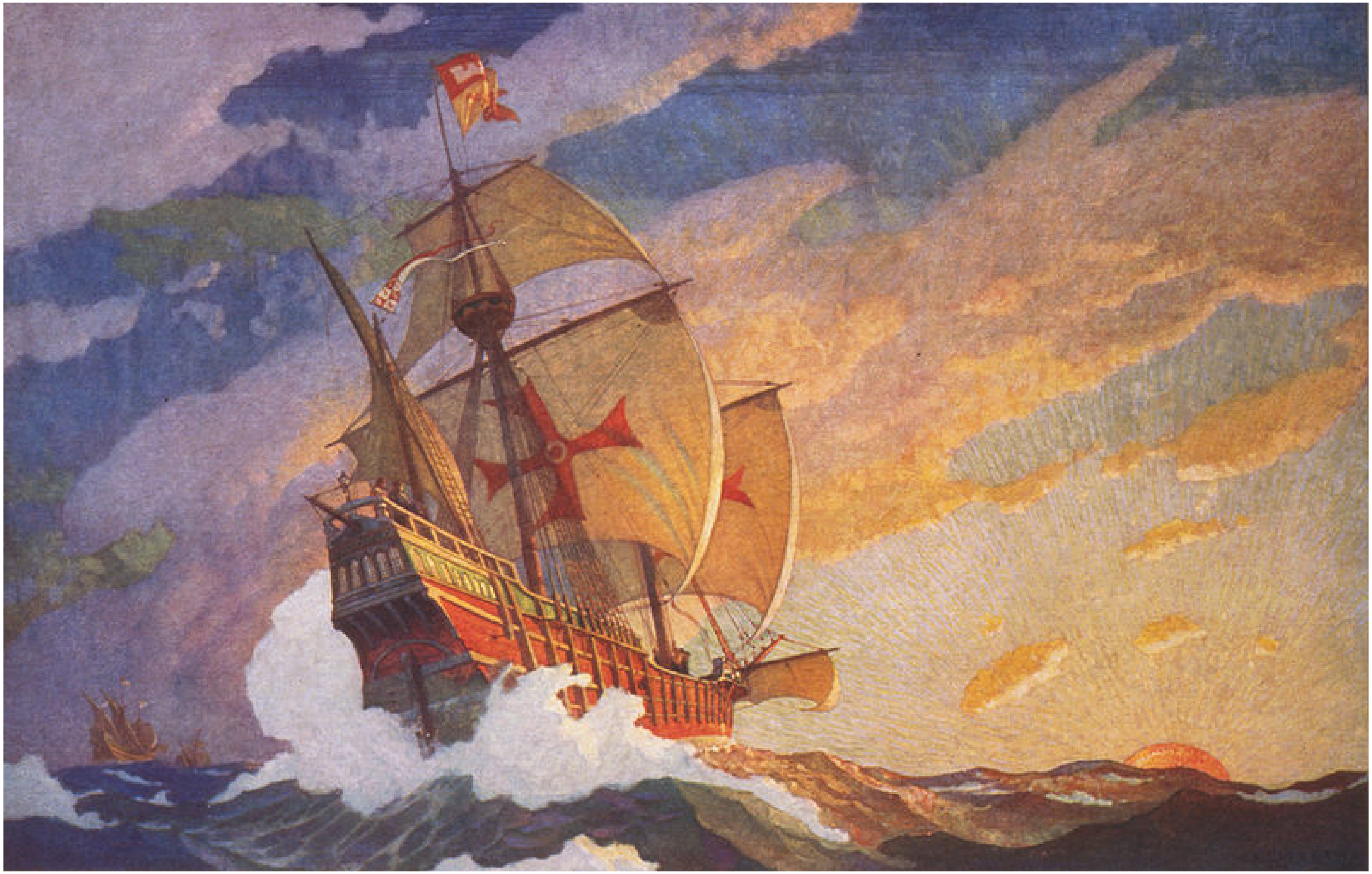
ECONOMIC OUTLOOK: IMPACT ON PUBLIC BROADCASTING

Board Presentation

January 26, 2009

Uncharted Territory



Ships of Christopher Columbus at sea.

N.C. Wyeth, 1927.

