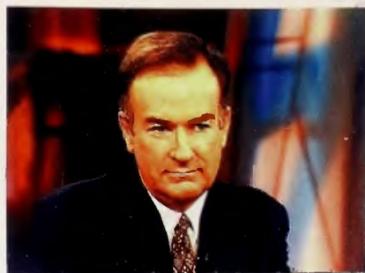


Radio Business Report™

Voice Of The Radio Broadcasting Industry®

March 18, 2002

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Fox News finds that radio fits the Bill

Westwood One (N:WON) has ended the rampant speculation and signed Fox News top gun **Bill O'Reilly** of the "O'Reilly Factor." We

reported the news 3/12 in an *RBR* email bulletin, and the news was made official 3/13. The three-year contract will place him on affiliates including KABC-AM LA and WOR-AM NY (tape delayed 3-5P, replacing **Bob Grant** there who moves for 5-7P). Launching 5/8, the live 12-2PM "The Radio Factor with Bill O'Reilly" will feature special guests and phone calls from listeners.

Female co-hosts will rotate with O'Reilly, potentially finding a permanent slot for one. The show will be done from Fox News HQ in New York. Industry sources say O'Reilly may be getting as much as \$10M a year, more than his deal with Fox News. The deal was worked diligently by WW1 CEO **Joel Hollander**, Fox News President Roger Ailes and O'Reilly.

"We believe this is going to be one of the biggest rollouts of a new Talk shows in quite some time," Hollander tells *RBR*. "There's going to be a lot of cross-promotion between Fox News and the radio show. It looks like advertising will be marketed separately."

The buzzword is cross-promotion with the TV show. "We're going to bring the same sensibility and the same kind of advocacy and point of view to the radio program," said O'Reilly. "The hottest story that we do on the O'Reilly Factor television program will then be brought to the radio the next day, so that people can get in and talk about that story, and let their views be known on what we did. That's the real advantage we have over everybody else—it's like a continuation of a discussion."

Natalie Swed Stone, Managing Partner/Director of National Radio Services, OMD USA, says the cross-promotional opportunities are intriguing: "We like new, national talent that has a promise of success, and anything that brings additional visibility to the medium. And they should cross-promote. I think that goes along with some of the cross-platforming that clients on both sides [radio and TV] will be considering."

For further details and *RBR* analysis, see related story, p.2.—CM



Analysts spar over satellite prospects

How much of a threat is satellite radio to terrestrial broadcasters? There was considerable disagreement between Wall Street analysts at the Kagan Radio Summit (3/13) in New York.

"I think satellite radio is a real threat," said **James Marsh** of Robertson Stephens. He's predicting that XM Satellite Radio (O:XMSR) and Sirius Satellite Radio (O:SIRI) will have 40M subscribers by 2010—a level that could cause serious erosion in listening to traditional radio stations, perhaps reducing terrestrial radio's market share to 65% of the audience.

"You've got to cut commercial loads, maybe in half," Marsh told broadcasters, to fend off the threat. He also said radio stations should stay very local and that they shouldn't be accepting advertising from XM and Sirius.

"We certainly don't see satellite radio getting 40M subscribers," countered Deutsche Banc Alex. Brown's **Drew Marcus**. He sees the new satellite services reaching only 4-8M subscribers by 2010.

Also taking a position closer to Marcus was Credit Suisse First Boston's **Paul Sweeney**. "How many people are upset enough about clutter to pay for the service? Is it 30-40M people? I don't think so," he said. Sweeney's estimate is that satellite radio is likely to have a niche market of 8-10M.

But Marsh was insistent, citing his own experience of having tested an XM receiver in his own car since September. "I don't listen to AM anymore. I don't listen to FM anymore. It surprised the hell out of me."

Satellite radio also came up in an advertising panel, where OMD USA director of national radio **Natalie Swed Stone** said that she and other buyers have bought flights to try out the new service because XM did a good job of marketing itself. "Obviously, the next thing is, can they deliver?"

Swed Stone cautioned against thinking that radio won't react if satellite radio starts to steal audience. "My guess is terrestrial radio will change a lot in the next five or six years," she said.—JM



RBR's Jack Messmer reports from the Kagan Radio Summit in New York

Page 7

Radio One wins award, fends off critics

Radio One founder **Cathy Hughes** was the proud, if somewhat reluctant recipient of the Lifetime Achievement Award, presented 3/8 by the National Association of Black-Owned Broadcasters at getogether in Washington. Commenting on the award, Hughes told *RBR*, "It makes you feel old, because I'm just half way there. So they should really only give half the award tonight and call it half of my lifetime achievement award because I have not yet begun to fight."

Describing Radio One's current strategy, Hughes said, "We had a big growth spurt when we bought the CCU stations, which was the largest acquisition that any African-American company had ever accomplished—\$1.3B—so right now are stabilizing everything, getting all of our staff integrated, indoctrinating them into the culture of Radio One, and then we will go back to growing the company again."

RBR asked about charges of a payola problem within the company, in particular those coming from the *L.A. Times*. "Oftentimes when people of color are having something that they are working through and the majority media misconstrues it as an opportunity to jump on and blow it up all out of proportion. That's precisely what's going on. Yes, there are some things we've got to work through because what we're talking about is a whole new system that's never been tried. People are reluctant and scared of change, but it's not anywhere near as upsetting or unsettling as the *LA Times* tried to portray it."

Radio One COO **Mary Catherine Sneed** told the *L.A. Times* she intends to clean up under-the-table payoffs to Urban programmers and that Radio One hired Ventura Media group to represent the company. Many indie Urban and Hip-Hop music promotion companies said they would boycott Radio One.

NABOB President **Jim Winston** commented on the situation. "It will be interesting to see how that plays out. It's a little too early in the process to know if there's any fire behind all this smoke, so we'll be watching that. Right now we have no reason to believe that there is rampant payola in the industry."—KL, DS, CM

NABOB event attracts the stars, highlights new issues

The 18th annual NABOB communications awards dinner was a well attended happening in Washington DC March 8th. **Cathy Hughes** graciously accepted "half a lifetime achievement award" since she felt that she was only half way done. **Bo Diddley** received Pioneer in Entertainment Award, **Janet Jackson** was presented with Entertainer of the Year Award with



Cathy Hughes

Leontyne Price getting NABOB's lifetime achievement honors.

Legislatively NABOB is going to fight the recent ruling by the DC Circuit Court stating that by removing the 25% ownership cap on television ownership African American's will have less of a chance for TV ownership. See more on the back cover.—KL



Bo Diddley

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FCC Research Consultant Mona Wargo
Administrative Assistant April Olson
Publisher **Jim Carnegie**
VP/GM, Associate Publisher Ken Lee
Senior Account Executive John Neff
Account Executive June 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

Bradenton, FL Office
Jack Messmer

Phone: 941/792-1631
Fax: 253/541-0070
Email: JMessmer@rbr.com

Nashville, TN Sales Office
June Barnes

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

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January back in the black

RAB President **Gary Fries** is celebrating the radio industry's first up month after 13 months of decline. Fries delivered the good news to the Kagan Radio Summit that January revenues were up 1%, local was up 1% with the first gain in 12 months, and national broke a 16-month string of losses with a 2% surge to the upside.

Fries was particularly encouraged by the gain for national and comments a day earlier by Katz Media Group's CEO **Stu Olds** that the first quarter is pacing in positive territory. "I did not see that turn coming quite that soon," Fries said of the view he had just a few weeks ago.

Still, Fries cautioned that the current recovery is fragile and slow moving and won't impact all owners equally. "It won't be the robust recovery that the industry experienced in 1993." Because of a loss of TV buys during the Olympics, Fries said February will likely come in below last year. "That is not a trend," he said, "just a one month glitch."—JM

WW1 will really roll with O'Reilly

Westwood One (N:WON) scored a major coup with its signing of **Bill O'Reilly** for a regular gig on its network (see story, p.1). Disney's (N:DIS) ABC Radio Networks was also courting O'Reilly, but insisted the show not go up against Rush, who airs on several of its top 10 stations. ABC was hoping for a 10A-Noon slot. The day would be way too long, O'Reilly told *RBR*, to do a morning show and the TV show which airs 8-9PM.

(What a week for ABC. It's not often you can lose out on two major talents—O'Reilly and **David Letterman**—in such a short time frame.)

O'Reilly may likely find a slot on each of Infinity's FM talkers. The likely affiliate count at launch is 75-100, according to Westwood. Other markets mentioned as close to clearance include Hartford, San Diego, Seattle, Atlanta, Bakersfield, Orlando, Dallas, Philadelphia and Houston.

While the show is being offered for a mix of barter and cash, **Rick Buckley**, President, Buckley Broadcasting, tells *RBR*, he's getting the deal for straight barter—six minutes from Westwood, with 10 to sell: "I think it's good for radio. He's got an interesting attack on this television show, and he's done radio before. He's worked for us on several occasions over the years and has always done an excellent show. He's a local guy, too—born and raised in Long Island. I think this is going to be a home run."

We asked if the show can be replayed, especially in smaller

markets, which could double stations' inventory. Westwood had no answer as of yet.—CM

RBR observation: Fox is going to try and draw a crowd, a piece of the audience from **Rush Limbaugh**, who has 20M weekly listeners on over 600 stations. Fox News is using radio's come to build the network; and radio is using Fox News' talent to create a whole new product. If the affiliates—say a WLS Chicago—are smart, they will ally themselves closely with the local Fox-TV cable outlet. When O'Reilly is on at 8PM, that's where affiliates should be placing their local TV spots promoting O'Reilly—front load the pre-O'Reilly program on Fox, while Fox takes post-program spots after the radio show. That's where you're going to generate the money from cable into radio and vice versa.—JC

Pricing is holding back growth

While ad buys are still being placed very late, radio executives are confident that the worst days of the recession are in the past. At the Kagan Radio Summit, Premiere Radio Network President **Kraig Kitchin** said the network business is up 1% year-to-date and he expects a 4% gain by the end of 2002.

"We're running the same number of clients now that we

Washington Beat

Powell pummeled by Hollings

In a scene reminiscent of Capitol Hill Chairman **Michael Powell** (R) was on the hot seat 3/7 as Sen. **Ernest Hollings** (D-SC) berated Powell for the way the FCC is being run. Powell was appearing before the Senate Commerce Committee to answer questions about the FCC's budget request, but Hollings had other things on his mind.

"All you need to do as Chairman of the FCC is take care of the laws that we passed and you have just that responsibility. Instead you seem to abandon that responsibility and assign it to the market," Hollings railed. "It's just amazing to me that you pell-mell down the road and seem not to care at all. I think you'd be a wonderful executive vice president of the Chamber of Commerce, but not a chairman of a regulatory commission."

Powell took the verbal pummeling in his characteristic quiet manner, but denied that he's been shirking his responsibilities. "I can sit here and, I don't want to, but list a whole lot of things that we've done in the name of competition," he replied.—JM

FCC reorg kicks in 3/25

The radio, television and cable industries will officially be regulated by the FCC's new Media Bureau as of 3/25. It is comprised of the old Mass Media and Cable bureaus.

W. Kenneth Ferree is the bureau chief. Others at the chief or division chief level include **Roy J. Stewart** (chief, Office of Broadcast License Policy); **Peter H. Doyle** (division chief, Audio Division); **Barbara Kreisman** (division chief, Video division); **Michael S. Perko** (chief, Office of Communications and Industry Information); **Mary Beth Murphy** (division chief, Policy Division); **Royce D. Sherlock** (division chief, Industry Analysis Division); and **John P. Wong** (division chief, Engineering Division).

