

NATIONAL PRESS CLUB LUNCHEON WITH DAVID REHR, PRESIDENT & CEO
NATIONAL ASSOCIATION OF BROADCASTERS

MODERATOR: JONATHAN SALANT, NATIONAL PRESS CLUB PRESIDENT

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MR. SALANT: (Sounds gavel.) Good afternoon, and welcome to the National Press Club. I'm Jonathan Salant, a reporter for Bloomberg News and president of the Press Club.

I'd like to welcome club members and their guests in the audience today, as well as those of you watching on C-SPAN.

Please hold your applause during the speech so we have time for as many questions as possible. For our broadcast audience, I'd like to explain that if you hear applause, it is from the guests in the audience, not from the working press.

The video archive of today's luncheon is provided by ConnectLive and available to members only through the Press Club's website at www.press.org. Press Club members may get free transcripts of the luncheons at our website. Nonmembers may buy audio tapes, video tapes and transcripts by calling 1-888-343-1940. For more information about joining the Press Club, please call us at area code 202-662-7511.

Before introducing our head table, I would like to remind our members of future speakers. On October 9th, Ted Turner, the philanthropist and the founder of TBS and CNN. On October 12th, Gene Karpinski, the new president of the League of Conservation Voters. On October 13th, Montana Governor Brian Schweitzer, who will discuss his vision for America's energy future. And October 18th, Representative Tom Reynolds of New York and Representative Rahm Emanuel of Illinois, the heads of the National Republican and Democratic Campaign Committees, will discuss the 2006 House elections.

If you have any questions for our speaker, please write them on the cards provided at your table and pass them up to me. I will ask as many as time permits.

I would like now to introduce our head table, and ask them to stand briefly when their names are called. Please hold your applause until all of the head table guests are introduced.

From your right, Claire Vitucci of the Riverside Press Enterprise; Shawn Bullard of the Duetto Group, and formerly of WLOX TV in Biloxi, Mississippi; Barbara Cochran, president of the Radio Television News Directors Association; Joe Whitaker (sp) of Beverage News Daily and Kane's Beverage Week; Jack Valenti, former president of the Motion Picture Association of America; Melissa Charbonneau, White House correspondent of CBN news and a member of the Press Club's Speakers Committee -- skipping over our speaker for a moment -- Bob Carden of Carden Communications, formerly at CNN and FNN and the member of the Speakers Committee who organized today's luncheon, and, Bob, thank you very much; Jim Winston, executive director of the National Association of Black-Owned Broadcasters; Christopher Stern, who covers the communications industry for Bloomberg; Keith Hill of BNA, a member of the National Press Club's Board of Governors; Sam Holt, a founder of PBS and the former head of programming for both PBS and NPR; and Lee Perryman of Associated Press Broadcast. (Applause.)

It has been said that lawmakers should not pick a fight with anyone who buys ink by the barrel. Neither do they want to cross anyone who buys TV cameras in bulk. Perhaps that explains why the National Association of Broadcasters is one of the most powerful trade groups in Washington. When Congress ordered a switch from analog to digital programs, it gave the new spectrum free of charge to broadcasters, who said they needed it to ensure free, over the air television. Broadcasting companies can now own more television and radio stations than ever before, and the Federal Communications Commission tried to rescind the ban against companies owning radio stations, television stations and newspapers in the same city. Up next is a renewed effort to require cable operators to carry all of those new digital channels, rather than just one conventional signal.

Heading the NAB is David Rehr. He became president of the broadcasting group in 2005, after boosting the crowd at the National Beer Wholesalers Association. He has regularly been ranked among the top most powerful advocates in Washington. Mr. Rehr got his start as a Republican congressional aide, and then went to work for the National Federation of Independent Business, the trade group for small businesses. He moved over to the Beer Wholesalers Group and became president of that organization in 2000.

There is a lot on Mr. Rehr's plate at NAB. As the Federal Communications Commission began cracking down on indecent programming, the broadcast industry questioned why the same standards were not applied to cable television programming. After all, they said, most Americans no longer just receive over the air channels, but dozens of cable stations as well, all via the same remote control. Just recently Mr. Rehr questioned about satellite radio, complaining that the receivers used by XM and Sirius interfered with conventional radios. He is trying to bring the networks back into the trade group. CBS, NBC, ABC and FOX all left the organization after the NAB wanted to hold down the number of stations the networks could own. ABC has since returned.

"I think we're doing a good job once again emerging as the voice of broadcasting," Mr. Rehr told *Broadcasting & Cable Magazine* earlier this year. "I think the networks will recognize that, and I think they will over time come back into the fold."

Let's welcome David Rehr to the National Press Club. (Applause.)

MR. REHR: Thank you, Jonathan, and good afternoon, everyone.

Ten months ago tomorrow is when I first took the position at the NAB, and I knew that joining the broadcasting industry would be exciting. But now, after seeing the dynamics of the business firsthand, it's 20 times more exciting than I could have ever imagined.