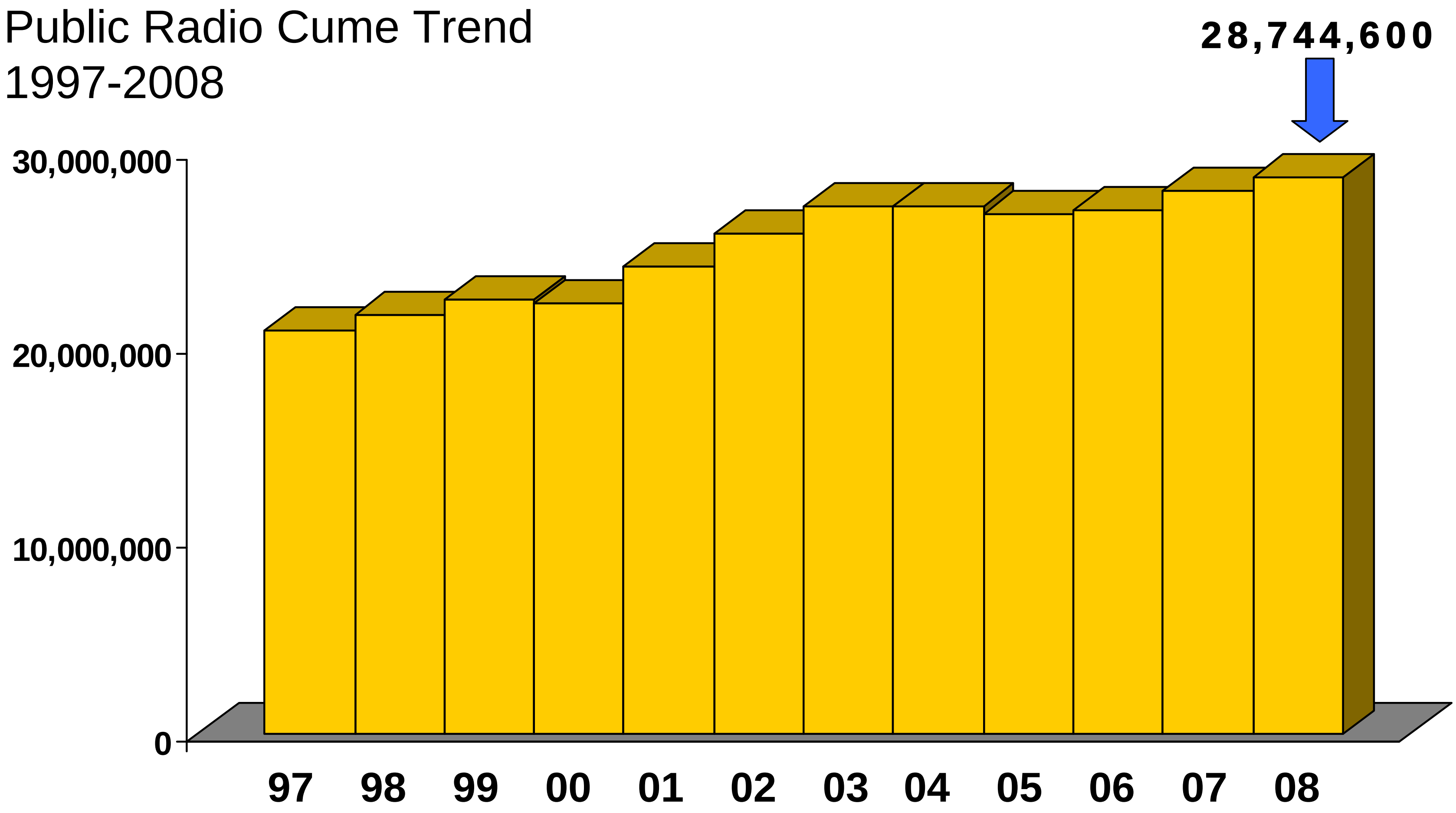
[Source: Library of Congress]