Other major FCC bureaus will include the Consumer and Governmental Affairs Bureau, **K. Dane Snowden**, bureau chief; Enforcement Bureau, **David Solomon**, bureau chief; International Bureau, **Donald Abelson**, bureau chief; Wireless Telecommunications Bureau, **Thomas Sugrue**, bureau chief; and Wireline Competition Bureau, **Dorothy Attwood**, bureau chief.—DS

RBR Stats

Top 10 billers

BIA Financial Network has released its top-10 list of radio station billers for 2001. In what is largely a battle between the two biggest radio groups, Clear Channel (N:CCU) controls the top two slots. Infinity (N:VIA) has the next four, and for three of the final four slots we're back to CCU. Emmis (O:EMMS) managed to crack the top 10 list with its KPWR-FM Los Angeles, which came in at #8 and is said by BIA to be the first Urban-CHR station ever to make the list. It had been at #11 in 2000.

Also new to the list was KYSR-FM, which vaulted all the way from #19 to #7, and KOST-FM, which went from #17 to #10. Both are in the CCU LA cluster. Infinity's WFAN continued a slow slide. Occupying the #1 slot from 1995-1999, it slipped to #2 for 2000 and #3 this time around. CCU's KIIS-FM repeated in the top slot with \$61.3M in estimated 2001 revenue.—DS

Rank	Calls	(Mil)	Mkt	Owner
1	KIIS-FM	\$61.3	LA	CCU
2	WLTW-FM	\$56.3	NY	CCU
3	WFAN-AM	\$51.3	NY	VIA
4	WINS-AM	\$49.7	NY	VIA
5	KROQ-FM	\$48.7	LA	VIA
6	WXRK-FM	\$44.2	NY	VIA
7	KYSR-FM	\$43.9	LA	CCU
8	KPWR-FM	\$42.4	LA	EMMS
9	WHTZ-FM	\$41.3	NY	CCU
10	KOST-FM	\$40.5	LA	CCU

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were running in 1999 and 2000," observed **Clarke Brown**, President and CEO/Radio, Jefferson-Pilot Communications (N:JP). "The issue is pricing and our cost-per-point is obviously down." But Brown warned against adding units and selling cheap to grab market share. He said it's easier to raise rates from a mid-point than to boost really low rates once the advertising environment improves.

From the buying side, **Natalie Swed Stone**, Managing Partner and Director/National Radio Service at OMD USA, said that radio isn't cheap, just back to realistic levels after an inflated period. But she also insisted that price isn't the most important issue for national advertisers. "If you've got no ideas, they're going to kill you on price," she said. "If you've got a great new idea, they won't even ask about the price."—JM

Groups challenge CARP recommendations

Less than a month after the Copyright Arbitration Royalty Panel (CARP) set the rate recommendations for streaming media performance royalties (*RBR* 2/25, p.2), five major groups along with The National Religious Broadcasters Music License Committee filed a petition (3/11) asking the U.S. Copyright Office to reject or reduce those rates. Clear Channel, Infinity, Entercom, Salem and Susquehanna wrote the appeal, claiming CARP erred when it set the rate of .07 cents per song for radio rebroadcasts and .14 cents per song for Internet-only webcasters, plus a 9% ephemeral license fee.

The rates were "arbitrary, confiscatory and unreasonable; reflect a mistaken view of the governing legal standard; result from a constricted notion of the nature and kinds of evidence that are probative in arriving at reasonable fees; fail to find support in the record...[and] will drive broadcasters and webcasters from the Internet," the letter read.

The groups asked the US Copyright office librarian to void the decision (the librarian oversees the nation's copyright royalty payments) and suggested a different set of rates/terms: "Viewing the issue most conservatively, the rate to which 'most' willing buyers and willing sellers would agree for radio broadcast simulcasting should fall somewhere close to, and most likely below, the unadjusted musical works benchmark of .02 cents."—CM

NAB fires off another letter re: XM repeaters

The NAB continues its quest to alert the FCC that XM Satellite Radio's repeater network is not about filling in reception gaps, but creating a system to insert local ads, programming and information services. It filed a third letter on the subject, addressing responses to its previous submissions.

The WCS Coalition letter points out that XM "has placed large numbers of repeaters along interstate highways that generally have unobstructed paths to satellites." It also suggested that the Commission should require XM to demonstrate that its repeaters are only placed in locations where there are gaps in satellite coverage.

XM repeated its willingness to accept a condition on its repeater licenses that would "limit transmissions from repeaters to only that programming that is transmitted by an authorized DARS satellite."

The NAB letter also asks again that the FCC not grant permanent licenses for the repeaters without including rules that prevent them from being used to originate programming or to deliver locally differentiated services.

In a satellite radio panel at the Kagan Seminar, Sirius CEO **Joe Clayton** dismissed NAB's concerns about local content insertion. "This is much a do about nothing," he said, "it is the furthest thing from our minds."

Lehman Brothers bond analyst **Robert Berzins** questioned why XM or Sirius would want to lose their national economy of scale to try to compete in local markets. The Berzins' most intriguing suggestion for the future was that the satellite companies might move to offer a small number of channels for free with ads to attract consumers who won't pay a monthly subscription fee.

"I can easily see a small free package," agreed Clayton. Although he was more enthusiastic about the idea of tiered packages like cable with perhaps a fee of \$4.95 a month for limited service. Rather than the \$12.95 a month for Sirius' full 100 channels.—CM, JM

RBR has satellite repeater location list

Radio Business Report has spent the money and done the research. Now you too can have a copy of the longitude and latitude of every satellite repeater for both XM and Sirius satellite along with analysis that only RBR can do. Call April Olson at 703-719-9500 and we will fax or mail you it for only \$10 plus shipping.

RBR News Briefs

Sutton on the acquisition trail

RBR caught up with ICBC honcho **Pierre Sutton** at the NABOB function 3/8. Asked if he's ready to grow the company, he said, "We think so. It's time. Unfortunately there are fewer opportunities because of the consolidation of radio, but there are still opportunities out there for us to pursue. We're positioning ourselves." Sutton indicated that pricing may be coming down to an attractive area. "Yeah, as an industry we're not feeling all that excited about ourselves because of the nature of the advertising, and so I think there will be those that are just riding out the storm, and I'd prefer not to ride out the storm, I'd like to be more proactive about growth."—KL, DS



Pierre Sutton, chairman of ICBC, with daughter Keisha Sutton.



Jacobs wearing another hat

Regent Communications (O:RGCI) CEO **Terry Jacobs** has taken on a part-time job. He's now a member of the board of directors of Capital Title Group (O:CTGI), a Phoenix-based title insurance company. Jacobs was in the insurance industry before founding Jacor Communications in 1979. He's already a director of National Grange Mutual Insurance.—JM

BIA says radio, TV sale prices dropped

BIA Financial Network reports total radio transactions were valued at \$3.8B last year for 1,000 radio stations. The radio business hadn't seen that small an amount spent on stations since '94, when \$2.7B was spent on 1,255 stations. In 2000 1,794 radio stations sold for \$24.9B. 144 TV stations sold for a total of \$4.9B in 2001, down 45% from the \$8.8B that changed hands for 154 stations in 2000. 2001 was the lowest amount spent on buying TV stations, also since '94.—CM

Six more stations join Portable People Meter Trial

Arbitron announced 3/7 that six additional radio stations serving the Philadelphia market have begun encoding their audio signal for the U.S. market trial of its radio, television and cable TV audience measurement device—the Portable People Meter (PPM). Since the second phase of the U.S. market trial began on 1/7, WAEB-FM, WCTO-FM, WKXW-FM, WLEV-FM, WRFY-FM and WZZO-FM have joined the 38 Philadelphia DMA radio stations that have already been participating in the PPM trials last year.—CM

Kmart to close 284 stores

Kmart Corp. announced it will close 284, or 13% of its stores and cut nearly 22,000 jobs as part of its reorganization under bankruptcy protection, resulting in a charge of \$1.1B to \$1.3B. The closings require bankruptcy court approval. Kmart currently has 2,114 stores and a 250,000-person work force. Kmart filed for voluntary Chapter 11 bankruptcy protection 1/22 after intense competition from rivals Wal-Mart and Target. Weak holiday sales—which came on the heels of a reduced ad budget—left the retailer strapped for cash.—CM

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Triad's Gary Peterson: Climbing the ladder without leaving home

Based in Rapid City, SD his entire life, Triad Corporate Engineer **Gary Peterson** also wears the CE stripes in that market. Seven years old the first time he saw television, Gary's formative media experiences were rooted around radio. That quickly evolved into a lifelong hobby: Amateur radio (North Korea, by the way, is the last country he's waiting on a QSL from). Peterson got an amateur radio license in 1960 at the age of 13. By the time he graduated high school, he also had a First Class radio-telephone license. At the time, that was a ticket to a job in broadcasting.

"I immediately got a job as a DJ at a 5-kW daytimer and that paid my way through college in Rapid City. I worked on the air, and shortly after, started fixing things—I'd go on my shift, and out of maybe six rack-mounted cart machines, three of them were working."

The station's contract engineer left and Peterson took over, adding the transmitter and other equipment to his repertoire. The first two of his five years in college were spent as an EE major. "When I graduated from college, I took a job teaching (that was my final degree) at a local high school. I taught chemistry and physics for 17 years, but I stayed in radio. I worked weekends and summers and over the holidays and continued to do radio engineering," he tells *RBR*.

After 17 years of teaching, he was offered, and took, a job by the manager of a local AM-FM combo—an Assistant Manager/CE position. Eventually, that owner sold to Triad in late '99, and Gary found himself working for CEO **David Benjamin**. Then, "approximately in June 2000, I read in a trade magazine where Triad had just acquired 15 stations. I sent an email to Triad's CFO, **Tom Douglas**, asking if he needed anyone to do engineering at a corporate level, 'keep me in mind.' They took me seriously. I would add in retrospect that I would say that Triad is a great company to work for. I think they understand radio, they're radio people. They're really trying to do a great job in the industry."

Managing theminds

Gary's management style and philosophy could be considered both hands-on and hands-off. The equation is fairly simple to start: seven Triad Broadcasting markets, seven chief engineers. He's lucky to have inherited a strong mind trust in **Mark Borchert** (Fargo), **Joel Robertson** (Biloxi), **C. B. Gaffney** (Hilton Head/Savannah), **Clyde Scott** (Tallahassee, contract engineer), **Bill Frost** (Lincoln, NE) and **Keith Bowman** (Bluefield, WV-VA).

"I would say I'm a resource for the engineers in other markets. If somebody is looking for something or needs information, I will do anything I possibly can to grease the skids. Maybe somebody has a question about something, I can send an email out to all of the other engineers and ask for suggestions."

He continued, "I certainly don't want to tell anybody else how to do their job. They live in that area, they're familiar with the area, they know the environment there, they know the equipment they have to deal with. Those people know their jobs far better than I do."

Nevertheless, Gary's been to every market and visited every studio and transmitter site. And while there, "I've tried to look at them through the eyes of an FCC or OSHA field inspector. I'm looking for any compliance issues, whether it's FCC, FAA or OSHA safety," he says.

