose of the research was to examine the receptiveness of viewers in the viewing area to a "locally produced news-talk channel on cable television" (TNi Promotional Material). Of the 887 people who had cable and responded to the survey, 52.4% of the respondents said that they were either "very likely" or "somewhat likely" to watch such a channel. Leigh Stowell constructed a profile of the typical potential viewer: average age, 42.7; average income, $36,629; household income over $40,000, 33.8%. The survey also indicated that 52.7% did not read the major, local daily newspaper. Charlie Johnston, Research Director for WBIR, worked with Leigh Stowell on this research. He said this research helped with the decision process "to a limited degree." Although the research offered support for the concept of the new channel, they would have gone ahead with the channel anyway, regardless of the results (Johnston).

According to Hart, one simple philosophy underlay the programming strategy: "if we had a mantra or saying.... it was don't damage the mother ship which was WBIR TV." This led the group to quickly rule out an option that was being considered by similar operations at the time: constant reruns of the morning, noon, and evening newscasts from the main channel. Hart felt that repeating newscasts may dilute their product on Channel 10 and it would only be of "marginal interest." They also considered programming the channel as a twenty-four hour local news channel (Hart). Although the concept was thought to be desirable, it was ruled out in the early stages for two reasons. First, they felt that it would not work financially. Hart pointed out that CNN's Headline News has a very small nationwide audience for its national twenty-four hour news channel and the Knoxville market would not be able to support a localized version. Second, Swinehart felt that it would be impossible to create that much news programming. A twenty-four hour local weather channel was also considered. However, Hart believed that the Weather Channel was already providing sufficient weather information for cable subscribers and there would be insufficient information and interest to do the same at the local level.

Hart wanted to take the higher road with the new channel and not simply fill it with a "bunch of repetitious drivel." A vision for the new channel evolved: "we thought that the audience is sophisticated enough, they are used to seeing a variety of programming, and we had to come up with things that would be meaningful and that would be viewed by the folks who received it as local, of local interest" (Hart).

Steve Dean echoed Hart's sentiments. He pointed out that WBIR has long sought to go beyond the traditional role for a network affiliate. A good example, according to Dean, of this tradition is WBIR's award winning *Heartland Series.* The *Heartland Series* focuses on community, human interest stories in a manner atypical for the majority of local network affiliates. Dean felt that the new channel presented WBIR with a similar chance to expand and enhance WBIR's outreach to the local community and would further differentiate WBIR from what the other stations were doing. He felt that the key to the success of the new channel was to develop a local product: "something that no other cable channel really offers besides from public access is local programming, provided by local people, local issues, local talk, local sports."

As this theme developed the team came up with a name for the new channel: TNi. According to Dean, the name either stands for Tennessee Interactive or Talk News and Information. He felt that they never truly decided one way or the other. The promotional literature written for the new channel describes TNi as "a cable exclusive channel that provides locally originated interactive news, talk, weather and sports programming designed to enhance the flow of information in specific areas of east Tennessee."

Clearly, the vision that evolved for the channel reflected the philosophies, preferences and experiences of management of a highly successful local affiliate. As Dean said "there was never any other way we were going to do this other than have local news on it and local sports and local talk." Promotional literature for the channel stressed the local aspect of the channel and a strong desire for heavy community involvement: "from the ground up, TNi is designed to be interactive with the community. As our development continues, more of the programs will involve viewer call-in. At last, viewers will have a chance to ask questions as the show is being produced."

With the exception of the newscast, Steve Dean was responsible for developing most of the original programming for the new channel: *Prime Talk*, *Workshop with Missy Kane*, *The Dr. Bob Show*, and *Simply Computing*.

Of all the original programs, *Prime Talk* fits best with the concept of local interactive news and talk. The show is hosted by local musician, Bob Deck, and its goal was to give "local folks the chance to speak their mind" (TNi Promotional Material). The program went on the air, shortly after launch, week nights from eight p.m. until nine p.m. Deck guides caller discussion on various topics of local interest. On Fridays, the topic shifts to sports. Hosted by Garry Rogers, *Prime Sports* was intended to allow the same type of caller discussion about various sporting events.

Missy Kane, a reporter for WBIR and former Olympic athlete, hosts *Workshop with Missy Kane*, a fitness show targeted towards young women. Kane had wanted to do an aerobics show on Channel 10, but there was just no space for it in the line up (Dean). In its original format, the show was divided into two parts. The first part had a "magazine" style format in which Kane would discuss health and related issues. The show would end with an aerobics workout. Viewers and local sports groups were invited to come on the show and work out with Kane. On average, two new shows were taped each week (Dean).

Dr. Bob Overholt, a local physician hosts the *Dr. Bob Show*, a weekly, half hour show devoted to the discussion of health and medical issues. Another weekly show was *Simply Computing.* This show was aimed at helping viewers master basic computer skills. The show was developed with the help of the East Tennessee Computer Society. Two of the society's members were hired to host the show.

Besides the financial constraints in the production of local programming, the other major constraint was studio time. WBIR has a large, productive news department that airs approximately four hours of news daily. When set up and rehearsal time is taken into account, the time period for producing programming for TNi was limited, and the opportunity to do live shows was certainly very restricted (Dean). With the exception of the live call-in show, all of the shows for TNi had to be pretaped when studio time was available.

In addition to the new TNi shows, the rest of the schedule was filled with a combination of barter shows and reruns from WBIR. WBIR's morning and noon newscasts were rerun later in the day. WBIR was paying for first runs of *Donahue* and *The Sally Jessy Raphael Show*, both Multimedia products. Hart received permission from Multimedia to do second and even third runs of these shows on TNi. Although the shows were not local, they did fit in with the "talk" aspect of the new channel (Hart). The shows also gave the channel a product that was familiar and would attract viewers to TNi (Hart).

TNi was given a favorable position in Scripps-Howard's cable listing. The channel was given a low channel number, twenty one, between CNN and MTV. Lewis wanted to put TNi "somewhere that would give it good prominence and that preferably had some logic to it as well." Since the focus of the channel was on news and talk, a position next to CNN met both of Lewis' goals. Scripps-Howard had to move a channel from this position to accommodate TNi, but Lewis pointed out that the channel had a small viewership and, therefore, the move did not inconvenience too many of Scripps-Howard's subscribers.

In September of 1994, a new show was launched: *The Judy Gardener Show.* Gardener had been a fashion reporter for Channel 10's noon day newscast. When that segment was canceled, Gardener was given the opportunity to do her own show on TNi (Dean). The show was targeted towards women, and featured topics such as fashion, crafts, and make overs.

Once all of the shows were on the air, TNi was producing about nine hours of new local programming per week (TNi Program schedule, Dec. 26, 1994: see Appendix A, p. 78). This figure excludes the hours for local sports programming which would fluctuate depending on the sports being covered. In a typical week, there could be five hours of local sports on TNi. Local sports that were covered during the first year included a high school football game of the week, the University of Tennessee's Lady Vols basketball games and SEC regional basketball.

Early in 1995, *Simply Computing* was canceled. Although initially there had been a lot of interest from the East Tennessee Computer Society, this interest waned shortly after the show went on the air. Management decided to stick with the show, and they give it some time to establish itself (Dean). However, the show never caught on with the advertisers, and it was later canceled.

At the same time, *Workshop with Missy Kane* underwent some changes. The original show lasted an hour and a half and taped twice weekly. Kane did not have enough time to devote to this due to her other job on Channel 10's popular news magazine show *Live at Five* (Dean). Since Kane was most interested in the aerobics segment of her show, management decided to cut her show down to a thirty minute aerobics work out and remove the "magazine" part of the show (Dean).

