

# Radio Business Report™

Voice Of The Radio Broadcasting Industry®

May 6, 2002

Volume 19, Issue 17

## One of radio's own nominated for SEC

President **George W. Bush** has tapped El Dorado Communications' **Roel C. Campos** for Commissioner at the Securities and Exchange Commission. The term for the open seat is in progress and expires 6/4/05.

## Radio helped Disney, but not enough

ABC-TV was a drag on Disney's economy. Too bad it couldn't have matched ABC Radio's performance. CFO **Tom Stagg** briefly praised **John Hare's** ABC Radio division. "...its worth noting that our radio group's numbers were up modestly on a year-over-year basis through a combination of efficient cost management and an ad environment that's shown early signs of improvement."

## Beasley releases Q1 results

Although Beasley's Q1 consolidated net revenue declined 3.7% to \$24.9M from \$25.8M in the same period last year, it's after-tax cash flow rose 44% to \$4M, or \$0.16 per diluted share, compared to \$2.8M, or \$0.11 per diluted share.

## Radio soft, TV worse at Fisher

Fisher Communications saw its Q1 loss balloon to \$7.8M from \$2.3M a year earlier. TV revenues dropped 18% and radio was off 4%, the company said.

## Closing

Asheville Radio Partners has taken the keys to WISE-AM Asheville, turning over \$1.7M to seller **Ardell Sink**. Sink also closed on his sale of WTZQ-AM, also in Asheville, to Houston Broadcasting for \$750K. Broker (for both deals): **Greg Guy**, Patrick Communications

## FCC extends EEO comment deadline

The FCC has extended the EEO comment deadline to 5/29, in response to the Minority Media & Telecommunications Council's (MMTC) motion asking for extra time to analyze and respond to the extensive comments filed already.

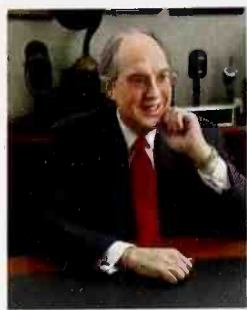
## AFTRA files EEO comments

Supporting the FCC's attempt to get EEO rules back on the books, The American Federation of Television and Radio Artists (AFTRA) says that since federal courts suspended previous FCC EEO rules for being constitutionally suspect, an inordinate amount of women and minorities have been discharged from jobs and have held far fewer managerial positions.

## BTR loses its Tart

Business Talk Radio President **Chet Tart** has exited to join partner **Mike Cutchall** in the buy of WRMF-FM West Palm Beach. Cutchall's Palm Beach Broadcasting bought WRMF in March for \$74M. Business Talk Radio CEO **Bill Hogan** will oversee operations for now.

## Everything's coming up roses



Ed Christian

As radio company after radio company reports quarterly results to Wall Street, the trend is clear—happy days are here again. Maybe not as joyous as the days of free-flowing dot-com dollars, but at least enough to evoke a smile or a giggle from a radio CEO.

Just as Emmis' (O:EMMS) **Jeff Smulyan** (RBR 4/22, p.1) and Viacom's (N:VIA) **Mel Karmazin** (RBR 4/29, p.1) reported up quarters and a brightening outlook, several other broadcasters joined the celebration parade up Wall Street in the past week.

Cox Radio (N:CXR), which many analysts regard as a bellwether for the industry, posted a gain in cash flow and would have had a revenue gain for Q1, but for the loss of February TV sweeps revenues. CEO **Bob Neil**'s even better news for Q2 is that April looked to finish up 8%, with both May and June also pacing ahead of last year.

Saga's (A:SGA) **Ed Christian** reported Q1 same station revenues up 1%, with cash flow up an even stronger 5.4%. He told analysts that in some markets, such as Columbus, that ad buyers are having to readjust to doing some advance planning: "Whereas they've been used to just calling up and showing up without a reservation, more people are now knowing that if they want to get a prime table, they're going to have to call for a reservation, you know, several weeks out."



George Beasley

Beasley Broadcast Group (O:BBGI) CEO **George Beasley** said he was surprised by how strong March turned out to be, which blew out the relatively modest growth projections that the company had given Wall Street for Q1. Beasley still reported a revenue decline, but a cash flow increase—and told The Street to expect the same for Q2.

And the happiest CEO we've heard recently was Spanish Broadcasting System's (O:SBSA) **Raul Alarcon**. With KSOL-FM helping to more than double sales for SBS' Los Angeles cluster, Alarcon was able to report that instead of the single-digit revenue growth he'd promised investors for Q1, SBS instead delivered a double-digit gain.