The problem voiced by many groups in finding new, competent engineers hasn't hit Triad as of yet. "Fortunately, we've only had to do that once. Every engineer in every market is just really a very, very competent person. They've each got some tremendous strengths, and I would hate like heck to have to replace any of them. If I had to, there's a lot to be said for somebody that's been around for a while—somebody that's already in the market, familiar with the territory. It gives them, I think, a real edge. They're already networked—they know people at the phone company, city hall, and the power company."



An engineer at home as well, Gary climbs his Ham radio tower at home for a repair

Budgeting and saving money

Triad's Cap Ex budgetary process usually starts in late Summer. In each market, the market manager and CE create a proposed budget, with the engineering portion reviewed item-by-item with Peterson and the CE. "We try to arrange things in a priority. What do you absolutely have to have, what would you really like to have, and what could you forego if we end up going over budget? At that point, things go to corporate. I think they usually go through the entire budget at least a couple of times. If they have questions, they ask the engineer or me," Peterson says.

The highest priority, he tells *RBR*, is to maintain FCC, FAA and OSHA compliance with equipment. Another high priority for replacement is any particular piece of equipment where "we can get a fairly quick return on the investment. If a transmitter is a power hog and tube replacement costs are high, and by replacing that transmitter we can pay for it within a matter of two or three years, that would be a pretty high priority. Any equipment that has reliability problems or consistency problems in terms of the station being on the air or having a competitive sound—anything that affects the company's ability to maintain the franchise they have in a market," Peterson adds.

How do they save Triad money? The tried-and-true system of sharing equipment is always a place to start. "If a market engineer, for instance, needs a piece of equipment, whether it's something they don't have or something they need to replace, the first thing we do is look at the other markets," Peterson says. "Sometimes an item that one engineer needs or wants may be unused in another market. And that being the case, we redistribute the equipment. We've actually shuttled quite a bit from one place to another, whether it's STL antennas or Marti units or audio processing equipment or tape machines, test equipment. We've actually been able to provide market engineers with things that they need without it really costing the company anything. We also try to use rebuilt transmitter tubes whenever possible."

In addition to finding ways to lease any excess tower space, Triad engineers are also always looking for ways to get electrical energy bills down. The various market engineers are constantly sharing ideas with one another via e-mail. Adds Peterson: "If someone finds a way of cutting a cost without affecting the final product, they let everyone else know about it. And we're looking for ways to reduce insurance costs. If we can lower an insurance premium by doing something that the insurance company wants, we'll definitely take a hard look at that."



The new KVOX-FM, Fargo on-air studio

equipment," he says, "the engineers in the various markets are well aware of the fact that if they could do the best they can on the equipment they're seeking, they can get more equipment for their money. So, the various market engineers for the most part, pick and choose what they're purchasing and from where."

Rapid City is getting new studio furniture, a couple of new consoles and STL gear. The project should be done in July of this year. "One is in Sturgis, SD—37 miles from here, a standalone AM: KBHB-AM. The other two are in Rapid City. The Sturgis station is an Ag format and we don't have any plans of changing anything as far as studio location up there. But in Rapid City, we have three stations at one location on the second floor of a 10-story bank building and we have three stations at another location. We're moving out of the bank building into the area that's occupied by the other three stations. We're getting an entire floor, so we're going to have lots of room."

Consolidation

Gary's overseen all of Triad's consolidation projects and is getting ready to do a consolidation/rebuilding of his own seven-station cluster. So far, Triad's market consolidations have re-used most of the existing equipment. "Basically, most of the gear that we have was inherited. When Triad purchased the stations, we ended up with what was in place at the time. And, excluding situations where we've upgraded, we have quite an array. Four of our markets have Scott Studios hard disk systems (Fargo, Rapid City, Bluefield, Hilton Head/Savannah), one market has BE (Biloxi), one has Prophet Systems (Lincoln) and another has Computer Concepts (Tallahassee)," Gary explains.

The replacement schedules, therefore, aren't synchronized either. Gary's preference is to let each CE decide: "When we do need

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KQWB-AM's new studios



KTLA-FM's new studios

Triad consolidated Fargo 2/01. There were three stations in one location; two in another. "We moved all five to a brand new building. The Fargo market engineer, Mark Borchert and the manager up there, Nancy Odney, did the bulk of the planning. I went up on two different occasions to actually assist, to physically put everything back together again," Peterson recalls.

Biloxi was finished 3/00. They moved all of their radio stations from old studios that were too cramped and badly in need of renovation, into a newly-renovated area in a shopping center. "I went to Biloxi to help with that move. They were under one roof, but it was just too cramped. I think the major benefit in the Biloxi market from consolidation was morale from moving into new, nice squeaky clean facilities. Where they were was just too small, and if a person had attempted to remodel, it would have been just terribly disruptive. We pretty much used the equipment that we had. In both Fargo and Biloxi, the bulk of the equipment that existed was pretty good stuff."

Triad's other markets are already consolidated under one roof, upon purchase.

Upgrades

KQWB-AM Fargo was a fairly recent recipient of an upgrade—in late 2000. When Triad acquired the station, it was on 1550 kHz, a 10-kW non-directional daytime/5-kW, five-tower directional night. Says Peterson: "From what I've been able to determine, the directional array had been historically unstable. It required just constant fiddling to keep the pattern legal. An earlier owner, going back two, had applied for a move to the expanded band and that was just laying fallow and it was due to expire at the end of the year. I recommended to Tom Douglas and David Benjamin that we move on that, and we, in fact, did. Now KQWB is 1660 kHz, 10-kW non-directional day/1-kW non-directional night. The station has gotten rid of a very expensive to maintain directional

array, both in terms of time and financial resources. And they've actually gained population at night. We used one of the five towers."

The original transmitters at the site were two Harris MW5s that were diplexed together to get 10-kW. Those were replaced with a Harris DX-10. Said Gary: "And wow! what an improvement. The power bill is way down, tube replacement costs have gone to zero and the station just sounds a lot better."

Another upgrade was done with KBHB. When Triad acquired the station, it was licensed for 21-kW day and less than 20 watts pre-sunrise/post-sunset. "The daytime transmitter was a very old 50-kW tube-type rig and the nighttime was an old tube-type 1-kW. We upgraded through an FCC filing and brought the daytime power up to 25-kW and got 60 watts all night long—which is really a big help during the morning and evening hours for a station with an Ag format."

The old 50-kW transmitter was replaced with a Harris DX-25U and the nighttime transmitter with a Nautel 1-kW solid state. "A tremendous difference in both cases," says Peterson. "Both signals are far, far better than they ever were. I'm told the electrical energy bill up there dropped \$900/month. The tube replacement costs have gone to zero and the transmitter maintenance is just a shadow of its former self."

Other recent transmitter purchases include:

- BE AM-1 (WXBD-AM Biloxi)
- Harris HD20CD and Crown 500-watt for backup; a new Moseley Digital STL and a Propane-fire generator—the site is pretty much inaccessible in Winter. (KRCS-FM Rapid City)
- Bext 1-kW for backup (WWFO-FM Tallahassee)

Peterson on IBOC

"If it's successful, if IBOC does everything that's been promised, I see more room for improvement in AM than I do in FM," Peterson anticipates. "I think it's kind of a wait-and-see thing. I think when I start hearing from the CEs in the various markets, that they think this is the thing to do, then I think that's when we'll start looking at implementation. I do fear that if IBOC is not mandated, it could end up like AM stereo."

In building new studios, Peterson is making sure they won't be difficult to convert to digital audio: "For instance, when a person purchases wire for wiring a new studio, particularly long wire that runs from one location to another, I try to make sure that it is something that can be readily adapted, like running extra telephone pairs or extra Cat-5."

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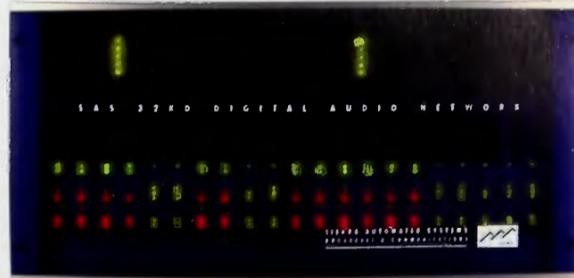
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Q3 scatter: Should buyers wait again until last minute?

In last week's AdBiz, we took a look at the curious, yet positive phenomenon that's developed with Q2 network buying: A last minute buying frenzy came upon the industry unexpectedly, causing a rapid drying up of desirable inventory and temporary shutdowns at the networks' sales and planning offices. Should we expect the same to happen with Q3 buys? Will advertisers wait as long? Will rates shoot up? This time we look ahead a bit.

How is the Q3 marketplace unique? What drives it? While Q2 plays host to Mothers' and Fathers' Day, the start of spring sales, spring housekeeping, yard work, house & garden and pre-vacation stuff, "Q3 is not that type of a marketplace. It's more of a fallow marketplace, more of a laid-back marketplace. It's a high demand period for a lot of the youth-oriented products that drive radio—the beach stuff, the movie stuff. But you're not driving household cleaning, remodeling and decorating, Mother's Day, major sale events. The only thing you have going is really Labor Day and the 4th of July," says **Bruce Heim** VP/Group Director Horizon Media. "The hope is just for generic, overall advertisers—package goods and other people that will continue to flow into the third quarter. It won't be as strong as second, because of the difference in the quarters, in terms of what they sell against."

How strong will the Q3 marketplace be? SVP, Director of Radio Negotiations, Mindshare USA **Reyn Leutz** explained last week that two quarters trending together usually means a real turnaround. What does he predict for Q3? "I would say it would be



Reyn Leutz



Irene Katsnelson

equally as strong. Typically Q2 kicks off new categories, then the soft drinks come in, the movie companies are at a heavy spending level, and that tends to continue through Q3." "Q3 has a healthy base of business. It will be a flighted market, too, as a result of business practices of our best advertisers currently. We will be prepared to be even more helpful for that quarter, as well," Premiere President/COO **Kraig Kitchin** predicts. "I think it's going to continue. I think the economy's up, I think people are rebounding to some degree and feel a little more resilient," says Heim. "Also, in terms of out-of-pocket, it's easier to probably go into radio a little bit, because the television marketplace, at the same time, is also rebounding to some degree. Some of that is also being fueled by ABC television being out of sales, on the cable side VH1 is out of sales because of underage problems and things along that line." Some stress, however, it's still early to label any trend on Q3, with all the last-minute buying that's developed over the last few quarters. However with a focus on summer fun and back-to-school, it's likely to be active. "Honestly, Q3 is still OK at this point in terms of inventory that's still available. But usually when Q2 is so active, the momentum carries into the second quarter. We're not seeing that yet, but it's also early. Don't forget—advertisers are really holding onto their dollars until the last possible minute, hoping for those great deals. That's what happened in Q2, and it looks like that's what's going to happen in Q3," says **Irene Katsnelson**, VP, Director of Network Radio, MediaVest. "Do I feel that it's going to be as active? Yes, I think so. Remember, Q3 is traditionally the busiest quarter, with all the back-to-school activity. And if Q2 paves the way into that, I really believe that it's going to carry over into it."

"I haven't seen big shifts in the second half yet. But Q2 will tell, because now is the beginning of those advertisers who spend in Q3-Q2 fiscal years. That will start to be reflected soon. I don't think it's quite there yet," agrees Director, Network Radio Services, MediaCom National Broadcast **Matthew Warnecke**.

