Radio Business Report™

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Radio special for Donaldson

ABC News Radio and KTRH-AM Houston announced they will present a special broadcast on the situation in the Mid-East and the developments that have occurred since the 9/11 terror attacks. "**Sam Donaldson** Live in America: A Nationwide Town Hall Meeting," will air live on the ABC Radio Networks on 4/26 at 9 a.m. CT.

Fearnow evil?

Waitt Radio Network has chosen **Ken Fearnow** as its President. He was most recently VP/GM of Journal's six-station Wichita cluster.

Hannity hits 150 affiliates

Six months after launch, ABC Radio Networks announced 4/16 that "The **Sean Hannity** Show" is now carried by over 150 affiliates nationwide. By adding WLS-AM Chicago, Hannity is now airing in nine of the Top 10 markets.

SSI to debut new net

Syndicated Solutions is set to debut "The SSI Radio Network" Memorial Day weekend, featuring 24/7 programming. SSI offers such shows as "The Group Room," "The Steve and DC Morning Show," "America's Car Show," "Ask the Handyman" and "Winning on Wall Street."

Ginsburg found guilty

DG Systems Chairman/former Evergreen Media CEO Scott Ginsburg was found guilty by a West Palm Beach jury 4/16. He faces civil penalties of up to $5.4M after the jury ruled he violated federal securities laws, illegally provided insider information to his brother Mark and father Jordan, which earned profits of $1.8M. The two recently had settled (RBR.com 4/4) their 1999 SEC allegations against them for $3.69M and $1.06M without admitting or denying them.

ABC Radio joins HHS in health campaign

Health and Human Services Sec. **Tommy Thompson** announced a new campaign to reduce health disparities affecting African-Americans 4/18 at HHS HQ in Washington, DC. ABC Radio EVP Darryl Brown and ABC Radio Networks' Tom Joyner joined Thompson at the event.

PRI hits 700 affiliates

Minneapolis-based Public Radio International (PRI) announced it now has 708 US affiliates. PRI was founded originally as American Public Radio in 1983 and grew to 165 affiliates by the end of its first year.

Arbitron signs Infinity and ABC to short-term extensions

Tough negotiations continue over ratings contract renewals, but Arbitron (N:ARB) has agreed to sign 90-day contract extensions with Viacom's (N:VIA) Infinity Radio and Disney's (N:DIS) ABC Radio, so both can use the Winter book ratings.

"We have elected to extend for 90 days our current deal," Infinity SVP **David Pearlman** told *RBR*. "We still have very significant issues and still are at an impasse on many of them. But at this point, with the imminent release of the Winter book, we didn't want to have the time sensitivity for negotiating purposes. This is no indication that we've agreed to anything."

The main issue, of course, is monetary, but Pearlman adds, "also what products you take with those services and the like."

Infinity is Arbitron's second largest client, behind Clear Channel (N:CCU), and accounts for 10% of the ratings company's revenues. ABC's share is 3%. Because those short-term renewals weren't signed until this month, $900K of revenue was bumped from Arbitron's Q1 to Q2. In his quarterly conference call with Wall Street analysts (4/18), CEO **Steve Morris** said that such down-to-the-wire negotiations seem to have become the norm, but he insisted that negotiations with both Infinity and ABC are "far along."

Despite the troubled economy, Arbitron reported Q1 revenues up 9.5% to $65.9M, with growth in its core radio ratings business up 7.3%. Morris said the company remains on track for full year revenue growth of 9-11%. "So I think we continue on track financially, but I would not say that any of this is coming easily. The economy may in fact be emerging from what some now call a mild recession, but I can tell you that for media and advertising companies it has been severe. Real recovery is still only a glimmer on the horizon," Morris said.

Arbitron's operating income for Q1 rose 1.6% to $28.9M. Net income was down 12.6% to $14.2M, largely due to required accounting changes. That put net income per share at 48 cents—right in line with the Thompson Financial/First Call analysts' consensus.—CM, JM

***RBR* observation**: It may be tough to come to terms, but at least Infinity and ABC are sticking to serious negotiations instead of the silly game of chicken that Clear Channel tried to play last year.—JM

Mr. Powell goes to Congress

FCC Chairman **Michael Powell** went across the National Mall to fill in the House Subcommittee on Commerce, State and the Judiciary on the FY 2003 FCC budget request. The FCC is seeking $278,092,000. Nearly $10M of that is earmarked to fund retirement costs; the rest is for FCC operations.

Much of the agency's activities are focused on streamlining its operations, hiring more engineers and providing incentives to keep talented employees on the payroll longer. The FCC is in the midst of a reorganization to effectuate these goals.

According to Powell's summary of his testimony, areas which are the focus of policy-making include "broadband deployment, competition policy, spectrum policy, building a foundation for media ownership regulation, digital television transition and homeland security."

On the topic of ownership regulation, Powell noted the recent opinions of the US Court of Appeals for the District of Columbia Circuit, which remanded ownership cap regulations back to the Commission for further justification.

"It is important to note, however, that the D.C. Circuit's recent decision found that the [1996 Telecommunications] Act compels the Commission to review its media ownership regulations every two years and to repeal these regulations unless the Commission makes an affirmative finding that the rules are necessary to serve the public interest," Powell told the Subcommittee. "To address the court's criticism that we lack a factual foundation for our ownership rules, we must expend a meaningful amount of resources to improve the evidence before us."

He noted that his Media Owner Working Group, created last November, is doing just that.

Powell addressed a question about the auction of spectrum currently in use by broadcast television for its transition to digital. The auctions are mandated by law to begin this year, but the spectrum may not be fully open until 2007. Powell, noting that delaying the auctions would probably not survive a court challenge, recommended that Congress overturn its own act with a new one, if it wants to slow down the process. As it stands, the auction for channels 52-59 is scheduled for June (see related story, *TVBR* page 3)—DS

Smulyan remains cautious

Emmis Communications (O:EMMS) exceeded what it had promised Wall Street for its fiscal Q4 (ended 2/28), which is hardly surprising since Emmis said last month (*RBR* 3/26) that it would beat its own guidance for the quarter. Emmis delivered revenues of $116.9M, more than $2M ahead of its guidance of $114M and EBITDA of $25.2M, also more than $2M better than its guidance of $23.3M. For the quarter, Emmis had after-tax cash flow of 16 cents per share, beating the Thompson Financial/First Call analysts' consensus of 13 cents.

Radio revenues were down slightly for the quarter and TV was up slightly. For the full year, net revenues were up 13.4% to $533.8M, with radio up 7.1% to $256.6M and TV gained 31% to $205.46 (not adjusted for acquisitions and divestitures). Broadcast cash flow rose 6.6% to $185.7M.

Jeff Smulyan

In a 4/16 conference call, analysts probed for why CEO **Jeff Smulyan** is projecting that radio revenues will be down more than 2% for the current quarter. Part of the explanation lies with Emmis' Argentina stations, but that still leaves the company with an outlook for domestic radio to be down 1% for revenues, with broadcast cash flow flat to down 1%.

"We have been cautious. We're just not certain what the future holds," Smulyan said. While WQHT-FM New York faces a new format challenger, he noted the flip side—that WRKS-FM now has less competition. "I think its safe to say there will be some impact," he said, explaining that new competition in the nation's largest market is one reason why Emmis is being cautious about it projections for this quarter.

With radio about to hit its traditional top revenue month, May, the Emmis CEO indicated that there has been a noticeable uptick in advertiser interest. "The last few weeks there has been a renewed pacing. We see it in both the radio and TV sides," Smulyan said, but again insisted on caution, since May is still a few weeks away. "We never know where we'll end these months. I'll tell you even today there's still a lot of business to be written in April. I know it's hard for people to believe, but we won't stop writing business until probably the 26th or 27th of April," he said. "Right now May looks pretty encouraging. I don't want to say it doesn't. It does. But we want to wait and look a little bit more before we pronounce where we think May is going to be."

See related story, page 2.—JM

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RADIO NEWS®

Emmis targeting radio-TV split this year

Emmis Communications (O:EMMS) remains committed to splitting its radio and TV operations into units which will trade separately on Wall Street. In a 4/16 conference call, CEO **Jeff Smulyan** said it is still his goal to accomplish that in the current fiscal year.