Agenda

- Media Landscape
- Station Data
- Potential Impact
- Outcomes

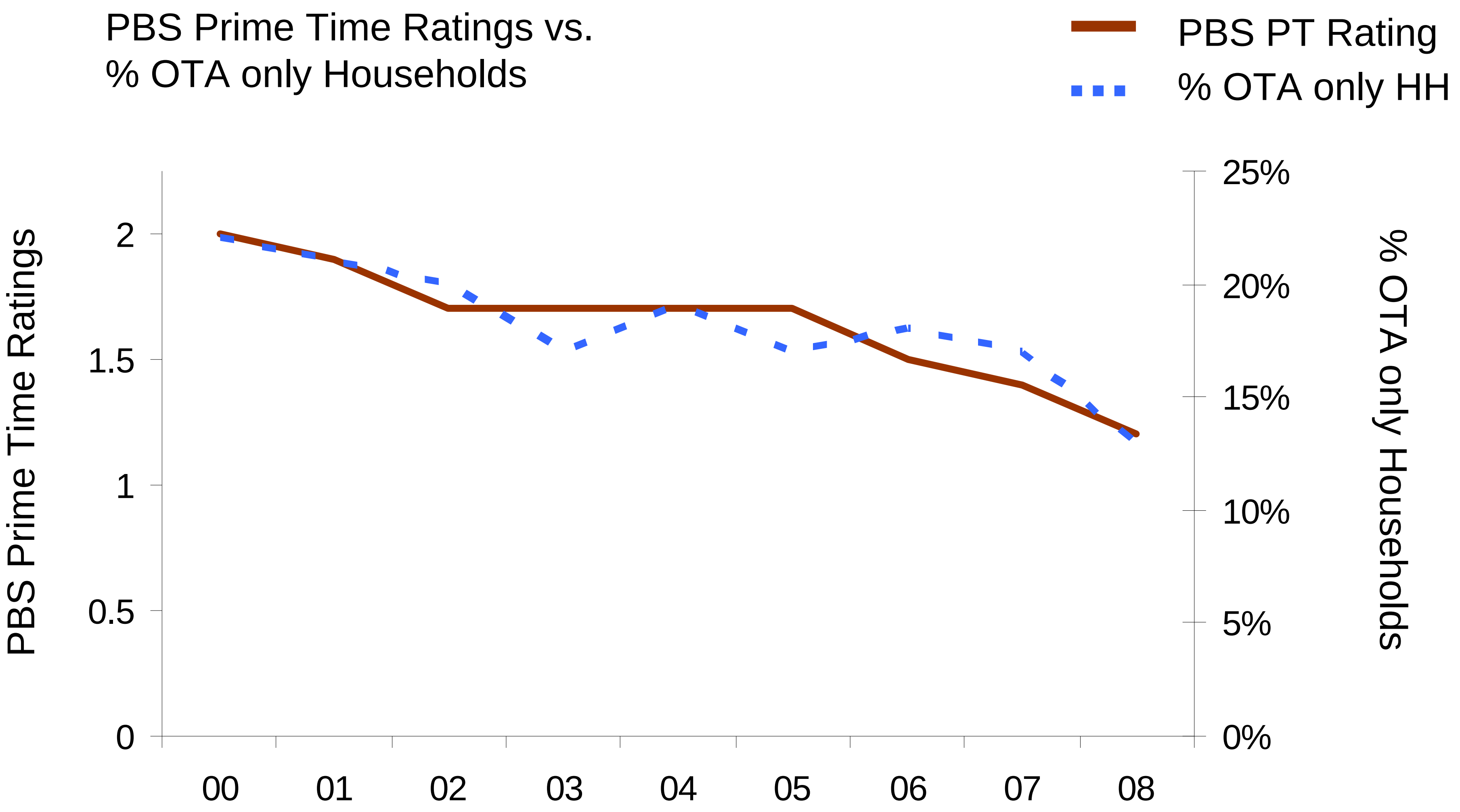
Media Landscape

Total public radio audience at all-time high



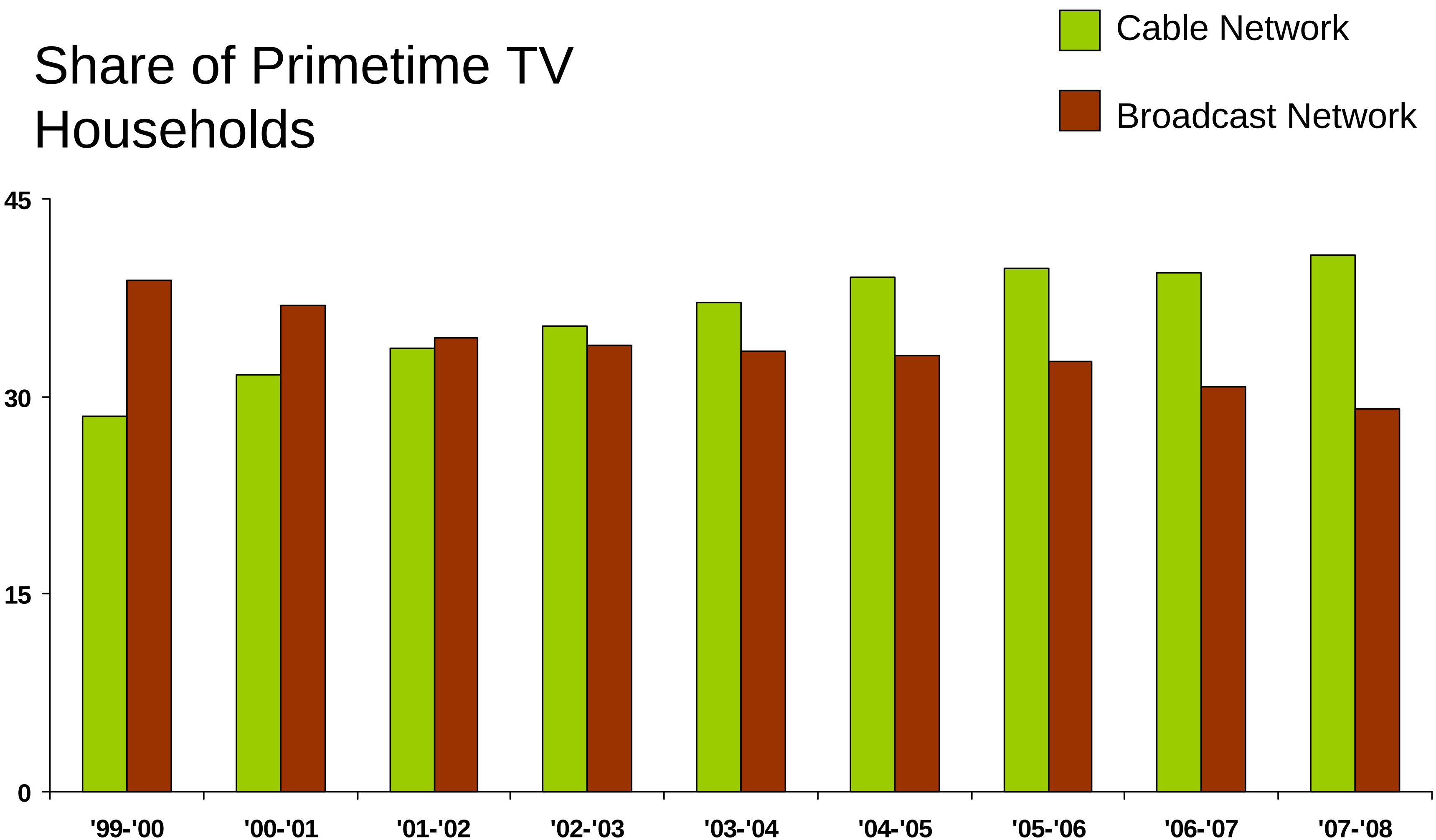
Source:
Audience Research Analysis, Inc.
and Arbitron

The decline in PTV ratings and OTA only households have similar trends



Source: Nielsen, Knowledge Network

More people watch cable programming and fewer watch broadcast TV programming each year