The restructuring that took place towards the end of the first year also impacted programming. Several significant programming changes were implemented including a shift in the focus of the channel towards sports and the cancellation of TNi's nightly newscast.

Although, at that time, Hart was preparing to leave Multimedia for a position with Scripps-Howard Broadcasting, he remained keenly interested in the success of TNi. According to Hart, during the first year, TNi had failed to make the "necessary progress on revenue." However, he felt, based on previous results, that the return potential was "very good" if they could expand their sports effort. His advice for TNi's management team was not "to stick in one set of activities, one set kind of programming, but to try to be a living document and change." Hart also felt that it was important to keep costs under control. During the first year, Hart said TNi had "lost a significant amount of money" and he did not want the channel to be "so far out of whack that [they would have] to kill the whole thing."

Steve Dean shared Hart's belief that there should be a shift towards more sports programming in TNi's lineup. This view grew from a variety of factors. First, over the course of the year, the sports that TNi carried attracted both advertisers and viewers. Second, he felt that a high local sports content would enhance the channel's identity, thus better defining it for both advertisers and viewers: "if you are selling a hodgepodge of programs, which it initially had to be just to get on the air, there is not a clear image of what the channel is.... So, we felt it had to go in a direction that was easily identifiable for the clients and that had community appeal." Third, he felt that most local sports did not receive enough coverage in the local market.The main newscasts showed a few minutes of sports coverage each night at six and eleven, but they also included national coverage. TNi's management felt "that it was a niche that was under-served" (Dean) and that increasing sports coverage "would be clearly and distinctively a positioning move for [their] clients" (Dean).

WBIR's new General Manager and former General Sales Manager, Chris Gallu, did not believe that the management team made a mistake in the beginning by not going for a niche market, such as sports. He felt that they were just unsure where the channel would go, how it would develop. However, they soon found out that they needed to have "a more clearly defined focus" (Gallu). From their experiences during the first year, "it was sports and the live type programming that was better received by the audience as well as the advertisers" (Gallu).

The restructuring of TNi which took place at the end of the first year resulted in a new focus on local sports programming. The most immediate change in programming was the launch of a new sports show that replaced *iChannel News.* Hosted by Mike Keith, a local radio sports broadcaster, *iSports Live* is an hour long sports talk show that runs from 9.00 p.m. until 10.00 p.m., five nights per week. *iSports Live* quickly turned into TNi's most successful show, based on advertising sales (Bernal).

In addition to the sports that had appeared during the first year, new sports were also added to TNi's lineup. In the summer of 1995, TNi covered some of the Knoxville Smokes Baseball games. In the fall of 1995, there was a series of auto racing shows, *TNi Race Night,* which Bernal described as being "very successful." TNi also carried some special event sports coverage such as a collegiate bowling championship and the Nike golf tournament which was held in Knoxville. As of October 1995, Bernal was working on deals to secure more sports for TNi's fall and winter line up: the University of Tennessee's Lady Vols Basketball, men's basketball and baseball on a delay basis. A new golf show was also in the planning stages.

Despite the change to a sports focus at the end of the first year, TNi could not be described as a local sports channel. *Prime talk* and *The Dr. Bob Show* were still being carried, and Bernal felt that they would continue to be carried by the channel. TNi was still repeating several news products from Channel 10 and the bulk of the schedule was still filled with syndicated programming such as the *Disney Afternoon*, a package of Disney Cartoons that airs weekday afternoons, and the information service *Bloomberg Direct,* that is carried by the channel overnight (TNi programming schedule, 21 Oct. 1995: see Appendix B, p. 79).

News

The most ambitious project planned for TNi initially was a thirty minute, nightly newscast: *iChannel News.* WBIR's News Director, Jim Swinehart, developed the idea. He wanted TNi's newscast to provide the community with a type of coverage that none of the other stations, including Channel 10, were providing: a "local local newscast." This newscast format focuses on neighborhood and community issues that are of significance to people in the viewing area, but that are too localized for the regular channels to provide in-depth coverage (Swinehart).

iChannel News was set up as a department within Channel 10's news division. Although Swinehart and WBIR's News Manager had ultimate management responsibility for the newscast, *iChannel News* was set up with most of its own equipment and staff. The only notable crossover from Channel 10 was the anchor for the newscast who was a reporter for Channel 10 and anchored *iChannel News* as an extra job. A full-time producer was hired and a team of part-time reporters.

The thirty-minute, nightly format for *iChannel News* was not the only format that was considered. The management committee also considered opening up mini bureaus in outlying counties and doing a different five minute local local newscast on each cable system served by TNi (Swinehart). Using fiber optic technology, the plan was technically feasible. There would be some initial capital expenditure to buy the equipment necessary to insert the news on the cable systems, and Swinehart did not feel that the operating costs would be terribly high. However, insufficient funds were available to develop this type of operation (Swinehart).

Shortly after *iChannel News* went on the air problems with the newscast became evident. Although more money was being spent on the news operation than any other TNi product, *iChannel News* still had a "very tight budget" (Swinehart). This had a direct impact on both the number and quality of the people that the news director had been able to hire. The only full-time position TNi's news department was the producer, Patti Doherty. Doherty had just graduated from a local community college with an Associate's Degree in Broadcasting. This was her first full-time job in broadcasting. The reporters that were hired were all part-time. Most of the reporters were broadcasting students or recent graduates looking for a job to make their break into broadcasting. Thus, TNi's news department was made up of people "who had very limited real time experience and who were only working part-time" (Swinehart).

This lack of experience combined with the fact that the reporters were working part-time meant that the reporters "were not able to turn in as many packages as [management] had hoped they would" (Swinehart). The experience the reporters lacked was both technical and professional. They were not familiar with the equipment and they did not "have the experience in the news-room to be really very accomplished at developing contacts within their area of responsibility and didn't yet know how to work those contacts to develop the kinds of stories that we were really looking for" (Swinehart). Also, since the reporters were responsible for getting the package ready for air when they returned to the studio, they simply did not have the manpower to spend as much time out in the field as management had envisioned (Swinehart).

According to Swinehart, *iChannel News* received some positive feedback form the community. Swinehart felt, based on letters and calls to the station, that *iChannel News* was having "more success in the areas outside of Knox County." He believed this positive response may have been due to the fact that the people in those areas felt under-served by Knoxville's main channels. Swinehart did not blame the main channels for this feeling. He felt the main channels were not missing the big stories, but rather the community issues and issues important to the people in outlying counties. Overall, given the financial limitations placed on the TNi news department, Swinehart was pleased with the work that the news department had managed to do. He sensed that *iChannel News* had a "pretty good impact" on the areas outside of Knox County and that the channel was "fairly successful" in living up to the original vision of a newscast providing local local news.

After almost a full year of operation, *iChannel News* had not caught on in the local market. According to Gallu, they were getting little "viewer response and absolutely no advertising response." When these factors were combined with the high overhead costs and the fact that the news had been given a year to make it, the decision was made to cancel the newscast.

Swinehart pointed out that the newscast for any station is "the most expensive thing you will produce... It probably costs more than almost everything else together, and it was just impossible to sustain those kinds of expenses without being able to generate some revenue for it." Generating revenue with the newscast had been a problem right from the beginning. According to Swinehart, selling news is much more difficult than selling regular entertainment programming: "it isn't the kind of thing that every sponsor buys." The problem of selling the newscast was compounded by the inexperience of TNi's original sales team. "It was difficult for them to really quite master the whole technique of selling news and information programming" (Swinehart).

