

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

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AMERICAN URBAN RADIO NETWORKS

#1

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"Ugly" forecast from Myers

Jack Myers is out with yet another downward revision of his forecast for ad spending. It's bad news for radio and all other media. He's not expecting any advertising recovery until sometime in 2003.

"Having now seen the broadcast and cable upfronts pretty much play out, we are in a position to more thoroughly evaluate what the year-end numbers will look like, and those numbers are, in a word, ugly," said Myers, chief economist of *Myers Reports*. "We see no indications whatsoever that the oft-mentioned 'fourth quarter turnaround' will occur, prompting us to issue what is probably the industry's most bearish forecast for this year as well as the next several years."

Myers is now projecting that ad spending will decline 4% for 2001, followed by a drop of 1.7% in 2002 and then flat in 2003. He's then looking for only modest growth for the next three years, with 2004 up 2.7%, 2005 up 0.9% and 2006 up 1%.



Bob Mahlman sound's off about Satellite Radio.
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Rich Potyka says syndicators should beware of new CCU market definitions.
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BPA International membership
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Executive EditorJack Messmer
Managing EditorDave Seyler
Senior EditorCarl Marcucci
ProductionMichael Whalen
VP AdministrationCathy Carnegie
FCC Research ConsultantMona Wargo
Administrative AssistantApril Olson
Publisher.....Jim Carnegie
VP/GM, Associate PublisherKen Lee
Senior Account ExecutiveJohn Neff
Account ExecutiveJune Barnes

Editorial/Advertising Offices

6208-B Old Franconia Road
Alexandria, VA 22310
PO Box 782 Springfield, VA 22150

Main Phone:703/719-9500
Editorial Fax:703/719-7910
Sales Fax:703/719-9509
Subscription Phone:703/719-7721
Subscription Fax:703/719-7725

Email Addresses

Publisher:.....JCarnegie@rbr.com
Editorial:.....RadioNews@rbr.com
Sales:KLee@rbr.com
JNeff@rbr.com

Nashville Sales Office

June Barnes

Phone:615/360-7875
Fax:615/361-6075
Email:JBarnes@rbr.com

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His radio forecast is even worse, with only one up year out of the next six. Myers expects radio ad revenues to finish this year down 7%. He's looking for declines of 4% in 2002 and 2% in 2003. The only positive number in his radio forecast is for the election year, 2004, when he expects radio to gain 4%. He then sees 2005 as flat and 2006 down 3%.

Yes, for an industry that has never seen two down years in a row, Myers is predicting three. "Radio is a very strong medium, but if you look back over the last five years there has been tremendous consolidation of radio station ownership. As a result of that, the commercial rates across the country have gone up exponentially because of that consolidation and the sellers having more influence. They've really taken advantage of the strong market when buyers needed to use radio, television, newspapers, print just to spend all of the money that they had to spend. Now, in a softening economy, marketers are going to look very carefully and they're going to scale back and put pressure on media where they have

some leverage—and radio is one of those instances where you can look at the local market and say, you know, we can push back our cost per thousand," Myers told *RBR*. "So demand may still be there for radio, and the value of radio is still there, but advertisers are going to be very tough on saying you have to scale back some of these price increases that took place over the last five years."

Myers says it's not, in his view, that the ad market is so bad now, but rather that it grew at an unsustainable rate in 1999 and 2000. Going forward, he says, the benchmark year for media should be 1998.

"The helium-filled economy of 1999 and 2000, with annual growth approaching double-digits, has burst," Myers said. "We are in the early stages of a long-term period of slow growth in the advertising and media sector. Advertising recessions historically are deeper and more sustained than general economic downturns."

Myers cited several reasons for the bearish outlook, including:

- an over-supply of media inventory;
- consolidation of media buyers, resulting in greater negotiating prowess;

- set-backs in the deployment of digital and broadband technologies, resulting in slower than expected shifts of direct marketing and promotion budgets to advertising media;

- a shifting by marketers—in response to the general economy—of budgets from traditional media advertising into promotional activities, a process that typically takes 18-24 months to reverse;
- a lack of consistency in regulatory policies.

"This year and next will establish new benchmarks in ad spending, as we can anticipate slow growth from this new level through the middle of the decade," Myers said.

Even five years away, for 2006, Myers is looking for total US ad spending to total \$202.3B, still below 2000's \$205B. For radio, he predicts 2006 revenues of \$16.8B, well below the \$19.1B industry total for 2000 and barely ahead of 1999.—JM

Entravision: Let us link with Lotus

Multimedia Hispanic media group Entravision (N:EVC) is saying good bye to Interep's (O:IREP) Caballero Spanish

Jack Myers' ad revenue forecast (% of growth from previous year)

	2001	2002	2003	2004	2005	2006
Newspapers	2.0%	1.0%	-1.0%	0.0%	-1.5%	-1.0%
Broadcast TV Networks	-4.0%	-3.5%	-2.0%	1.5%	-2.0%	-4.0%
National Spot TV	-15.0%	1.0%	-4.0%	1.0%	-1.0%	-4.0%
Broadcast TV Syndication	-12.0%	-6.0%	2.0%	3.0%	0.0%	-2.0%
Local Spot TV	-8.0%	-4.0%	-3.0%	2.0%	-3.0%	-5.0%
Radio	-7.0%	-4.0%	-2.0%	4.0%	0.0%	-3.0%
Yellow Pages	-2.0%	-1.0%	-1.0%	-1.0%	-1.5%	-2.0%
Consumer Magazines	-3.0%	-3.0%	2.0%	2.5%	1.0%	3.0%
Network Cable TV	5.0%	5.0%	8.5%	10.0%	7.0%	10.0%
Local/Regional Cable TV	12.0%	13.0%	15.0%	16.0%	15.0%	15.0%
Online	10.0%	12.0%	15.0%	20.0%	15.0%	18.0%
Outdoor	1.0%	-2.0%	-2.0%	2.0%	1.0%	1.0%
Other	-11.0%	-8.0%	-2.0%	1.0%	1.0%	1.0%
Total US Media	-4.0%	-1.7%	0.0%	2.7%	0.9%	1.0%

Source: Myers Reports Inc.

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Arkansas 4-station cluster, positive cash flow. \$1.7M
Missouri 4-station small market group. \$1.5M
Tennessee 5-station small market group. \$2.5M
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New Florida C-3 FM. \$5.5M
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Georgia small market FM. \$362.5k
North Carolina rated resort FM. \$1.18M
Gallahassee, Florida LPTV \$750k
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For more information call George Reed
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New York City LPTV - Chapter 11.
Florida ranked market LPTV.
New England resort market 2 AM/2 FM group. \$3.5M
Central Ohio 4 AM/1 FM group. \$2.2M cash or terms.
Virginia small rated market group AM, 2 B1 - FMs
and FM CP. \$5.25M cash.
Iowa small market AM/FM.
Revenues and CF. \$700k cash
For more information call Mitt Younts
t (804) 282-5561.