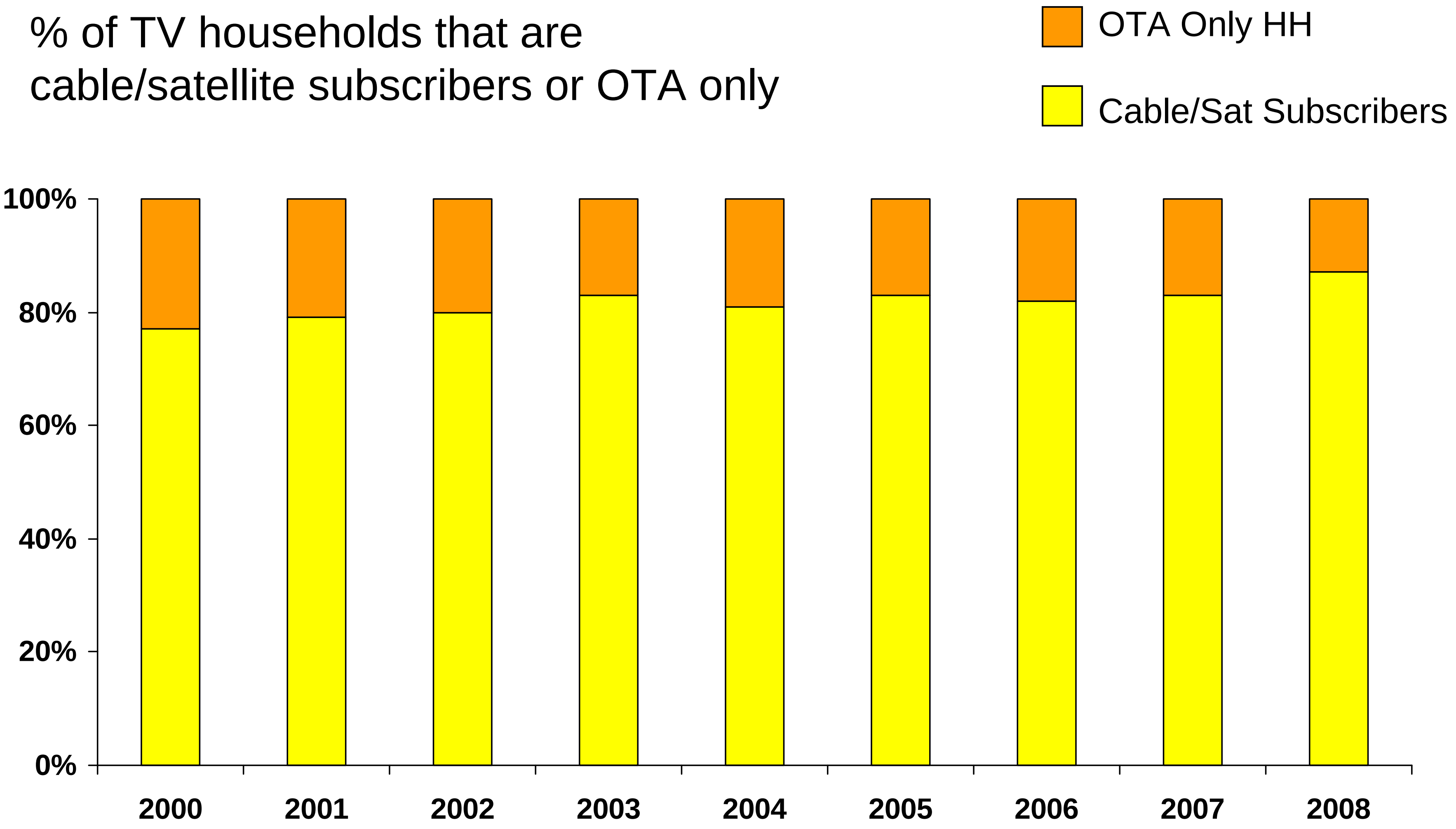


Source: Nielsen

*compounded annual growth rate

The percent of OTA only households was nearly cut in half between 2000 and 2008

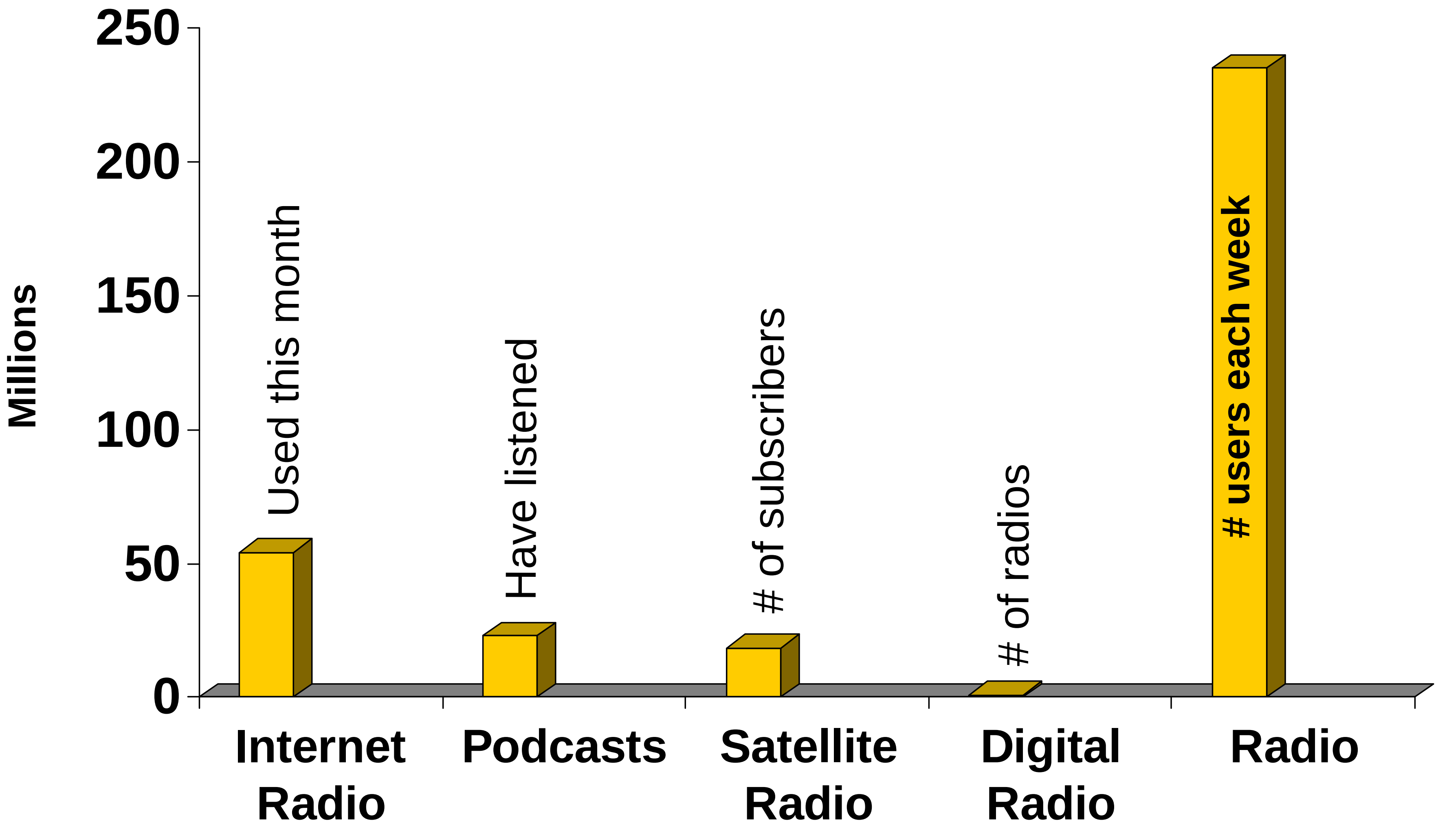
% of TV households that are cable/satellite subscribers or OTA only