One surprising thing I've learned is that most Americans are unaware of the dynamic changes taking place in our industry, and they're also unaware of the strength of broadcast radio and television among all media. Of course, part of this lack of attention to changes in broadcasting is by industry choice, after all, it's the broadcaster's fundamental job to make the audio and visual experience paramount; to provide the best local news, sports, entertainment and music; to offer outstanding network and syndicated programs; and to serve as a lifeline, often the only one, in times of peril. This is the core of being a broadcaster.

But with all the changes taking place around us in this fast-paced world, broadcasters must do a better job of showing the amazing transformation we are undergoing. You might say that we have inadvertently relinquished some of the excitement occurring in broadcasting to our competitors by not being more proactive. That ends today, because we have a very compelling and every exciting story to tell.

Broadcasting is a vibrant business, it is a business that embraces change. We are switching from analog to digital technology, a literal reinvention of our industry. Digital technology offers broadcasters unlimited new ways to serve their audiences, along with grander picture and sound quality. This technological change, which fuels our future success, has also brought us an exploding number of new competitors, and we must chart new courses. But the new competitors, if given the choice, would prefer to be in our position. That is because by any measure, broadcast remains the undisputed leader in news and entertainment by far. And as we look to the future, our competitors do not have the history, business culture or experience to provide true localism -- events, news, weather -- the local link that has built and is the strength of the broadcast industry.

Today, my goal is to begin the dialogue on the areas where broadcasters have enormous opportunities. We need to reengage those who have a false perception of the broadcast industry and begin to correct it. I'd like to focus on three areas that demonstrate the vibrance, strength and reach of broadcast: number one, broadcasters are seizing new opportunities in digital media; number two, broadcasters are reasserting our unparalleled, our unparalleled leadership as the media of choice; and number three, broadcasters are leveraging our unique advantage of localism, enhancing community life and encouraging responsibility.

First let's talk about seizing opportunity in digital media. Going digital is spawning amazing new tools and business models for networks and local stations. Today over 1,600 television stations are broadcasting in digital and high definition HDTV. Standard digital programming offers dramatically improved picture quality over analog TV, and high definition is the highest quality picture and viewing experience available.

The majority of broadcast prime-time scripted programs, major sports and entertainment are now delivered in HD. And it's important to know that viewers with digital television sets who rely on over-the-air broadcasting receive a more pristine picture than cable or satellite provide, and it's free. Anyone who has seen a golf tournament or a football game in high definition knows exactly what I'm talking about. People get HD. They see it when they see the individual blades of grass or the logo on the golf ball as it rolls down the course.

But the greatest potential of digital television is the ability to provide multiple streams of programming, which brings increased choices to viewers. With our advanced technology, digital stations can broadcast up to six different programs at once, and all of these program streams together take the same bandwidth required for just one current analog programs.

This phenomenal opportunity to increase diversity of content and localism, some stations refer to this multiple program streams as hyper-local. They broadcast high school sports, gavel-to-gavel city council meetings, instantaneous local weather and other local programs. And one of the first to go hyper-local was KTVB in Boise, Idaho.

But this expanded content and localism, tied with our new technology, has not come about without a cost. Many people are not aware that to go digital, TV stations have invested anywhere from a million dollars to over \$20 million. And what people don't understand is that during the D-TV transition, broadcasters are literally paying to operate two stations -- one in analog and one in digital. For many stations, this has been a huge financial challenge without any corresponding revenue.

Congress has mandated February 18th, 2009, as the date when television broadcasters will go fully digital and return the analog spectrum to the federal government. But most Americans are not aware of this transition. One of the unintended consequences of the transition is the potential for 73 million analog television sets currently in use to stop working in February 2009. The federal government has recognized this challenge and is working with us to solve the problem.

An important step in ensuring that no set goes dark took place just last week. NAB joined in an unprecedented collaboration with the Consumer Electronics Association, CEA, and the

Association for Maximum Service Television, MSTV. Together we submitted a plan to the National Telecommunications and Information Administration regarding the initiative to protect consumers from losing access to television.

Key to this effort is a program to provide digital-to-analog converter boxes to viewers. CEA President and CEO Gary Shapiro and MSTV President David Donovan deserve enormous credit for bringing the parties together to seek solutions so that no television set stops working.

The National Association of Broadcasters Television Board of Directors has made it a top priority to undertake an aggressive marketing campaign to explain the benefits of DTV and the digital transition to the American people. In the weeks and months ahead, we will roll out the specifics behind this concerted effort, and we will need all of your help. We have only 865 days left until the conversion occurs.

Radio. Radio is also undergoing its own digital transformation, HD radio. A layman's explanation of HD radio is as follows. HD radio brings FM quality to AM, CD quality to FM, and will have expanded program offerings and less interference.

More than 1,000 HD radio stations are already on the air, covering 75 percent of the population, and thousands more will be going soon.

Like their digital television counterparts, HD radio broadcasters can also offer multiple program streams. More than 350 stations are doing just that, rolling out additional channels with new music formats, local information and local creative content. By the end of the month, there will be 21 models of HD radios available for consumer purchase from 14 different manufacturer brands, and more digital radio products are coming to market by the end of the year.