Waiting game has its perils

So when will Q3 get busy, and is it wise again to wait until the last minute? "Realistically, considering that everything is so last-minute, probably as late as early June," says Katsnelson. "Historically, no one really waited until a couple of weeks before the start of the quarter. But if we look at what's been happening in Q2, even with our advertisers, we had budgets for Q2 that came out two-four weeks prior, we would try and get them on the air. So I think it's going to be similar for Q3. Realistically, probably early June people are going to start moving and looking at Q3 inventory."

She adds, "It's definitely a good idea to come in early. That's my philosophy. Don't wait until the last minute, because as we saw in Q2, inventory that you wanted was not necessarily there. There was just so much activity that companies had to close down to see what was going on because there were so many orders that were coming in. It's not advisable to wait until the last minute, because I don't think there are any positives in doing that."



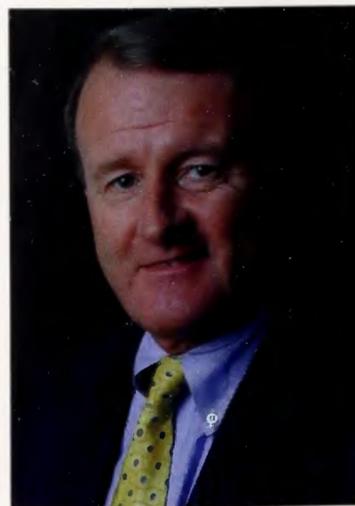
Dennis McGuire

What about spot?

On the spot side, **Dennis McGuire**, VP/Senior Spot Radio Manager, Carat USA is starting to see the major markets get active for March and April: "We can honestly say that we think that there is a turnaround. It's slow, but nevertheless it's there, and we think it's going to carry into Q3. We're not saying, by any means or stretch of the imagination that it's a stampede to buy time. But there's healthy interest out there, lets put it that way. This is coming from the radio stations I've been talking to. Because we're actually having stations get back to us—at least for Q2—and say, 'Gee, things are getting tight here.' You can still get on the air, but it's getting tighter. And we're hearing a lot of economic reports saying that the economy is turning around. We think that the increase in advertising is on the forefront of the turnaround. The sign is there."

How tight things get obviously remains to be seen. Right now,

McGuire says pricing is still to the buyers' advantage. "We don't know when that will change, and forewarned is forearmed. And if people are planning on spending money into May, June and even into the summer, they should be getting in now. It never hurts, because you can always get out with four weeks' cancellation. This way, you lock



Marc Guild

up the inventory," he says.

Marc Guild, President/Sales and Marketing, Interep, sees "no reason to believe" the momentum won't continue. However, "I always say these things with a little bit of hesitation because of the state the world is in right now. There's so much going on across the globe; we're kind of walking on eggshells here. But I see no reason to believe that the economy of the United States isn't back and on an upward trend and I see no reason why that wouldn't continue."

How much will Q3 be up? "I think Q3 will be up vs. last year—I definitely hope so!," adds Guild. "I would say it will be up in the medium-to-high single digits. Right now it's a bit early to talk about bookings. There's no question that placement of commercial time is getting shorter and shorter because of the year that we've been through. But that is not to suggest that as things get a little more busy and inventory gets tighter that won't change. Right now, however, that's a

dangerous call to make."

"We anticipate that the improved ad climate that we are experiencing in Q1 and is starting to develop for Q2 will accelerate as there is improving news on the economy. We know that current advertisers are committed to spending money in Q3, and there is no reason to believe that will change," observed Katz Media Group CEO **Stu Olds**.



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By Jack Messmer



Allen Shaw and Peter Handy at the Kagan Radio Summit in New York.

Panelists expect resumption in station trading

There haven't been many radio station sales in recent months, but the good news for the industry is that prices have held up despite the economic recession. At the Kagan Ra-

dio Summit, lender **Michel Andres**, Managing Director/Media at BMO Nesbitt Burns, said that still relatively high multiples have proven the strength of broadcasters' assets and given their lenders reassurance. "While broadcasters were out of compliance with their debt covenants, it wasn't catastrophic," he noted. For the most part, lenders have amended loan terms (for additional fees) and not forced asset sales.

Broker **Peter Handy** of Star Media Group said that since last September he's been advising selling clients to hold off until later in 2002. For good cash flowing clusters in small rated markets, he's expecting to get 14 times trailing cash flow at closing. "If you go much under that, we'll tell our guys to wait," he said. And Handy said the days of 10 times multiples won't be returning. "That's a buggy whip," he insisted.

"We're seeing opportunities in the 11-14 times multiple range," said Regent Communications (O:RGCI) CEO **Terry Jacobs**, with groups with good clusters at the high end of that range.

Kagan Sr. Analyst **Robin Flynn** reported that station trading in 2002 was only \$4.4B—the lowest level since 1994. Panelist said prospects are improving, but no one is expecting a rapid rise in station trading volume.

Until recently, Jacobs said, sellers still had expectations that harkened back to 1999. "Anyone we had talked to thought they were worth a 20 multiple and we just walked away from it," he said.

Although the bulk of consolidation's big deals have been done, Handy predicted that some 50 companies that now own radio stations will be sold or merged in the next five years. That, he said, should amount to another \$7.5B in consolidation.—JM

Analysts set to raise revenue forecasts

Look for Wall Street analysts to start raising their estimates for radio, after seeing evidence that ad demand is reviving at a faster rate than expected. At the Kagan Radio Summit (3/13) in New York, **Drew Marcus** of Deutsche Banc Alex Brown said that while the previous expectation had been that radio ad revenues would rise 2-3% this year, it now looks as if the number could be as much as 7-8% by year end.

Paul Sweeney of Credit Suisse First Boston said that the current analysts' consensus may be 20-25% low. Sweeney's current official forecast is for 2-3% revenue growth in 2002, but he indicated that the actual figure may be more in the range of 5-6%.

With forward vision still murky, neither analyst is in any rush to declare a new target, but both expect to make upward revisions before many weeks pass.

Katz Media Group CEO **Stu Olds** also indicated that the recovery is taking hold in his keynote address. He noted that Q1 is coming in better than forecast for national business, with January up 4%, February flat to up 2% and March also looking to be flat to up 2%.

Three Eagles buying itself for \$71M

Rolland Johnson used the Kagan Radio Summit to announce a \$71M recapitalization of his own company, Three Eagles Communications. "We're doing a mini-Larry Wilson," he joked, referring to last year's \$2B buyout of Citadel Communications. Johnson and other managers will remain with Three Eagles, but 235 shareholders—most of whom invested \$25-50K when the company was launched in 1996 with \$13.5M total—will get an opportunity to cash out all or part of their profits.

Wachovia Capital Partners and Primus Capital Partners are Johnson's new equity backers, and the new loan package is being put together with Wells Fargo, GE Capital, First National Bank of Omaha and US Bank.

Johnson says Three Eagles will be looking for more acquisitions in its midwest and Great Plains base, including markets further south and as far east as Indiana.—JM

Entravision gets top grade for ratings

A new student has moved to the head of the class in the fourth edition of "The Original Ratings Report Card" issued by Lehman Bros. analyst **Bill Meyers**. Entravision (N:EVC), which had not previously been among the radio stocks covered by Meyers, got an A in its debut, with a 49% ratings surge in Meyers' analysis of the Fall '01 Arbitron books.

"Entravision's ratings skyrocketed 49%, given successes with both reformatting stations (+119%) and core properties (+28%)," Meyers

noted. "We believe the company's strong ratings turnaround will position it to sharply outperform both the broader industry and its Hispanic peers during 2002."

Meyers determined that some of the ratings shift in the Fall book was due to a shift in listening to news-intensive stations after 9/11 and from weighting adjustments to reflect the growth in the US Hispanic population from the 2000 Census. The analyst noted that his methodology was designed to reduce the impact of short-term changes because it looks at ratings progression over four books.

Spanish Broadcasting System (O:SBSA), with an A-, was hailed as the "most improved operator," for the "sustained turnaround and improvement at its core properties" and the cycling through (Meyers uses multi-book ratings progressions) of some soft books. "During the last four ratings periods, its grade improved from a C (Winter '01) to a B- (Spring '01) to a B+ (Summer '01) and finally to an A- in the fall 2001 period," Meyers said. "We anticipate continued ratings strength, especially given the upcoming inclusion of KXOL-FM (Los Angeles) in our Spring 2002 analysis."—JM

Meyers' radio ratings grades:

Company	Symbol	Rating
Beasley	O:BBGI	B
Citadel	—	B-
Clear Channel	N:CCU	B-
Cox Radio	N:CXR	B+
Emmis	O:EMMS	B
Entercom	N:ETM	B
Entravision	N:EVC	A
Hispanic Bcg	N:HSP	C
Infinity	N:VIA	B
Radio One	O:ROIA	B+
Saga	—	B
Spanish Bcg	O:SBSA	A-

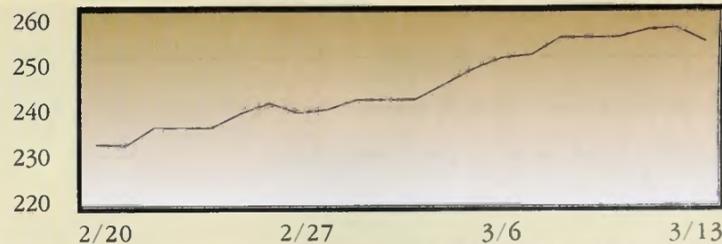
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Voice Of The Television Broadcasting Industry®

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March 18, 2002

NABOB not consoled by consolidation

The number one priority of the National Association of Black-Owned Broadcasters is to try and slow the tide of broadcast ownership consolidation. That is what NABOB President **Jim Winston** told *TBR* at the group's 3/8 gathering in Washington.

Said Winston, "[We are] trying to stop the continued consolidation of the industry. We're not very pleased with the Court of Appeals decision on television ownership and cable television ownership."

The former, concerning the 35% national audience ownership cap, was remanded to the FCC for further consideration. The latter was the court's abolition of cable system/broadcast TV crossownership restrictions.

"Both of those are bad decisions," Winston commented. "We're discouraged by that, but at least it appears that members of Congress are also getting concerned. Senator Hollings has expressed great displeasure with the consolidation in the industry, so we're hoping to see some of the Congressional members wake up and realize this is not good for the American public."

To Winston, it's more than just a minority ownership issue. "The First Amendment is still the First Amendment, and if you've got a half dozen companies controlling news and information for the entire country it's not going to be the kind of robust exchange of ideas and views that the American public needs and deserves," he observed.

When it comes to increasing minority ownership, Winston feels the Appeals Court ruling chills the movement of stations. Rather than selling, he said, "Right now they're looking to buy more. This Court of Appeals thing has made them think they don't need to sell anything, all they do is squeeze on some of these companies and they may divest some of their less-productive properties, but by and large the mood among the biggest companies is to buy, buy, buy." —KL, DS



Jim Winston, NABOB Executive Director, being questioned by Ken Lee, Associate Publisher of Television Business Report.

Letterman stays home

CBS late night superstar **David Letterman** returned from vacation last week and promptly put an end to the questions regarding his network home once his current contract with CBS expires. He will be remaining with CBS. His future was questionable since Disney's (N:DIS) rival network ABC had made a highly publicized bid for his services.

During the 3/11 broadcast, Letterman was effusive in his praise for ABC newsmen and *Nightline* host **Ted Koppel**, whom he would have displaced had he made the move to ABC. He said Koppel deserved the right to determine his own future.

On an interview on Bonneville's WTOP-AM Washington, the *Washington Post's* Pulitzer Prize-winning television critic **Tom Shales** said that he thought that Letterman's reluctance to displace Koppel played a part in his decision.