Despite investors' disenchantment with Emmis' expansion into TV, Smulyan insists that he still sees lots of upside in TV and noted that TV was Emmis' best performing unit in the past quarter. "We think that's not just because TV is coming back a bit, but because of the strategic focus on really revamping these TV stations—a strong emphasis on improved selling techniques and research. That's why we're doing better," he said.

When that split comes, Smulyan expects Emmis to remain involved in managing the TV group, but in conjunction with a strategic financial partner. He said he hopes to announce that partnership deal soon.

Having sold its Denver radio stations for a total of $135.5 and netted $120.2M from a recent stock offering, Smulyan said Emmis has gotten its financial house back in order, as far as leverage is concerned, and is now back in the game for acquisitions. "We think there are some opportunities. Our goal has always been the largest markets. We've learned it in radio. If I had a single biggest priority it would be getting a full complement of stations in New York, LA and Chicago. But in TV we've learned the same lesson. It's easier to have margin improvement in the largest markets. Our goal would be to grow in the larger markets in both segments," he said.

Smulyan is also optimistic that automotive advertising, a major category for both radio and TV, will remain strong, despite fears that auto sales will drop off now that)% financing programs have run their course. "Last year in the first quarter, domestic automakers just cut budgets like crazy and the foreign makers grew market share. If there was ever a demonstration of the power of American broadcasting, I think it was last year. And I think that lesson has not been lost on American automakers," he said.—JM

PPM: Arbitron releases Phase II data

Arbitron released media estimates from the second phase (1/31 to 2/27) of its Portable People Meter (PPM) trial in the Philadelphia market (4/15). The data shows again that PPM continues to report higher average quarter-hour (AQH) audiences for the combined stations and networks that encoded full time.

The February 2002 PPM results show increased AQH audiences for both broadcast and cable television, and somewhat higher average AQH for radio. The expanded panel of 1,500 consumers in the market confirm observations reported in the previous three ratings comparisons from last year's more limited phase of the trial in Wilmington: that Arbitron's new ratings technology is tracking media exposure not seen in today's TV and radio ratings methods. The second phase survey period was equivalent to the Nielsen Media Research February television survey period and Phase Two of the Arbitron Winter 2002 radio survey period.

Cable estimates jumped from a 3.4 rating to an 8.1 with the PPM; TV stations rose from 12.9 using Nielsen's meter/diary methodology to 17.3; and Radio went from 11.0 AQH share using Arbitron's diary methodology to 11.8 AQH with the PPM. The PPM also reported a higher average daily cume audience: 84.8% for the PPM vs. 73.7% for the Arbitron radio diary. The PPM showed less TSL for radio: 3 hours and 20 minutes per day for the PPM vs. 3 hours and 35 minutes per day for the diary. 35 radio stations, seven TV stations and 20 cable nets were encoded full-time for the survey period.

"[The] comparisons from two separate panels of consumers indicate that the PPM can consistently track people's exposure to radio, broadcast and cable television, in and out of the home," said **Steve Morris**, Arbitron President/CEO. "The Portable People Meter is a system that is showing its potential. However, it's clear that there are aspects of the PPM data that need to be explored in more detail. The expanded evaluation program that we are announcing today will be essential to any ultimate acceptance of the new technology in the marketplace."

The evaluation program will include an examination of demographics of the Nielsen and Arbitron samples, compliance and non-response patterns, out-of-home viewing, overnight audiences, zero demographic cells in meter/diary estimates, different definitions of audience (exposure to audio vs. watching or listening), weighting and more.—CM

Beasley's Power 96 sues Cox in Miami

Beasley's WPOW-FM (Power 96) Miami has hit Cox's new WPYM-FM (Party 93.1) with a $5M slander suit, claiming WPYM is trying to steal listeners and advertisers by airing fraudulent spots that inflate the number of commercials Power 96 runs. The suit claims WPYM was "falsely calculating, inflating and, thereafter, publishing false results regarding the amount of commercials played by Power."

Washington Beat

Non-profits weigh in on EEO

A coalition of 45 nonprofit organizations has filed a massive document with the FCC supporting and suggesting amendments to the FCC's Second Notice of Proposed Rulemaking on equal employment opportunity (EEO). The FCC's EEO regulations have now been shot down twice at the US Court of Appeals for the District of Columbia Circuit, and the Supreme Court declined to hear an appeal.

The proposed new rules will require that broadcasters and cable operators notify any organization which requests information about job openings, and asks that non-vacancy-specific outreach efforts (such as job fairs) be made to assure that all segments of the community are aware of employment possibilities.

It would seem that the entity which needs convincing on this issue is not the FCC, but the Court. The coalition, led by **David Honig** and the Minority Media Telecommunications Council, addressed the constitutionality of the proposal.

"The proposed regulations would not affect anyone's ability to present her qualifications, have them considered, and secure employment on the basis of merit," argues the coalition. "Simply providing broad notice of job openings does not upset anyone's settled expectations because no one has the right to be insulated from competition from other qualified persons. Every court that has examined this question agrees."

The coalition thinks that the 2nd NPRM does not go far enough in some instances. It wants to mandate EEO participation by top broadcast corporate execs, limit word-of-mouth recruitment, make sure that what word-of-mouth is used is done on an EEO basis, and assure that general outreach notification be done simultaneous to and not later than word-of-mouth.

Further, it wants the FCC to maintain information on individual station EEO records on its own website (not just in the station's public file or website), with prompt reporting and action on discrimination complaints.

It does not consider passive website job opening notifications to be enough of an effort, and would like to see a universal, industry-wide job notification website developed.

Finally, the coalition wants the FCC to continue to gather and disseminate EEO statistics for the broadcast and cable industries.—DS

RBR Stats

Reaching for a demo

Interep (O:IREP) has done its annual data crunch on formatics. The study offers a wealth of information on 22 format classifications. With a reach which includes 95% of the entire United States population, radio is an excellent vehicle to get any advertising message before the public.

Are you looking to hit a certain age group? The charts presented here show the top five formats for three selected age demos. The numbers are based on weekly cume, 6A-12M from the Fall 2001 Arbitron survey.—DS

Adults 18-34

Format	Cume
CHR	24,900,000
AC	20,800,000
Country	13,500,000
Urban	13,200,000
Alternative	13,100,000

Adults 18-49

Format	Cume
AC	38,100,000
CHR	36,700,000
Country	27,700,000
Classic Rock	25,800,000
Oldies	22,100,000

Adults 25-54

Format	Cume
AC	32,600,000
Country	25,700,000
CHR	24,700,000
Classic Rock	22,200,000
Oldies	22,100,000

Source: Interep analysis of Arbitron Fall 2001 survey data

Since signing on in January, WPYM (formerly Classical WTMI) has been attacking WPOW by airing liners such as, "We just caught them [Power] playing 20 commercials in a row and that Power is more likely to play 18 commercials in a row rather than the 18 songs in a row it promises."—CM

Westwood extends Viacom deals

Westwood One's (N:WON) Board of Directors has voted unanimously to extend the company's agreements with Infinity Broadcasting and Infinity's parent company, Viacom (N:VIA). Under those deals, Infinity provides management services to WW1 and WW1 operates the CBS Radio Networks for Infinity. The extension, if approved by shareholders, will extend those arrangements through 3/31/09. The renewal will provide Infinity warrants to acquire up to 4.5M additional shares of WW1 stock, subject to thresholds based on performance. Infinity (and, by extension, Viacom), is already a major shareholder of WW1.

The extension was recommended to WW1's board by a committee of directors who aren't affiliated with Infinity or Viacom. Shareholders will vote on the extension at their annual meeting 5/29.

"Infinity has done an excellent job of creating value for all of Westwood One's shareholders. Since the inception of the management agreement in 1993, Westwood One has benefited substantially both operationally and through the growth of its stock price, which has appreciated at a compound annual growth rate of 45%. We look forward to extending our productive relationship with Infinity and continuing to add value for our shareholders," WW1 said in its announcement.—JM

Will CC Entertainment get the Blues?