Swinehart felt that the Knoxville market presented additional problems for *iChannel News* because of the size of the coverage area and the population. He felt that the newscast would have had a "much better chance of surviving" if it had been in a larger city. He believed that a larger city would have afforded a greater opportunity to hire more experienced people on either a freelance or part-time basis and that the advertising base would be better able to support a local cable newscast.

The decision to cancel the newscast was a matter of survival for the new channel. The newscast simply was not generating any revenue. This lack of revenue combined with the expense of the operation led management to the conclusion that the newscast was holding back the development of the channel (Swinehart). Although the newscast embodied the elements envisioned for the entire channel in the planning stages, there were other ways these same goals could be achieved without a newscast. "We were unable to develop other things which also served individual neighborhoods and communities like very localized sports programming and other kinds of things that we ultimately decided were more saleable. So [the newscast] really was a drain on the entire effort to make it a local station" (Swinehart).

When the newscast was canceled, the intention was to revisit the whole idea of news and information programming sometime in the future (Swinehart). The aim was to "try to find a more financially viable way to still serve those areas of the ADI that didn't have their own local stations and didn't have local news and information" (Swinehart). The problem was trying to find a way to achieve this while keeping costs under control (Swinehart). This was, however, as far as this process would go, since, shortly thereafter, Swinehart began the process of leaving the station for a new position in Kansas City.

Technical

Robert Horton, WBIR's Technical Director, was responsible for all the technical aspects of TNi's startup. During the negotiations with Scripps-Howard, Hart consulted with Horton regarding the costs involved with the set up. Hart told Horton what he wanted to do and Horton did the research. Horton advised Hart that the cost for capital equipment would be approximately three hundred thousand dollars (Horton). Most of this money was to be spent on hardware: camcorders, VCRs and the equipment necessary to put the programs on the cable system. The most capital intensive show was the newscast. Two vehicles were purchased as well as four Hi8 camcorders and three complete edit bays (Horton).

Since TNi was to be housed in the studios of WBIR, there was no significant construction work that needed to be done. A control room was set up in a ground floor of the studios, since live shows were being planned for TNi, equipment had to be installed to connect TNi's control room to WBIR's main studio routing system. A routing controller was installed in TNi's control room, so that the TNi system could take and send anything that is on WBIR's main routing switcher including the output from the main production switcher (Horton).

The distribution of the new channel on the Scripps-Howard cable system and beyond was a relatively straightforward matter (Horton). Since 1993 Scripps-Howard has had a fiber optic connection to the studios of WBIR. Compression technologies allow the four fiber optic wires to carry up to "as many as sixty-four channels of audio and video coming and going" (Horton). Scripps-Howard takes the feed for their system directly out of WBIR's studios and then hands it off to the other cable systems in Lenoir City, Loudon County, Maryville, and Blount County. TNi's signal is also transferred by microwave to Morristown. The signal is sent from WBIR's microwave transmitter on Sharp's Ridge in Knoxville and sent down to Channel 2's transmitter on Short Mountain and from there onto the Morristown system.

Nine months prior to TNi's proposed launch date, Horton started to look for equipment for the new channel.The primary format used by WBIR is the Sony Beta SP. According to Horton, this is a good format, but the costs were prohibitively expensive for TNi. One Sony Beta SP recorder costs approximately $50,000, and TNi's entire budget of $300,000 would have been quickly exhausted. Hi 8 was then considered. However, Channel 10 had used some Hi8 in their news feed for a few years and they were not impressed by either the quality or the reliability (Horton). They settled on the SVHS format for TNi. The decision was made on the basis of performance and cost

(Horton).

The MCR 100 automation system made by American Broadcasting was chosen for TNi. Initially, they intended to use SVHS machines to store all of the materials for broadcast. Commercials, promos, and PSAs would be taped and identified by embedded cue tones. The automation equipment would, using the cue tone, find the piece of video that matched the schedule. Unfortunately, the SVHS machines were not fast enough to accomplish this task (Horton). Depending on where on the tape the event was recorded, the player may not have time to cue up the next event before the previous one was finished. This would be a particular problem if you had more than three events on the one break (Horton). Attempts were made to make the SVHS machines perform in a satisfactory manner, but there was "just no reasonably cost effective way to do it" (Horton). This problem was solved through the use of a virtual recorder.

The virtual recorder is a computer disc based digital storage system. American Broadcasting had been "steering" (Horton) WBIR towards the virtual recorder, but WBIR was unsure because they felt that the technology was not quite ready at that time. However, attempts to correct the problems with the SVHS system had already pushed the target launch date of April, 1994 back a month. Finally, WBIR became convinced that the virtual recorder was the only real option that they had given their budget (Horton). The model they selected was made by ASC in California. TNi was a pioneer with this new technology: the system that they had delivered had the serial number 2. According to Horton, the equipment was delivered on a Friday and the system was up and running on the following Monday.

Horton was pleased with the final set up and performance of the system. The SVHS machines are used to play program material. Embedded cues tell the automation equipment where the breaks are and the virtual recorder is activated. The automation equipment inserts the scheduled break events from the virtual recorder and then automatically switches back to the program tape. The virtual recorders are used for everything that is aired in short segments such as promos, commercials, and PSAs. The initial set up allowed for 63 minutes of video to be stored in the virtual recorder. The information was stored on two nine gigabit hard drives using JPEG 10 to 1 compression. They later realized that they did not have enough capacity and added a third hard drive, allowing storage of up to 189 minutes of video on the virtual recorder (Horton).

Sales and Promotions

As TNi was getting ready to launch in the Spring of 1994, two recent graduates from the University of Tennessee were hired to form the TNi sales team. In the early fall of 1994, about six months after TNi launched, the management team met to examine the sales performance. Sales had not lived up to expectations. Management decided to abandon a separate TNi sales department and sell TNi through the WBIR sales team (Johnston). Johnston felt that there were several reasons why TNi's sales team had not been successful. Although Johnston pointed out that the TNi sales team "worked very hard" and they were "bright and energetic", he said "they did not have the experience in selling advertising that would be required to make a success sales wise out of TNi." This problem was compounded by the lack of ratings data. Since there was no published ratings for TNi, the channel "had to be sold on an emotional level" (Johnston). In addition, the channel was a brand new product and it would take time for name recognition to build and for advertisers to view it as a viable advertising option (Johnston).

According to Gallu, "the idea was to try to create new business with TNi." However, Gallu said "creating new business is the hardest thing to do.... generally, those people don't have a whole lot of money and then you get into additional production costs". So, TNi had to rethink their strategy and go after their traditional advertisers and convince them to spend some of their advertising budget on TNi (Gallu).

When Channel 10's sales department was given the responsibility for selling TNi, management decided that Channel 10 and TNi should not be packaged together for selling, but rather they should be kept totally separate (Johnston). "If you are going to sell TNi, you want to say it is a good product and it has this value for this reason. To just kind of bonus.... WBIR with TNi spots would suggest that WBIR is not worth what you are selling it for and it would suggest that TNi is not worth anything at all" (Johnston).

According to Johnston, selling TNi has been problematic for the WBIR sales team. The WBIR sales team sells one of the highest rated television stations in the country and they have the ratings data with them to prove it. They then have to turn around and sell TNi on its emotional and community appeal since there is no ratings data available. "To go from a logical sell to an emotional sell is a very difficult thing to achieve" (Johnston).

