



February 2004 Findings Memo – Telecom

ACTIVITY

During February, 8 telecom issue advocacy ads aired 2,100 times within 22 media markets in 17 states.

- **Brand Identity: Spending down 42%.** SBC spent over \$5.6 million on television advertising during the month of February. States receiving the largest share of brand advertising dollars were as follows: California (\$1.8 million), Texas (\$550,000), and Connecticut (\$404,000). An estimated \$2.5 million was spent on national cable.
- **Issue Advocacy: Spending increased 72%.** An estimated \$3.3 million was spent on issue advocacy advertising during the month of February.
- **State-Issue: *Competition Ohio*** sponsored an ad warning consumers about SBC's attempt to persuade the state's Public Utilities Commission to "double our rates behind closed doors without public input." Competition Ohio spent an estimated \$126,000 on the ad airing in the Columbus media market.
- **State-Issue: *Texans for Economic Progress*** sponsored an ad critical of SBC and their efforts to "increase wholesale telecom fees for homes and small businesses." Viewers are encouraged to contact the Texas Public Utilities Commission and urge them to "stand up for Texans." The ad aired in Austin for an estimated \$90,000.
- **New Activity Alert: *Voices for Choices*** began airing an ad in Washington DC on February 29 questioning SBC's claim that over-regulation was leading them toward financial ruin.

OVERVIEW

- **Telecom** advertising (branding and issue advocacy) generated **5,593** airings at an estimated cost of **\$8,924,472** during the month of February. Of the 5,593 airings, Branding accounted for 63% and Issue Advocacy 37%.
- **Issue Advocacy Advertising** – An estimated total of \$3,307,472 was spent on state issue advocacy advertising. Cable/Network TV and Washington DC had the highest percent of market share based on spending in February - 68% and 23% respectively.

TRENDS

- On March 2, a U.S. appeals court struck down key elements of a FCC rule governing local phone competition – delegating responsibility to the states for setting network

leasing rates. The FCC argued that government-set rates would ensure consumer choice in their phone service. The U.S. appeals court disagreed, stating the FCC had failed to prove that competitors in the local phone market were impaired without government-regulated access to networks controlled by regional telecom giants. It remains unclear at this early stage what impact these new rulings will have on advertising, however, with appeals planned, we do not expect to see any noticeable decrease in activity throughout the year.

- **2004.** Based on the amount and type of advertising tracked in 2003, the battle over telecommunication reform is likely to remain heated and long-lasting. Moreover, the use of dual purpose image campaigns (a fusion of Madison Ave. and K Street), such as the one currently being conducted by USTA, is likely to be emulated by other trade associations during the year.

IN OTHER ADVERTISING:

During February, one large campaign of note was the special election for Kentucky's 6th Congressional District, which had been vacated when Dr. Ernie Fletcher resigned the position to take the office of Governor. The 6th Congressional District is comprised of much of central Kentucky, including Frankfort and Lexington. On February 17th, Ben Chandler defeated Alice Forgy Kerr by **12.2%**, to claim the seat. Here's a recap of the advertising.

- With a campaign focusing on his role as Attorney General, and attacking Forgy Kerr on her votes in the State Senate (including a vote for a "pension grab"), Chandler's campaign spent an estimated **\$540,000**. Almost half of that spending came in the month of February. His campaign was supported by the **Democratic Congressional Campaign Committee**, who spent an estimated **\$400,000**, and the **League of Conservation Voters**, spending just under **\$25,000**.
- In a state that was strongly behind President Bush in the 2000 presidential election, Alice Forgy Kerr's campaign focused on her support for President Bush's agenda. She outspent her opponent by approximately **\$240,000**, spending an estimated **\$783,000**. She was supported by the **National Republican Congressional Committee**, who spent close to **\$450,000** during the course of the election, half of that coming in the last weeks before the election.