Clear Channel Entertainment is the high bidder for the House of Blues clubs and concert division, in a deal that could be approved later this month by HOB's board of directors. CCE beat out Denver-based **Phil Anschutz** and his Concerts West company. However, getting the deal past DOJ scrutiny may be an issue, as parent Clear Channel Worldwide is already under antitrust scrutiny from Congressmen **Anthony Weiner** (D-NY) and **Howard Berman** (D-CA) and a federal lawsuit filed by Denver concert promoter Nobody In Particular Presents.

Concerts West submitted a preliminary bid for HOB, as has **Fred Rosen**'s Key3Media Group. Both are said to be in the $200M range. Clear Channel's bid is reportedly "tens of millions of dollars higher."—CM

Auto spending up 4.2% in LA

Spending in the top 10 advertiser categories was up 17% in Los Angeles for the first two months of this year, according to the Southern California Broadcasters Association, based on figures from Miller, Kaplan, Arase & Co.

Automotive continues to be the biggest sector, with spending in LA up 4.2% to $15.5M in January and February. Number two, Television, was one of the few categories to record a drop, due to stations taking a pass in February while NBC ran the Winter Olympics. TV spending on LA radio stations was off 13.1% at $8.8M. The biggest percentage gainer in the top 10 was Charitable/Religious/Non-Profit/Government Agencies, up 76% to $3.5M.

"For the first time, all of the top 10 categories billed $3M or more," noted SCBA President **Mary Beth Garber**. "There are many more viable, growing categories so radio isn't relying on the fortunes of only a few categories."

The full list of top 10 categories can be seen at www.scba.com. Click "Newsletter."—JM

Judge orders Stolz to turn over KWOD

In a surprise move, Judge **Sheldon Grossfeld** ordered Ed Stolz to sign the FCC forms to transfer KWOD-FM Sacramento to Entercom on May 2nd. The judge didn't immediately rule on how much of the $25M purchase price Stolz's Royce International Broadcasting will have to return to Entercom as damages for delaying closing on the 1996 deal, but the transfer will stop the damage award from growing as Stolz appeals the case, which is expected. Broker **Larry Patrick** had testified as the only expert witness presented by either side that the delay had cost Entercom $7.1M in profits thus far.

Judge Grossfeld ruled late last year that a 1996 letter of intent for Royce to sell the station to Entercom was a binding contract.—JM

ESPN adds a KILT to its wardrobe

Infinity's (N:VIA) Sports outlet in Houston, KILT-AM, is the latest top-ten affilate for ABC's (N:DIS) ESPN Radio network. KILT will be taking selected top-of-the-hour updates, updates at :20 and :40, as well as the "**Dan Patrick** Show."

***RBR* observation**: It just goes to show how intertwined the top radio companies are these days. Infinity and ABC are competitors—they go head-to-head in numerous markets. ABC even has a presence in Houston, although its Children's KMIC-AM is not exactly going to be butting heads with the Infinity cluster. Nonetheless, their competition is real enough elsewhere, and both companies favor big News-Talk AMs in large markets, often putting them antler to antler.

It speaks well for the two companies and the industry as a whole that they are even willing to cooperate on something like KILT/ESPN.—DS

RIAA backs off on record keeping regulations

According to a statement on the RIAA's website, it has simplified its proposal to the webcasting industry by dropping the listener log, which "resulted in considerable confusion and criticism." Says **Steven Marks**, RIAA SVP/Business and Legal Affairs: "The RIAA has heard the complaints raised by webcasters and has responded by proposing recordkeeping regulations that take into account many of the webcasters' concerns...We look forward to working with webcasters on having these reasonable regulations adopted so that record labels and artists can begin receiving royalties."

Among a host of other information, the RIAA originally wanted to be supplied information on those who listen to webcasts containing copyrighted material.

Meanwhile, the immense pressure being put on the US Copyright Office by streaming listeners and webcasters to reject the royalty rates proposed by the CARP Panel (*RBR* 2/25, p.2) may be working. According to an article from CNET.com, the US Copyright Office is calling for a "public roundtable discussion" on the current state of affairs pertaining to the proposed new rules and royalty rates for webcasters. The Copyright Office is also asking for new input from small businesses on logging and record-keeping rules. The discussion is due to be held 5/10 in DC. The Copyright Office plans on making a ruling on the terms 5/21.—CM

RBR News Briefs

WRBQ-FM, WYUU-FM Tampa swapping formats

Infinity's WRBQ-FM (Country) and Oldies sister WYUU-FM Tampa switched formats on 4/18 with a ribbon-cutting ceremony to be attended by Infinity execs and the staff. "Country 92.5" will keep the WYUU calls for now; WRBQ kept its "Q105" moniker. WRBQ morning hosts **A.W.** & **Cowhead** departed; WYUU morning man **Mason Dixon** returned to the Q105 frequency. WYUU is a 50kw C2, with a CP to move its antenna West in Pinellas county, which could improve the downtown signal. WRBQ is a 100kw C1.—CM

Nassau launches new Classic Rocker in NJ

Nassau Broadcasting has launched (4/15) a new Classic Rock station in the Monmouth-Ocean market: WCHR-FM "The New 105.7-The Hawk." Manahawkin Communications owns the station, which is being operated by Nassau through an LMA. The station is broadcasting commercial free for the 20 days, followed by a promotional campaign offering cash and prizes. **Jim Spector** is the PD.—CM

Pirate apprehended

The FCC, with the help of federal marshals, has arrested radio pirate **Paul Dorleans**, shutting down his operation and confiscating his equipment. Dorleans had been operating on 87.9 mHz in Brooklyn, NY. He faces fines up to $100K and up to a year in jail.—DS

Hurry up and Waitt

The Radio Advertising Bureau and Waitt Media have set a new record. A group of 150 Waitt sales staffers is the largest single-group graduating class ever for the RAB's three-day Radio Training Academy Off-Campus Extension Program to date. The RAB took its show to Waitt's turf in Omaha, using customized curriculum tailored to Waitt's specifications.—DS

Premiere and TWI launch Sports News Radio

UK - based Sports programmer TWI and Premiere Radio Networks announced the launch of Sports News Radio (4/17), a new global sports news service that provides affiliates with breaking Sports news stories for their bulletins and magazine programs. SNR will be distributed via the web and will offer a minimum of eight audio clips a day on breaking sports stories, plus a one-minute daily sports bulletin. TWI will produce the content for and Premiere will market SNR.—CM

By Carl Marcucci

Reyn Leutz on network radio

Reyn Leutz, Senior Partner, and Director of National Radio Negotiations at MindShare USA, has a lot of things on his mind that he'd like to share with the industry. He spoke with *RBR* about changes he's like to see in network radio.

Let's first talk about the big news, the merger of Global and Dial (*RBR* 4/8, p.12). Is this a good thing for network radio?
As I have said, we really haven't been presented with the strategy of the new company going forward. So I'm really not sure to what extent we will be supporting them. We've been a strong supporter of Global because they have top-market delivery. It will be interesting to see how the Dial programming is merged with Global. I hope they don't think that they're going to package it with Global. I guess we'll just have to see.

What does a merger like this say for syndication as a whole?
I think it represents a tremendous opportunity. Historically, the syndication community said that they couldn't afford the greens fees to tee off with the RADAR-measured players. Or that their program line-ups, both short and long form, weren't big enough to measured successfully by RADAR. If I remember correctly, **Gale Metzger** [of RADAR] always laughed at this rationale, questioning the true intent of the naysayers. Today, I think it's simply an excuse. I believe that the short and long form programming of most syndicators can easily be measured by RADAR. And I don't buy the cost of entry excuse. Entities like Franklin Capital have proved that they have a lot of cash. Others like United Stations, I imagine, have strong revenue streams as well. I just think that it's time and the advertising community should insist on it.