According to Gallu, they have had a problem positioning TNi "as a viable advertising medium for people to spend their money." Gallu explained that TNi is neither a television station nor is it cable station. Unlike other cable stations, TNi does not receive any income based on the number of subscribers it is delivered to. TNi's only source of revenue is from advertising, the same as a television station. However, as far as advertisers are concerned, TNi is a cable station. Thus, TNi is unable to charge enough to underwrite the entire costs of the programming they want to put on and the programming that they feel the community wants to see. That is why Gallu believed that niche programming is the key for TNi's future.

In February of 1995, WBIR commissioned a second survey with Leigh Stowell for TNi. Unlike the earlier survey, TNi had been operating for some time and specific questions could be asked regarding shows on the channel. In this research, 304 of 1,000 respondents said that they watched TNi. When weighted and indexed the profiles for TNi viewers compared favorably with the profile for the rest of the market (TNi promotional material and Leigh Stowell Data). The promotional literature used for sales focused on three aspects of the "typical" TNi viewer:

(1) They have more financial flexibility due to the dual income, college educated and white collar nature of their households.
(2) They are easier to communicate with since they are optimists with high self-esteem and can be approached with key words and images for psychographic group 1.
(3) They are relatively big spenders as represented by their fast food restaurant habits.

This research also examined the shows that people were actually watching on TNi. When asked what shows they had watched in the past week, the most popular show was Rush Limbaugh (30.4% of respondents). The second most popular was Prime Talk (29.6% of respondents) (Leigh Stowell Data).

In addition to the Leigh Stowell research, WBIR also commissioned a Nielsen Coincidental study when TNi was showing women's basketball from the University of Tennessee. This research proved very encouraging for the channel. TNi placed second in the market, behind WBIR, in terms of ratings and market share for the time period the basketball was shown (Bernal).

In the retransmission agreement, both WBIR and Scripps-

Howard agreed to give TNi promotional support in their schedules. WBIR would run TNi promo spots on Channel 10 and Scripps-Howard would run TNi promos on the twenty one cable channels that they sell advertising on (Lewis). With the new emphasis on sports programming, Scripps-Howard was able to target TNi promotion spots to sports viewing audiences on their three sports channels: ESPN, ESPN2, and Sports South. In addition to the promos on Channel 10 and Scripps Howard Cable, TNi ran some advertisements in the local newspaper. Bernal did not feel that TNi was in a position to promote itself through community event sponsorship: "to be honest people are going to go to WBIR or WATE because they have the reach."

During the first eighteen months of operations TNi's financial position improved. However, as of October 1995, the channel had not made a profit and was still being 'subsidized' by WBIR and Scripps-Howard (Lewis). However, Gallu and Lewis both felt that the channel was moving in the right direction. The new sports programming was selling relatively well, and October of 1995 turned out to be TNi's best month financially. According to Lewis, there was "a really strong possibility" that TNi would be working on a profitable basis by the spring of 1996.

Summary of Key Findings

As a settlement of the retransmission consent negotiations, the dominant broadcast station in the Knoxville market, WBIR-TV Channel 10, entered into a partnership with the major local cable company, Scripps-Howard, to launch a jointly owned and operated cable station. Under the terms of the agreement, Scripps-Howard and WBIR agreed to equally share the investment costs and the ensuing profit or loss in the new channel. WBIR was given editorial control over the new channel: TNi.

Following the negotiations, WBIR was the active partner. They developed a concept for the channel and programmed it. Their goal was to have a local news, talk and information channel. TNi's programming came from a variety of sources: approximately nine hours per week of new original programming, original coverage of local sports, repeats of news products from Channel 10, and an assortment of syndicated programming obtained through barter deals. WBIR decided to supervise the channel through a management team composed of WBIR management.

At the end of the first year of operations the channel underwent several significant changes: a permanent manager was hired to replace the management committee; TNi's most ambitious original product, the nightly newscast, was canceled; and management decided to shift the programming focus towards sports. Although a new daily sports show was launched and local sports coverage was increased, TNi never became a local sports channel. Much of the original programming remained unchanged.

As of October 1995, eighteen months after launch, TNi had not made a profit and was being subsidized by both WBIR and Scripps-Howard. However, management felt that the channel was on the right track, and they hoped that it would make a profit by the spring of 1996.

CHAPTER FOUR

Summary, Conclusions and Recommendations

The goal of this research was to answer the following questions: (1) What is the relationship between TNi, WBIR and Scripps-Howard? (2) What were the original goals for TNi and have these goals been met? (3) What is the organizational structure of TNi? (4) How has the programming mix evolved during the first eighteen months of operations? (5) What were the goals for *i Channel News* and what precipitated its cancellation? (6) What is the financial status of TNi in terms of sales and distribution of revenues? (7) How has TNi promoted itself on TV and in the community? An attempt was made to answer these questions by interviewing the management of WBIR and Scripps-Howard who were associated with TNi. The results traced the history of TNi from the negotiations through development, launch and the first eighteen months of operations for the new channel.

The results of this research may be summarized as follows:

(1) What is the relationship between TNi, WBIR and Scripps-Howard?

The retransmission consent agreement established the subsequent roles that WBIR and Scripps-Howard would have in TNi. Scripps-Howard shared equally in the investment and risks associated with launching TNi and provided a distribution system for the new channel. However, once the retransmission negotiations were concluded, Scripps-Howard played a passive role in TNi's development and operations. Although WBIR kept Scripps-Howard informed of TNi's progress on a weekly basis, Scripps-Howard had no involvement in the day-to-day operation of TNi. The passive role of Scripps-Howard was extenuated by the physical location of TNi within WBIR's studios.

WBIR was given editorial and programming control of TNi. Thus, WBIR's management developed the concept for the channel and was responsible for programming it. WBIR's management decided that they would manage the station through a management committee which was composed of WBIR management. At the end of the first year management felt that this decision had been a mistake and a full time manager was hired for the TNi.

Although WBIR has, on paper, invested the same amount of money in the new venture as Scripps-Howard, they provided additional resources that TNi utilized for its daily operations. In most cases, WBIR was not reimbursed for this indirect use of its resources. Clearly, TNi would not be able to operate as an independent cable channel without the additional support from WBIR unless there was an enormous capital investment and an increase in staff.

(2) What were the original goals for TNi and have these goals been met?

The original goals for TNi were to create a local cable channel that would increase the amount of local news, talk and information available in the east Tennessee area; to develop programming that would allow viewer participation; and to make the channel profitable. In addition, WBIR saw TNi as a means of expanding its outreach into the community and as a means for utilizing fully their production capacity.

TNi increased the amount of local programming available to cable viewers. TNi carried more than nine hours of new local programming per week. In addition, repeats of news programming from Channel 10 and local sports coverage increased the local content. Management pointed out that there were limitations on the amount of local programming that they were able to produce due finance and time restraints. The majority of programming on TNi was not local.

The goal of viewer participation in the channel was met by shows such as *Prime Talk* and *iSports Live* which were call in shows where viewers could air their views on various topics. However, managements effort to get the community involved in the creation of a show failed. An attempt was made to develop *Simply Computing* with the East Tennessee Computer Society. Interest in the project waned shortly after launch and the show was later canceled.

A goal that was definitely not met was for the channel to be profitable. Although WBIR's management sees TNi as providing a community service, it is still a business. Both WBIR and Scripps-Howard have been subsidizing the channel during the first eighteen months of operations. However, if their forecasts are correct, the channel will be making a profit sometime during the spring of 1996.

(3) What is the organizational structure of TNi?

TNi was set up as a department of WBIR with its own billing system. Costs were shared equally by WBIR and Scripps-Howard. However, TNi has access to many of Channel 10's resources, such as technical support, which would not be billed.