Michigan rated market. \$1.5M cash
South Georgia cluster. \$3.0M cash
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Coastal Georgia FM. \$750k
Southeast Kentucky cluster. \$1.2M terms
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Media to strike a new national repping deal with Lotus Hispanic Reps. Lotus, which also has a stable of Hispanic-formatted O&Os, will rename its rep firm Lotus Entravision Reps LLC. Lotus Hispanic Reps President **Mary Hawley** will remain at the company's big desk under the new name, which will be located in Los Angeles.

Entravision's contribution to this 50-50 joint venture will be the national spot inventory of its stations; Lotus kicks in the rep firm itself. This brings its client station total to over 130 in 50 markets. They are said to have over \$25M in national billings between them.—DS

RBR observation: Entravision officials said in their Q2 conference call that they would be announcing a new initiative to boost national sales. This is apparently what they were talking about.—JM

'BOT and paid for? FCC fine squad says not yet

Radio One (O:ROIA) took over the license of WBOT-FM Boston (Brockton MA) on 10/1/99. It submitted to an FCC inspection of its WBOT-FM Boston 3/14/00, and the result was a laundry list of violations resulting in a \$22K tab.

Violations included failure to have operating EAS equipment (\$8K), failure to have a local telephone number in the city of license (\$1K), failure to monitor operational parameters (\$2K), failure to maintain a station log (\$1K) and failure to have a public inspection file (\$10K).

Trying to get the fines dropped or reduced, Radio One cited tales of problems shipping equipment and unforeseen personnel changes, among other things. The FCC, for the most part, would not budge, although it did cut the local phone violation in half, to \$500, in recognition of Radio One's candor on this particular.

As for the remaining \$21.5K, it looks like its time for Radio One to get out the checkbook.—DS

FCC in merger mode?

There's no public proposal yet, but Chairman **Michael Powell** is apparently looking at some new ideas for streamlining the FCC. One idea apparently under consideration is merging the Mass Media Bureau and the Cable Services Bureau into one operation handling all radio, TV and cable licensing and related matters. Our sources say Mass Media Bureau Chief **Roy Stewart** would likely be the loser in that scenario and he's said to be campaigning against the merger idea.—JM

Eastlan finds little demand for satellite services

Could it be the lack of advertising, until just recently? For whatever reason, satellite radio's impact on commercial broadcasters may be minimal according to a new study released 8/14 by media research firm Eastlan Resources.

Eastlan's research was conducted during the period of 3/22-5/16. A sample of 4,851 Americans (12+) was asked if they would be interested in purchasing a new satellite delivered radio service that offered dozens of commercial-free radio channels for a monthly fee of around \$10. Men expressed slightly more interest than women in satellite radio as 21.5% of men and 19.1% of women indicated a propensity toward purchasing satellite radio.

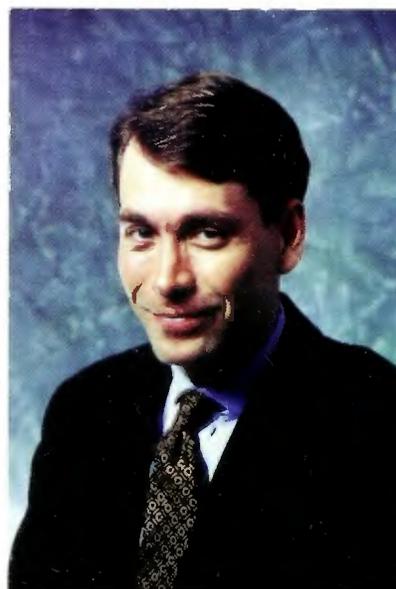
The actual market penetration of satellite radio may be much lower, says Eastlan VP/Research **Bert Hambleton**. "A four-fold differential between propensity to purchase and actual likelihood of trial is typical of new hi-tech products. Addi-

tionally, our study did not suggest any cost of entry. The cost of a new receiver may also negatively effect the penetration of satellite radio." Hambleton adds, "at the bottom line, at this point, our study would suggest satellite radio's market penetration potential to be around 5%."—CM

iBiquity submits FM test data to NRSC

iBiquity Digital, sole IBOC AM/FM DAB developer, held a press conference 8/9, detailing its submission of its digital FM radio system tests to the National Radio Systems Committee (NRSC). **Bob Struble**, iBiquity President/CEO, provided an overview of the tests, which were conducted at eight FMs with independent labs, in accordance with NRSC procedures. The stations: WETA-Washington DC, Class B; WPOC-Baltimore, Class B; WHFS-Annapolis, MD, Class B; WNEW-New York City, Class B; WWIN-Baltimore, Class A; KLLC-San Francisco, Class B; KWNR-Las Vegas, Class C; and the iBiquity Experimental Test Station-Columbia, MD.

Struble said iBiquity actually conducted over 95,000 hours of field tests at 11 FMs across



the US, evaluating its system's operation in a variety of terrains, formats, and signal strengths. The NRSC test program also included lab tests and subjective sound quality evaluations by 480 listeners who evaluated thousands of audio samples recorded during the field tests.

"We believe the variety and extensiveness of the tests conducted on our FM system make it one of the most comprehensively tested broadcast systems in US history," claimed Struble. "We look forward to the NRSC's endorsement of our digital FM system. Currently, our AM system is undergoing similarly comprehensive testing and we expect to submit these test results to the NRSC in the fall. Given the results, we will continue our commercialization efforts with all our partners in the broadcast, semiconductor and receiver industries."

iBiquity said the test results confirmed its digital FM system significantly outperformed today's analog FM radio in terms of audio quality and reception, while providing robust coverage throughout the markets served.

iBiquity's technology is currently under review by the FCC as the prospective standard for digital AM and FM radio in the US. The NRSC plans to evaluate the iBiquity test results by this Fall and to provide the FCC with a report. Struble says he expects commercial rollout to begin late next year, pending an FCC rulemaking. Stations in New York, LA, Chicago, San Francisco, Seattle and Miami will be the first. The retail push with receivers is planned in early '03. Results from the company's AM testing efforts are expected later this year.—CM

Risque Hispanic radio attracts protests

Higher visibility is also making Hispanic radio a target for complaints, much like its general market counterparts. An article in the 8/13 *New York Times* detailed complaints about sexual topics and expletives used on some of the city's most popular Spanish stations, Spanish Broadcasting System's (O-SBSA) WSKQ-FM & WPAT-FM and Hispanic Broadcasting Corporation's (N:HSP) WADO-AM. The *Times* article was quickly followed by an Associated Press report on crude Spanish radio programs that it dubbed "radiopornografia." Both articles noted that a self-styled watchdog group, the National Hispanic Media Coalition, is gathering information on Spanish radio broadcasts which its members consider indecent and plans to submit formal complaints to the FCC.

RBR observation: The only fault we could find with the articles was a claim that the FCC is ill-equipped to deal with indecency complaints involving languages other than English. The Commission has fined Spanish stations in the past and will likely do so in the future. We've never seen a Spanish translation of the FCC's policy on what constitutes indecency, but the original in English was so vague and lacking in legal precedent for its claims that it would be unlikely to be any less (or more) clear in any other language.—JM

Interep welcomes the Asian invasion

Census 2000 noted that individuals characterizing themselves as of Asian or Pacific Island descent increased 50% over the total from Census 1990. Growth to Census 2010 is expected to have another 50% increase. A study by Interep identifies this group as an attractive advertiser target.