We at the NAB are working to accelerate the number of HD receivers in the marketplace to increase the diffusion of this technology throughout the country. In fact, it is a top priority of the NAB Board of Directors on the radio side to make this amazing technology commonplace.

Now, another benefit of digital technology is our ability to move content from one platform to multi-platform distribution -- frankly, to expand our reach. "Multi-platforms" generally means broadcast programs delivered on something other than TV or radio, not at the expense of our core business but in addition to all that we do.

What makes multi-platform strategies attractive to broadcasters is having more convenient access to our audiences, such as having radio on cell phones or TV on laptops. We hear a lot of exciting -- we hear a lot about expanding to multi-platform at the TV network level and broadcast stations in large markets. The networks take seriously the need to maximize the platforms available for viewers, so everyone can enjoy and experience their outstanding programming, and they are creating much excitement across the entire media spectrum.

And in case anyone is wondering how the networks are doing this year, I will quote this week's Advertising Age magazine: "Broadcast TV is alive and kicking harder than it has in years.

Audiences have shown up in droves for the fall season." That's great news, because we have great programs.

One reason for additional optimism is that smaller television stations are also embracing multiplatforms. This was confirmed by an NAB survey just last month. We surveyed stations from the smallest market in the country, television market number 210 in Glendive, Montana, which has 3,980 TV households, up to TV market number 70 in Tucson, Arizona, with 433,000 TV households. Those numbers always amaze me. Here's what we learned: 72 percent are streaming video on their websites; 36 percent are sending text messaging to mobile phones; and 88 percent sell advertising on their websites.

Radio is also pursuing multiplatforms. More than 8,000 radio stations have websites, and many of these are being used as portals to stream their audio content. In fact, radio stations earned more than \$200 million in revenues last year from online activities.

But even with all these new -- and I just touched on a couple of them -- these new, exciting, digital opportunities, we still must address new competitors.

On the television side, in addition to cable and satellite and Internet, we now have video on demand, interactive TV, time-shifting, place-shifting and much more.

On the radio side, we have satellite radio, Internet radio, iPods, other MP3 players, cell phones and many, many other things.

How will we compete? Well, our vision for competition is to have a broadcast signal on all of these platforms and on any gadgets yet to be invented. Broadcast signals will not only enhance the experience for the viewer or listener, give people more choice; they will also give manufacturers that include us an advantage over their competitors who do not. This is already happening in radio. Motorola's iRadio is merging the cell phone, the car radio and the MP3 player. FM adapters for iPods are already in the marketplace. And it is no accident that Microsoft has included an FM tuner in its just-released portable media player Zune -- that's tune with a Z.

Broadcast signals on all devices -- that is part of our future. But we also need more distribution of our signals. For example, telephone companies should be allowed to compete fairly with cable in offering video services. Another competitor to cable and satellite will give consumers more choices, it will give them better prices and it will also give consumers better programming options, especially those broadcast multistream programs I mentioned earlier which cable companies often choose not to carry.

So you can see, broadcasters are rapidly seizing new opportunities in digital media; it is our future.

My second point -- broadcasters are reasserting our unparalleled leadership as the media of choice. Now, since the inception of radio and television, there's been fragmentation of viewer and listenership. It is a natural -- I'm an economist by background, and I see this as a natural consequence of a vibrant business that has literally affected every industry in America. But as

we've moved forward, we have allowed our competitors to create a false impression that they are more competitive with us and have a larger presence before the public than they really do. This misconception affects our ability to attract investment, add dollars, personnel and create momentum in the marketplace. We are obligated to set the record straight.

First, let's look at TV viewership.

If I asked you in the 2005-2006 TV season where in the top 300 most-watched programs would you find your favorite cable show, what would your answer be? Well, for starters, broadcasters had the top 235 rated programs among all TV households. Cable's most-watched show was number 236, and it was on ESPN. But in the critical 18-49 age demographic, broadcasters grab 100 of the top 100 programs. We grab the next 84, as well. And in fact, in this important demographic, broadcast was responsible for 512 of the top 522 programs.

"Well, David, you know, that might be an anomaly, it might be one season -- what else do you have?"

Let's look at specific cable shows. Where do they rank? According to the latest Nielsen figures, Emmy Award-winning show "Monk" came in at 1,022 from one to something like 5,000. "Nip/Tuck" came in at 1,403, and "Larry King Live" -- which everyone knows about, but apparently few people watch -- (laughter) -- ranks at 1,883 on the most-watched list. I think you see my point.

What about local news? Let's look at a typical American mid-sized city to compare cable news viewership versus local broadcast affiliate news viewership. In Spokane, Washington, in May, in the 18-54 age demographic, the combined viewership for the five Comcast cable newscasts available at 6:00 p.m. was 994 people. That's a total of 994 Comcast subscribers watching CNN, CNBC, Fox News Channel, Headline News and MSNBC. This compares with a viewership in the same demographic at the same time of 38,500 for the three local broadcast newscasts at 6:00 p.m. Let me repeat that -- 38,500 to 992. That's not even close. This is a good example of the value proposition of local news, but it also shows that we work hard for our audience every day, and the numbers bear this out.