Source: Nielsen, Knowledge Network

*compounded annual growth rate

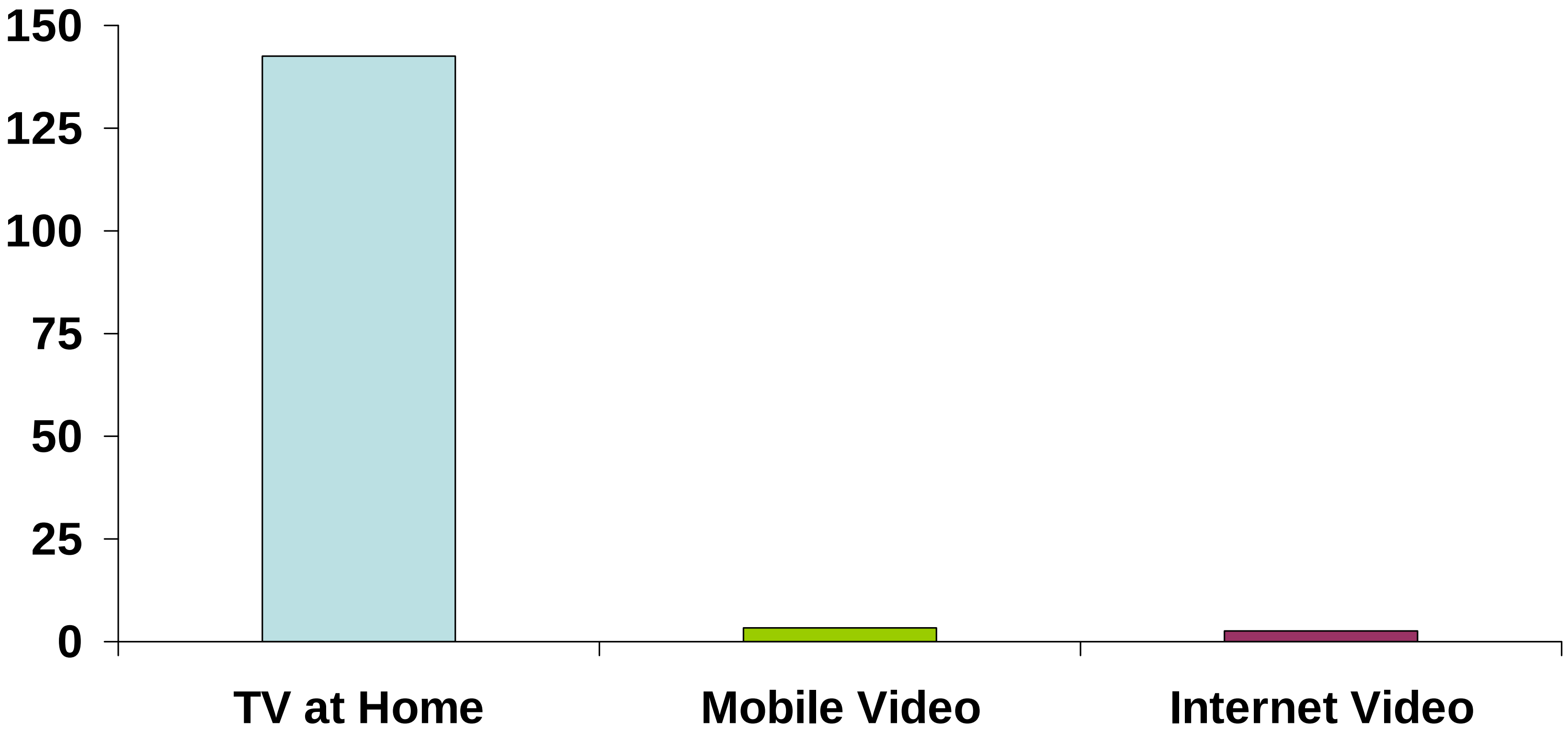
New technologies are emerging but radio remains strong