The WBIR management team responsible for developing TNi decided that the new channel would be managed by committee. However, at the end of the first year of operations, a manager was hired for TNi in order to concentrate responsibility and to allow the management team to concentrate on their original jobs. The new manager was responsible for all of TNi and reported directly to WBIR's General Manager and to Scripps-Howard's General Manager. Since launch, WBIR and Scripps-Howard's management have tried to meet or at least call once a week to discuss TNi.

Initially, TNi had its own sales department, but that was absorbed into the WBIR sales department when sales performance did not live up to expectations. According to management, the reasons for the failure of TNi's sales department were a lack of experience in the TNi sales staff, the difficulty in launching a new product, and the lack of ratings data to support the sales effort.

(4) How has the programming mix evolved during the first eighteen months of operations?

From the beginning, management at WBIR wanted the focus of TNi's programming to be local news, information and talk. However, the amount of new programming that they could produce was limited by financial and studio time constraints. At launch, TNi produced about nine hours of new programming per week. The original shows were *iChannel News, Prime Talk, Workout with Missy Kane, The Dr. Bob Show*, and *Simply Computing.* Many of these shows were repeated at least once during the week. In addition to the new TNi shows, local sports such as high school football and collegiate basketball were covered. The rest of the schedule was filled with repeats of various Channel 10 news products, second and third run talk shows from WBIR's parent company, Multimedia, and syndicated shows obtained through barter deals. Despite the desired focus of the channel in the first year being on news, talk and information, TNi carried many shows that did not fit in with this focus such as cartoons in the afternoon.

At the end of the first year a significant change took place in the direction of programming. Due to poor performance, *iChannel News* was canceled. Since various sports products had sold relatively well during the first year and there was a local sports void in the marketplace, management decided to shift TNi's focus towards local sports. The only immediate change that took place was the launch of a new live sports call-in show *iSports Live*. Efforts were being made to increase the amount of local sports being covered on TNi and to develop other sports programming. Despite the change in programming direction, TNi did not become a local sports channel and much of the original program mix remained the same.

(5) What were the goals for *i Channel News* and what precipitated its cancellation?

The goal for *iChannel News* was to go beyond the traditional newscast focus of the three network affiliates in Knoxville and provide a local local newscast. According to the news director, it was from the areas outside of Knox County where they felt that *iChannel News* was having its best response. He suggested that these areas had felt under-served by the traditional newscast formats of the three local affiliates. The management committee discussed setting up bureaus in outlying counties and doing a separate newscast for each county, but the costs were prohibitively high. Although *iChannel News* did have community appeal, the interest was not sufficient to attract adequate advertising dollars to support the effort.

Swinehart identified several problems with the newscast. Although *iChannel News* was the most expensive product produced by TNi, their budget was still very tight. There was only enough money to hire part-time rookie reporters who lacked the professional experience to quickly turn stories and develop contacts. He also pointed out that news, in general, is a difficult product to sell and the original TNi sales team simply did not have enough experience.

Management felt that the newscast was a drain on TNi's limited resources and prevented them from developing shows which could distribute news and information in other ways and still involve the local community. Thus, the newscast was canceled and the resources diverted into hiring a full time manager for TNi and developing *iSports Live.*

(6) What is the financial status of TNi in terms of sales and distribution of revenues?

From the very beginning, WBIR and Scripps-Howard had a fifty fifty stake in TNi. Both companies made the same capital investment and they have equally subsidized the channel during the first eighteen months. Management at WBIR said that they may have initially under budgeted TNi in order to gain approval from both their corporate office and the cable company.

Following the restructuring of TNi at the end of the first year, advertising sales started to pick up. September and then October of 1995 turned out to be TNi's best months. Although TNi was not making a profit, management at both companies agreed that the channel was on the right track and they expected it to break even during the spring of 1996. If this happens, it would tie in with Hart's original desire to have the channel making a profit by the end of its second year.

(7) How has TNi promoted itself on TV and in the

community?

In the original agreement, Scripps-Howard and WBIR agreed to provide promotional support for the new channel. WBIR carried promotions for TNi on Channel 10 and Scripps-Howard inserted promotions for TNi on the twenty-one cable channels on which they inserted advertising. When TNi adopted its sports focus, Scripps-Howard began promoting TNi on the three sports networks they carried: ESPN, ESPN2, and Sports South.

TNi was not promoted extensively in the community. On several occasions, management bought advertising in the local paper to promote special sports events on the channel.Management did not have much success promoting the channel by acting as media sponsors for community events. According to Bernal, the organizers of local special events would rather have one of the main channels as its media sponsor, since the publicity would be viewed by greater numbers of people.

Conclusions

What did WBIR get out of the retransmission negotiation? They were able to launch what is viewed by the local community as WBIR's local cable channel, the costs and the risks involved with launching the new channel were shared equally between WBIR and Scripps-Howard, and Scripps-Howard and four other cable systems agreed to carry TNi. WBIR had been contemplating the launch of their own cable channel for a number of years prior to retransmission consent.

What did Scripps-Howard get out of the retransmission negotiations? They got to carry the dominant channel in the local market without making a cash payment which greatly strengthened their position for negotiating a deal with the other local broadcasters. They also got an equal share in a new channel that would be managed and operated by the number one station in the market. Although there were risks involved with this investment, Scripps-Howard always had the option of terminating the agreement.

With the benefit of hindsight it is easy to question decisions that were made regarding TNi. Why did the channel lack focus in the beginning when cable channels are generally aimed at a niche audience? Why did they choose to manage the new channel by a committee when each person involved with the committee already had a full-time job and basic managerial principles would advise against it? The interviewees involved with these decisions acknowledged that they may have made "mistakes," but they also pointed out that TNi was an entirely new creation and, as they started out, they really had no idea how to develop it.

Clearly, WBIR's management made several mistakes while developing TNi. These mistakes would negatively impact TNi's performance during the first year of operations. The first mistake was the composition of the management team itself. The WBIR management team responsible for developing TNi was composed of people who were highly experienced in the field of local broadcasting. Their experience is unquestionably demonstrated by the success of WBIR. However, the cable industry is different from the broadcast industry, and someone with experience in cable would have been a valuable addition to the management team. Although Barbara Lewis was consulted during the development process, WBIR's management had total control over the content and direction of TNi.

A second mistake, the new channel lacked a clear focus and direction from the beginning. The lack of focus was aptly illustrated by management's uncertainty about what the acronym TNi actually stood for. The management team wanted to program the channel with local news, talk and information which could arguably encompass almost anything. The result was that TNi was not programmed to target a specific audience, a strategy which typifies cable programming. There were cartoons, sports, news, fitness shows, talk shows *et cetera.* All of the local programming, including repeats from TNi and from Channel 10, accounted for only one third of all the programming on TNi. The rest of the programming was syndicated, so even the "local" focus of the channel was not clear. This lack of focus meant that TNi failed to stand out in the forty plus channel available in the cable spectrum.

WBIR's management made a mistake when they decided to manage the channel by committee. Conventional management principles advise against such an approach. The TNi management team was comprised of WBIR management who already had full time jobs and responsibilities at Channel 10. Swinehart said that he knew that this was a mistake right from the start. There was a sense that TNi was their own creation and they did not want to turn the project over to someone else.

Mistakes were also made in the personnel that was hired for both the TNi sales force and the newscast. The research director, Charlie Johnston, described how difficult that it would be to sell TNi without ratings data. The news director, Jim Swinehart, discussed the problems of selling news and information programming in general. These facts were known to the management team when the decision was made to hire two new inexperienced college graduates to form the TNi sales team. It is not surprising that this approach was abandoned only four months after launch. Perhaps, a vital window of opportunity was lost by using an inexperienced sales staff to introduce the new channel to the local advertising community.