And what about the misperceptions about radio? We hear much about Satellite Radio XM and Sirius, and the satellite radio companies have done a good job in creating excitement for their product and keeping Wall Street interested. But let's just look at the facts for a moment. Satellite radio says it has almost 12 million subscribers. By contrast, 260 million people listened to local radio last week, and that's week in and week out. And we've just recently learned that upwards of 500,000 of satellite radio's so-called subscriber counts are in empty cars in car dealer parking lots. In fact, the Securities and Exchange Commission is looking into how subscriber numbers are counted by satellite companies.

But what about radio strength? An OminiTel American Media Services study released in August shows local radio's continued impact. Twenty-one percent of those who listen to local radio are listening to it more than they did five years ago. Another 51 percent say they listen to it about the same. And my favorite statistic from the study was that 63 percent rate local radio as their

primary source to learn about new music, 20 points higher than the next competitor, which was a category called "talking With friends." So if you want to find out about new music in this country, you find out about it on local radio.

I could go on and on with the facts. The bottom line is that broadcast television and radio are the overwhelming choice of media for people in this great nation. And we, as broadcasters, need to continue to reassert reality in people's minds, and we will do that.

Three, broadcasters are leveraging our unique advantage of localism, enhancing community life, and encouraging responsibility.

By localism, we mean broadcasters are the integral part of their communities, promoting local causes, raising funds for charities and providing vital emergency information. How many of you would turn first to a cable or satellite TV channel or satellite radio when a tornado, a wildfire, or a flood is approaching your community? When you need information on school closings or AMBER Alerts, where do you turn first? The answer is and remains broadcasters. And as you know, when the power goes out, the only connection you have is a battery- operated broadcast radio or TV.

If you're in charge of the Race for the Cure for breast cancer in your community, who would you call first to maximize your visibility? Would you ask your cable or satellite company to sponsor the event, get the word out, and send volunteers to work? Probably not. If there was a blood drive, a coat drive, or a need for a need for volunteers down at the local Boys & Girls Club, it's the same thing day in and day out: It is the local broadcasters who will take care of it.

Local radio and television have always done these things for their communities, and it continues to be our fundamental strength and our bedrock.

The NAB announced in June that in 2005, broadcast stations generated \$10.3 billion worth of public service in air time and local station contributions to worthy causes all across this country. Many of our activities are not included in this \$10.3 billion, such as the value of the hundreds, if not thousands, of hours of volunteer time given to local communities by station personnel. This commitment to communities cannot be replicated by our competitors, and I believe gives us a terrific advantage among viewers and listeners and in the marketplace.

We are also using our unique ability to connect locally to help parents work through the everyday life decisions of what their children should see and hear in the media. Broadcasters are taking a leading role in empowering parents to control what comes into their homes through television. Here we have joined with all parts of America's media -- the broadcast networks, the cable industry, the direct broadcast satellite companies, the movie industry, the consumer electronics manufacturers, and others -- in what will be a \$300 million Ad Council campaign to reach every home in America. The campaign has already been launched, and has received strong, positive reaction. It is the brainchild of one of our guests here today, my friend Jack Valenti.

Jack has led this unprecedented effort because he, other media leaders, and broadcasters believe that parents have the total power right now to control what comes into their homes, and they do.

It is the parents, not the government, who should decide what is appropriate for children to watch. But we are obligated to give parents the tools they need to make those decisions. The Ad Council has provided public service announcements and a new website, TheTVBoss.org, to our broadcasters to help parents block unwanted programming from whatever the source.

TheTVBoss.org has already received more than a quarter of a million visits. Some of you might have seen the first wave of these announcements already by the entire coalition, and this will be an 18- month program to educate parents.

Broadcasters have embraced this effort wholeheartedly, running the public service announcements, featuring the campaign in local news, on their morning shows, and linking the effort to their station websites. Our goal is to ensure every home in America has the opportunity to take advantage of this, and to take control.

Let me conclude by talking about the specific role of NAB in moving the broadcast industry forward. As everyone knows, the best new business models of industry can be stopped cold by wrong legislation or regulation. That is why NAB is taking stronger steps to ensure a regulatory climate in which radio and television can grow our business and serve our consumers. Now managing change and taking risks will not be easy as we move forward. Working out the copyright, the technology, the business models will take hard work and cooperation in the broadcast industry, as it does in every industry. It will take a concerted effort to update our laws and regulations to ensure that free over-the-air broadcasting can continue to provide our great service to millions and millions of Americans.

The point of today is that we are seizing the digital future. We are reasserting our strength as the unparalleled media of choice, and we are leveraging our localism to advance communities all across this great nation. And that is why broadcasting is 20 times more exciting than we could all imagine it would ever be.

Thank you very much. (Applause.)

MR. SALANT: The first question: Can you meet the 2009 deadline for digital conversion?