So if they can afford it, why don't they subscribe to the RADAR service?
Because at this point, they don't have to. First of all, I've talked to the new RADAR-Arbitron company and I do find it strange that this new entity offers network radio vendors two distinct measurement systems, RADAR and Nationwide. Let's look at this from a TV example. I just can't imagine NBC saying to A.C. Nielsen, "Hey, we don't like the numbers we are getting here, so do you have a second service that would present our audience levels in a more favorable light?" RADAR-Arbitron insists that it is the buying community's job to tell vendors what they will and will not accept.

Aren't they right?
To an extent. I understand what they are saying and maybe one service is evolving, we'll just have to see. RADAR-Arbitron's comments have certainly fueled our resolve to support one measurement system. It's like I've been invited to the marriage ceremony between RADAR and Arbitron, yet I'm witnessing two distinct wedding parties walk down both sides to the altar. It's a little odd. Underneath it all, I suspect that the real reason why syndicators don't subscribe to RADAR is because they know that their numbers will significantly decline. Someone, please, prove me wrong.

Three years ago, we accompanied **Kraig Kitchin**, President of Premiere Radio Networks, to RADAR in an attempt to, once and for all, convince them to subscribe. We promised Kraig that if he did subscribe we would disproportionately support his company. Premiere joined RADAR and their numbers dropped by 30%, no surprise to anyone. But Premiere certainly hasn't regretted their entry into RADAR. Instead, I think they relish the fact that they are now considered as a network by the industry and are priced accordingly.

Maybe the price of entry into RADAR will eventually be much lower because it is fast becoming one sample base. The syndicators' clearance lists are already at Arbitron, so again, maybe it could be more cost efficient to now join the club.

But not all of Premiere is in RADAR
True. But I know that they will continue to move more into the service over time. There is nothing but upside for them to do so. Look, the fact that they joined RADAR in the first place speaks not only to the foresight of Kraig Kitchin, but also to this company's desire to simply face the truth with the audience numbers. We now also have a strong level of comfort with their back room capabilities. That's why we support and will continue to support Premiere in such a big way. It's just good business sense for our clients.

Do other buyers feel the same way?
They must, although I haven't asked anyone recently. Maybe this publication could act as a buyer's forum over the next few weeks [we just might!]. Earlier in the year, you created some controversy by taking Premiere to task on what they allegedly did in the previous year's upfront. Here's a new forum.

Regardless, I think it is time for us here at MindShare to say to syndicators, enough is enough. We believe that your 1.0 Women 25-54 rating is really a 0.7 so that's the number we are buying and it translates to this cost per point. We have also stopped buying anything that airs Monday through Friday with a broad clearance of 6:00am-12 midnight. We know where those broad daypart rotations are really airing. I mean if a syndicator brings you something that is a 1.2 rating and a 1,200 cost-per-point, shouldn't you run in the opposite direction?

What about personalities, do they belong in RADAR?
I wouldn't insist on it. We buy people like **Delilah** based on their ability to attract loyal listeners that are valuable to our clients. Personalities account for such a small percentage of the national commercial time. Let's just take one step at a time.

And let me also say that it is not that we totally rely on RADAR. We are also big supporters of ACT1 which is used directionally and based on Arbitron data.

The Q2 marketplace sold at a fast pace. What are your predictions for Q3?
We've already locked down our needs for third quarter based on the strength of second quarter. There is no upside in waiting—particularly if your clients have very specific daypart needs. The interesting thing is that activity appears to cross all categories—retail, automotive, you name it.

Speaking of personalities, what are your predictions for Westwood's Bill O'Reilly?
Major home run. I'm a big Fox News fan. Here is a man that has single-handedly rocketed Fox News into first place in primetime cable over CNN. He's popular, he's well known, he's an author, he's great. And he listens and presents other viewpoints. I think people should view him as an opportunity for a civics lesson. He will attract the masses, also very upscale listeners. I think he's perfect for any number of clients.

How would you characterize your dealings with each network this year?
I really don't have any issues with any vendor, besides my frustration with trying to improve the measurement system. But here are a few thoughts.

Let's start with Premiere. I think that Kraig Kitchin has done an awesome job in a difficult marketplace. I wish I could get my hands on more Diamond and Emerald inventory. Who wouldn't? The Top 25 markets are critical to our clients and so it is frustrating to have this commercial inventory rationed. I met with **John Hogan**, President of Clear Channel Radio, last week and voiced our desire for more inventory on his top stations. He doesn't want to take it away from local and I understand that business model. I would also like Premiere Traffic to create a line-up for network radio advertisers. The Premiere stations are strong and we miss them on our Metro-Shadow line-up. This might be a new revenue stream for Premiere; we're interested so I am hopeful. I am also a little concerned about the recent drop in audience numbers for Diamond, but we'll just have to wait and see how this pans out.

We are equally pleased with Westwood. They have an amazing sales team in place both in New York and Chicago. **Peter Kosann** and team are all over both our clients and planning teams which I think is needed and makes a big difference.

ABC has done a great job in repositioning themselves in sports programming with personalities like **Dan Patrick** and **Tony Kornheiser**. They are a great company and RADAR-rated, let's remember. The Urban Advantage Network is a major hit. I mean a 10.0 Urban rating is just an unbelievable thing. You can't get those types of audiences in television. ABC has Sports, Urban, Radio Disney, and **Paul Harvey**, but still unfortunately, marginal top market indexes on the mainstream networks.

And then there is American Urban, which I think should be renamed the **Jay Williams** network. Here is a man that has faced enormous challenges this year from ABC, but he's out there with his helmet and fatigues, fighting his way through it all and remaining true to the brand. The American Urban networks have been reinvented under Jay's direction and we support his efforts every step of the way. I have tremendous respect for Jay's organization. I spoke at their annual conference last year and here is a group that really gets along, like some kind of big family. I was very impressed by that.

What would you like to see more of in network radio?
I'm sick of listening to myself rant about top market delivery, so let's just focus on my second wish for more personalities in network radio. I wish that there were more people like Delilah who made our whole Sears Christmas campaign really shine last year. The Delilah environment is just wonderful. I feel the same way about **Lou Dobbs**, **Dan Patrick** and **Jim Rome**. At last year's RAB, I sat with station owners at a dinner who couldn't stop talking about how much another late night personality, **Lia**, has helped their numbers. So I bought a lot of her as well. Station owners provide a lot of insight for me. Personalities influence our clients' sales, no question about it.

You talked so extensively earlier about syndication and RADAR. I'm sensing that MindShare may be buying less syndication in the future.
That's a fair assessment. With the exception of personalities, I think that it is time to say to syndicators, enough is enough. Each one of you has to put at least one of your properties into RADAR within the next year and if you don't, we will stop buying you. I hope that we won't be standing alone when we do it, but we might be. It's just the right thing to do.

Any final thoughts?
I just really enjoy working in network radio. It's fun, and it's always changing. I think that the changes I propose will only help to strengthen the medium. I truly believe that network radio is a growth medium and that as more brands discover it as a way to build awareness and brand loyalty, its usage can only increase. I mean why should anyone think that this industry should be stuck at current billing levels? I am also encouraged by the new RADAR-Arbitron company. At first I was skeptical, but I'm not a research expert, so in some cases, I'm just misinformed (another way of saying that I was wrong). Let's all hope for a better year, that more advertisers will learn to appreciate what radio can really do for them as a medium.

By Jack Messmer

Bill Gates buys Fisher stake

licrosoft (O:MSFT) founder/Chairman **Bill Gates** has made his first ıajor investment in radio and television. Gates' personal investment ompany, Cascade Investment LLC, told the SEC 4/11 that, as of 4/1, it wned a 5.3% equity stake in Fisher Communications (O:FSCI). The filing idn't indicate the time period over which those shares were purchased, ınly that the 5% threshold for reporting was triggered on 4/1. At 4/11's losing price of $47.50, those 455,700 shares were worth $21.6M.

Seattle-based Fisher owns 11 TV stations (and 50% of a 12th) and 28 adio stations—all in the Northwest except for two TV stations in Georgia. 'hree Fisher Family trusts own 15.9% of the company's stock and various amily members individually own several thousand more shares.

Less than three months ago (RBR.com 1/25) Gates made a much arger investment in cable TV, investing $500M in Cox Communications N:COX). Those 13.5M shares (2.2% of Cox Communications' total quity) are currently worth $460M.