Among the study's points: 32% of Asian households bring in over \$75K annually, compared to the nation average of 23%; the group's median income of \$51,205 is the highest

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of any such group (including non-Hispanic whites); 44% hold a bachelors degree, compared to the national average of 26%; and members of the groups enjoy a 40% greater likelihood of being in the professional/managerial ranks than the national average.

The top markets for finding this group, which comprises 4% of the total US population, are San Jose, San Francisco, Los Angeles, Seattle and Washington DC.

RBR observation: For the most part, this is an unserved market. About the only stations programming to an Asian audience are brokered Ethnic stations, which rarely show up in the Arbitron books.—DS

Country countdown team stays on air by hook or by Crook and Chase

United Stations Radio Network has picked up the Country radio countdown team of **Lorianne Crook** and **Charlie Chase**. The four-hour weekend offering has been carried over Jones Radio Networks.

According to Crook & Chase, they made the decision to go with a new distributor at the end of their current contract with Jones. Jones, in turn, has pulled the upcoming September editions of the show off the air. The duo is contractually prevented from doing the show with a different distributor dur-

ing this five-weekend period.

Their first show for USRN will air over the weekend of October 6-7. In the meantime, a similar four-hour countdown called "Special Edition Country Countdown," hosted by unspecified Nashville stars, will be distributed by USRN, in effect holding the time slot until Crook & Chase can return to the airwaves. USRN is giving 100% of the spot inventory during this period to local affiliates. National network commercials will not return until Crook & Chase do.

The Jones version of the show has over 400 affiliates in the US and Canada.—DS



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The Language Barrier

by Natalie Swed Stone



Network radio is in its own little world—understood by only a handful who have made it their business. Unfortunately, it is often a mystery to newcomers who attempt to explore it, but find it too obscure to continue.

There is and has been a language barrier for too long, preventing those who cannot converse from gaining familiarity or benefit. Try to explain what the difference is between Next and SourceMax. What's the difference between Emerald and Pearl? What are Emerald and Pearl anyway? What is Galaxy? What is Platinum? What is Genesis? And what do these have to do with radio stations, programs or demographics?

How would anyone in media remember them? Identify them?

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Comprehend their value?

Often the sellers are the only ones who can decipher the code. But only for their own vehicles. Even network radio's highly respected research tool is of little help to the uninitiated. Unless you know the language of network radio, you cannot access the information.

A media planner or researcher has little chance of accessing decipherable information easily. There are no codes, no references to guide the inexperienced. Network radio needs to become more user friendly for its own growth and success—and for the benefit of advertisers. It needs to speak a language that is universal across media and can be easily understood in a short time.

In my opinion, many of the networks should be renamed and redefined to show assets, strength and build brand association. Diamond and Ruby will not stick in an advertiser's mind. Their asset is "Clear Channel." The difference between Emerald, Pearl, Ruby, etc. should be evident in the name—so it is apparent to all.

The two satellite radio companies, XM and Sirius, merchandising directly to consumers, but gaining investors, advertisers and automobile partners along the way, are speaking plainly, clearly and soon will be loud enough for all to hear. Their channels are immediately identifiable: 60s, 70s, Blues, Country, CNN, A&E, etc.

Network radio has not benefited from its language difficulties, obscurity and insistence upon remaining an "insider's" medium.

Westwood One and Premiere introduced 10-second networks this year Action, Pulse, Blaise and Navigator—accessing Clear Channel and Metro Traffic stations, respectively—but how would anyone know that from their names? Again a code is required to decipher the media value of these networks.

Consider that media planners, researchers, buyers, advertisers/clients and client partners (trade, retail) all need to appreciate the value that justifies the advertising expenditures. ABC, CBS, NBC, CNN, Fox, ESPN, MTV, Weather Channel, Rush Limbaugh, Jim

Rome—these are brands that are easily identifiable and merchandisable to almost anyone in the media business and in the US. Not much explanation is required.

But the others—Advantage, Platinum, Navigator, SourceMax, Ruby—they are akin to Greek in the media world. Note that I, with over 20 years in network radio, have difficulty. There are too many translation and explanation occasions in network radio, and it is very unnecessary since the brands already exist behind the code words. It is time to break down the barrier and let in the flow of interest, support and revenue that follows. At this point with all of the positive changes consolidation has brought to this medium, and given a) the benefits to advertisers and b) relatively small size of the medium, radio network inventory should be sold out.

Natalie is Managing Partner, Director of National Radio Services, OMD USA. She can be reached at 212-415-2981, or natalie.swedstone@OMDUSA.com.



How low can he go?

Jack Myers, chief economist of MyersReports Inc. started this year as an optimist—but

then, so did we and many others. As the impact of last year's Federal Reserve Board interest rate hikes took their toll on the US economy, advertisers pulled back dramatically. Myers went from optimist to pessimist and now is preaching gloom and doom for years to come (see page 1).

Here's a blow-by-blow recap of where the guru's forecast has gone this year. For radio, as you'll note, Myers swung from expecting growth of 9% to forecasting a 7% plunge.—JM

Jack Myers' shrinking 2001 ad forecast

	Yr. 2001 forecast on 11/00	Projected 2001 revenues on 11/00	Yr. 2001 forecast on 4/01	Yr. 2001 forecast on 5/01	Yr. 2001 forecast on 8/01	Projected 2001 revenues on 8/01
Newspapers	2.0%	\$50.67B	0.0%	2.5%	2.0%	\$49.37B
Broadcast TV Networks	3.6%	\$17.58B	2.0%	-3.0%	-4.0%	\$16.29B
National Spot TV	2.5%	\$12.63B	1.0%	-15.0%	-15.0%	\$10.42B
Local Spot TV	2.0%	\$13.94B	1.5%	-7.0%	-8.0%	\$12.46B
Broadcast TV Syndication	2.8%	\$3.10B	2.8%	-5.0%	-12.0%	\$2.75B
Radio	9.0%	\$20.81B	5.0%	-6.0%	-7.0%	\$17.75B
Yellow Pages	0.0%	\$12.71B	-1.0%	-1.0%	-2.0%	\$12.46B
Consumer Magazines	7.0%	\$19.08B	4.5%	0.5%	-3.0%	\$17.30B
Network Cable TV	14.0%	\$11.13B	1.1%	8.0%	5.0%	\$10.25B
Local/Regional Cable TV	18.0%	\$4.31B	16.0%	5.0%	12.0%	\$4.09B
Online	70.0%	\$8.16B	40.0%	40.0%	10.0%	\$4.73B
Outdoor	16.0%	\$2.50B	12.0%	2.0%	1.0%	\$2.17B
Other	-2.0%	\$40.38B	-3.0%	-6.0%	-11.0%	\$36.68B
Total US Media	4.9%	\$217.01B	2.4%	-1.5%	-4.0%	\$196.73B

Source: Myers Reports Inc.