Details of the latest earnings reports on page 7.—JM



Bob Neil

## Finally, an up quarter for Interop

Interop (O:IROP) had told Wall Street to expect a slight decline in Q1 revenues, so CEO **Ralph Guild** was happy last week (5/1) to report the final result—a slight increase. Radio commission revenue was up 1.2% to \$16.6M and total revenues (including Internet revenues and contract termination payments) were up 19.4% to \$19.9M. Operating EBITDA improved from minus \$1.2M to a positive \$548K.

"With inventory tightening and rates firming up, business is definitely improving," Guild told analysts. "May appears particularly strong, with sell-out conditions in many markets. Visibility is also improving slightly. Since many advertisers were shut out of May due to inventory shortages—for the first time in over 18 months. June bookings are solidifying and third quarter orders are beginning to come in."

As a result, Interop has raised its outlook for 2002 from its previous forecast of flat to a new expectation that revenues will be up 3% to a range of \$82-83. Plus, the company told analysts that may be revised upward again in just a few weeks if things continue to improve. Interop also said it is working on a refinancing package which will be in place in plenty of time for its 7/1 bond interest payment.

Charts supplied by Interop (page 2) show that advertising by airlines is continuing to rebound after briefly disappearing after 9/11.—JM

## Looking ahead to crossownership

RBR sat down with BIA Financial Network (BIAfin) VP **Mark Fratrik** last month at NAB2002 in Las Vegas. Fratrik contributed to RBR earlier in the year, in the form of a revenue forecast for radio in 2002, a fact which he commented on.

"I think radio has a pretty vibrant opportunity here. [It's had] continuous success over the last 5-6 years since deregulation...as you reported two months ago, I threw out a number of 5.5% for radio revenues and I was way above everybody and it's coming closer to me and so I'm pretty optimistic for the industry as the economy bounces back."

Fratrik joined in what has become a full-voiced chorus of admiration for FCC Chairman **Michael Powell**. In particular, he welcomed Powell's promise to move on striking or liberalizing the rules governing broadcast/newspaper crossownership by the end of the year.

"I think it's great," Fratrik observed. "I think that the synergies with newspaper/TV and newspaper/radio are just remarkable, and it's the obvious one in terms of newscasting but I also think that you have on the revenue side potential synergies in selling efforts."

"Newspaper and radio people are very different beasts—I think if they're under the same organization there may be more coordination of sales efforts, and I think there's real potential for revenue synergies, and I think there's obvious cost synergies and improvement in products on the newsgathering side."

"I think that's also happening with radio, especially in small markets. When we talk to newspaper chains that have medium and small markets, they have a real keen interest in radio. The head of Knight-Ridder said that he's real interested in getting All News stations, and," he joked, "the likely story is that a lot of newspaper people have a face for radio, so I think that's going to work real well."

He expects that consumers will benefit, especially as television stations are encouraged to go more in depth than they've ever been able to in the past.

He expects that newspapers rather than broadcasters are likely to be the buyers this time around. "There are a lot of newspaper chains that are in a lot of small markets, populations of 50K-100K people, and I think they are going to be active in getting radio. Obviously you've got Gannett and you've got Knight-Ridder and you've got Scripps and they're going to be involved in TV."

"Going from broadcast to newspapers is going to be difficult, but I think what will happen there is that a broadcaster may want to hook up with a major newspaper, not to really reinvent the wheel, but just a merger of people on a local level."

Fratrik commented on the curious state of affairs concerning broadcast television revenues. "As the television audience kept decreasing, revenues kept increasing, and the price of that advertising, the CPM, kept increasing, and as an economist I'm seeing product quality going down and the price going up and I'm not allowed to teach that in economics—you can't have an upward sloping demand curve."

"Why is this happening? One reason I postulate is that providing mass audiences is harder and harder, so whoever is providing mass audiences, even though it's a small mass, it's more valuable. Television still has a critical enough mass to be providing that access to the audience that is still valuable to advertisers. So long as it has that critical mass, then I think it is a very viable avenue for advertisers."

RBR observation: We would say that the same thing applies to radio.—JC, DS



Mark Fratrik of BIA



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AMERICAN  
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NETWORKS

May 6, 2002  
Volume 19, Issue 17

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Radio Business Report is published weekly by Radio Business Report, Inc. Publishers of Radio Business Report, Television Business Report, The RBR Source Guide, RBR Daily Email, RBR Radio, www.rbr.com and the Information Services Group database.

Subscription rate: One year \$220.