Inexperienced staff were also hired for the news operation. The key position of producer at *iChannel News* was filled by a graduate fresh out of a local community college with an associate's degree in broadcasting. Most of the reporters were college students working on degrees in broadcasting or people trying to make a break into the field. It is understandable that salary costs were a significant concern. However, if money was going to be saved by hiring rookie reporters, then a strong experienced producer may have had the skills and vision necessary to make a success out of the news operation.

Towards the end of the first year many of the initial mistakes were realized and management took steps to correct them. After examining program performance during the first year, management felt that sports had been their most successful product and they felt that local sports was a niche that was under-served in the local broadcast and cable marketplace. They decided to shift the focus of the channel towards sports. At the same time they decided to hire a full time manager for TNi. The cancellation of the newscast released resources to develop the sports focus.

Despite the changes that were made at the end of the first year, TNi remained unfocused. Although the direction of local programming content shifted towards sports, many of the original TNi shows remained. For example, *Prime Talk* remained, although Bernal acknowledged that it was not performing very well. The majority of programming on TNi continued to be non-sports and syndicated.

Despite the difficulties that TNi experienced during the first eighteen months of operations, the mood among management remained cautiously optimistic. WBIR's General Manager, Chris Gallu, felt that TNi had been "to a moderate degree fairly successful," but he said that he was "disappointed that we are not making money." Scripps-Howard's General Manager, Barbara Lewis, believed that TNi was on the right track, and she felt that there was a "strong possibility that it would be operating on a profitable basis" by the spring of 1996.

As for future development, management felt that TNi would have to undergo further changes. Gallu felt that eventually there will have to be a restructuring of TNi in terms of its relationship with WBIR. Gallu would like to see TNi "less dependent on WBIR and more self-sustaining." In practical terms, this would mean that TNi would need more production people, more equipment, and its own sales team (Gallu).

Despite its earlier failure, Gallu felt that it would be necessary to resurrect the TNi sales team so that the channel could "create its own identity within the business community." Charlie Johnston, Research Director for WBIR, agreed: "the best thing sales wise for TNi would be to have a staff of professional sales people that have contact with the larger advertising concerns in the area."

Former General Manager of WBIR, Jim Hart, believed that the key to TNi's survival was to get the channel to the point where it is self-liquidating. Hart did not feel that the channel was "ever going to be a huge money maker." But, he felt that part of the benefit of having the cable channel was its ability to extend the image of the main channel, WBIR, in the local market. He felt that management should be willing to change the programming and not feel tied down to the original programming. Hart pointed out that programming decisions will become easier for TNi as new technologies become cheaper and are adopted. Cheaper technologies would help TNi get programming on live and this would be particularly relevant with the new sports format (Hart). "The ultimate would be if they could get high school football on live and high school basketball, et cetera" (Hart).

Originally, Lewis was concerned that the Knoxville market was too small to support a venture such as TNi, since "even in major markets most of the local channels, which are usually focused more on news, are still not breaking even or operating at a loss four years into business." As for the future of TNi, Lewis felt that the programming mix still needed to be changed: "I don't think that [TNi] has established itself as the local sports channel yet. It is still a little too much of a mish mosh. When people just flip by and tune into [TNi], I think that it is helpful to have related [sports] programming."

Even if TNi manages to break even, there are changes taking place in the broadcast and cable industries that will soon lead to an increase in the number of channels available and therefore more competition for TNi. The number of channels that will be available is debatable. McCrystal points out, "the oft-cited 500-channels of discrete programming would not only be economically unfeasible due to a fragmented market, but would be too unwieldy for mere human viewers." What is clear is that there will be more channels available than there are now. An increase in cable channels means that there will be increasing competition for finite supply of advertising dollars. This is particularly significant for retransmission cable channels such as TNi, since their sole source of revenue is from advertising sales.

Management at WBIR and Scripps-Howard felt that there will be a place for small local cable operations such as TNi in a future larger and more competitive cable market. Swinehart felt that the key reason a channel such as TNi can survive is local programming. "Local programming is news and information. It doesn't have to be hard news. It could be a gardening show. It could be home decorating. It could be anything, but I am talking about shows that really address local issues, the local trends, styles and lifestyles of the people who live in that ADI and that is something that you will never be able to accomplish and never be able to match on a national basis. You just can't be all things to all people" (Swinehart). Gallu pointed out there is "always going to be a thirst for local information,.... and if we can provide a local service, a niche service, on TNI, I think that it definitely does have a place in our community."

Dean felt that as the cable market grows there will be increasing competition among channels to develop a local identity and TNi is well placed to cash in on it. When the cable market has two or three hundred cable channels no one will really care who they advertise with unless that station is viewed as local (Dean).

Under the terms of the 1992 Cable Act, all retransmission settlements reached between the broadcasters and their cable distributors must be renegotiated after three years. Therefore, the agreement between WBIR and Scripps-Howard that created TNi will have to be renegotiated by the fall of 1996. No one is able or willing to predict what will happen during these negotiations. Especially since the owners of both WBIR and Scripps Howard have changed. WBIR was bought by Gannett in 1995 and Comcast is expected to complete their purchase of Scripps-Howard cable by June of 1996.

It remains to be seen whether WBIR will feel that it is being sufficiently compensated by the cable company for retransmission consent by equally sharing the potentially modest profits from a local cable channel. Although WBIR and Scripps-Howard agreed to share set up and operating costs equally, WBIR has been investing more resources into the joint venture than Scripps-Howard: TNi is housed in WBIR's studios; TNi has access to WBIR's skilled staff, high end production equipment and facilities; and WBIR's sales team sells TNi.

Thus, TNi was launched as a form of retransmission consent compromise between Knoxville's WBIR-TV Channel 10 and Scripps-Howard Cable Company. The negotiations were described as being amicable and both companies wanted the new venture to be a success. TNi has been a learning experience for WBIR. WBIR made a series of mistakes during the development process, which negatively impacted the channels performance. Attempt were made to rectify these mistakes at the end of the first year, and the channel started to move towards profitability. Management is aware of future trends in the communications industry, and they feel that TNi will be able to compete in a more competitive cable environment. The biggest question mark in TNi's future is the next round of retransmission negotiations, since both WBIR and the cable company have new owners. Whether or not the new owner of WBIR feels that the dominant channel in the Knoxville market is being sufficiently compensated by the cable company for retransmission consent remains to be seen.

Recommendations for Management

Although the results from this research are not readily generalizable to other retransmission channels, general recommendations may be drawn from the development and operation of TNi which may be helpful to management and potential management of other retransmission channels:

(1) Remember that the new channel is a cable channel. Identify your target audience and build your programming schedule to target that audience.

(2) Do not attempt to save money by hiring inexperienced staff, especially in the sales department. Selling advertising on a new cable channel with no ratings data is difficult even for an experienced salesperson.

(3) Hire a manager for the channel. It is better to have one person in charge than to have a group of people where no one person is responsible for the day to day operations and program development.

(4) Allow the cable company to be an active partner. Broadcast

management lacks experience in the cable industry.

Recommendations for Further Research

Clearly, much research needs to be conducted on retransmission settlements in general as well as those that resulted in new local channels. A comprehensive national study of all of the retransmission channels is needed. The research needs to identify how many of these channels were launched, the formats adopted, and the success of each operation. This research may highlight similar experiences in this new genre of local cable channels and would assist stations that may be formed during the next round of retransmission negotiations. In fact, if a majority of the current retransmission channels have had a modest level of success, this information may encourage other station to consider launching new local cable channels as part of their retransmission rights compensation.