Source: Edison Media Research 2008, Orbitcast, Bridge Ratings, Arbitron

Watching TV at home is still predominant platform for viewing

Number of hours spent viewing TV/video per user



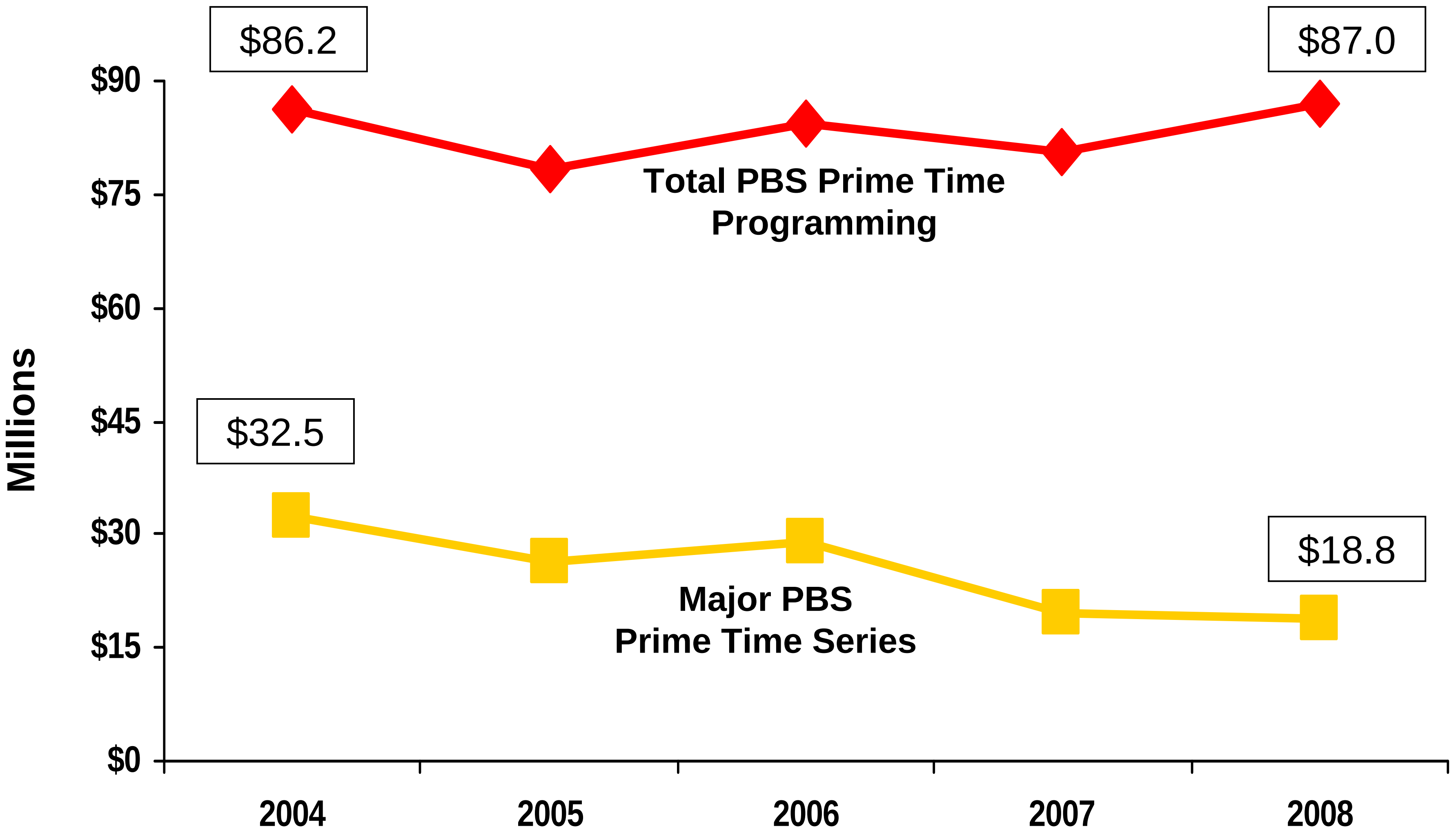
Source: Nielsen

Expected Downturn in Commercial Advertising Revenue in 2009

- Newspaper down 17%
- Magazine down 15%
- Radio down 13%
- Broadcast TV networks down 10%
- Cable networks down 3%
- Internet *up* 6.1% (down from 16% over previous 5 years)