MR. REHR: I think we have to. I mean, the government has said, on February 18th, 2009, we're going digital. It is the commitment of all the television broadcasters in this country to be ready. We at the National Association of Broadcasters, as I mentioned, are going to be kicking off a nationwide campaign to educate America on the transition, and I think we'll be very, very successful. You know, for those of you here in Washington, we imagine it's like a great, national political campaign with election day being February 18th, and we want not just 52 percent of America but all of America to vote digital television.

MR. SALANT: When do you think HD receivers will drop -- the price of them will drop to a good consumer-friendly level that would equal normal sets?

MR. REHR: Yes, this is where I announce anyone here or watching this gets -- (inaudible) -- just kidding.

I think the forces of competition are already encouraging the price to decline. I think (as) we move closer to February 18th, more people will buy, more demand will be created. This is where, being an economist, I think I've got a pretty good understanding of what's going to happen. I think our friends at the Consumer Electronics Association have made digital television and their managers have made it one of their top priorities. And I think it's just going to continue to fall.

Interestingly enough, I saw a statistic that shows among all demographic and socioeconomic classes, people are buying HD televisions.

So I want to be sure that no one walks away with the false impression that only HD televisions are bought by, like, say, the wealthy in this country. They are in fact being bought by everyone, because as I said in my speech, when people see it, and they're at their friend's house, they say to their spouse or their friend, "Gotta get one of those." And they do.

MR. SALANT: Congress has allocated \$1.5 billion for digital converter boxes. But the converter box plan that the NAB submitted last week would cost approximately \$10 billion. How does NAB propose the government make up this difference?

MR. REHR: I think it's actually going to cost the government more than they realize. Many of us are aware that that number, which I think is a good number -- we've never done this. Let me answer it differently. We've never done this before, and I think we will find many unintended consequences occurring. I mean, the broadcasters will be out there, the consumer electronics will be out there selling TVs, and we're hoping to drive the number down to the minimum number that will need boxes so they can see television. But I think we're going to -- this is going to be an -- kind of an experience of experience of learning by doing. And I am hopeful that we will have the budget -- I know we have the commitment from the federal government to make sure that no TV goes dark.

MR. SALANT: You said today that the greatest potential of digital is its multicasting many channels. This questioner says, when you were lobbying on the whole digital spectrum, you said you intended to use the spectrum to do broadcast in HDTV during primetime because it made no economic sense to do otherwise. How do you explain this change?

MR. REHR: I'm not quite sure I know what the question asks, frankly. I know that what our technological people and our engineers are telling me, and that is -- you know, we will have different stations experimenting with different things all across the country. Some stations might use their multicast channels for local sports -- I mean, stuff that's integral to the local community that people want. Other people might use them for more HD programs. I think we're going to see a whole very entrepreneurial combination of how all of these additional programming streams are being used. The most important point here is that we have them, and the technology will enable us to provide more choice, whatever choice that might be. I don't want to predispose (sic) what Americans will want from their local television stations five years from now. We just have the technology to give people what they want.

MR. SALANT: How actively is NAB advocating the passage of a reporter shield law?

MR. REHR: We support a reporter shield law. I think you'll find during my tenure at the NAB, we will increase our visibility and activism on that. I think not only as the president and CEO of the broadcasters is this important, but I think, frankly, as an American this is important. We want to ensure that people can get information and that they can report on what all institutions are doing. And I think that's why you'll see us more engaged in the future.

MR. SALANT: The law giving you control over broadcast (licenses ?) requires you to use them in the public interest. Do you feel you are doing that?

MR. REHR: In the last 10 months, I visited countless stations all across the country from Portsmouth, Virginia, to Philadelphia to Kenai, Alaska, where I visited a local radio station. And I have to tell you, when I think of the public interest and I meet our broadcasters, and they start to describe to me what they're doing in their communities -- the coat drives, the helping the young boy whose parents can't afford an operation to raise money. I think broadcasters really don't get enough credit for what they're doing in the public interest. And part of the things that I, hopefully with our staff, intend to do with the NAB is just to make people more aware of all the wonderful things these generous business people do to make their communities better. But yes, I think we are serving the public interest very, very well.

MR. SALANT: The digital broadcast spectrum, according to this questioner, says it's estimated to be worth about \$70 billion dollars. Isn't this a massive corporate boondoggle for you to get it for free?

MR. REHR: That question obviously comes from someone who's not that favorable to broadcasters. (Laughter.) I don't think so. I mean, I think if you ask any American, should they have television, should it be free, should there be an immense amount of information, great programs, and at least for the 18-49 age demographic, 510 of 522, they're going to say, that's not a boondoggle. You know, having -- I've been in Washington for 25 years, and I've always found that boondoggle is the word that other people use to explain when they're not getting something from the government. So I think -- frankly, I think it's ridiculous.

MR. SALANT: I have several questions about localism. The first one: The FCC just heard testimony in Los Angeles that overwhelmingly opposed more consolidation. How did the NAB respond?