AZ broadcaster says he's a victim of CCU-Arbitron market redefine deal

The new deal struck with Arbitron and Clear Channel (N:CCU) for new market definitions (*RBR* 8/13, p.2) could mean changes for plenty of affiliates—and other syndicators as well, according to one GM who says he was a recent victim of a Clear Channel ‘arm-twisting.’

On 8/14, KRXS-FM Globe, AZ GM **Rich Potyka** tells *RBR* that Clear Channel informed WestStar (“The **Kim Komando** Show”) that they have redefined their Arbitron market to include any station that could have an impact on Phoenix. “Since Clear Channel’s KFYI-AM (a Komando affiliate) covers, or at least can be heard, in other markets including Flagstaff-Prescott and Tucson during the day, CCU is claiming exclusive syndication rights to these markets—including Arbitron numbers—and preventing carriage of any new syndication (that’s already on KFYI) in these other cities. They have stopped WestStar from writing a contract with other Arizona stations and will not allow renewals based on CCU market definition.”

KFYI has run Komando for three years, according to WestStar. KRXS-FM is not listed in the Phoenix Arbitron book. Potyka tells the story: “We had contracted to do the Kim Komando Show through WestStar and we were already doing her three minute vignette. Kim [Komando] had asked us to do the three-hour show on Saturday mornings. I had said, ‘Well, it’s running on KFYI delayed. Is that a problem?’ She said ‘No.’ So last week I get a verbal agreement from **Laura Smith** at WestStar. She said, ‘I’ll send the con-

RBR News Analysis



Rich Potyka

tract out for you to run it’ And then Laura calls me yesterday and says, ‘No, time out, you can’t get it.’ She said Clear Channel has a new agreement with Arbitron, and any program or any signal from anywhere that affects the new Phoenix footprint, Clear Channel says they will veto. I then said, ‘That means Flagstaff or Tucson also? She said, ‘If their signals get there, yes. They claim KFYI covers the whole state.’”

And about renewing the old contract for the Komando vignette, WestStar wouldn’t guarantee it, adds Potyka: “‘Well, you’re still grandfathered in now,’ she said.’ I said, ‘Yes, but if I was renewing today, could you do it?’ She said, ‘probably not.’ So in other words, if I have a show running that Clear Channel wants to exclude from my market, they will just tell these guys no—its a third-party restraint of trade agreement. It’s an infringement.”

Who do you believe? Both WestStar CEO **Barry Young** and Clear Channel Radio SVP **Dave Crowl** responded with firm denials. Says Young: “I

haven’t made a decision on who can have the radio show yet—to the best of my knowledge we haven’t even talked with KFYI yet. Laura came to me the other day and said he [Potyka] wants to sell in the East Valley of Phoenix, which is Tempe, Mesa, Scottsdale and Chandler—that’s part of the Phoenix Metro survey area,” he tells *RBR*. “I have to take a look at this situation, to make sure we’re not going to step on anybody’s contract. We guarantee market exclusivity. We had the same thing come up a year ago with Santa Barbara and LA and we worked it out where both of them could have the show. I’m in the business to give as many stations as I can, the radio show. All we have to do is make sure he doesn’t step on existing affiliates’ coverage area.”

Potyka commented, “He [Young] tells me, ‘We were just trying to figure out how to work you both in since you’re selling in Phoenix. So I said, ‘What?!’ Nobody is going to tell me where I can sell a show. Basically, they are trying to turn it around on me. This will not be the only area to get hit with this I am sure. I’m glad our core programming

is local and not subject to CCU control.”

And Crowl’s response: “The Phoenix situation has absolutely nothing to do with the Clear Channel-Arbitron agreement.”

KRXS is already an affiliate of the three-minute Komando vignettes. Wouldn’t you already know they were selling in the East Valley? “Because KFYI doesn’t carry the vignettes and has no plans to. That situation goes back way before Clear Channel even owned KFYI,” Young explains.

Potyka may take this a step further. “Does that mean that WOAI-AM San Antonio at night covers all of Texas, so no station in Texas can do whatever WOAI is doing? Really, why should I carry any of their product now, when I know it may not be renewed? (KRXS carries **Art Bell**, for one.) I’m sure Art Bell is going, but that’s legitimate. That’s their property. If they want to pull one of their owned and operated properties, that is up to them. But to go to a third party and do arm-twists...what they are doing now is effectively restraining trade, and I think that our state’s Attorney General **Ms. Napolitano** is going to be real interested in this.”

Says Clear Channel Radio spokesperson **Pam Taylor**: “Clear Channel, by definition, has looked favorably first at those stations in the market that it owns for its own syndicated properties. But at the same time, **Randy [Michaels]** will be the first one to tell you, ‘We cash all checks. And all money is green.’”—CM



Kim Komando

Shopping the Big Easy: New products at NAB

The NAB Radio Show makes its return to the Crescent City 9/5-9/7. Much has changed in broadcast technology since the show was last held there in '97. And as if to reflect that, NAB has added its "XStream" event, covering Internet technologies, products, strategy and content. XStream is featuring such sessions as "Small market streaming: How to really do it on a budget," "This Is Not Your Mother's Web Cam—Advanced video networks for broadcast and beyond," "Content creation essentials for streaming," "Live! How to produce the perfect live streaming on location event" and "Media encoding & distribution services for broadband networks."

This year's Fall show features a heaping helping of new product unveilings from industry vendors, as well as a comprehensive list of sessions for engineers and would-be techies to attend, including an AM/FM antenna certification workshop, an AM/FM transmitter certification workshop and a digital radio certification workshop that features iBiquity Digital and several manufacturing reps.

Here, some new product highlights to be perused—somewhere in and between your endeavors in riverboat gambling, crawfish etouffe and zydeco.

Comrex—Booth #1900

The new Matrix codec works on POTS, ISDN circuits and GSM wireless service for remote broadcasts. Its modular approach is designed with the future in mind. "The core of the Matrix's flexibility revolves around full access to its powerful coding engine through easily inserted modules and upgradable flash memory," says Comrex Marketing Director **Kris Bobo**. "Whatever may be coming down the communications pipeline, the Matrix is ready. We are hoping that this will be the last codec that the customer needs to buy—it can be frustrating to invest big bucks in a new codec, just to find out that there is a better codec introduced three

Engineered For Profit

By Carl Marcucci

months later. Not long ago, ISDN was the greatest, then equipment was designed that could do terrific audio on POTS and the near future is bringing high speed GSM digital wireless—and coming soon...3G wireless."

The Matrix weighs less than three pounds, and can deliver up to 15 kHz audio over a regular POTS line, wireless circuit or ISDN. Says Bobo: "The user can plan to deliver a remote on ISDN, default to a normal phone line when the ISDN won't work and have multiple options for backup. Also, the quality on POTS is so good, that many remotes can be planned on POTS thereby saving the cost of installing an ISDN line."

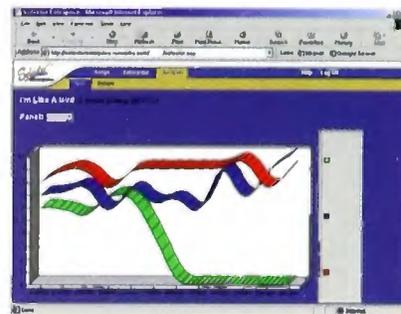
"The next generation coming out is using wireless GSM cellular and/or using a certain brand of Nokia phone that they're working on right now that you plug the Matrix into the Nokia. And in effect, at a very low baud rate, like 9600, it will go over the cell phone," said **Greg Savoldi**, Director of Engineering, Clear Channel, Columbus, OH.