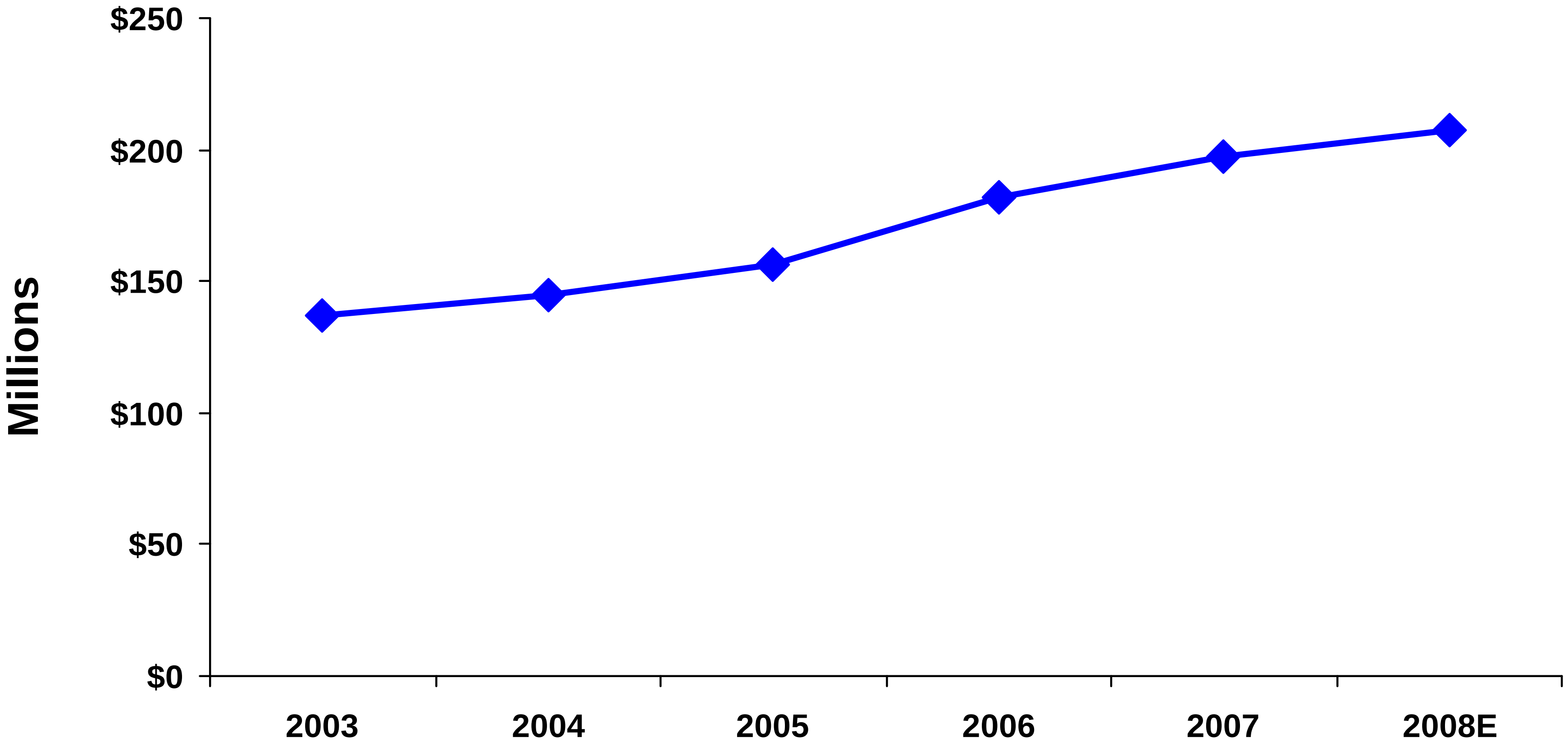
Source: Barclays Capital

PBS prime time national underwriting flat but major PBS series underwriting down



Source: PBS

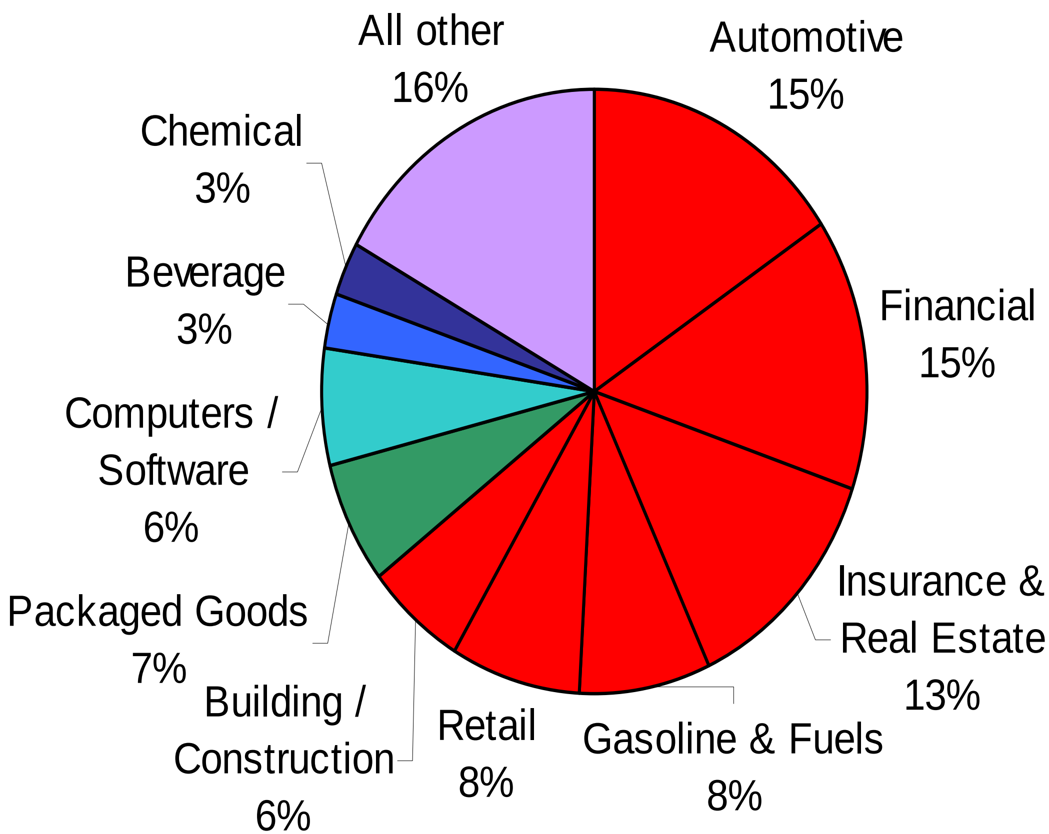
Public radio station-generated underwriting has been consistently trending upwards