Mapleton scores San Luis Obispo triple play

Mapleton Communications has filed a trio of deals to buy three FM stations in the ian Luis Obispo, CA market from three related companies—each for exactly the ame price, $600K, or a total of $1.8M. KXDZ Templeton is being sold by Howard Broadcasting, owned by **Walter Howard**. KOTR Cambria is being sold by Central Coast Community Broadcasting, owned by **Bruce Howard**. And KXTZ Pismo Beach is being sold by Winsome Media, owned by both Howards. Mapleton is owned by **Michael Menerey** and its radio group is managed by **Dale Hendry**.

***RBR* observation:** Although all three of these stations are in the San Luis Obispo market, their city-grade contours don't overlap by even an nch. So, Mapleton could conceivably buy several more FMs in the market. KXTZ and KXDZ simulcast a Classic Rock format, while KOTR is AAA.

K-Love strikes again in Texas

A few days after buying an FM in El Paso, **Richard Jenkins'** Educational Media Foundation has struck again on the other side of Texas. EMF is picking up another non-commercial (88.7 mHz) outlet for its K-Love Contemporary Christian network with a $500K buy of KFGG-M Corpus Christi. The station, a Class C2 on the Channel Six tower, is currently owned by Roloff Evangelistic Enterprises, headed by President **Jim Copeland**. Broker: **John Roberson**, John Pierce & Co.

Saga adds two more to latest market

While still waiting to close his purchase of Tele-Media's four-station Keene, NH-Brattleboro, VT cluster for $9.075M, **Ed Christian** is adding two more stations in Saga's (A:SGA) newest market. Saga is paying $2.625M to buy all of the stock of Roberts Communications, licensee of WBKB-AM & WXOD-FM Keene-Winchester, NH. Roberts is currently owned by **Cynthia** and **Scott Roberts**. Broker: **Mike Bergner**, Bergner & Co.

DC daytimer brings $2.9M

Five years after buying WWGB-AM Indian Head, MD for $1.5M, **Jack Mortenson** is selling the 50kw daytimer (on 1030 kHz) for $2.9M. The buyer is Rev. **Sun Young Joo**, who thus becomes a group owner (he also owns WPWA-AM Philadelphia). Broker: **John Pierce**, John Pierce & Co.

Cox spins another AM

A few months after selling KRTR-AM (now KHRA) for $575K, Cox Radio (N:CXR) is divesting its remaining Honolulu AM as well. The *Honolulu Star-Bulletin* reports that local businessman **Duane Kurisu** is buying KCCN-AM for about the same price—somewhere between $500K and $1M. The deal will give Kurisu a direct outlet for his Hawaii Sports Network. Cox will keep the call letters on KCCN-FM, so Kurisu is looking for new call letters.

Mickey buys in Mobile

Radio Disney is getting a rare FM O&O in Mobile, AL. Disney's (N:DIS) ABC is buying WQUA-FM from Lyn Communications, which is owned by **Herb Wilkins'** Syncom. The station is a Class C3 on 102.1 mHz. It's licensed to Citronelle, AL. BIA estimates that it billed $100K last year with a Gospel format.

ABC has now filed with the FCC the deal it announced earlier to buy WFDF-AM Flint, MI from Cumulus Media (O:CMLS). The price is $3M.

Susquehanna exits Alabama

Susquehanna Radio has finally found a buyer for WHMA-AM, the station left behind in Anniston, AL when its former FM sister jumped to the Atlanta, GA market and became WWWQ. **Jimmy Jarrell**, who owns three other stations elsewhere in Alabama, is buying WHMA for $150K. An LMA is now in place. Broker: **Terry Greenwood**, Patrick Communications

Casino places a bet on Reno

New entrant Casino Radio LLC, owned by **Anna Maria** and **Harold Holder**, is relieving **John Winkel**'s Silverado Broadcasting of its Reno market AM, KPTL, licensed to Carson City, NV. The price is $350K. Silverado will still retain an FM in the market, KNVQ. Broker: The Exline Co.

Demand strong for Radio One shares

Investors snapped up the 10M non-voting shares (O:ROIAK) offered by Radio One and some of its inside shareholders, so some additional shares have been added. The offering of 1.3M shares by existing shareholders has been expanded by nearly 1M shares. All of the additional shares are coming from former shareholders of Blue Chip Broadcasting, which merged with Radio One. The offering, which was priced 4/4 at $20.25 per share, was led by Banc of America Securities and Credit Suisse First Boston.

FCC flags Three Eagle's KRIB

The Federal Communications Commission has pulled out its red flag again, this time at the expense of KRIB-AM in Mason City, IA. It is being sold, along with its mates KLSS-FM and KYTC-FM, by **Rolland Johnson** to (drum roll please): Rolland Johnson. The $71M deal is basically a recapitalization for Johnson's Three Eagles, done in part in preparation for a return to the acquisition trail *(RBR* 3/18, p. 7).

***RBR* observation:** The red flag strikes us as ludicrous on three counts.

1) This is not even a superduopoly cluster. It's a simple 1AM/2FM duopoly. Moreover, it's an existing duopoly, and it's not even in reality changing hands! If it's such a horrible cluster, why was it allowed in the first place? Merely because Johnson reorganized his company, he has to re-justify and possibly break up this modest little cluster?

2) Although Three Eagles is very competitive with its three stations, the big cluster in town is Clear Channel's, which has a 2AM/5FM cluster (two of which are unrated fringe stations). By all means, the FCC must break up Three Eagle's smaller cluster in town to preserve competitive balance.

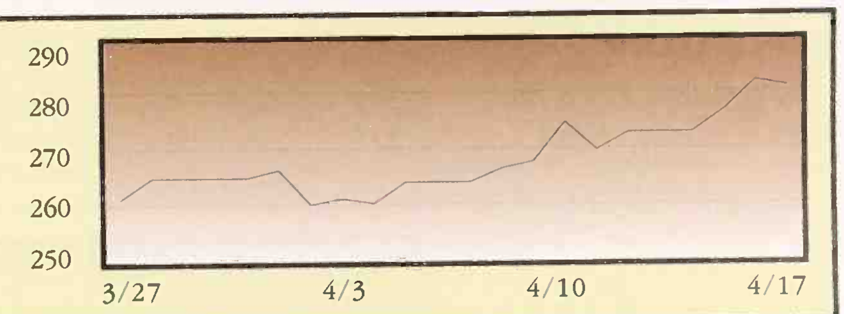
3) Is the FCC hoping, as it has in the past, to have a third viable radio competitor in town? Short of breaking up the Clear Channel cluster (which is a legal cluster), this strikes us as almost impossible. Mason City is not Big Apple Central—the Fall 2001 ranked it #279 out of 283 with a 12+ population of 68,300. And even that small listener base is split—significant listening goes to stations from Rochester MN, Waterloo-Cedar Falls IA, and even Des Moines. So there's little to divvy up in the first place. Furthermore, there was no third owner who drew above-the-line ratings in the market in Arbitron's Fall 2001 survey. So the third man, if that is indeed what the FCC is looking for, would be coming into a tiny market with a standalone—the least valuable property of the 2nd-place owner—and going up against two entrenched groups, one of which is the biggest in the world. Who's going to buy into that scenario?

FCC, please pick up this flag and direct your resources where they will do some good.—DS

Radio Business Report
Voice Of The Radio Broadcasting Industry

The Radio Index™

The Index pushed to a record high of 281.902 on 4/16, then retreated slightly to close at 280.833 on 4/17—a gain of 6.198 from a week earlier.



Univision joins alliance to clear out channels 59-69

Bud Paxson has gotten a major new ally in his effort to collect mega-bucks payments for wireless telecommunications companies for moving TV stations out of the 700 mHz band that's due to be auctioned by the FCC on 6/19. Spanish TV giant Univision (N:UVN) has joined the Spectrum Clearing Alliance, a group formed to facilitate that exit from Channels 59-69. Univision has 14 stations on those channels, nearly as many as Paxson Communications (A:PAX), which has 19.