Comrex Matrix

RCS—Booth #1920

RCS is presenting three new selector-related products (Linker XV, Selector Enterprise and iSelector) and three new audio tools (Smart Ripper, Tracker, and Master Control NET). Selector Enterprise allows radio stations inside a group to share information on songs, links, promos, individual and collective airplay and copyright data. Says RCS VP Marketing **Tom Zarecki**: "With Selector Enterprise, you can compare the common points of your successes and upgrade underachievers and organize by regions, ratings and formats. Standardize the data and



Selector Enterprise

audio used by all group stations by, for example, creating a common numbering system for songs and promos; run instant spin comparisons to learn which songs your successful stations played most; analyze song and promo rotations to view success patterns and identify problematic stations or areas."

Tracker is a multi-purpose audio archiving system that features multiple inputs for instant playback of any channel without stopping the current recordings from any touchtone phone or over the Internet. With Tracker, users can conduct spontaneous aircheck sessions from any touchtone phone. Smart Ripper "rips" audio into RCS's Selector and analyzes CD audio and wave files to compute timing, tempo, energy, BPM, key/chord while entering the info to any Selector database. iSelector is a fully branded Internet player that creates a playlist for each listener based on the radio station's Selector, letting them customize and shape the sound of the station.

Orban/CRL—Booth #1436

Orban will unveil its latest software version for the Optimod-FM 8400. Now available for free online download, Version 1.0 software comes with Orban's 8400 PC remote software, as well as a number of improved processing algorithms and enhanced operational features. In addition to greater DSP power, the Optimod-FM 8400's "intelligent" peak limiting system and look-ahead compression, which eliminate the trade-offs between distortion and

loudness, are the most advanced ever offered by Orban. Version 1.0 enhancements include an improved distortion controller algorithm in the multiband limiter to reduce intermodulation distortion, purist two-band processing and presets ideal for classical and "purist" jazz formats and new advanced controls for fine-tuning the texture of the five-band compressor/limiter.

Since its introduction in Spring '00, the 8400 has racked up more than \$6.2M in sales, the company says.

LPB—Booth #1800

An offering to new LPFMs as well as smaller FMs, LPB's "Sky" transmitters are available in 1, 20, 50, 150 and 300W outputs. All include built-in audio processing (via on-screen DSP controls) and stereo generators.

And, of course, LPB will be showing its unique silent mic boom, featuring an extruded aluminum frame to eliminate echo, "fuzzy" flocked springs to stop twang and an external cable-mount groove that puts an end to threading wires.

Broadcast Electronics—Booth #1620

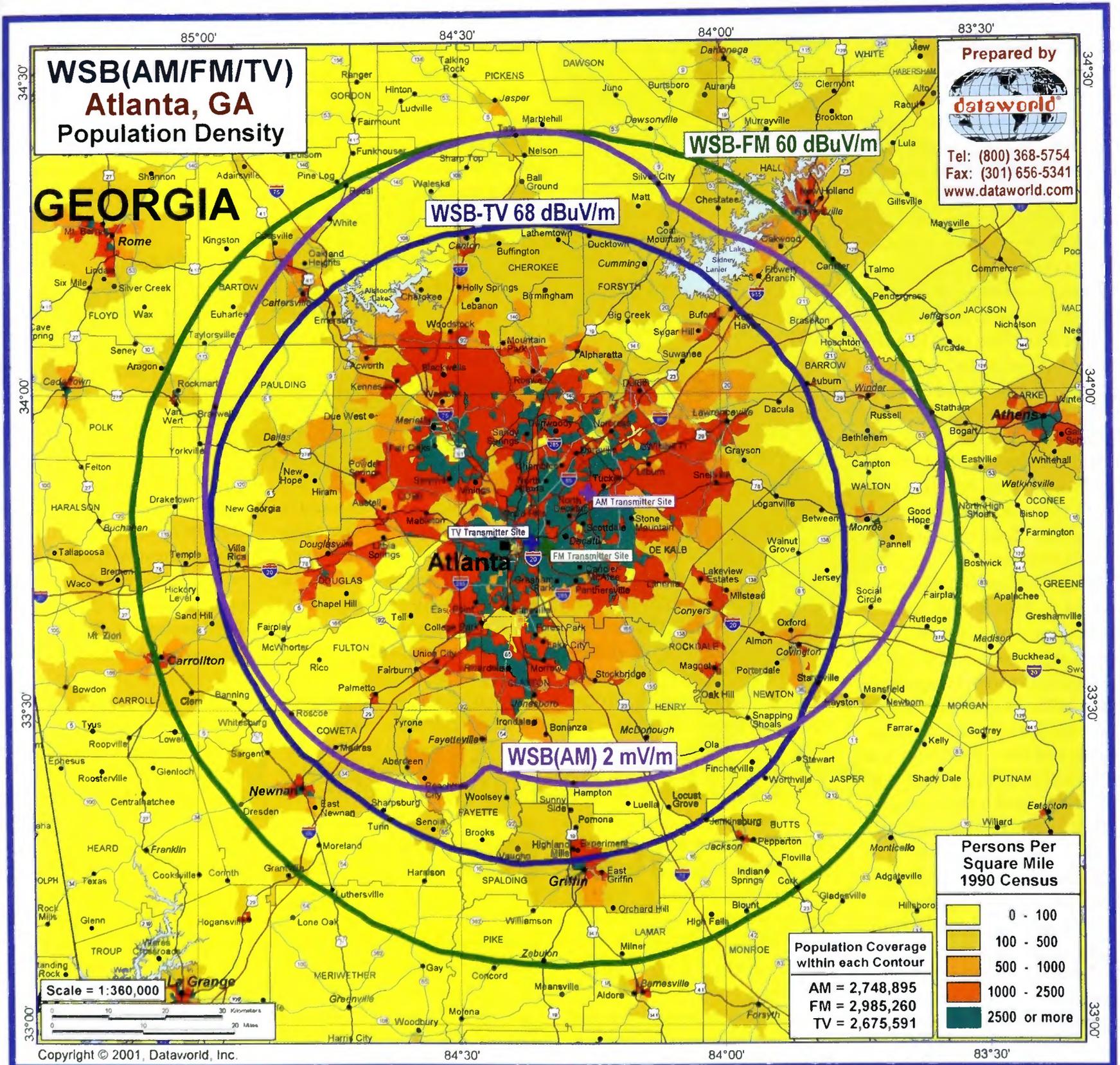
Based in part upon the recent licensing deal with Everstream (RBR 7/30, p.15), Broadcast Electronics will demo their new Internet streaming solutions, consisting of an encoder, ad insertion, stream hosting—a complete Internet radio offering. "Additionally, BE will have on display the AudioVault digital storage system; 'VoxPro PC,' a digital audio software editor; and an operational studio," says BE Marketing Manager **Kim Winking**.