Source: AFR

National sponsorship relies on several hard-hit sectors

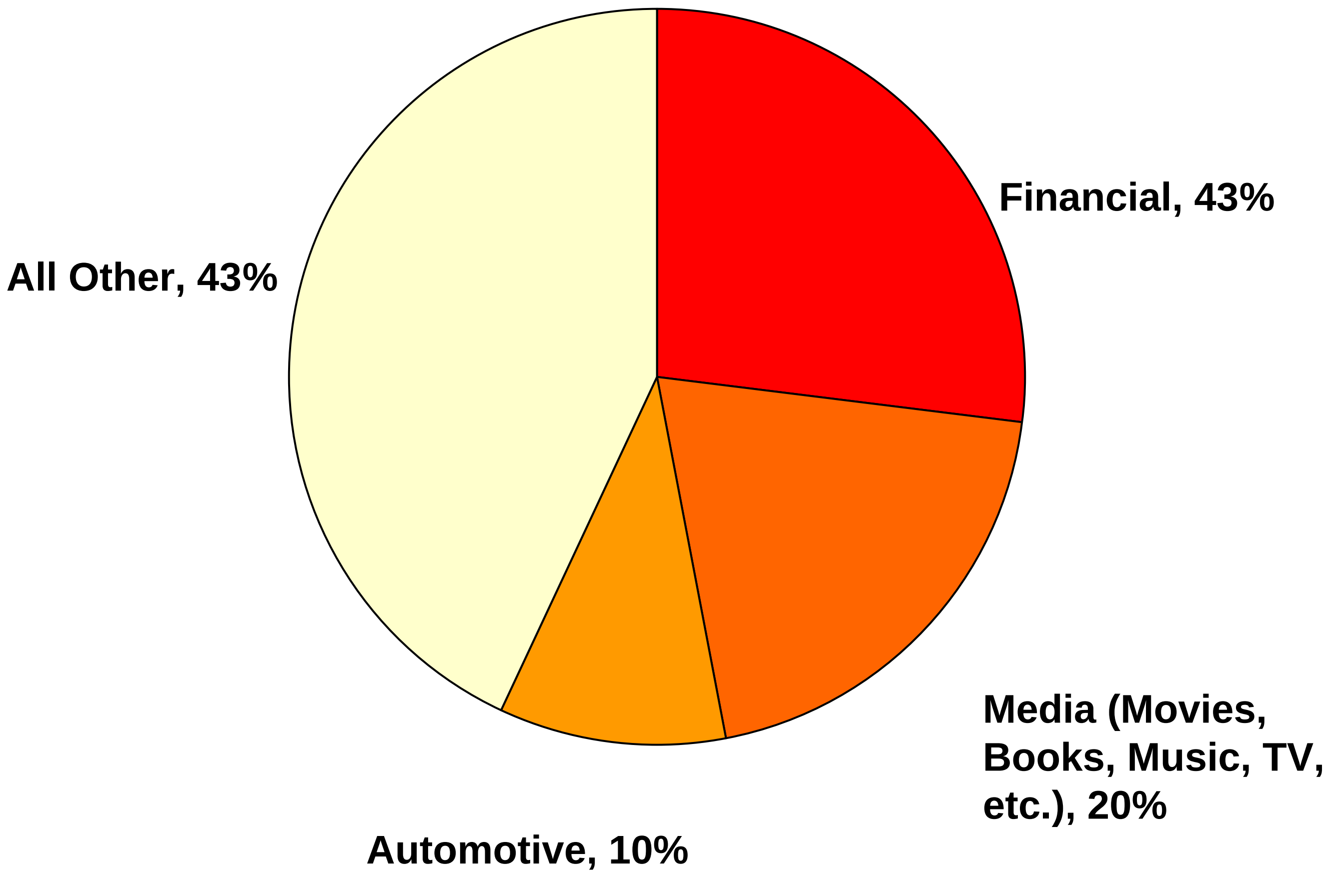
PBS program funding by sector, FY2008*



Source: PBS

* General Audiences Programming

NPR Sponsorship Revenue by Major Category FY2008



Source: NPR

Station Data

PTV Financial Assessment Goals

- To identify public television licensees affected by economic downturn
- To determine common causes and trends

PTV Financial Assessment Process

- Analyzed financial risk factors:
  - Current Ratio
  - Debt Ratio
  - Operating Results Ratio
- Utilized 2007 & 2008 audited financial data

PTV Financial Assessment Findings

	$0-$5	$5-$10	$10-$25	Over $25
Good	Univ.=18 Com.=10 State=1	Com.=11 Univ.=11 State=4	Com.=8 Univ.=8 State=5	Com.=4 Univ.=3 State=3
Moderate	Com.=14 Univ.=5 State=0	Univ.=7 Com.=5 State=0	Com.=6 Univ.=3 State=3	State=5 Com.=3 Univ.=0
Fragile	Com.=11 Univ.=1 State=0	Com.=5 Univ.=5 State=1	Com.=1 Univ.=1 State=0	Com.=4 Univ.=1 State=0

Total Station Revenue in Millions

PTV Key Non-Federal Support

- Membership
- State
- Underwriting

Public Radio Revenue Under Stress

- Radio not immune to economic downturn
- Underwriting down
  - National level
  - Local level
- Membership flat or down
- State & University licensees support down
- Endowment & investment revenue down

Potential Impact

Potential Revenue Declines

Potential 16% decline in Public TV revenue for FY09
($292 M)

Potential 13% decline in Public Radio revenue for FY09
($126 M)

Potential total revenue decline of
$418 M for FY09

Potential TV Revenue Declines

$ In Millions

Revenue Source	**FY08***	**Forecast Change**	**FY09**	**Revenue Change**
CPB/Federal	$371	1%	$377	$5
State/Local	$391	-15%	$333	($59)
Universities	$161	-15%	$136	($24)
Foundations	$106	-10%	$95	($11)
Corporate Underwriting	$302	-25%	$226	($75)
Members	$443	-20%	$354	($89)
All Other	$98	-40%	$59	($39)
Total Revenue	**$1,873**	**-16%**	**$1,581**	**($292)**

*Projected revenue

Source: AFR

Potential Radio Revenue Declines

$ In Millions

Revenue Source	FY08*	Forecast Change	FY09	Revenue Change
CPB/Federal	$105	1%	$107	$2
State/Local	$48	-15%	$41	($7)
Universities	$131	-15%	$112	($20)
Foundations	$101	-10%	$91	($10)
Corporate Underwriting	$207	-15%	$176	($31)
Members	$319	-10%	$287	($32)
All Other	$68	-40%	$41	($27)
Total Revenue	**$981**	**-13%**	**$855**	**($126)**

*Projected revenue

Source: AFR

Potential Impact

- Service reduction
- Budget tightening
  - staff reductions &/or hiring freezes
  - cut/reduce local programs
  - cut some national programs
- Regional station networks under stress
  - fuel/fixed costs (transmitter/tower leases, utilities, interconnection & maintenance)
- A few small to mid-sized institutional licensees decide to stop station subsidy
  - sell or outsource station (LMA; merger)
- National organizations
- Associations

Public Service Outcomes

- Preserve universal service
  - Less overhead & infrastructure where possible
- Support operational efficiencies
  - Promote greater efficiency thru combined operations
  - Combined backend, engineering, membership, on-line
- Preserve public service spectrum
  - Where existing licensee goes dark
- Promote diverse services in multi-station markets
  - Promote a higher level of use, greater diversity of service

Outcomes