"The addition of Univision has really strengthened the Alliance," said Paxson. "They are the powerhouse Hispanic broadcaster and they carry significant weight in the industry."—JM

NBC helped save Q1 for GE

Powered by the Winter Olympics, NBC revenues shot up 48% to $2B in Q1, putting some shine on what otherwise was a lackluster quarter for General Electric (N:GE). However, it costs money to broadcast an Olympics, so NBC's profits rose only 5% to $313M. GE's strongest segment, in fact, was power systems, where revenues rose 24% to $5.3B, but profits shot up 81% to $1.6B.

Before accounting changes, GE's net income was up 17% to $3.5B. Including those accounting changes, earnings declined slightly to $2.5B. Total revenues were flat at $30.5B.—JM

New TV supertower envisioned for WTC site replacement

The *NY Post* reported that a skyscraping 2,000-foot-tall TV and radio transmission tower is being planned to replace the one lost in the World Trade Center attacks.

Metropolitan Television Alliance chairman **William Baker** says, in text prepared for delivery at the NAB, that the new tower would be 250 feet taller than the one that stood atop the trade center's north tower.

He goes on to mention several waterfront locations within 3.2 miles of the Trade Center site, including downtown Manhattan, Brooklyn, Jersey City and Governors Island. Each site is at least six acres, the real-estate magazine Grid reports on its Web site. The final design could include a skytop restaurant observation deck and retail stores. Grid goes on to report that the working title for the project is NYTTower/NYC 2012, and that it could boost the city's bid to host the 2012 Summer Olympics.

A task force of New York and New Jersey television and radio station owners says a tower is necessary because 20 percent of the area's TV market doesn't get cable. Since the World Trade Center transmitters went off the air, some stations have been using a tower in Alpine, N.J. But it's a mere 400 feet tall and is less than 1,000 feet above sea level—800 feet shorter than the old WTC antenna, and 300 feet shorter than the one atop the Empire State Building.—CM

Low power DTV solution debated at NAB

It was an issue in our issue (*TVBR* 4/8, p. 2): Many medium and small market broadcasters are choosing the bare minimum of power and equipment to launch their DTV simulcasts. Lower-power equipment and the modified FCC rules offer an inexpensive option for launching digital service. At a panel discussion on the topic, DC broadcast attorney **Tom Van Wazer** was one who had some misgivings: "These facilities will not give you the ability to get reliable signals into viewers houses."

One TV owner countered by saying reception would be spotty for viewers relying on indoor antennas, but the early adopters who have DTV sets don't mind attaching rooftop antennas necessary for low-power DTV signals.

Van Wazer adds stations will save little money [with low power] because the systems must be junked or relegated to backup roles.

***TVBR* observation**: For that reason, owners looking for this temporary shortcut should make sure that the equipment is upgradeable, which is how most of them are marketed.—CM

Washington Beat

Monterey cap dispute still percolating

The dispute as to if or whether the Ackerley Group (N:AK) can run two TV stations in Monterey CA is still before the FCC. Even more to the point is whether the two stations can legally be transferred to Clear Channel (N:CCU), which already has a six-station radio cluster in the market.

The issue seems to have boiled down to semantics. Ackerley owns KION(TV), and has a relationship with Seal Rock Broadcasting's KCBA(TV) (which Seal Rock acquired from Ackerley).

Ackerley claims the relationship is a non-attributable time brokerage agreement (TBA). Buckley Broadcasting, which has been petitioning to deny this portion of the Ackerley-Clear Channel group deal, claims it is a fully-attributable local marketing agreement (LMA).

Buckley quotes a prior submission on KCBA GM (and Seal Rock employee) **George Kriste**, who notes that the station's programming is either Fox or syndicated fare inherited from Ackerley when the station changed hands, or is syndicated fare acquired for the station by Ackerley with his approval.

"While Ackerley asserts that Seal Rock is free to obtain programming from any source it may choose, it does not appear that it has ever done so," wrote Buckley attorneys **David D. Oxenford** and **Brendan Holland**. "It is clear that Ackerley is responsible for significantly more than 15% of KCBA's time...The implication that because the TBA technically states that Ackerley cannot program more than 15% of the time on KCBA and because Seal Rock 'approves' the remaining 85% of the programming somehow protects the agreement from being an impermissible LMA is preposterous."—DS

Flight of the channel 52-59 auction heads for the runway

The FCC is setting up a seminar for anyone interested in bidding on spectrum in the channel 52-59 television band (698 mHz through 746 mHz). The seminar will be held 5/1 from 9:30A-2:00P. Upfront payments from bidders are due 5/28. A mock auction is scheduled for 6/14, and, if all goes according to schedule, the real thing will happen 6/19.

At deadline, The White House asked the FCC to push back auctions of channels 60-69 until 2004, and channels 52-59 until 2006—DS

Viacom and MGM strike a Bond

The Viacom-owned (N:VIA) television networks TNN, CBS, and UPN, and Metro-Goldwyn-Mayer's MGM Worldwide Television Distribution jointly announced 4/16 a multi-million-dollar licensing agreement where the networks have licensed the exclusive US TV rights to 15 James Bond movies from October 2002 through most of 2004.

The New TNN, UPN and CBS have acquired programming in one negotiation. TNN will begin airing the classic Bond films this October after the films complete their run on ABC. The films include "Dr. No," "From Russia With Love," "Goldfinger," "Thunderball," "You Only Live Twice," "On Her Majesty's Secret Service," "Diamonds Are Forever," "Live And Let Die," "The Man With The Golden Gun," "The Spy Who Loved Me," "Moonraker," "For Your Eyes Only," "Octopussy," "Never Say Never Again," and "The Living Daylights."

***TVBR* observation**: Boy, will we be hearing the tune-in ads over Infinity stations and Westwood!—CM

NBC closes on Telemundo

The $2.7B deal sending the Telemundo television group to GE's (N:GE) NBC is in the books just days after receiving approval from the FCC. NBC gets 11 television stations.

It will have to spin one off, in the Los Angeles market. It's getting two there from Telemundo, and already has one of its own, meaning one of them must go. NBC has 12 months to find a buyer.

Correction: An FCC release announcing regulatory approval for the deal stated that NBC, which owns KNBC-TV in Los Angeles, would be spinning off Telemundo's KVEA-TV in the market. That is incorrect—NBC will actually be selling KWHY-TV.—DS

Discovery to launch HDTV channel in June

Bethesda, MD-based Discovery Communications announced 4/16 it plans to launch a 24/7 HDTV channel 6/17, enabling viewers with digital TVs and tuners to watch a "Best of Discovery" program lineup with the high-res picture and sound. Discovery plans to offer 115 programs on the new service. Because of limited bamdwidth constraints, most cable and satellite providers will only be able to provide six or seven HDTV channels. HBO and Showtime already broadcast in HDTV; ABC and CBS are expected to occupy two more channels.—CM

Fox files $2.5B shelf

Rupert Murdoch apparently needs some more pocket change to go station shopping. Fox Entertainment (N:FOX), the US TV company controlled by Murdoch's News Corp. (N:NWS) has filed a shelf registration with the SEC to sell up to $2.5B in new stock, bonds or other securities, as market conditions permit. No specific use for the cash was spelled out, nor were any underwriters named.—JM

RTNDA attendance: 1,100

The Radio-Television News Directors Association (RTNDA) convention, held in association with the NAB in Las Vegas, drew about 1,100 registrants—half what it would likely have drawn at the Nashville conference canceled from 9/11.

The RTNDA says will do the same show in 2003—in Vegas in conjunction with the NAB show.—CM

EchoStar in Baby Bell deal

EchoStar (O:DISH) has a deal with SBC Communications (N:SBC) to have the Baby Bell company market EchoStar's satellite TV in a bundled package with SBC's broadband DSL Internet service. That's being positioned as a competitor to the video and Internet offerings of cable TV companies. SBC owns regional telephone companies in the Midwest and West.—JM

Pax may move to VHF outside of DC

From 100,000 watts.com: "Creating a new VHF signal is rare these days except for rural areas out west. However, a new VHF signal on channel 12 may hit the airwaves northwest of Washington DC. Paxson Communications has been filing to move its upper UHF signals to the channels assigned for their digital signals... Its latest application proposes moving its Pax WWPX (channel) 60 Martinsburg WV to channel 12. Like its other applications, if granted, the digital station (WWPX-DT) that was to be constructed is put on hold for 5 years."—CM

Bud Paxson, CEO, Paxson Communications

On DTV: Bud is skeptical of the conversion of analog TV to digital. "They're all giving it lip-service. Nothing's happening," he said.