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# RADIO NEWS®

## The Clear Channel story: NOW it can be told?

**Bill Moyer's** piece on Clear Channel (N:CCU) which aired Friday 4/26 on PBS ("NOW with Bill Moyer") didn't add anything new to the ongoing dialogue about the radio giant.

Among the points made: Clear Channel's size is unprecedented. It is taking advantage of current technology to do voice tracking. Its CHR stations are much the same from market to market. There are questions about the fair competition concerning CCU's concert business.

For a non-industry piece, it did get into some of the more arcane issues, such as Clear Channel's relationship with Chase Broadcasting, specifically in Waco TX where the two companies are engaged in some form of LMA. **Gary Moss**, who owns a competing Waco combo, was put on the air, complaining that CCU is illegally running the station (he has protested the arrangement to the FCC), and further complaining about the effect on other broadcasters.

On Chase, Moss said, "...Chase Radio, as well as some other corporations, were put together to get Clear Channel obvious penetration into markets, and fly under the radar of the Justice Department. This was a tactic to get around the laws. So that they can control markets."

Moss on competition: "I am locked out of media buys, by national advertisers. Because Clear Channel can cluster their stations together, and add up all of the Arbitron ratings...and say look, we've got...65 share in the market, or 70 share in the market or 80 share in the market, and you don't even go shop anywhere else." And "Ever since Clear Channel came into the market, everybody's staffs have dwindled down, as well as news staffs. Today, we no longer can support a news staff. We don't have anybody on the street covering any of these events—city council meetings, school board meetings, election returns, things of that nature. Nor does Clear Channel. I think that hurts the public."

The final part of the segment concerned the celebrated success of T Bone Burnett's five Grammy-winning "O Brother, Where Art Thou," and how its 5M sales were accomplished with almost no radio airplay. It took a broad brush to bring Clear Channel into this issue, but NPR reporter **Rick Karr** did so by saying, "Some performers have started to second-guess their muses and try to make their music safe enough to fit into the formats on stations owned by Clear Channel and other big chains."

## NAB elects to sue FEC, FCC

The NAB is suing the Federal Election Commission (FEC) and the FCC in the US Court of Appeals for the DC Circuit over whether issue ads can be banned from the airwaves 30 days before primary elections and 60 days before general elections. The provisions are part of the recently passed Campaign Finance Reform law (Bipartisan Campaign Reform Act). The NAB wants the court to strike them down, saying the they're unconstitutional.

Said the NAB in its filing: "[I]t not only criminalizes constitutionally protected speech broadcast on television and radio, but does so in a particularly constitutionally destructive manner, barring speech on television and radio that the statute permits to be published in the print media."—CM

## Triad and Cumulus settle Tallahassee squabble

Triad Broadcasting and Cumulus Media (O:CMLS) have settled their legal battling over WWLD-FM Tallahassee. Triad will now get to close its \$1.725M purchase of the station from Cumulus no later than



David Benjamin

11/1/02. That deal has been pending since July of 2001. Triad had sued Cumulus last November in a federal court in Tallahassee, claiming that the planned closing date in October had passed and that Cumulus was trying to renege on the deal to sell the station. Cumulus, however, denied that and insisted that it was only delaying the sale because it's own closing on WSLE-FM Cairo, GA had been held up.

Cumulus recently closed its \$1.5M purchase of WSLE and has

## Washington Beat

### Tower of glower? FCC frowns on violations

The FCC seems to be on the warpath over tower violations. A slew of fines were assessed 4/18, most notably against AT&T Wireless Services Inc., which took a \$153K hit, and SpectraSite Communications Inc., which was stung for \$111K.

On 4/23, Rifkin Acquisition Partners LLC, Bresnan Telecommunications Company LLC, Interlink Communications Partners LLC and Subsidiaries of Charter Communications were each hit for \$10K, while Florida Power and Light Company took an \$8K hit.

Tower-related violations ran the gamut, including construction, marking, painting and lighting violations.

The AT&T and SpectraSite violations in particular irked the Commission. Both companies were cited for similar violations within the past year. The Commission wrote essentially the same sentence in its release on each decision: [Company's name]'s apparent inability to comply with these rules on a consistent basis is very troubling. In light of these circumstances, we have tripled the base forfeiture amounts for these violations. Future violations will result in even more serious enforcement action."

Commissioner **Kathleen Abernathy** appended comments praising the FCC field engineering staff for their work in bringing these companies to justice.

**RBR observation:** We suggests that you go check your tower now, and take a paintbrush and some extra light bulbs with you.—DS

### Indecency: Copps saddles up his high horse again

FCC Commissioner **Michael Copps** returned to the Committee on Communications of the United States Conference of Catholic Bishops and renewed his call for some action to curb indecency on the nation's airwaves.