BE's FM-20S, 20kW solid state FM transmitter will also make its Fall debut at the show. Also on display will be a wide range of low and high power AM and FM transmitters, and the full line of Marti STL and RPU products.

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Audio Processing Technology—Booth #1347

Digital on-air system vendor Smarts Broadcast Systems recently worked a deal with APT (RBR.com 8/13) to exclusively use its "ACE 100" sound cards for Smarts' "Smartcaster" line. Smarts is also planning to license APT's "Soft apt-X" software in a new line of apt-X CD rippers. APT will be featuring its "WorldNet Milano" and "WorldNet Rio" multi-channel codecs. WorldNet Milano is a full duplex, multi-channel audio codec offering both fixed line and ISDN connections. It has four ISDN interfaces and has available bandwidths from 10Hz to 22.5kHz. It incorporates both Standard and Enhanced apt-X™ and comes with optional SMPTE timecode. Milano designed to deliver high quality audio for post-production facilities, studio to transmitter, studio to studio links and outside broadcast applications.

WorldNet Rio is a full duplex, multi-channel, multi-algorithm audio codec, which also incorporates Standard and Enhanced apt-X. Like the Milano, Rio has available audio bandwidths from 10Hz through to 22.5kHz with corresponding synchronous bit rates from 56 to 576 kbps.

WorldNet Rio has been designed to deliver high quality audio for inter-studio networking, remote/outside broadcasts and STL applications with permanent digital links such as T1, E1, Satellite or Microwave. WorldNet Rio is suitable for broadcast AM, FM, DAB and other professional audio environments.

The apt-X algorithm is a real-time digital audio data reduction scheme that compresses audio samples by a factor of 4:1 with no perceptible audible degradation and negligible coding delay. Enhanced apt-X offers 16, 20 and 24-bit sampling operation.



WorldNet Rio

Engineered For Profit

Broadcast Software International—Booth # (see below)



Simian Screenshot

Broadcast Software International (BSI) will feature its three new products, including the much-anticipated launch of its new broadcast automation software, Simian.

Says BSI marketing Assistant **Johanna Pack**: "Rather than have a booth, we have rented a riverboat for Wednesday evening. We will be showing Simian, as well as two other new products, TimeShift and Skimmer."

Here is Pack's summary of the three: "Simian is completely touch-screen compatible, with large, easy-to-use buttons and a clear and concise interface. The first of a new generation of digital automation solutions, Simian incorporates advanced capabilities for self-diagnosis and repair, interstation communications, streaming spot substitution, remote control and live support. Simian will support tagging and simultaneous multiple playback of all professional audio file types. Skimmer is our advanced audio logging system, and TimeShift (a very exciting program) will allow users to delay satellite broadcasts, insert local ads into recorded satellite programming, and more."

All three products will be shown at "BSI on the Bayou," a riverboat cruise that begins at 7:30pm 9/5. The riverboat takes off at 8pm and returns to shore at 10pm. Those interested can call 888-bsiusa1 or e-mail info@bsiusa.com for complimentary invitations.

Nautel—Booth #2040

Nautel will be showing its new Q20/20 FM 40kW transmitter. Q20/20 is made up of two 20 kW standalone Q series FM transmitters fully integrated to operate as a 40 kW active reserve transmitter system. Single or dual digital exciters with coherent drive components are included. System controls, metering and diagnostics for 40 kW operation are incorporated within the dual Q20 cabinets.

Three standard configurations are offered for redundancy—multiple power amps provide modular reserve. 1) The Basic Combiner configuration is the simplest, the least costly and requires minimum floor space. The many duplication and redundancy features, with on-air serviceability, of the Q20 transmitters make this configuration an attractive solution for many installations. 2) The Automatic Switcher/Combiner configuration provides maximum flexibility. Motorized RF switching makes it possible to bypass the combiner with a single Q20 directly to the antenna. The idle Q20 is isolated and terminated to the station dummy load and accessible for safe maintenance or off-air performance testing and 3) The Automatic Contactless Switcher/Combiner configuration provides motorized 0-90-180 degrees phase adjustment to direct full power from a single Q20 to the antenna without interruption in broadcasting. This allows stations to maintain ops in the event of problems with one transmitter section.

Enco Systems—Booth #1962

Positioned as a powerful and easy-to-use telephone call editor that runs on a PC, Enco's new Qed runs on a Pentium III CPU with Windows 2000 OS and uses the Digigram PCX-924 DSP board. Qed is available now as a turnkey solution—including computer, DSP board, controller and software. Scrolling waveforms follow the audio; marker points make

editing simple. Left or right channels can be erased, or a bleep can be inserted independently. Ten buttons are available, with each featuring a countdown timer. Qed is balanced analog and digital ready. Plus, the Qed can be controlled with the included jog/shuttle control surface, keyboard shortcuts, the mouse or an optional touchscreen. It also features 10 hot buttons available at the top of the screen, each featuring their own countdown timer.



Enco Qed

Scott Studios/Computer Concepts—Booths #1838, 1820

Computer Concepts is showing its new and improved Digital Universe on-air system; Scott Studios will be showing new features on its SS-32 digital on-air system, including a new Newsroom module with a new phone recorder on-screen; and second and third monitor support. In addition, "Scott Studios is showing Voice Tracks Via Internet that does not require corporate uniform music libraries." Scott Studios/Computer Concepts CEO **Dave Scott** tells RBR. "Most of the Brand-X voice tracking for distant cities, in order for the announcer recording the tracks to hear the music in context either requires that you have a corporate music library where all of the songs are in both cities with exactly the same number and same levels and intros and versions. Or it requires that the voice-tracking system spend time and slow the process down by transferring the song to the other city, which makes it a lot slower. We've got a system that just makes it all faster and seamless—pretty much, you can voice track anything from anywhere."

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something more important to do. Like kicking back and enjoying a cup of coffee—but, in the interest of your waistline, take a pass on the donuts.

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Clients' woes impact TM Century

In its quarterly report to the SEC, TM Century (O:TMCI) notes that most of its clients have cut spending because they get their own revenues from selling ads. "The serious recession in advertising expenditures this year has caused most, if not all, of these businesses to curtail or postpone spending, especially in non-essential products such as those marketed by the Company. It is management's view that the worst of the recession is past and a return to positive growth trends for advertising is anticipated for the fourth calendar quarter of this year."

For TM Century's fiscal Q3, which ended 6/30, revenues dropped 17.8% to \$314K. Net income dropped 69.5% to \$36K.

Media Markets & Money™

by Jack Messmer

Red ink flows as Big City faces Sept. 15 deadline

Bondholders are due a cash interest payment next month from Big City Radio (A:YFM), but it's not clear whether the checks will be going out.

"Cash on hand is not sufficient to support the Company's operations through December 31, 2001 and its growth strategy; nor is it sufficient to fund the \$9.8 million interest payment due on its Notes on September 15, 2001," Big City noted in its quarterly report to the SEC. "In addition, because of the Company's substantial indebtedness, a significant portion of the Company's

broadcast cash flow will be required for debt service. These matters raise substantial doubt about the Company's ability to continue as a going concern."