Nevertheless, he's very bullish on the government's plan to auction spectrum and have the high bidders also pay the current occupants, including 19 Paxson stations, to relocate.

"The Association of Police Chiefs and the association of all of the organizations of first providers—ambulance, fire and so forth—are totally for it. There are sections of New York where they have no frequencies [available] at all. After 9/11 this is a huge issue. This is why the spectrum auction of the 700 mHz—otherwise known as channels 59 to 69—has got to be held in June of this year. 24 mHz of that winds up in the hands of the first providers, which are the ambulance, fire and police. They need it. They're out of spectrum—there's just nothing available in many areas of the country. It's a serious, serious problem."

On liquor ads: "I don't take beer advertising, so liquor is not a question for me. As far as liquor is concerned, they took away cigarettes, they want to take away liquor—I don't care. So let them do what they want."

But Bud takes issue with some on Capitol Hill who want to constrain pharmaceutical advertising, claiming that it drives up medical costs.

"I'm alive today—alive today, sitting and talking to you today—simply because I watched the commercial for Vioxx on television and came to understand what it was and went back to my doctor and started asking questions. Without going into my health issues, I'm alive today because of the fact that there's advertising on television. I can tell you, I think my father-in-law is alive today because of it. We're finding out about these medicines. We're asking questions. We're going to our doctors. We're looking these things up on the Internet. I think that the full dissemination of knowledge is great. Look what's going to happen to Claratin, which is one of the largest advertisers on television. Claratin is going to become an over-the-counter drug because—to quote their little brochure they put in with the pills, there's no more harm in Claratin than there is in sugar pills."—JC, JM

Deborah Norville, host, Inside Edition

On comp: Deborah may not own stations, but she's certainly aware of the battle over network compensation.

"I think it is going to be interesting. What Post Newsweek has done in dropping the CBS affiliation of WJXT in Jacksonville Florida is quite dramatic and may portend all kinds of changes going on in the industry. The reason **Alan Frank** and **Don Graham** and everyone over at Post Newsweek say made this decision was a couple of things. The relationship with the network was preventing them from doing what they as a local broadcaster believe they need to do to best serve their market. And when I was in journalism school a million years ago it was burned into my heart that the FCC grants a license in the public's interest, convenience and necessity. In the public's. Not in the corporation's, in the public's. And I applaud any local broadcaster who is prepared to stand up and say I cannot fulfill the mandates of my broadcast license if I have to adhere to your rules. I don't believe personally, and think that is what their statement is, that the network can dictate from New York how you best serve the people of Jacksonville, Florida or Albuquerque, New Mexico or where ever it is. Now there are certain guidelines that are part of the network affiliate relationship but as **Dave Barrett** said on a panel that I was moderating from Hearst Argyle Television, 'We always reserve the right to make those programming choices that we believe best serve our viewers.' And I think that's analogous to drawing a line in the sand with the networks. The trick is finding the alternative revenue stream."

On ownership limits: Deborah says the industry is in a quandary "because the FCC won't come around and decide what they want to do!" She wants decisions to be made.

"Right now, **Mel Karmazin**, whose picture you just pointed to, doesn't know, from a business point of view, if he can buy more stations. He doesn't know if he can go and set up duopolies in some of the smaller markets where he may own a broadcast property already. Right now the industry is in purgatory. We are in regulatory purgatory…If the FCC or the court of appeals goes this way, then we can do that. If the FCC or court of appeals goes that way, then we can do this…I don't know how one meets the challenge of trying to manage in an environment like this, because there are so many question marks out there."—JC, KL

Lisa Hawkins, Distilled Spirits Council of the United States

On liquor ads: What else would you expect her to talk about? Although DISCUS is disappointed that NBC backed out of running liquor ads, the distillers aren't giving up by any means.

"We have been on radio and TV for the last five years. During that time we've been on numerous network affiliate stations and over the five years there's been broad public acceptance. So it is true that NBC was the first network to begin airing, but these ads have been seen all across the country."

She noted that the distillers have a code with 30 provisions to insure that their ads are responsible, tasteful and directed to adults. "One of the biggest questions we get at the [NAB Convention] booth is, 'Isn't distilled spirits advertising illegal?' so a lot of what we're doing is trying to clear the record—to let them know that, no, it's not illegal. It was always a voluntary ban. The distillers decided back in 1936 not to go on radio and then in 1948 not to go on television. So it was something that we did, and at the time we thought it was the right thing to do. We had no idea that five decades later that decision was going to be used against us."

Lisa said she had gotten positive feed back from radio and TV broadcasters, who said they were disappointed in NBC's decision. "We're collecting the names of interested broadcasters and we're compiling that list and getting it out to our member companies…so they can filter the information down to their media buyers."

Should liquor ads run only at night? "The focus really isn't on time of day, it's really the programming. For example, you could have a Sunday early-afternoon public affairs show and it would be perfectly appropriate to have a distilled spirits commercial during that time because the majority of the viewership is adult. So the focus really needs to be on the demographics of the programming, not really the time of day." For radio, "I believe it would be with the format and the audience."—JC, JM

Eddie Fritts, President/CEO, NAB

The ever-vigilant NAB President/CEO **Eddie Fritts** told **Jim Carnegie** the NAB's first principle in the *RBR/TVBR* suite at NAB2002 in Las Vegas. "The first rule of Washington, of course, is that the government should do no harm, and our goal is [avoid] the rule of unintended consequences for broadcasters or for consumers."

He went on to address a variety of topics.

On DTV: "For those that say that broadcasters have received a $70B giveaway my response to that is show me the money, because we've not received any money out of this transition. What the government has done is loaned broadcasters spectrum to make this transition on behalf of the consumers…We have **John McCain** who is saying that we have received a huge giveaway and nothing could be further from the truth. He sees it that way, but he sees it wrong in my estimation and I think that broadcasters have clearly done a terrific job in getting many stations on the air."

On FCC Chairman **Michael Powell**'s DTV timetable: We applaud [Powell's] proposal that he has advanced which basically says that all of us…have to participate in this transition to make it work. Right now the broadcasters are participating 100%. The cable industry has been very lackluster, some would even say anti-competitive—in the way that they have failed to embrace digital television, and the consumer electronics industry varies from company to company."

On the cost of the DTV transition: "Digital did not sneak up on us—it wasn't a surprise. Broadcasters were prepared and moving. We happened to run into something called a recession and the advertising business went very bad, and broadcasters only source of revenue is advertising and as a result broadcasters have felt a pinch."

On the cost of not having a digital transition: "As we as broadcasters look for tomorrow's opportunities, we clearly see them as being in digital—the world is going digital…If television is to play in tomorrow's universe, it cannot be an analog medium in a digital universe."

On liquor advertising: We have taken a position that every company—big, small, local, national—should make their own decisions, should look at this. Production of alcoholic beverages is legal in the United States, and we have said that each station ought to make their own determination as to whether they should go forward or not."—JC, DS

Kevin Martin, Commissioner, FCC

FCC Commissioner **Kevin Martin** may have his opinions, but moreover he is keenly aware of what the FCC is required to do. Here's what the Republican Commissioner told *TVBR*'s **Jim Carnegie** in an exclusive sit-down in Las Vegas at NAB2002.

On the cost of the DTV transition: "It's definitely a significant commitment, and its particularly rough on the small and mid-sized markets, and that's why allowing those stations to have some more flexibility and to allow them to get just a digital signal up and going without having to actually push that signal all the way out to the edge of their area, to allow for them to share some more of their facilities with the other local broadcasters in the smaller markets, and to provide them some increasing flexibility on their roll-out schedule, but it is important for us to make progress towards in getting digital signals up and going…The Commission has a statutory legal obligation to go forward with an auction. It's…inappropriate for the Commission to ignore what the law requires it to do."