APPENDICES

Appendix A: TNi Programming Schedule: Dec. 26, 1994

TNI WEEKLY PROGRAM LISTING EFFECTIVE 12/26/94

Time	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday
6:00 a	...	...	Prime Talk (R)	Prime Talk (R)	Prime Talk (R)	Prime Talk (R)	Prime Talk
6:30 a	...	...	│	│	│	│	│
7:00 a	American Trckng Report	Outdoor Secrets	First Business	First Business	First Business	First Business	First Business
7:30 a	US Farm Report	Workshop w/Missy Kane	Bloomberg Direct	Bloomberg Direct	Bloomberg Direct	Bloomberg Direct	Bloomberg Direct
8:00 a	Dr. Bob*	│ (1 hr aerobics)	Dennis Prager (R)	Dennis Prager (R)	Dennis Prager (R)	Dennis Prager (R)	Dennis Prager (R)
8:30 a	Workshop w/Missy Kane*	Higher Ground	Susan Powter	Susan Powter	Susan Powter	Susan Powter	Susan Powter
9:00 a	│ (1 hr aerobics)	Lights, Action, Hollywood	Action 10 News Today	Action 10 News Today	Action 10 News Today	Action 10 News Today	Action 10 News Today
9:30 a	Judy Gardner*	UC Presbyterian	│	│	│	│	│
10:00 a	Simply Computing*	Redemption Christian	Local Weather	Local Weather	Local Weather	Local Weather	Local Weather
10:30 a	Life Choices	Dr. Bob	Garden of Eden	Live at Five (R)	Live at Five (R)	Live at Five (R)	Live at Five (R)
11:00 a	Action 10 News Wknd	Union Baptist Church	│	/Channel News (R)	/Channel News (R)	/Channel News (R)	/Channel News (R)
11:30 a	│	│	Entertainers	Weekend Travel Update	Lights, Action, Hollywood	Weekend Travel Update	Lights, Action, Hollywood
12:00 p	Prof. Hair Institute	Prof. Hair Institute	│	American Trckng Rpt	American Adventurer	American Trckng Rpt	American Adventurer
12:30 p	N/A Fish & Game	N/A Fish & Game	Rush Limbaugh (R)	Rush Limbaugh (R)	Rush Limbaugh (R)	Rush Limbaugh (R)	Rush Limbaugh (R)
1:00 p	Outdoor Gazette	Bob Vila	Action 10 News Noon	Action 10 New Noon	Action 10 New Noon	Action 10 Noon News	Action 10 Noon News
1:30 p	Classic Adventures	Martha Stewart	Local Weather	Local Weather	Local Weather	Local Weather	Local Weather
2:00 p	Garden of Eden	Simply Computing*	Shirley (R)	Shirley (R)	Shirley (R)	Shirley (R)	Shirley (R)
2:30 p	│	Dr. Bob*	│	│	│	│	│
3:00 p	Dean Durham	Judy Gardner*	Judy Gardner	Working Woman	Judy Gardner	Main Floor	Judy Gardner
3:30 p	Outdoor Secrets	Workshop w/ Missy Kane*	Martha Stewart	Life Choices	Bob Vila	Life Choices	Martha Stewart
4:00 p	Main Floor	│ (1 hr aerobics)	Darkwing Duck	Darkwing Duck	Darkwing Duck	Darkwing Duck	Darkwing Duck
4:30 p	It's Your Business	Jack Hanna's Animals	Goofroop	Goofroop	Goofroop	Goofroop	Goofroop
5:00 p	Working Woman	Entertainers	Bonkers	Bonkers	Bonkers	Bonkers	Gargoyles
5:30 p	Wall St. Journal Report	│	Aladdin	Aladdin	Aladdin	Aladdin	Aladdin
6:00 p	Workshop w/Missy Kane	American Adventurer	Talespin	Talespin	Talespin	Talespin	Talespin
6:30 p	│ (1 hr aerobics)	Judy Gardner	Workshop w/Missy Kane	Workshop w/Missy Kane	Workshop w/Missy Kane	Workshop w/Missy Kane	Workshop w/Missy Kane
7:00 p	Simply Computing	Weekend Travel Update	│	│	│	│	│
7:30p	Dr. Bob	Dr. Bob	Rush Limbaugh	Rush Limbaugh	Rush Limbaugh	Rush Limbaugh	Rush Limbaugh
8:00 p	Bob Vila	Life Choices	Prime Talk	Prime Talk	Prime Talk	Prime Talk	ET Sportsplus
8:30 p	Martha Stewart	Working Woman	│	│	│	│	│
9:00 p	Entertainers	Wall St. Journal Report	/Channel News	/Channel News	/Channel News	/Channel News	/Channel News
9:30 p	│	It's Your Business	Shirley	Shirley	Shirley	Shirley	Shirley
10:00 p	The Computer Man	Simply Computing	│	│	│	│	│
10:30 p	Lights, Action, Hollywood	Classic Adventures	Dr. Bob	Simply Computing	The Computer Man	Simply Computing	Dr. Bob
11:00 p	Weekend Travel Update	American Trckng Rpt	Dennis Prager	Dennis Prager	Dennis Prager	Dennis Prager	Dennis Prager
11:30 p	American Adventurer	US Farm Report	Bloomberg Direct	Bloomberg Direct	Bloomberg Direct	Bloomberg Direct	Bloomberg Direct
12:00 a	Sign Off	Sign Off	Sign Off	Sign Off	Sign Off	Sign Off	Sign Off

*Temporary until further high school sports presentations

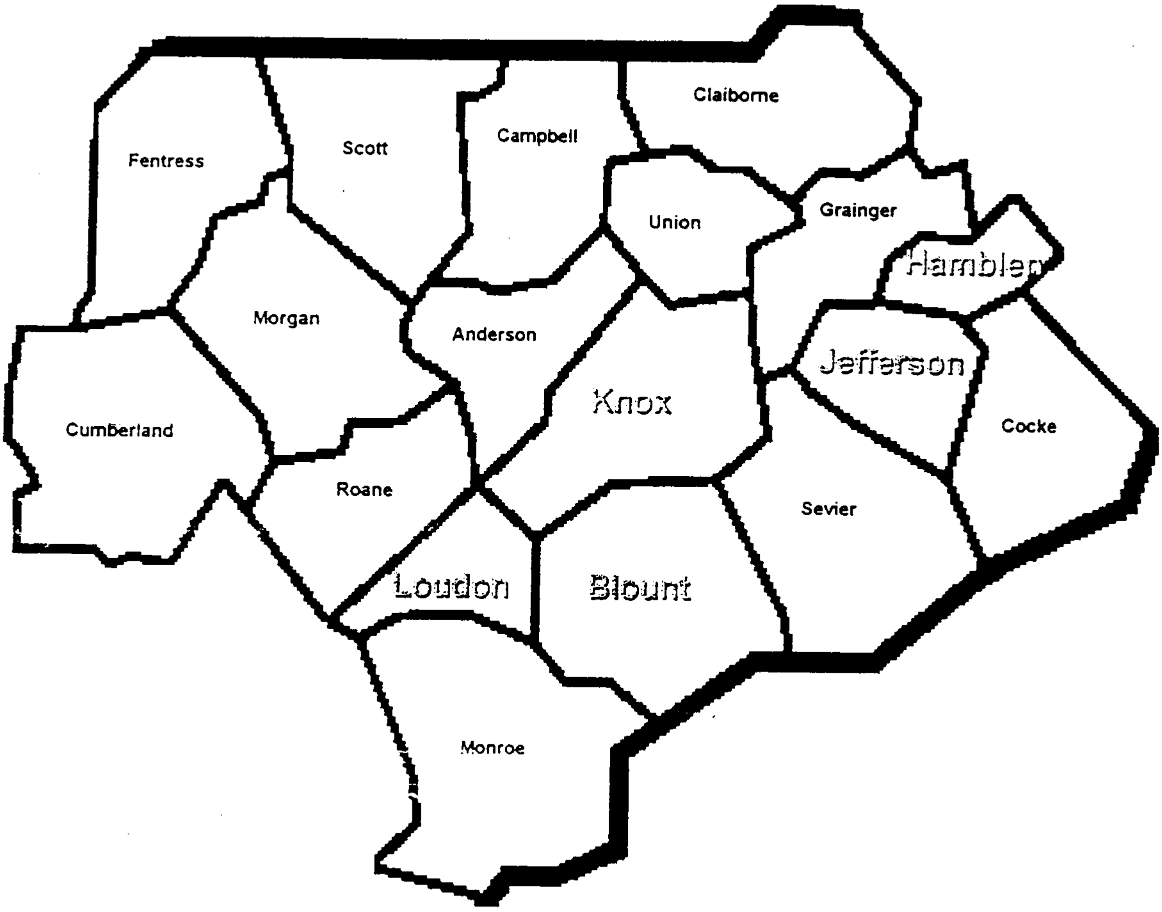
Appendix B: TNi Programming Schedule: Oct. 21, 1995