TBR observation: So what is Disney left with? For one thing, it now has a thoroughly disgruntled news department. And despite ABC Television Network President **Alex Wallau** statement that Koppel would have "a significant presence at ABC News," their antipathy about the 11:30 ET slot is more than evident. Some are even speculating that Disney may eventually drop ABC News in its entirety. If they do drop *Nightline*, they'd have to come up with a talent capable of taking on not one but two TV superstars (Letterman and **Jay Leno**).

You almost have to go back to New Coke to find a worse PR debacle.—DS



David Letterman

Oregon TV brings nearly \$19M

News-Press & Gazette Co. is expanding its TV group from two stations to three. A new subsidiary, NPG of Oregon, is paying \$18.875M for KTVZ-TV (Ch. 21, NBC) Bend, OR. NPG is headed by President **David Bradley Jr.** In addition to owning KIVA-TV (Ch. 7, ABC) El Paso, TX and KESQ-TV (Ch. 42, ABC) Palm Springs, CA, NPG owns two radio stations—KESQ-AM & KUNA-FM Palm Springs, CA. As the name indicates, it has its roots in print—the St. Joseph, MO *News-Press* is the flagship newspaper. It also has cable holdings.

The seller in this deal is Northwest Broadcasting, headed by **Brian Brady**. It owns five other TV stations in Washington, Oregon, Kentucky and New York. Broker: Daniels & Associates.—JM

Sinclair bond issue seen as bullish for TV

"People see good times ahead for TV," said Wachovia Securities bond analyst **Bishop Chcen** after the recent bond pricing (TVBR3/11) by Sinclair Broadcast Group (O:SBG). Chcen said the pricing of the \$300M offering at 8% was the lowest coupon ever issued for a senior subordinated issue by a single-B rated TV group, which is the bond rating for most of the publicly traded pure-play TV groups. (L:LN had previously sold bonds at 8%, but that was a senior issue, he noted.) Sinclair's offering was led by Wachovia Securities, with JP Morgan and DB Alex. Brown.

TBR observation: Strike while the iron is hot. **Alan Greenspan** is already making noises about starting to push interest rates back up again. TV and radio groups who can access the public bond market should do so without delay. These deals won't be around for long.—JM

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Tribune realigns TV management

Following retirement plans announced by East Coast VP **Michael Eigner**, Tribune Co. (N:TRB) Television President **Pat Mullen** has announced a reorganization of the group's top management. In one of the more unique moves, WGN-AM Chicago VP/GM **Steve Carver** is being promoted and given oversight of a couple of TV stations while still running Tribune's last radio station.

Peter Walker, Sr. VP/Tribune Television, will now oversee the East Coast and Southern regions of the company's station group, as well as WGN-TV, Chicago, and WGN Superstation.

John Reardon will add responsibility for KWGN-TV Denver, to his duties overseeing the West Coast region of Tribune Television.

Joe Young, VP/GM of KDAF-TV Dallas, has been promoted to Regional VP/Tribune Television. He will continue as GM of KDAF-TV, in addition to overseeing WBZL-TV Miami, KHWB-TV Houston, and WGNQ-TV/WNTO-TV New Orleans.

Carver has been promoted to Regional VP. In addition to WGN-AM radio, he will oversee WXIN-TV Indianapolis, and WXMI-TV Grand Rapids. "Tribune has a wealth of outstanding management talent," said Mullen. "We are fortunate to have people like Peter Walker and John Reardon, who have track records of success and can take on additional responsibilities. Equally important is our ability to elevate dedicated executives like Joe Young and Steve Carver to key positions." —JM

Satellite TV merger on hold

The FCC has put on hold its review of the proposed merger of Hughes' (N:GMH) DirecTV into Echostar (O:DISH), charging that the two companies haven't provided all of the materials that the Commission had requested. The two were supposed to have provided detailed financial information by Wednesday (3/6), but didn't meet the deadline and requested a 15-day delay. As a result, the FCC has stopped the clock on its pledge to complete merger reviews within six months. The \$26B merger has been pending since last October.—JM

DC DTV action: mostly CP extensions

There has been a spate of activity on the digital TV front at the FCC, and it's the same thing for hundreds of television stations which are filing applications. What these stations want are extensions on their CPs to build the digital counterpart to their current analog offerings.

572 such extensions have been filed so far, out of a total of 1,462 DTV CPs. 190 DTV stations are on the air, and an additional 82 are operating under special or experimental authority.

The percentages among network affiliates in the top 10 markets are much better. 36 of 40 stations are up and running (and two more—WNBC and WABC—were, but had the misfortune to have their towers on the World Trade Center). The other two have applied for extensions.

Among network affiliates in the top 30 markets, 68 are up and running and seven more are operating under STAs. Eight have filed for extensions.

Applications for the remaining 618 stations have been processed and are either awaiting further information, clearance from the Canadian or Mexican governments, or are mutually exclusive.

There is also a steady trickle of activity as some stations seek amendments to the Table of Allotments to switch their original DTV channel assignment to a more favorable one. For example, WCBD-TV Charleston, SC is seeking to replace Channel 59 with Channel 50. Several other similar proposals are on the table at the Commission.—DS

Washington Beat

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March 11, 2002

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XM shows true colors on repeaters

NAB thinks it has found the "smoking gun" to prove that XM Satellite Radio (O:XMSR) is out to eventually convert its national service into a local competitor.

The NAB discovered that XM received a patent 2/12 for a process specifically designed to allow terrestrial repeaters to provide geographically targeted broadcast information, including weather, sports scores, advertisements, news, etc.

NAB President/CEO **Eddie Fritts** fired off a four-page letter to the FCC saying that while XM has been telling the FCC that it needs the commission's approval for the thousand-plus terrestrial repeaters, it was actually building a system to deliver local content. Said Fritts in the letter: "We are astonished to learn that XM Radio has secretly acquired a patent that will allow the company to provide

local radio programming through its extensive terrestrial repeater network. This development indicates that the FCC International Bureau has either dropped the ball, or that XM believes it does not have to play by the rules. Regardless, XM's lack of candor suggests it is time for Chairman **Powell** and the individual FCC Commissioners to put a halt to this use of a terrestrial repeater network."

One of the first whistle-blowers was Whitney Radio's **William O'Shaughnessy** (RBR 1/14, p.2). Reached in Los Angeles, O'Shaughnessy had this to say: "I thought perhaps when we were arguing the matter before local planning and zoning boards that I may have gone a bit too far by accusing them of 'subterfuge' and using 'stealth tactics.' I'm not at all happy to have been proven right on this. I think Eddie Fritts had the best line of all: 'If it walks like a duck, talks like a duck, guess what—it's a duck.' If this is not addressed, I'm afraid it threatens to undermine the very foundation of free, over-the-air traditional broadcasting in America."

XM denies any plans to insert local content (see related story, p.2).—CM



Eddie Fritts



Ed Christian

Solid Q4 for Saga

Saga Communications (A:SGA) finished 2001 with revenues up 2.2% at \$104M, but broadcast cash flow (BCF) down 5% at \$37.3M. For Q4, revenues were off 4.1% at \$26.9M and BCF declined 14% to \$9.7M. On a same station basis, Q4 revenues were down 9.3% and BCF dropped 15%.

In his conference call with analysts, CEO **Ed Christian** couldn't pin down why Saga's same station radio revenues, down 8.6%, underperformed RAB's industry-wide figure of a 7% decline. However, he noted a growing problem with some groups dropping out of reporting market revenues to Miller, Kaplan and Hungerford. Christian cited Citadel in Portland, ME and Wilks in Des Moines as recent examples of competitors who are no longer reporting market revenues to the accounting firms.

For investors who focus on after-tax cash flow (ATCF), Saga had good news. It posted 38 cents in ATCF for Q4—tying last year and beating the Thompson Financial/First Call analysts' consensus by four cents.

For the current year, Saga is projecting that net revenues will be flat to up 2%, resulting in a 1-3% rise in BCF.

Having been branded a laggard in the 1990s for its conservative acquisition strategy, Christian said he is now seeing new opportunities for acquisitions as some of the groups who led the late '90s consolidation-fest are struggling. "There are a number of broadcasters that are suffering acid-reflux from eating too many stations too fast—and that's exactly what happened. They're all sitting in their stomach undigested. A lot of times I've said this—running radio stations is like herding cats."

RBR observation: Look for Christian to grow his herd of cats this year. With Saga's underleveraged balance sheet as an attraction, he noted that a couple of private radio groups have recently approached Saga, unsolicited, about being acquired in a merger.—JM

Regent hopes to double this year

Q4 was down, but overall Regent Communications (O:RGCI) made strides forward in 2001. Net revenues were up 21.9% to \$53.7M and BCF gained 9.2% to \$15.2M

Q4 was a different story. Net broadcast revenues were off 3.9% at \$13.7M and BCF was down 29.3% to \$3.4M. On a same station basis, net broadcast revenues were worse, down 87%, but BCF was not as bad, down only 18.5%.

In his conference call with analysts, Regent CEO **Terry Jacobs** was optimistic for the year, but said not to expect growth in Q1. "We are continuing to face the same difficult advertising environment that the rest of the radio industry is experiencing. Macroeconomic factors continue to set the tone and we are not out of the woods yet. However, we do believe that the worst is behind us. January and February have improved on a sequential basis after an abysmal fourth quarter. Visibility continues to be limited, but with what we are seeing so far, we anticipate same station first quarter results will be flat to down 5%. We're also seeing a firming of national business, though it still represents a small portion of our overall business," Jacobs said.

The Regent CEO is out to double the size of his company this year, and said the market for acquisitions is improving.

RBR observation: Terry Jacobs thinks some owners who missed out on the sky-high prices of the late 1990s are finally adjusting to the new reality and will be willing to sell at current market prices. He, like **Ed Christian** of Saga, is well-positioned to grow his company if that is, indeed, a growing trend. More earnings reports on pages 7 & 8.—JM, DS



Scatter blizzard fills upfront holes.

Radio Adbiz

Page 6

RADIO NEWS

Guild sees gains for 2002 2

Interep honcho sees a revenue turnaround for 2002, albeit a small one—and calls for an end to industry in-fighting.

XM claims it has no local agenda 2

Chillicothe chiller has its day in the WSJ 2

Antitrust chores split between FTC, DOJ 2

FCC flags CCU Columbus, GA combo buy 2

RBR PROFILER

Triad Part 2: Fehder gets his kicks playing the hits 4-5

MEDIA MARKETS AND MONEY

Entercom triple play pumps up Portland 7

By agreeing to be short-spaced to itself, Entercom is upgrading an FM signal in the desirable Portland, OR market.

Salem has an up and down Q4 7

Revs up after NBG caught a Fisher 7

The name's bond—Entercom bond 7

Cutchall is the catchall for Hilliard's WPB FM 7

Attendance down but passion high at CRS 2002



This year's Country Radio Seminar event included a keynote from the ranks of radio owners—Citadel's Larry Wilson. It's refreshing to see a smiling face in radio after a tough 2001.



New Faces in Country award winners. Back row from left to right: Ed Salamon, President CRS, Gary Levox, Rascal Flatts (Lyric Street), Carolyn Dawn Johnson (Arista), Joe Don Rooney, Rascal Flatts (Lyric Street), Paul Allen, Executive Director CRB. Front row from left to right: Jay DeMarcus, Rascal Flatts (Lyric Street), Blake Shelton (Warner Brothers), Cyndi Thomson (Capital), Daryl Worley (Dreamworks)

Radio Business Report™

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NEXT WEEK

The RBR Profiler takes an in-depth look at Engineering at Triad Broadcasting Company, LLC

Part 3 of a 4-part series on this growing mid- and small-market radio group.