On liquor advertising: "I think it's interesting that some broadcasters started to move forward on it and then determined on their own without any government intervention prohibiting them from doing it, that that was not what they thought was in their own best interests, for could be a variety of reasons, not only because of concerns maybe people had in Washington but their own business concerns about how some of their other advertisers might respond."

On ownership dereg: "What the courts are saying, you need to justify why your rule is still …in the current marketplace. And actually, in the most recent court opinion…related to television duopolies, it said that the Commission not only needed to explain why other sources of information in a local community didn't also count as voices [and] the dissent in that case actually raised a first amend concern from the other direction. The Commission's ownership's rules had originally been challenged as a restriction on the commercial free speech rights of the station owners."—JC, DS

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Four C's dominated NAB2002

Concern, confusion, compliance and compensation summed up broadcasters' view of the world at the NAB2002 convention in Las Vegas.

Eddie Fritts, President of NAB

"Digital is a consumer driven transition, and as far as the $70B giveaway—SHOW ME THE MONEY"

Lisa Hawkins, Distilled Spirits Council

"We have been on radio and TV for the last five years. During that time we've been on numerous network affiliate stations."

Kevin Martin, FCC Commissioner

"What the courts are saying, you need to justify why your rule is still... in the current marketplace"

Deborah Norville, host, Inside Edition

"It's going to be interesting on what Post-Newsweek has done... Their decision (P-N) was done to best serve their LOCAL market..."

Bud Paxson, CEO, Paxson Communications

"There all giving it lip-service. Nothing's happening."

Concern over the economy and where ad markets are heading. Confusion over what the FCC and Congress may or may not do about regulations, including some that are having to be re-written after being struck down by the courts, and more confusion on whether or not to take liquor advertising in the wake of NBC's about-face. Compliance is the big issue for digital TV, with many broadcasters—most, in fact—seeking extensions for beginning DTV broadcasts, since few consumers yet have receivers and the current economic downturn has made it all the more difficult to take on an additional capital expenditure. And finally, compensation—the affiliates want to keep getting their payments and the networks are bound and determined to end the practice.

Many of the industry's top leaders and regulators came by the *TVBR* and *RBR* suite in the Las Vegas Hilton for exclusive one-on-one interviews with *TVBR*/RBR Publisher **Jim Carnegie** that ran the gamut of major issues facing the broadcasting industry. Those interviews are being streamed on RBR Radio and many will be made available as audio on demand on RBR.com.

FCC Commissioner **Kevin Martin** spoke about the issues currently before the Commission—that it's important to get the DTV transition underway. He also admitted that while the most important thing about liquor advertising is that it be done responsibly, even he can't predict how the politics of the issue will play out.

Meanwhile, **Lisa Hawkins** and other representatives of the Distilled Spirits Council of the United States were at the NAB Convention to enlist more broadcasters to carry liquor ads. "Alcohol is alcohol," is DISCUS' mantra. It wants the same treatment for spirits ads as for beer and wine.

Bud Paxson and Commissioner Martin are on the same page when it comes to the scheduled auction of the spectrum now occupied by channels 59-69. Both say the frequencies are desperately needed by other users, including police, fire and ambulance services. Of course, Bud is also interested in the checks that Paxson Communications (A:PAX) stands to receive for moving stations out of the spectrum.

In-depth excerpts on page 2. Also, be sure to check out the complete audio versions on RBR Radio at www.rbr.com. More next week in TVBR.

Gannett earnings right on target

Wall Street had been expecting Gannett (N:GCI) to report Q1 earnings per share of 91 cents—and that's exactly what the company delivered. Earnings for the nation's largest newspaper group—and owner of a large TV group—rose 8% to $243.6M.

TV revenues got a boost from the Winter Olympics. Revenues were up 7% to $167.2M. That boosted TV cash flow 11% to $79.2M.

Newspaper ad revenues were down 5% to $969.8M and circulation revenues slipped 0.7% to $310.7M.

"I want to caution you that the pacings are very volatile," CEO **Doug McCorkindale** told analysts in his conference call. Unlike the historic pattern of advertisers placing TV advertising 12-18 weeks ahead of the air date, McCorkindale said buys are coming in much closer to air, but that pacings are improving week by week. He said Q2 is currently pacing up in the "low single digits" for TV, with April down a few percent, May about flat and June up in the teens. He also noted that political spending, so far, is stronger than expected.

"We are cautious, but a little bit more optimistic for the remainder of the year," McCorkindale said of the ad revenue outlook for the entire newspaper and TV company. McCorkindale said in the teleconference that he was comfortable with analysts' estimates that Gannett will have Q2 earnings per share of $1.11 to $1.12, but Gannett later issued a statement that he misspoke and really meant $1.11 to $1.13.

Asked about the likelihood of the FCC moving quickly to allow newspaper/broadcast crossownership, McCorkindale referred to the comments made last week by FCC Chairman **Michael Powell** at the NAB Convention in Las Vegas, when he said he hoped to finish the issued yet this year. "I think the most optimistic way to read his comments is that maybe something will happen post-election time, but knowing what is going on in Washington, I think that will be just that—it would be optimistic. So I think your 2003 reading may in fact be the result that we may be looking at," McCorkindale said.

As for acquisition opportunities, McCorkindale said, "We're ready to write checks for the right transactions." However, he said the asking prices of most potential sellers are still too high, based on the huge multiples seen two years ago rather than current market conditions. He said that was particularly true for TV, even more than for newspaper properties.—JM

What might ACME sell?

ACME Communications (O:ACME) disclosed at the AG Edwards investor conference in Las Vegas this week that it is considering a station sale—that someone had made a bid for "one of our largest TV stations." In a disclosure document filed with the SEC, the company said its Board of Directors, meeting 4/9, decided that it is in the best interest of the company and its shareholders to consider a sale of that station—but that it would seek out additional bids.

***TVBR* observation**: ACME didn't identify the station that's in play, but when it comes to large stations, ACME has none larger than KPLR-TV St. Louis—its only VHF property. The Channel 11 facility is a WB affiliate in a market where one of the big four networks, ABC, is on a UHF—Sinclair's (O:SBGI) KDNL-TV (Ch. 30). The market's only big network O&O is Fox's (N:FOX) KTVI-TV (Ch. 2). CBS is on Belo's (N:BLC) KMOV-TV (Ch. 4), NBC on Gannett's (N:GCI) KSDK-TV (Ch. 5), and UPN on New Life Evangelistic Center's KNLC-TV (Ch. 24). The St. Louis O&O for Paxson Communications (A:PAX) is WPXS-TV (Ch. 13), located 71 miles from St. Louis near its city of license, Mt. Vernon, IL.—JM

Gray sees end to NBC comp

In an SEC filing, Gray Communications (N:GCS) has disclosed that it will receive its last network comp check from GE's (N:GE) NBC in the middle of 2006. That's the result of a round of negotiations with the network for all three of Gray's NBC affiliates—WJHG-TV (Ch. 7) Panama City, FL, WITN-TV (Ch. 7) Greenville-New Bern, NC and WEAU-TV (Ch. 13) La Crosse-Eau Claire, WI—which will keep all displaying the Peacock logo through 2011.

"In January 2002 we reached a preliminary agreement with NBC on the terms of a new 10-year affiliation agreement for WJHG. The agreement extends WJHG's affiliation with NBC until December 31, 2011. Effective January 1, 2002, WJHG no longer receives network compensation payments from NBC under the affiliation agreement. In addition, we have preliminarily agreed with NBC to extend the existing affiliation agreements for WITN and WEAU until December 31, 2011. The network aggregate compensation payments made by NBC to WITN and WEAU will remain generally consistent with the terms of the existing agreements until June 30, 2006 for WITN and December 31, 2005 for WEAU, after which times NBC will cease making further compensation payments. We are working with NBC to finalize the definitive agreements with respect to these revised NBC affiliation agreements," Gray said in its SEC filing.

That agreement doesn't affect four additional NBC affiliates which Gray will acquire under its pending $500M purchase of Benedek Broadcasting.—JM