Big City Radio saw revenues decrease in Q2, and kept the company in negative cash flow. Net revenues declined 14.4% to \$6.8M. The company said the shortfall was primarily due to lower ad sales for its stations in New York and Phoenix, which were only partially offset by an increase in Los Angeles. The company didn't break out revenues for its radio stations, but did break out operating expenses, so it's not possible to calculate radio cash flow. Total

cash flow, however—including Big City's Internet and publishing operations—improved slightly, but was still a negative number. Cash flow was -\$519K, 4% less than its negative cash flow a year earlier. Big City's net loss grew by 5% to \$7.7M.

RBR observation: Will Big City CEO and mega-millionaire **Stuart Subotnick** dig deeper into his own pockets, as he did earlier this year, to keep the company afloat?

As a small player in big markets—whose first business plan failed and whose second one has yet to take hold—Big City was particularly vulnerable to any economic downturn. Now that we're in such a downturn, it's hard to see any light at the end of the tunnel for Big City until *after* the entire advertising market rebounds.

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Ackerley and Radio Unica face Moody's downgrades

Moody's Investors Service has put the debt ratings of The Ackerley Group (N:AK) and Radio Unica (O:UNCA) on review for possible downgrade.

Regarding Ackerley, Moody's said: "The review for downgrade is prompted by the continued deterioration in the operating performance of Ackerley's outdoor advertising, television and radio broadcasting segments. Ackerley's operating margins have remained low and EBITDA projected for the year has been reduced from the \$35M anticipated earlier this year to an adjusted \$30M [unadjusted \$26M]. As a result, leverage is expected to be a very high 9.5 times for the year ended Dec. 31, 2001 and well above the leverage anticipated by the company as recently as May 2001."

Moody's had previously reduced Ackerley's debt ratings in May (*RBR* 5/14, p. 3) and Standard & Poor's cut its ratings of

Ackerley's debt at the beginning of this month (see RBR.com 8/1).

Radio Unica was put on Moody's review list after the company reported higher Q2 revenues, but even higher expenses (story follows), which increased negative EBITDA by 25% to \$24M.

"The review for downgrade is prompted by the company's poor operating performance, modest liquidity position, and uncertain ability to make its first interest payment on its notes. While Unica has grown revenues through acquisitions, it has not been able to achieve the associated cash flow as originally projected by the company," Moody's stated, then noted that the company had only \$29M in cash on hand on 6/30. "Given the company's rate of cash flow loss and its upcoming interest payment due in February 2003, Moody's is concerned that Unica is likely to be unable to meet its first cash interest payment without a capital infusion or asset sale. Unica will have no availability under its \$20 million bank credit facility when the interest payment is due."

The rating firm said its review of Radio Unica would focus on the viability of the company's business plan, whether it might be forced to liquidate and, if so, the value of its underlying assets. "Moody's had anticipated that Unica would have performed better and proven to be better insulated from the brunt of an advertising slowdown as other broadcasters with Hispanic focused programming have proven to be thus far. Given the weak advertising environment and limited visibility, Unica's performance is not expected to improve in the foreseeable future. Moody's will meet with management to review in detail the company's options going forward and a valuation of the assets prior to concluding its review. Given the current economic environment and the impending cash interest payment, Moody's notes there is potential for a material downgrade."

Blaya remains upbeat

"At Radio Unica, we're still projecting revenue growth for the year," CEO **Joaquin Blaya** proudly proclaimed in Radio Unica's (O:UNCA) conference call. His company is projecting revenue growth of 16-19% for Q3, after reporting a gain of 28% to \$9.9M in Q2. That Q2 figure included the company's recent acquisition of MASS Productions, but looking only at its

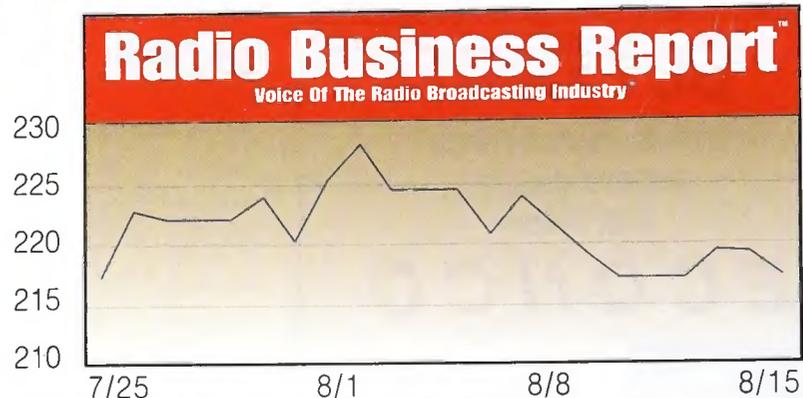


radio operations, Q2 had a revenue gain of 13% to \$8.7M.

Even so, the costs of operating its stand-alone national Spanish Talk network continued to exceed revenues. Radio Unica reported that negative EBITDA grew by 25% to \$24M for Q2, with radio negative EBITDA 37% greater than a year ago. The company has been reducing staff and cutting other costs and Blaya told The Street that he "remains committed to reaching cash flow breakeven."

The Radio Index™

The Radio Index™ moved down 4.186 for the week to close 8/15 at 217.313.



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Transaction Digest®

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

RBR's Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price. Broker credits are based on contracts filed with the FCC.

\$3,900,000 WFGR-FM Grand Rapids MI. 100% of the stock of Haith Broadcasting Corp. from Gregory P. Theokas, Thomas J. Beauvais & Lynda Haith to Regent Broadcasting of Grand Rapids Inc. (Terry Jacobs, Bill Stakelin), a subsidiary of Regent Regent Communications (O:RGCI). \$250K escrow, balance in cash at closing. **Superduopoly** with WNWZ-AM, WLHT-FM, WGRD-FM & WTRV-FM. Connoisseur Communications has voluntarily dismissed its rights under a purchase option with Haith, which had been under litigation in the US District Court for the Eastern District of Michigan, Southern Division (Connoisseur Communications of Flint LP v. Haith Broadcasting Corp.).

\$2,600,000 KLFX-FM Killeen-Temple TX (Nolanville TX) from Sheldon Broadcasting Ltd. (Garlyn Shelton, pres: Ken Williams, VP) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. **Duopoly** with KIIZ-FM. Also has overlap with KWTX-FM and WACO-FM from the adjacent Waco TX market. LMA since 8/3.

\$1,500,000 WSQR-FM Rockford IL (Genoa IL) from Dekalb County Broadcasters Inc. (Larry Nelson) to Dontron Inc., related to Crawford Broadcasting Co. (Donald B. Crawford). \$75K escrow, balance in cash at closing.

\$800,000 WISL AM & FM Shamokin PA from MJR Media Inc. (Charles Michael Hagerty) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. **Duopoly** overlap with WKSJ-FM Williamsport PA. Also overlaps WLYH-TV Lancaster PA, in which CCU has an

attributable interest and which it programs in an LMA with Gateway Communications. **Broker:** Gordon P. Moul & Associates (seller).