MR. REHR: Well, I think as you're all aware, the FCC started off its series of public meetings on ownership issues in the broadcast media. I think my own impression is that these meetings tend to bring out people who have particular points of view that are strongly felt on meaty issues, but frankly, on life issues.

So I would say, number one -- at least the first one doesn't really proportionately represent America. Secondly, I think most people are very satisfied with media. I mean, there was just some -- I think it was Barbara's (sp) group, several days ago, released a survey that said local news and broadcast is very popular among people, and that's where people go to get it. If they didn't like it, they wouldn't go there, they would go somewhere else. And I think, number three, that this is going to be -- the ownership issue is going to be something that we're going to be

involved in over time. And we think that there needs to be some more flexibility, precisely so we can continue to do all these things in communities where if our costs go up and our revenue is flat -- you know, we don't want to have to not be able to serve the public interest. I think it'll work out over time.

MR. SALANT: How do you respond to the reports about the FCC's supposedly suppressed study that local owners produce more local news?

MR. REHR: You know, I wasn't at the FCC then. I haven't seen the study. I think that all of our media outlets provide great news. You know, you can always look for that part of the cup that's empty. But I think we need to focus more on the part of the cup that is full. And when I travel throughout the country, I just see people who just work, work, work, work hard to provide as much news and as much news and as much information to the public as possible.

MR. SALANT: Are broadcasters with vibrant news operations vulnerable to government intimidation regarding their broadcast licenses?

MR. REHR: Well, in America, we would like to think not. No -- I mean, I think the FCC has been very good about looking at the license renewal on the basis of the criteria of the license renewal. The one thing -- the only thing that I've noticed, which I hope they can maybe -- they're doing a lot of things over there, but maybe work a little harder at is getting these applications moved more quickly through the process, because there is this kind of unintended consequence of uncertainty that's out there, that if we could just reduce the uncertainty a little bit I think would help stations maybe get more capital and be more engaged and do more things for more things for their local communities. But -- no, I don't think there's -- I have -- let's put it this way: No one that I have met with has said to me that my license is being held or is being threatened by the government.

MR. SALANT: Should the same company be allowed to own a newspaper and a broadcast station in the same market?

MR. REHR: Well, it is the official position of the NAB Joint Board of Directors that cross-ownership should be available for newspapers and broadcast television and broadcast radio.

And I actually had an experience with Media General several months ago. Most people think that when a newspaper and a local station would combine, that the first thing people would do would be to eliminate costs, I mean, as an economist they'd say you get costs out of the system, drive more profitability. But it turns out for the case of Media General in their Tampa operation that they're actually spending more money, not less, because they found that they can provide people more information and more news; there are synergies created where people are more fully informed because of those great attributes.

So it is our official position to eliminate the cross-ownership. And I think if people take a dispassionate view of it, they will see it actually will improve information, coverage, data, interaction with local communities.

MR. SALANT: Does consolidation threaten minority ownership of radio and television stations?

MR. REHR: I would like to think not. You know, and I think people probably have all sorts of opinions on this. I personally believe -- and I think it's been reflected in my own life -- that if you work hard, if you know your business, if you do well, you will succeed. And I know that there are some challenges for people of color in the broadcasting business. We at the National Association of Broadcasters have an educational foundation, and one of its prime purposes is to help increase the diversity of broadcasting so it looks like America and it is like America. And that's, frankly, one of the long-term goals that I have at the NAB, and I hope to fulfill that.

MR. SALANT: As a follow-up, this questioner says: How do you explain the low number of women and minority TV station owners?

MR. REHR: I think it could be partly explained by the costs of capital and technology, the evolution of the industry, and how people -- the numbers are getting better, but they're just not moving as fast as many people would like, including me. Again, kind of the half cup full, half empty. I think you could reasonably say that it is better than it's been in the past, but not as good as it should be. And I think that would be the position of most broadcasters in America today.

MR. SALANT: Are the indecency rules inhibiting broadcasters' ability to compete with cable and satellite radio? What kind of programming would broadcasters air if they were free of indecency regulation? (Laughter.)

MR. REHR: Well first off, I don't think broadcasters will ever be free of indecency regulation. It gets back to this public service element that we have as part of our charter with the American people.

I think we need to flip it and look at it this way. Why is it that cable doesn't have indecency rules? Because the court said they're a subscription service. But I know in my own area, and many of your own areas, cable uses free marketing and free subscriptions as a way to gain customers. So I would hope that over time, the Congress and the FCC would relook at whether cable should be covered or not.

Having said that, I also think that there is a fundamental issue in America which we will never decide, and that is what is indecency and what is decency? And we've probably struggled with this as long as America's been a country. There are some nights where I'm watching something and I'm in a good mood and I go, "Hey, that's great" or "That was funny." And other nights where I go, "Mm. That was a little edgy for me."

The difficulty with this whole subject is that as free people, we all have different ideas of what it means -- and that's a good thing.

Now, I've given you the long philosophical answer to indecency. I think it's important for broadcasters in the long term to protect freedom, to protect the First Amendment, but not to protect the First Amendment as a way to promote obscenity, because I believe promoting obscenity is not good for anyone's business, whether it's broadcast, cable, satellite, whatever.