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Executive Editor Jack Messmer
Managing Editor Dave Seyler
Senior Editor Carl Marcucci
Production Michael Whalen
VP Administration Cathy Carnegie
FCC Research Consultant Mona Wargo
Administrative Assistant April Olson
Publisher **Jlm Carnegie**
VP/GM, Associate Publisher Ken Leo
Senior Account Executive John Neff
Account Executive June 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

Bradenton, FL Office
Jack Messmer

Phone: 941/792-1631
Fax: 253/541-0070
Email: JMessmer@rbr.com

Nashville, TN Sales Office
June Barnes

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

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RADIO NEWS®

Guild predicts low single digits gain for 2002

Speaking at a Bear Stearns & Co. confab (3/4), Interop (O:IREP) CEO **Ralph Guild** called Q1 pacing encouraging and said he expects 2002 radio revenue to be up in the low single-digit range. Overall he said, half of all national radio ad categories are currently pacing in positive territory for Q1—with particular strength by telecommunications, automotive, food products, cable networks, banks, fast food, movies and transportation.



Ralph Guild

Guild also said that 2001 served as a wake up call to the industry. "In some ways, good business can lead to bad selling. Back in 1991, the last radio recession, our industry came together and focused our efforts on building radio's share of advertising. This effort raised radio's share of ad dollars from 6.8% to 8.3%. But during the unprecedented growth period of the late 1990s, we lost our focus a bit. Some radio broadcasters slipped back into the rut of trying to steal dollars from each other, rather than focusing on taking dollars from other media," Guild complained.

He elaborated later: "Unless we as an industry stop focusing on inter-company rivalry as the primary way to increase share, it will stifle the tremendous growth that radio has enjoyed over the past decade. It's simple arithmetic. Advertising dollars totaled \$234B last year. In the national radio arena, advertising totaled approximately \$3B. So, if one national rep is able to steal one share point from the other, we've gained \$30M for our clients. But if we're able to gain even an additional 1/10th of a point of total ad dollars, we can increase revenue by \$234M."

RBR observation: Guild is right, of course, but that's not going to stop radio groups, particularly at the local level, from dropping rates and bad-mouthing other companies to steal share when budgets are tight. That's only a short-term solution (and damaging in the long-run), but with some groups struggling to meet quarterly commitments to Wall Street, short-term thinking is the only thinking being done in some quarters.—JM

XM denies ulterior repeater motive

Despite its extensive network of terrestrial repeaters, and its now-patented software to allow local content insertions (see story, cover), XM is denying any intentions of making its service local and is reportedly saying filing patents for

a broad range of potential systems is normal procedure for communications companies in protecting investments. "We're a national satellite radio service and that's all we plan to do," said **Charles Robbins**, XM Director of Communications. "The patent is just one of numerous patents we filed as part of the normal routine. You apply for anything you discover."

The NAB remains unconvinced. Says NAB VP Corporate Communications **Dennis Wharton**: "It's now in the FCC's court to review our filing accordingly. We specifically asked that the FCC document that all of the repeaters they have are indeed necessary to fill in the gaps for satellite coverage, and we are asking for an iron-clad guarantee that they don't use any of these repeaters for locally-originated programming."

He continued, "There's been this sort of temporary finding that they won't do that, but there's never been a permanent rule set forth by the FCC. It's always been our contention that should the satellite services fail as a national service that their backup strategy was to develop a local origination plan. The fact that they've now gotten a patent for this behind the back of the FCC and despite their repeated assurances that they have no intention to do this suggests to us that there's something fishy going on here."—CM

Ringer/Clear Channel dust-up gets Wall Street attention

The petition to deny the sale of WKKJ-FM Chillicothe, OH from Secret Communications to Clear Channel (N:CCU) has finally come to the attention of the *Wall Street Journal*. It was first reported in *RBR* 11/19/01, with numerous installments since—through last week's (3/4) issue—as platoons of attorneys on both sides have generated a forest's-worth of paper addressing questions of ownership, improper control of stations and local marketing/joint sales agreements.

The initial complaint was filed by **David Ringer** (who is not even mentioned by WSJ), a businessman in the Chillicothe-Columbus OH area, and his attorney **Arthur Belendiuk** of Smithwick and Belendiuk, and it raised many issues above and beyond the simple question of whether or not the sale of WKKJ should receive regulatory approval.

RBR observation: It is not clear if the FCC will take any actions above and beyond its obligation to approve or deny the sale. However, the Commission is in the process of completing its Congressionally-mandated review of

Washington Beat

FTC and DOJ split up antitrust authority

There'll be no change for radio, which remains with the Department of Justice (DOJ) under an inter-agency agreement that spells out who has responsibility for antitrust reviews on an industry-by-industry basis. The agreement announced 3/6 by DOJ and the Federal Trade Commission (FTC) was supposed to have been implemented 1/17, but for the objection of Sen. **Ernest Hollings** (D-SC), who was livid that he wasn't consulted about the move to put all media company antitrust reviews at DOJ. Hollings still isn't happy, so look for him to call both agencies before the Senate Commerce Committee, which he chairs, for some more condemnation.

RBR observation: Hollings fears that DOJ's antitrust attorneys are political pussy cats who will roll over for any media merger don't appear to have any basis. In fact, DOJ has tended to be more aggressive on challenging mergers than the FTC. As for political influence—where was Sen. Hollings when then-VP **Al Gore** was putting political pressure on DOJ to block radio mergers?—JM

CCU draws another red flag

The referees at the FCC have dropped the hankie, so to speak, putting the red flag on Clear Channel's (N:CCU) attempt to buy WDAK-AM & WSTH-FM from Solar Broadcasting Co. Clear Channel as already picked up six stations in the market from Cumulus (O:CMLS).

Cumulus attempted to buy the very same combo, to include with the very same six-station cluster that it sold to Clear Channel in a complex deal during the summer of 2000 (*RBR* 7/31/00, p.12). (Cumulus was identified as buyer of the combo in an ad placed by brokerage firm Media Services Group in the 2/1/99 edition of *RBR*.)

The FCC never approved the sale of WDAK/WSTH to Cumulus, so it is not particularly surprising that the agency is not going to sign off on the same station combination this time either.—DS

Total 2001 advertising dollars down almost 10%

Taylor Sofres' CMR has released a study placing total 2001 spending in the advertising categories it covers down 9.8% over the 2000 total. That's based on a total take of \$94.3B, compared to \$104.5B in 2000. Local radio revenue is not a part of this study.

However, national spot radio and network radio are covered, and the former, with a loss of 20.5%, was the second-worst of CMR's 12 categories. Only national newspapers, with a 23% drop, fared worse. Network radio, while not as bad, was still worse than the overall average, coming in at -12.6%.

The chart below tells the tale.

Media	2000	2001	% chng
Network TV	\$21,195	\$19,477	-8.1
Magazines	\$17,840	\$16,476	-7.7
Spot TV	\$18,171	\$14,869	-18.2
Sunday Nwspr	\$11,366	\$10,507	-7.6
Cable TV	\$10,316	\$10,416	+1.0
Daily Nwspr	\$8,453	\$7,923	-6.3
Syndication-Natl	\$3,188	\$3,192	+0.1
Natl Nwspr	\$3,826	\$2,947	-23.0
Outdoor	\$2,475	\$2,456	-0.8
Natl Spot Radio	\$2,724	\$2,167	-20.5
Sunday Mags	\$1,126	\$1,114	-1.1
Network Radio	\$954	\$834	-12.6



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ownership regulations. It will be interesting to see if issues raised in this dispute will have any impact on that process.

The WSJ article did not present any new information. However, it did place the info in a place where stockholders tend to look on a daily basis. We'll keep our eyes open to see if the article generates a measurable, and perhaps attributable, reaction on Wall Street. So far on deadline day, there was no change significant enough to call a reaction to the article.—DS

RAIN/Kurt Hanson launches "SaveInternetRadio.org"

Kurt Hanson, publisher of the Radio And Internet Newsletter (RAIN: www.kurthanson.com) has launched SaveInternetRadio.org to help the webcasting/radio industry coordinate a response to the recent CARP panel's (RBR 2/25, p.2) proposed performance royalties of .07 cents per performance for AM and FM streams and .14 cents per performance for web-only stations.

The site's purpose is "to help concerned individuals have a voice in trying to encourage the U.S. Copyright Office to reject the CARP recommendation—or Congress to amend the Digital Millennium Copyright Act—in time to prevent the industry from being effectively shut down."

If the Copyright Office adopts the CARP recommendations without modifications, Hanson says that he believes that the vast majority of webcasters will be forced to shut down their operations sometime in May.—CM

Keymarket moves into a key market

The stick value of WOGI-FM has just been increased. The station has completed a tower move which has it exiting a point near the town of Charleroi and instead broadcasting from the heart of Pittsburgh. The 98.3 mHz Country outlet is playing 10,000 songs in a row, with 10 \$1K giveaways, to celebrate the event.

"We are delighted at the opportunity to serve the one million people of Allegheny County," said Keymarket President **Gerald A. Getz**. "This all-new Pittsburgh station will complement the rest of the Froggy stations throughout the region. We expect to employ up to 30 people by the end of our first year of operation and house everyone, including the corporate office, at a new facility now being constructed..."—DS

HBC, Katz Hispanic Media form HBCSi

HBC Sales Integration (HBCSi) was formed (2/28) by Katz Hispanic Media and Hispanic Broadcasting (O-HBC). HBCSi will offer advertisers a combination of stations, people, events and online sales packages. Management includes EVP/Katz Radio Group **Carl Butrum**, who becomes HBCSi's EVP/Director of Sales; **Mitch Kline** becomes EVP/Market Manager. He was most recently SVP, Director of Corporate Training and Managing Partner of Katz Interactive Marketing; and **Jack Hobbs**, who was named SVP/Director of New Business Development and Network Sales. He was most recently VP/GM of the HBC Radio Network.

Katz Hispanic Media will now conduct business under the HBCSi banner. **Laura Hagan** will continue as Katz Hispanic Media President.

RBR observation: We did an in-depth study of Hispanic media (RBR 1/21, p.8-11). HBCSi will be angling for a piece of a rapidly-expanding pie. Hispanic radio revenue grew from just \$375M to \$558M (year 2000) in just four years.—CM

RBR News Briefs

CEA endorses IBOC

The Consumer Electronics Association (CEA) has supported the National Radio Systems Committee's (NRSC) endorsement of iBiquity Digital's FM IBOC system in its public comments filed with the FCC. CEA said that IBOC "is a significant improvement over today's analog FM broadcast service."—CM

Wiley saluted by NAB

The National Association of Broadcasters' 2002 Distinguished Service Award is going to law firm Wiley, Rein & Fielding senior partner **Richard E. Wiley**. His firm is one of the largest communications practices in the US. His work there follows his tenure at the FCC in the 70s, which included stints as General Counsel, Commissioner and Chairman.—DS

Viacom and Snapple sign Cross-Platform deal

Viacom's cross-platform division, Viacom Plus, and Snapple Beverage have signed an agreement worth between \$10M to \$15M to promote Snapple across Viacom's radio television, outdoor online properties. The campaign, "What's Your Story?" begins in April and runs through October. "By leveraging a huge share of Snapple's budget through Viacom Plus, we were able to deliver an incredible integrated marketing program to our client," said **Peter Gardiner**, EVP/Director of Media Services at Deutsch, Snapple's agency of record.—CM

NAACP calls for and gets Ron Angle's resignation

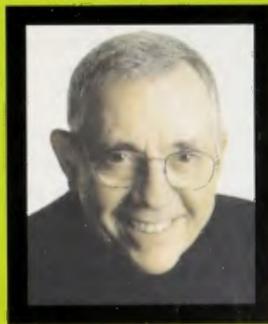
Clear Channel's WAEB-AM, Allentown, PA canceled councilman **Ron Angle's** call-in show 3/4, two days after he reportedly made racist and anti-Semitic remarks. NAACP asked that his show be dropped from the station and is also seeking for his resignation on the Northampton County Council. From the WAEB website: "Management says the show was canceled because of the negative public perception of last Saturday's program, and negative advertiser reaction, to the alleged racist remarks made by Mr. Angle during that program."—CM

THE ISSUES, THE PEOPLE, THE TECHNOLOGY Can you afford NOT to be there?