\$750,000 WENY AM & FM Elmira-Corning NY (Elmira). 42.92% of the stock of White Broadcasting LLC from various members of Lilly Broadcasting Holdings LLC (who between them retain 100% of voting interest) to Mercury Capital Partners L.P. (economic interest from 10.4% to 53.32%; voting interest remains at 0%). Mercury has loaned an aggregate of \$750K to Lilly, and is acting on its right to convert Lilly's indebtedness into a share of the company's Class D stock. Note: White Broadcasting has filed to sell WENY AM & FM to Eolin Broadcasting Inc. for \$2.2M (RBR 7/9, p.14). Lilly also owns WENY-TV in the Elmira market.

\$700,000 WBIP-FM Tupelo MS (Booneville MS) from Community Broadcasting Services of Mississippi Inc. (Larry Melton) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. **Superduopoly** with WESE-FM & WWZD-FM. Does not overlap other CCU stations in the Tupelo market, including WNRX-AM, WTUP-AM & WWKZ-FM. LMA since 7/30. Seller retains WBIP-AM.

\$418,000 KDAA-FM & KMOZ-AM Rolla MO. % of the stock of KDAA-KMOZ LLC from Stillwater Broadcasting LLC to Mahaffey Broadcasting LLC (John B. & Fredna B. Mahaffey). Debt assumption. **Superduopoly** with KXMO-FM Owensville MO, KTTR AM & FM St. James MO, KZNN-FM Rolla and FM CP Doolittle MO, forming two separate markets of 2 AM+ FM each.

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Time to fold 'em or hold 'em? Maybe just remold them.

By Bob Mahlman



According to recent media reports, XM Satellite Radio has a \$100M ad budget to promote 71 diverse, nationwide music channels—and has raised a total of \$1.4B to finance its space-age radio venture. Interestingly, Clear Channel Communications is an investor (is **Lowry Mays** buying a hedge against future competition?), as is General Motors and its DirecTV—which may soon belong to either **Rupert Murdoch** or EchoStar. Meanwhile, Sirius Satellite Radio has raised over \$1B and plans 85 channels.

Cars, such as Cadillac, SAAB, Suzuki and others, will soon be capable of receiving all of these “diverse channels” and it probably won’t be long before all new cars will also have this technology. And you know that portable satellite radio receivers will quickly follow.

What does this mean to our industry?

I do not believe this is a reason for anyone to think about getting out of radio ownership, nor that this is the beginning of a new wave that will make our 11,000

Sound Off

terrestrial radio stations go the way of buggy whips.

There are still a few of us left who can remember when “radio with pictures” was going to wipe us out. It didn’t, although television did change the radio business. Cassette tapes didn’t kill radio. Neither did CDs or Internet streaming radios (which were talked about a lot a year ago, but you never could actually buy one).

The radio industry couldn’t even kill itself off with clunky-sounding automation that drove away listeners as well as ad dollars. And despite all of the bad press about the evils of consolidation, radio hasn’t been destroyed by what print critics say is boring, corporate radio. (But do you remember them praising pre-1996 programming?)

Let us not, however, forget the basics that make this a great business—that continue to allow individual local stations to progress and become profitable and valuable franchises. Yes, a quality radio station is like waterfront property.

State-of-the-art technology—whether out in space or on a tiny silicon chip—cannot replace the “feel” of a local station which participates in and/or sponsors events in its community. Nor can the best-crafted software program replace local PDs who know their particular niche audience and how their station fits into the life and lifestyle of their community. Technology won’t ever replace the impact of having on-air personalities make personal

appearances, nor will it ever raise money for local charities and publicize community needs.

We shouldn’t, however, rest on our laurels. According to Duncan’s American Radio, local radio has lost some listeners. Maybe consolidation, using cost-saving centralized programming and strictly-structured formats at some companies, has created some music or Talk “machines” with no local soul. Let’s admit it, there are some people in our business who regard “public service” as just a license requirement—an annoyance rather than a commitment.

I hope that the onset of new competition from XM and Sirius will be another wake-up call for our industry. It would do us good to re-focus on the basics and remember what made radio the successful industry it is today.

The fundamentals of creating and maintaining a successful station have not changed in 50 years. If we take these new threats from outer space seriously—and we should—the next step is to focus on what we can do that they can’t to build and maintain our local audiences. I believe that smart owners, managers and programmers will increase their efforts to make their stations local, live and more responsive to community needs and concerns. That will cost more than running a cookie-cutter programming “machine,” but it will also erect a shield that the satellite signals won’t be able to penetrate. They can’t be involved in each one of the thousands

and thousands of communities coast-to-coast, but you can be deeply involved in one community—the one listed on the license of your station.

“Wake up Ammerika!” (with apologies to Kafka) and make your LOCAL station the very best that it can be, with LOCAL news, LOCAL entertainment, LOCAL information, LOCAL sports, LOCAL weather, LOCAL contests and LOCAL fun.

If you don’t give your audience something unique that they can identify with as part of their community and lifestyle, then they might as well get the same songs from the satellite guys. After all, with their billions of dollars to throw around, they’ll probably follow the latest hit with a live interview of the artist—who’ll probably also be making a guest DJ appearance this weekend. You can’t match that kind of star power...but they can’t match your station’s live remote from the local mall, the score from last night’s big game between your local high school rivals...and they certainly aren’t going to tell your listeners why they’re stuck in traffic.

Their billions can buy your listeners—but only if you don’t fight to keep them.

Bob Mahlman is President of The Mahlman Company, a media brokerage in Sarasota, FL. He was previously VP/GM of ABC Radio Networks after spending his early career at two broadcasting rep firms. He can be reached at 941-926-0111 or bluchp@mindspring.com



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Digital Universe

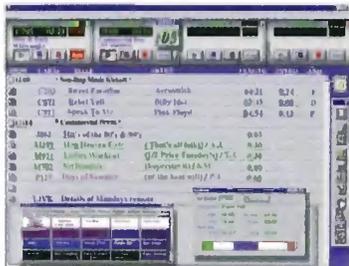
The newest digital system in Computer Concepts' and Scott Studios' family easily runs satellite formats or music on hard drive and sounds great.

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Maestro hardware is the industry's most robust.

Best



SS32

When major market jocks choose an on-air system, they overwhelmingly choose Scott Studios' SS32 for user friendliness and usefulness in fast-paced air studios. New York, Los Angeles and Chicago stations have put in SS32's in the last 12 months, as well as others in *all* of the top ten markets.

SS32 leads in the world's fastest requests from 10 Cart Walls, preview of audio before play, live copy on screen, phone recorder-editor, Instant Play keys, Voice Trackers for local or distant cities, integration with NewsRoom, and top-of-the-line industrial hardware. SS32 also uses fail-safe networking that keeps every station on-air even if all file servers fail!

Good



AXS 3

AXS (pronounced ax-cess) 3 gives you Instant Play keys, easy log edits, satellite jock substitution, a Real Time Scheduler, unattended net catching and a production or phone recorder and editor in the air studio.

AXS 3 uses non-proprietary +4 digital audio cards to mix uncompressed, MPEG and MP3 with triple overlap.

A less expensive AXS 2 dual overlap system is also available for satellite and slower paced formats.

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