MR. SALANT: Congress responded to that "wardrobe malfunction" during the Super Bowl by sharply increasing the fines for indecent programming. Did they overreact?

MR. REHR: I think the bill that was signed -- or passed by the Congress and signed by the president was much better than their initial reaction when this occurred, number one.

Number two, I think there still needs to be some responsibility placed on those people who are involved in the acts themselves. One of the things that -- this is a personal observation of David Rehr coming into this industry -- is that you might -- well, let's put it this way. Broadcasters do everything they can to stop people from swearing, cussing, holding up signs, being indecent. I heard a story of a woman who follows broadcasting local news trucks and then takes her clothes off so she can stand in front of the camera. And my sense is, if you're doing everything you can to prevent it because you serve the public interest, is there a bad incentive, then, to punish you if you've done everything you can physically do to prevent it from happening, including the delaying button. And I think that's something that we're going to have to explore in the months and years ahead.

MR. SALANT: I alluded to this in the introduction. Can you talk about the problem with satellite radio interfering with local radio and what the NAB is doing about it?

MR. REHR: Our very talented Engineering Department several months ago was concerned about a device called an FM modulator. And that's something that you attach to your car and you put it into your radio so the signals, whether it be satellite or your MP3 player, goes into our radio and then comes out of your radio. They discovered through an independent engineering review that 14 of 17 FCC Part 15 devices were beyond the legal requirement, one by 29,000 percent. That is to say, if you had the FM modulator in your car, and something like 642 feet away you had a radio, that process of the signal going into the car radio would interfere with your radio 600-some feet away.

Several of these devices were satellite radio devices. And we believe that, you know, no business should interfere -- knowingly or unknowingly interfere -- with other businesses; that these FCC regulations are there for a reason; and we called upon satellite radio to stop producing flawed devices and, frankly, to now recall all of the ones that are flawed from cars and replace them with ones that are fully compliant.

Let me explain to you why that is important. An elderly couple in their car, listening to their favorite religious station, and a car that has SIRIUS with Howard Stern promoting some vulgarity is on, and it bleeds through that car into their radio. And it takes out their religious station, and suddenly you have Howard Stern. Those people don't know where it's coming from. I mean, hopefully, I want everyone in America to know where it's coming from -- (laughter) -- but my point is that they would tend to say, "This diminishes my expectations of this great religious radio station." But it's not their fault. So we should have all these devices fully compliant with FCC regulations, whether they are on the shelves, on their way from another country here to be sold, or in cars.

MR. SALANT: A couple of questions about advertising. This questioner says, "Is it ethical to run ads targeting children?"

MR. REHR: I think on the overall issue of advertising, advertising does two things. I think all sorts of studies show this. Advertising allows people to gain more information to make choices, and it generally reduces prices. It is a good thing in America that we have advertising. Now, some people get tired of advertising, but I love advertising! I love advertising especially on television and radio. (Laughter.)

Is it ethical? I have four children; I have no problem with my children watching children's advertising. I'd like to think they have two good parents who also, if they have a question about a product or have an issue, that we then talk about it.

I don't think that we allow people to be adults and allow people to be fully human without allowing them to have all the experiences that we should allow people to have, and that includes advertising, whether it's on television and the radio, in the bus, at a vending machine, at the basketball court. I mean, when you start going through the line of, well, we shouldn't be targeting children with advertising, you will eventually strip most every advertising out of this country, because children are going to see it, hear it, look at it, hear from their friends, et cetera. And I think that's just a bad thing for America.

MR. SALANT: How do you justify infomercials for things like "Girls Gone Wild" and dubious weightloss drugs and products that peddle themselves as male enhancements? (Laughter.)

MR. REHR: No comment. (Laughter.) No -- you know, there's something hard about freedom, and if you think about it, what this is really about is about freedom. I mean, people can always choose to switch the channel or to turn down the volume or to go to Larry King and give him some more audience for the night. (Light laughter.) But it really -- and this thing -- you know, maybe I am -- have a very different experience than all of you, but I think that we need to have more personal responsibility in this country and less pointing to other people saying, "Well, that should be eliminated." I had a conversation some weeks ago with a Senate staffer, and they were talking about television, and they said, "Well, you know, what if you don't like the TV show?" I said, "I turn it off. I switch channels. I'm proactive." I don't want to write my congressman and blame the fact that I didn't move four feet to switch the channel. I need to take responsibility as an American. That's what freedom is all about.

And I think to the point about some people liking some ads and people not liking other ads, well, you know, what? Switch channels, turn it off. If you really hate it, write the manufacturer, talk to the stations. I mean, let your voice be heard as opposed to looking towards any sort of government entity to decide what should be seen and what should not be seen, including advertisements.

MR. SALANT: This questioner writes, why are commercials so much louder than regular programming? (Laughter.)

MR. REHR: Well, I'll only say, with four small children, I don't really find that to be true at all. (Laughter.)