Referred to by *Advertising Age* as the advertising industry's soft-spoken visionary, DDB Worldwide Communications Group Chairman, **Keith Reinhard**, thinks Radio delivers more personal, more precise images than any other advertising medium. He will first inspire you and then challenge you as he illustrates his keys of advertising at The NAB Radio Luncheon, Tuesday, April 9. **Dick Orkin**, from The Radio Ranch, will be inducted into the NAB Broadcasting Hall of Fame. *Sponsored by:*



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Triad: Radio is radio no matter where you are

"We are excited about the opportunities that exist in small and mid-size markets and we understand and respect those opportunities and challenges," says Triad Broadcasting Senior VP/Director of Operations **Steve Fehder**.

Since its inception in July 1999 when it hung its shingle on its first cluster in the Biloxi-Gulfport market, Triad has become a force to be reckoned with in a total of seven markets ranging in size from Biloxi, still its biggest home at #136 on the Arbitron chart, all the way down to #268 Rapid City, S.D. In between are #159 Savannah (Triad's cluster is actually based in resort area Hilton Head, SC, just across the state line), #163 Tallahassee, #174 Lincoln, NE, #217 Fargo, ND and #265 Bluefield WV-VA.

Fehder is a product of the initial Biloxi acquisition. He was part of a group that in 1997 bought its components before Triad bought the intact cluster—he was the ownership group's hands-on operator—and when it was sold to Triad two years later, he stayed with the company. He is currently overseeing Triad's eastern markets, taking the lead on strategic acquisitions and heading up the company's Internet activities. He's based in Louisville.



As far as running the stations goes, the group may just as well be in New York City. As Fehder puts it, "Triad faces the same challenges as larger groups and those that operate in larger markets. The court is the same size, the hoop is the same distance from the floor, and the rules are the same. The only difference is the number of people in the stands. You've got to play and execute at the highest level possible if you're going to win."

Big competitors in small markets

Triad may be in minor league baseball markets, but there is nothing minor league about its competition. The group faces off with Clear Channel (N:CCU) in five of its seven markets, and Cumulus (O:CMLS) is in two of the CCU markets. *RBR* wondered what it's like going up against the big boys? "The 'big boys,'" said Fehder, "are only big because they have more markets, more stations. They are not bigger on passion, creativity, talent and execution. With that said, we have much respect for all of our competitors, including Clear Channel and Cumulus. They raise the level of play."

Like last month's Profiler subject group, Saga (A:SGA), Triad places a high value on its relatively thin management structure. Explains Fehder, "We compete effectively against those groups—in fact, we have dominant positions in most of our situations where we compete on even ground. Because we are smaller, with less bureaucracy, we can make quicker decisions and be more nimble."

Triad does not find that size has caused either megagroup to lose its feel for the art of radio, despite oft-repeated statements to the contrary on Capitol Hill and elsewhere.

"We do not underestimate any of our competitors, no matter the size. Look back in history and look at the leaders that underestimated the enemy. The same principles apply in business. We may make mistakes—but we will never make the mistake of underestimating the competition."

Fehder refused to take either group to task on pricing issues, and places full responsibility for Triad pricing decisions one place and one place only—on Triad. "I have no complaints. They run their business the way they see fit. We are continuing to examine our own pricing issues and make sure that we are maximizing our opportunities. Pricing is an issue with every product in business and it's easy to say you're losing because the competitor has cheap rates. It's the cost of doing business. Let's sell ideas and results and maximize every selling opportunity we have."

Clear Channel's manipulation of local market conditions via its concert business has been an issue of late, and Fehder refused to take them to task, even for that. "We've lost some concert and entertainment dollars because of the mandates to buy their own stations. In the scheme of things, it's minimal and is just something else to complain about. Hey, if they don't want to use my stations to help them make money, it's their loss," he said.

Local is it: No formal HQ programming department

Says Fehder, "Unlike some other groups, we don't have VPs of programming, corporate edicts or cookie cutter approaches. Format decisions are made based upon research and the competitive situation in the market. Input is gathered at the corporate and local level including GMs, PDs, Ops Directors and our consultants. Day-to-day operations are left at the local level. Corporate reviews all marketing plans and gives input.

Local programming departments are headed up by a Director of Operations. PDs generally have one station to worry about (occasionally two where it makes sense to double up). PDs usually nail down a live airshift, and the busiest of them may voice track another. As Fehder puts it, "Their plates are full."

Local is the key, with network fare sprinkled in. "Almost all of the programming on our music formats is locally generated. Probably 90%. We use syndicated morning product on a lot of our rock stations—**John Boy & Billy, Lex and Terry, Bob and Tom** and we're looking at others. There is some network or syndicated specialty programming that we carry on nights and weekends. The majority of our weekend and overnight programming is voice tracked locally."

"We run some 24/7 network programming, mainly with our Sports and Standards formats. We have a strong tendency to stay away from 24/7 programming in all of our markets on the FM side no matter what the market size. We believe we can produce a more competitive product given our talent and the help we get from our consultants, plus we keep the inventory."

"We use a considerable amount of syndicated programming—**Rush, Dr. Laura, Sean Hannity, Rome**, the morning shows. Much of the Premiere and Westwood product has been a big part of our programming success.

"Our FM stations carry news and that has increased to some degree since 9/11. While the focus of the news is local, we do carry the networks for national coverage. Most markets carry some form of sports programming on their AMs."

So far, Triad's talent is local, and stays local, not necessarily by choice. "We have not done a great job of cross utilizing our air talent in our different markets. There are technical and logistical hurdles that we haven't crossed yet. This was a big point of discussion in our last managers meeting and it is a direction we plan to move on."

There has been more cross-pollination a level up the programming ladder. "We have successfully used our programming brain trust to work on specific projects. We'll use our resident format experts to help out in other markets. This is one area we have been successful at and will continue to develop, especially as we grow. Unlike many other groups, our markets are run fairly autonomously which is unique and has allowed us to attract and keep some really good talent."



Fehder, temporarily busted to the rank of DJ, does a live remote with one of the Monkees (we think it's Davey Jones).



A fan of WWVV-FM Savannah gave the station the benefit of a van without the payment booklet.

Triad dukes it out for the middle ground

When it comes to formats, Triad gets right into the thick of things. There is no sneaking around the fringes for this group. It's not looking for a little niche somewhere. It is going after the biggest crowd possible.

The group has a very strong presence in the CHR format, and is weighted to the Rock side of things. The group leans on the Rock and Classic Rock formats well over twice as much as the national average. Oldies, which harkens back from all of the above, is another group favorite.

Adult Contemporary and Country are perhaps the two most important battleground formats—by that we mean formats which are likely to pit non-co-owned competitors against one another no matter how small the market—making them difficult formats to dominate. Triad is competitive in one or both in most of its markets.

The following chart shows Triad's format use percentage within the parameters of its own group, and each index compares it—the first to the US as a whole, the second to the universe of rated stations in Triad's own markets. A value of 100 means Triad is at parity; 200 means Triad uses the format twice as much as average; 50 means the use is half as much.

Format	Fmts Triad	Index US	Index Mkts
CHR	23.7	210	172
Country	15.1	137	92
Classic	15.0	250	188
AC	11.4	81	82
Rock	11.2	211	108
Oldies	10.2	189	159
News-Talk	7.1	45	76
Standards	4.2	135	247
Alternative	2.1	50	124
Urban	0.0	0	0
Spanish	0.0	0	0
Religion	0.0	0	0
Smooth Jazz	0.0	0	0
Classical	0.0	0	0
Other	0.0	0	0

Source: Arbitron Fall 2001 survey; RBR Source Guide database.

Triad owns over a third of its markets

Triad pulls in 36% of the listening in its markets—discounting below-the-line and lost listening. The first column in the chart below shows the total number of stations in each format group. The second column gives Triad's format total. The third column shows Triad's control of the format by percentage—which is based on rated listenership, not just the total number of stations. Note that six of Triad's 42 total stations did not show in any Arbitron books.

Format	Total stns	Triad stns	Triad 12+ %
Ctry	17	8	33.1
ClsRk	9	5	67.7
Old	9	5	57.7
CHR	11	4	61.9
AC	12	4	29.4
Stds	4	3	87.6
Rock	9	3	38.9
NT	14	3	27.5
AltV	2	1	44.8
Urb	7	0	0.0
Rel	13	0	0.0
Span	0	0	0.0
SmJz	0	0	0.0
Clsc	0	0	0.0
Child	0	0	0.0
Total	107	36	36.0

Source: Arbitron Fall 2001 survey; RBR Source Guide database.

RBR asked about spot loads. "If there is a corporate mandate, it is smaller spot loads on our FMs, which are all music FMs. Depending on the format and situation, our average spot load is 10-12 units per hour. We have found that even in our size markets, we're typically in competitive format situations and we need to protect the product. The easy way out in sales is to expand the inventory. With all of the listening alternatives in front of our consumers today, we need to understand what our listeners want and I haven't seen anything that suggests it's more commercials."



Tanks for the memories? With this kind of NTR partner, we wouldn't want to engage Triad's Biloxi cluster in a format war.

Formats, format flips and acquisitions

"It's not that we have corporate favorite formats," says Fehder, "it's just that we do Rock and CHR very well. In most markets, we have very strong positions in AC and Country and where we compete in Oldies, we do well. Most of our success is attributable to our FM music positions, although we're the News/Talk leaders in three markets we compete in."

Triad has not had much luck with niche formats. However, everything is fair game. As it moves into new markets, the group will use whatever format makes sense competitively, no matter what it is.

The group installed a couple of new formats in 2001. Fehder on the flip of WXBD-AM Biloxi from Standards to Sports: "The response from listeners and customers has been very positive. We're not talking huge dollars here, but the revenue is up over 400% and continues to strengthen our dominance in the Biloxi/Gulfport market." On the flip of WYZR-FM Tallahassee from Classic Hits to Rock: "Disappointing. We jumped out of the gate with a good start and the momentum appeared to be continuing. It didn't happen. It's about opportunity and execution. They both have to be there."

There will be a change in Tallahassee when Triad gets its fourth FM. Unfortunately, the exact timing of its acquisition of WWLD is still up in the air. "We had a contract to buy the station and Cumulus failed to close. Cumulus has not been able to resolve the situation so we plan to enforce our rights in court. We're ready to execute the plan we've had in place since last September. Hopefully, we'll have the station soon."