TNI WEEKLY PROGRAM LISTING EFFECTIVE SATURDAY, 10/21/95

Time	Saturday 10/21	Sunday 10/22	Monday 10/23	Tuesday 10/24	Wednesday 10/25	Thursday 10/26	Friday 10/27
6:00 a	Bloomberg	Bloomberg	Bloomberg	i Sports Live (R)	i Sports Live (R)	i Sports Live (R)	i Sports Live (R)
6:30 a	|	|	|	|	|	|	|
7:00 a	Workshop w/ Missy	Workshop w/ Missy	First Business	First Business	First Business	First Business	First Business
7:30 a	|	|	Bloomberg	Bloomberg	Bloomberg	Bloomberg	Bloomberg
8:00 a	Sing Me a Story	Down the Road Again	Prime Talk (R)	Prime Talk (R)	Prime Talk (R)	Prime Talk (R)	Prime Talk (R)
8:30 a	Jack Hanna	Higher Ground	|	|	|	|	|
9:00 a	High School FB	Bloomberg	Action 10 News Today	Action 10 News Today	Action 10 News Today	Action 10 News Today	Action 10 News Today
9:30 a	|	Dr. Bob	|	|	|	|	|
10:00 a	|	Redemption Christian	Local Weather	Local Weather	Local Weather	Local Weather	Local Weather
10:30 a	|	First Baptist of Powell	Garden of Eden	Live at Five (R)	Live at Five (R)	Live at Five (R)	Live at Five (R)
11:00 a	|	Union Baptist Church	|	Bloomberg	Bloomberg	Bloomberg	Bloomberg
11:30 a	Action 10 News	|	Entertainers	Weekend Travel Update	Travel/Travel	Weekend Travel Update	Travel/Travel
12:00 p	Prof. Hair Institute -Old	Prof. Hair Institute-New	|	American Trucking Report	American Adventurer	American Trucking Report	American Adventurer
12:30 p	Ken Sparks	Judy Gardner	Rush Limbaugh (R)	Rush Limbaugh (R)	Rush Limbaugh (R)	Rush Limbaugh (R)	Rush Limbaugh (R)
1:00 p	Outdoorsman	Garden of Eden	Action 10 New Noon	Action 10 New Noon	Action 10 New Noon	Action 10 Noon News	Action 10 Noon News
1:30 p	Outdoor Gazette	|	Local Weather	Local Weather	Local Weather	Local Weather	Local Weather
2:00 p	Good Fishing	Computer Man	Judy Gardner	Working Woman	Judy Gardner	Main Floor	Judy Gardner
2:30 p	Sportsman's Showcase	America's Black Forum	Outdoor Gazette	Computer Man	Bob Vila	Martha Stewart	Computer Man
3:00 p	American Fisherman	It's Your Business	Goof Troop	Goof Troop	Goof Troop	Goof Troop	Goof Troop
3:30 p	|	American Fisherman	Bonkers	Bonkers	Bonkers	Bonkers	Bonkers
4:00 p	This Week in Motorsports	|	Aladdin	Aladdin	Aladdin	Aladdin	Aladdin
4:30 p	Motorweek	Jack Hanna	Gargoyles	Gargoyles	Gargoyles	Gargoyles	Timon & Pumbaa
5:00 p	Race Night	National Geographic	TBA	TBA	TBA	TBA	TBA
5:30 p	on TNi	|	America's Black Forum	Down the Road Again	Jack Hanna	Outdoor Gazette	Jack Hanna
6:00 p	America's Black Forum	Action 10 News	Court TV	Court TV	Court TV	Court TV	Court TV
6:30 p	Dr Bob	Phil Fulmer	Workshop w/ Missy	Workshop w/ Missy	Workshop w/ Missy	Workshop w/ Missy	Workshop w/ Missy
7:00 p	Judy Gardner	|	Dr. Bob	CP & Walker	Dr. Bob	Motorweek	Dr Bob
7:30 p	Workshop w/ Missy	High School FB	Rush Limbaugh	Rush Limbaugh	Rush Limbaugh	Rush Limbaugh	Rush Limbaugh
8:00 p	National Geographic	|	Prime Talk	Prime Talk	Prime Talk	Prime Talk	Prime Talk
8:30 p	|	|	|	|	|	|	|
9:00 p	Entertainers	|	i Sports Live	i Sports Live	i Sports Live	i Sports Live	i Sports Live
9:30 p	|	|	|	|	|	|	|
10:00 p	American Trucking Report	Outdoorsman	Steve Spurrier	Gene Stallings	Danny Ford	Brad Scott	Ken Sparks
10:30 p	Travel, Travel	Outdoor Gazette	Phil Fulmer	Race Night	Ken Sparks	Race Night	Motorsports
11:00 p	Weekend Travel Update	Good Fishing	|	on TNi	CP & Walker	on TNi	CP & Walker
11:30 p	American Adventurer	Sportsman's Showcase	Bloomberg	Bloomberg	Bloomberg	Bloomberg	Bloomberg
12:00 a	Bloomberg until Sign On	Bloomberg until Sign On	| ([illegible] Sign On)	|(until Sign On)	| (until Sign On)	| (until Sign On)	| (until Sign On)

*underlined event indicates new program or airtime

Appendix C: Map of East Tennessee Viewing Area



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VITA

David Stuart Renfrew was born in Greenock, Scotland in 1968. He attended Port Glasgow High School. Originally studying economics at the University of Aberdeen, Scotland, he graduated from the College of Charleston, S.C. with a Bachelor of Arts degree in history in 1993. While living in Charleston, he worked as a tour guide for the Historic Charleston Foundation and an art exhibit guide for the College of Charleston and Spoleto Festival, U.S.A.

In 1994, he entered the graduate school at the University of Tennessee to pursue a master of science degree in communications with an emphasis in broadcasting. While attending the University of Tennessee, he worked in the audio visual department at the University's Hodges Library and as a production assistant for the Distance Learning Department.