MR. SALANT: Several political questions. In exchange for free use of a public's airwaves, why shouldn't broadcasters be required to provide free or cut-rate TV time for political candidates? Why have you opposed such proposals?

MR. REHR: Well, let me clarify and be factually correct in saying broadcasters offer substantial amount of free time to politicians. They offer debates; they offer townhall meetings. We have several stations -- I believe the one that I mentioned in Idaho, which is rerunning on their multicast channel something like 70-plus hours of debate. Now, that's different than letting a candidate choose a time when they want to run a message that is only about them.

But to the question of free time for candidates, I do not think there's any other entity that allows more opportunity for more people who are running for more offices to speak than broadcasters.

MR. SALANT: Sumner Redstone, the head of Viacom, once said, "From a Viacom standpoint, we believe the election of a Republican administration is better for our company."

Is that true for most of your members?

MR. REHR: Well, I would like to say the following and be really clear. We want pro-broadcaster people in the government. Frankly, I don't personally care if you're a Republican, Democrat, liberal, conservative, libertarian, perhaps an independent, after this November's election. My hope is that we have more people who understand and appreciate the value of over-the-air broadcasting and people who come from the broadcasting industry, because I think people who know our industry, who have been in our industry -- we have several already, on both sides of the aisle -- they get what being a broadcaster is, and they understand how important it is to local communities.

But no, we at the NAB do not have a litmus test on political affiliation, either among our member companies, among our own political action committee or our own staff.

MR. SALANT: As a veteran Washington lobbyist, can you handicap the fall elections for us?

MR. REHR: No. (Laughter.) And that may be for a different reason than you think.

You know, I have been at the Broadcasters for 10 months. I'm continuing to reach out to our members. I'm continuing to work with all of our wonderful partners. And that consumes virtually all of my entire day, when I'm not spending time with my wonderful wife and my four wonderful children.

MR. SALANT: If NAB believes in free markets, how does it justify going to Congress and requesting Congress pass legislation to prevent satellite radio from providing local programming?

MR. REHR: Actually, we're not going to Congress and lobbying against the ability of satellite radio to provide local programming. We have gone to Congress and asked the Congress to ensure that satellite radio holds to the promise and charter that it made with the FCC -- no more, no less.

MR. SALANT: What is the NAB's position on a Fairness Doctrine?

MR. REHR: Fairness Doctrine? I think the Fairness Doctrine went away many, many years ago, and I think that's a good thing.

MR. SALANT: Oldies stations are disappearing all over the radio dial. Don't you risk losing millions of listeners to satellite radio by doing away with that format?

MR. REHR: You know, that's a very good question, because I would argue that in many places of this country choice is expanding, not contracting. Your particular station might not continue to be on the air, but the amazing thing with moving to HD radio and digital technology is that we'll be able to provide even more stations. That questionnaire (sic) will come here several years from now, if I'm ever invited back, and ask the question, "Why are there too many oldies stations for me to choose from?"

And that's our hope. We want more choice. We want more people to attach to their local radio station and to see it move forward in the future.

MR. SALANT: As head of the NAB, what is going to be your top priority in 2007?

MR. REHR: The top priority for the NAB on the television is this kickoff and aggressive campaign to inform America about digital television. Now, we have some issues on Capitol Hill and at the FCC. I don't want to diminish that. But if you said to me that there's thing you'd like to do in 2007 and accomplish, what would that be? It would be on the television side to make sure every American knows about the digital television transition and to make sure that it moves -- accelerates forward.

On the radio side, I think our number one priority, much like on the television side, is to increase the number of receivers, the number of stations and raise the general awareness to digital radio, HD radio. We believe that to be our future. We think that listeners will just go wild over it as they receive it, and it's free.

MR. SALANT: Before we ask our last question, I'd like to present you with the official National Press Club coffee mug. (Laughter.)

MR. REHR: Thank you.

MR. SALANT: Suitable for sipping a beverage while a program, hopefully on one of your member stations -- and a certificate of appreciation.

Thank you very much.

MR. REHR: Thank you. (Applause.)

MR. SALANT: One last question. Some people have called the network news programs dinosaurs. Do you expect one of the networks to eventually drop its evening news?

MR. REHR: I don't want to speak for the networks. I'll just give you my own personal opinion. I think the network news is an important part of the fabric of the country. And I think it is because, while we're having all this fragmentation, it is the network news, whether it's on ABC, CBS, NBC, FOX, that holds America together with major stories of the day. And I think that's a great benefit to America, and I think that the networks will do well in the future, you know, tweaking here and tweaking there and creating excitement here and doing things there and will do very well. It's very important that at points in our country that we have the networks to allow all Americans to understand, view and comprehend what is happening to them all at the same time. And I think that's a great benefit that they provide to all people. (Applause.)

I'd like to thank everyone for coming today. I also would like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booze, and Howard Rothman for organizing today's lunch. And thanks to the Eric Friedheim National Journalism Library at the National Press Club for its research. Research is available to all club members by calling 202-662-7523.

Good afternoon. We're adjourned.

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