An irate listener nails an unidentified WCPR-FM jock with an unidentified flavor of pie

Look for this group to get bigger—sooner rather than later. "We consistently look at ways to increase our position in a market, so yes we have several opportunities on the table now. Triad is an extremely well-capitalized company backed by some of the largest and most respected institutions in the country. I believe it's safe to say we will be visible in the acquisition front this year. It is a priority for us to grow."

Staying ahead of the curve

"The trends in radio today are reality and we have to be prepared to deal with them," says Fehder. "Syndication of great talent, voice/tracking, sharing of talent across markets and larger groups utilizing their ideas and creativity have been big positives, and we need to salute the innovators who often get

criticized. A lot of the methods that have allowed us to be competitive and run cost-efficient operations have come from the larger groups and markets."

He continued, "By the same token, excessive spot-loads and cookie cutter formats that broadcast without regard to local taste are disturbing trends. If we don't take the Internet, satellite, and other distribution methods seriously, as with TV and cable, that would prove to be the most disturbing of all."

Summing up, Fehder said, "Fortunately, we have strong management and talent that can play at any level. We operate with an entrepreneurial spirit that encourages creative thinking and risk-taking. Our mandate is that our listeners deserve the highest quality products that would sound great whether they were in Biloxi, Nashville, Fargo or Houston. If we're accomplishing that, then we're having fun and winning. I think we're doing both, and that's been Triad's success."

Who's who at Triad

Triad Broadcasting Co. has a relatively small management team. Here's a look at the people who run the company and its markets.

- David Benjamin, President & CEO, has headed the company since founding Triad in July 1999. He previously ran Community Pacific Broadcasting from 1974-'97.

- Tom Douglas is Sr. Vice President and CFO. He was previously CFO of Brother International Corp., but is better known in broadcasting for having been CFO of Osborn Communications Corp.

- Steve Fehder is Senior Vice President/Director of Operations, Eastern US and is based in Louisville, KY. He is a 17-year radio veteran and joined Triad when it bought the stations he managed in Biloxi-Gulfport. He currently directs strategic acquisitions and operations within the Eastern U.S. and leads the company's Internet initiatives. GM's report to him from Biloxi-Gulfport, Tallahassee, Hilton Head-Savannah and Bluefield. The other three markets report to Benjamin.

- Judy Peterson is Vice President of Corporate Development and Administration. She'd been Vice President/Controller for 13 years with Community Pacific.

- June Pong is Vice President/Controller.

- Alma River-Chaney is Human Resources Director.

- Gary Peterson is Corporate Engineer. He is based at Rapid City, SD, where he is also Chief Engineer.

All of these GMs have the title of Vice President/Market Manager:

- Buddy Burch, Biloxi, MS-Gulfport, MS
- Nancy Odney, Fargo, ND
- Cecelia Green, Rapid City, SD
- Mark Halverson, Lincoln, NE
- John Halford, Bluefield, WV
- Mike Buxser, Hilton Head, SC-Savannah, GA

(The Tallahassee, FL GM position is currently vacant and the operation is being managed by Steve Fehder.)

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Karmazin to address TVB

Viacom (N:VIA) President **Mel Karmazin** has been added as a featured speaker at this month's Television Bureau of Advertising's (TVB) 2002 Annual Marketing Conference.

"Mel Karmazin is one of the true giants in the media world," said TVB President **Chris Rohrs**. "He knows broadcasting inside and out. He is respected on Wall Street as one of the business's savviest minds. He is a tireless advocate of free, over-the-air programming. We are thrilled that he has agreed to speak at our conference."

Karmazin has been President and COO of Viacom since he merged CBS into Viacom in May 2000. That was the culmination of a succession of acquisitions and merg-



Mel Karmazin

ers that dated from 1981, when he was named President and CEO of a small little-known radio company, Infinity Broadcasting.

The Zen Master joins NBC Anchor **Tom Brokaw** as a featured speaker at the TVB event March 26 at the Jacob Javits Convention Center in New York. Brokaw will deliver the day's keynote address.—JM

Granite euphoric over San Francisco

Having pre-announced its better-than-expected Q4 results (TVBR 3/4), Granite Broadcasting (O:GRTV) filled in the details last week (3/5). Net revenues for the quarter were down 18% at \$30.2M and broadcast cash flow (BCF) declined 84% to \$1.7B. The company said that \$5.3M of that BCF decline was attributable to moving KNTV-TV (Ch. 11) from San Jose to San Francisco. The station had been an ABC affiliate in San Jose, but was an independent in San Francisco until 1/1/02 when it became the market's NBC affiliate.

Granite now has a deal pending to sell the station to NBC for \$230M.

"We are euphoric about the successful launch of our independent station, KNTV, as the Bay Area's NBC affiliate," said CEO **Don Cornwell** in announcing Q4 results. "Our two-year journey has transformed a once over-looked station in the South Bay into one of the top stations in the San Francisco market after just 60 days as the NBC affiliate."

Now that KNTV (now being called NBC3, based on its cable channel) is operating as an NBC affiliate, Granite is predicting record results for Q1.

"Despite continued softness in the advertising environment, our station group is pacing almost 60 percent ahead of first quarter 2001 due largely to KNTV and the performance of our other NBC affiliates. First quarter 2002 broadcast cash flow is expected to be in the range of \$11.6 million to \$13.2 million, as compared to \$684,000 of broadcast cash flow in the first quarter of 2001," said Cornwell.

TVBR observation: In last Tuesday's (3/5) conference call, **Mark Costman** of RBC Capital Markets questioned why Granite is including KNTV in its Q1 forecast. "This is a discontinued operation, so why don't you report it as such?" he asked. Company officials responded that they will continue to include KNTV until the sale to NBC closes. That answer didn't satisfy the analyst, but Granite clearly doesn't want to stop counting its biggest station until it absolutely has to.—JM



Don Cornwell

NAB President/CEO **Eddie Fritts**, DIRECTV's **Eddy Hartenstein** and EchoStar's **Charles Ergen** all appeared before the Senate Judiciary Subcommittee on Antitrust, Competition, and Business and Consumer Rights, which is considering the proposed merger of EchoStar's DISH Network and the Hughes DirectTV service.

Ergen and Hartenstein promised carriage of local TV stations in all 210 markets if the merger is approved, saying they could do no more than 50-70 as standalone entities.

Ergen also noted that the merged entity would bring broadband to rural areas. "In rural America today...nobody, not the cable companies, not the phone companies, is providing broadband service," he said. "The merger will bridge the digital divide by providing consumers in every community in America with a competitively priced high-speed broadband solution."

The generally merger-unfriendly Consumers Union conditionally backed the merger. In its 2/4 filing with the FCC, it said it would support it if, among other things, pricing for rural subscribers was guaranteed to be the same as in areas with competitive options.

Nonetheless, the pair met with more than a little skepticism. Sena-

Nexstar revs experience political problems

Nexstar Broadcasting Group (public bonds) reports that Q4 net revenues decline 14% to \$28.1M. Broadcast cash flow dropped 28% to \$12.1M. "The negative revenue comparison is entirely a result of the absence of significant political revenue in the fourth quarter of 2001," said CEO **Perry Sook**. "If you extract political revenue from the fourth quarter of 2000 and 2001, our net revenues actually increased 3.8% year over year for the quarter."

Nexstar owns, LMAs or JSAs 20 TV stations in 13 markets, ranging from #52 Wilkes-Barre/Scranton, PA to #189 St. Joseph, MO. Most are NBC and CBS affiliates, with a scattering of ABC and Fox, plus one UPN.—JM

NATPE announces incentives to keep syndicators at next show

Not long after some 50 syndicators bailed from the recent National Association of Television Program Executives (NATPE) conference in Vegas (TVBR 2/4, cover) to set up their own confab in nearby hotel suites, a new plan has been unveiled to keep them a bit happier the next time around.

NATPE President/CEO **Bruce Johansen** met with domestic and international syndication execs 2/28 in LA to present a number of changes that include cost-efficient, modular booth packages that include private meeting areas, food and various seating arrangements, stated to be included next year in New Orleans. NATPE will reportedly also provide free hotel rooms and registration for 50 or so TV buyers.—CM

The skinny on television viewing habits

Most adults have access to 71 TV channels, but watch only 11 during a given week, according to a report released by the Radio Advertising Bureau. The study utilizes data from Media Dynamics based on January 2002 data.

Over the course of a month, the same adults will have, on average, sampled 18 of the 71 offerings; the number increases to 25 over a quarter. Weekly time spent with a channel has dropped significantly. It stands at 3.8 hours, compared to 5.5 hours/weekly in 1990 and 8.8 hours/weekly in 1980, before cable was widely available.

Although daily household television use is up, at 7:38 hours, compared to 6:55 hours/daily in 1990 and 6:36 hours/daily in 1980, individual viewing is flat—the rise in household viewing is attributable to the rise in television sets per household (now at 2.4 per) and the trend toward solitary viewing and away from family viewing.

Cable penetration is at 69% (and about half of those households subscribe to at least one pay cable service); satellite services reach 1.3%; VCRs are present in 93%.—DS

Sinclair selling \$300M in new bonds

Sinclair said the proceeds will be used to repay some of its short-term and bank debt.

Sinclair said the proceeds will be used to repay some of its short-term and bank debt. The bonds will be sold only to qualified institutional buyers. At deadline, Reuters said the bonds were priced to yield 8%.

Moody's Investors Service assigned a B2 rating to the proposed issue and confirmed Sinclair's other debt ratings. "The confirmation of Sinclair's ratings considers the ongoing weakness in the advertising market and its negative impact on the company's leverage as well as Sinclair's high capital expenditures and rising programming costs," Moody's said. But the ratings service gave Sinclair credit for having a diverse portfolio of markets and lots of duopolies. Moody's outlook for Sinclair is "Stable." Underwriter, Wachovia Securities

Gray blames political for decline

Gray Communications (N:GCS) reported Q4 operating revenues down 9.8% at \$42.7M, with essentially all of that decline due to the lack of political advertising. Revenues for Gray's TV group were down 13.7% to \$28.3M, but absent political, local sales were up 2.4% and national gained 18.2% (largely due to auto ads). Broadcast cash flow declined 22% to \$12.2M. Newspaper revenues increased 1.3% to \$11.1M and print cash flow rose 3% to \$2.9M.

Gray owns 13 TV stations (10 CBS and three NBC affiliates), four daily newspapers, a paging business and a satellite uplink and production business.—JM

He continued, "At the same time it is challenging the underlying law on which that promise is rendered. Which is it going to be? Either they fulfill the promise of carriage in all 210 markets and dismiss the cases, or they continue to challenge the law and admit the promise is hollow."—DS

has suddenly discovered the capacity to carry local stations in all 210 markets.

"In December, [EchoStar] told the FCC that a combined EchoStar-DirectTV monopoly would be able to serve only 100 [local TV] markets. Now, with the merger plan appearing to be endangered, it has suddenly discovered the capacity to carry local stations in all 210 markets."

Arten Spector (R-PA) and Mike Devine (R-OH) also expressed doubts about the merger.

Fritts was also unconvinced. "Fritts was also unconvinced. Doubts about the merger."

Herb Kohl (D-WI) was worried about the creation of a monopoly in rural areas which are beyond the reach of cable. Republican Senators Arten Spector (R-PA) and Mike Devine (R-OH) also expressed doubts about the merger.

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Hill hears testimony on EchoStar

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