Copps said that, "the industry has been slow to respond" to his request for a voluntary code of conduct. He noted that while he would prefer that the industry handle the matter, he would also look into what could be done from his regulatory end.

He clearly wants something done. "...I'll bet there would be a lot of support all across America for jump-starting a national dialogue. I'd still prefer an industry-led effort, but letting the current dive to the bottom continue unabated is unacceptable."—DS



Kathleen Abernathy

filed with the FCC to upgrade the station to Class C2 and move it into the Tallahassee market. "We expect to close on WWLD when we sign WSLE on in Tallahassee, but we are obligated to close no later than November of this year," Cumulus CEO **Lew Dickey** told **RBR**.

The parties won't comment on whether any money is changing hands as part of the lawsuit settlement. However, Triad CEO **David**

**Benjamin** confirmed that the price his company will pay at closing for WWLD has not changed.

"While I regret that the matter has dragged on as long as it has, I am delighted that we now have a firm closing date for WWLD. It will be an excellent addition to our Tallahassee cluster and will greatly enhance our position in the market," Benjamin said in announcing the settlement.—JM

## RBR Stats

### Interrep puts ad categories through their paces

Radio national ad-seller Interrep (O:IREP) has finally come out of the doldrums to post a positive quarter (see story, page 1). The company did more than just release its earnings report—it also put out some stats showing what happened first quarter on a category by category basis, assuming the category was in the top or the bottom 10. Here then are the charts.—DS

#### Q1—Top 10 growth categories

Category	Q1 pacing
Movies	85%
Home video	85%
Transpo-Airlines	70%
Fast food	55%
Domestic auto	45%
Cable	35%
Telecomm	30%
Food products	25%
Beer/wine	20%
Restaurants	20%

#### Q1—Top 10 loss categories

Category	Q1 pacing
Investment	-60%
Travel	-60%
Fuel/gas	-60%
Government	-35%
Computers	-30%
Internet	-25%
Entertainment	-15%
Consumer products	-10%
Auto aftermarket	-5%
Insurance	-5%

**New Format**

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## Indecent in any language: Hispanic combo fined

The licensee of WAZX-AM Smyrna GA and WAZX-FM Cleveland GA (GA-MEX Broadcasting and WAZX-FM Inc.) has been hit by the FCC with a \$7K fine for indecency. The Hispanic-formatted stations are in the Atlanta area.

The fine stems from a 4/6/01 broadcast. Between 8A-10A, the stations were holding a discussion on teenage sex and masturbation. It was led by a licensed psychologist, and had the discussion remained clinical, the station may have been able to avoid the fine.

However, two on-air personalities were making jokes based on the discussion which the FCC found to go over the line.

The complainants, who are not identified in the FCC release, were able to provide a tape of the incident, and the station does not deny that the FCC's translated transcript is accurate.

GA-MEX said that "...it is typical in...Latin culture to attempt to make light of or fun of otherwise serious topics...the goal...was to have fun and cause laughter." GA-MEX also agreed that the joking was inappropriate and they have since canceled the program.—DS

## Jury awards FL couple \$225K in Marco Island radio station suit

A Collier County, FL jury ruled 4/16 in favor of **Richard** and **Kathy Storm**'s Community Broadcasting Corp. in a breach of contract lawsuit against the Massachusetts businessman who previously owned WODX-AM 1480 and its sister station, WMIB-AM 1660. The jury ruled that Cos-Star Broadcasting Corp. and owner **Pat Costa** violated a pair of contracts with the Storms' company, awarding \$225K to the two.

After managing the two stations since 10/98, Community Broadcasting was scheduled to buy them two years later but declined to exercise a purchase option. The Storms subsequently sued Cos-Star for running afoul of federal regulations, shoddy record-keeping and failing to maintain equipment. The claim, among others, included power malfunctions weakened WMIB's 10,000-watt signal for at least 14 consecutive days and caused a total shutdown for three days. In addition, Cos-Star failed to notify Community Broadcasting of

the power malfunctions, and failed to notify the FCC on the 10th day of lower ops, as required by regulations. For the first violation, the jury awarded Community Broadcasting \$25K, with an additional \$200K for the second violation.—CM

## The "Day of Silence" arrives

**Kurt Hanson**/RAIN's national "Day of Silence" took place 5/1. The goal in mind, with hundreds of streams silenced, was to create public awareness and to send a message to the US Copyright Office over the royalty fees proposed by the CARP Arbitration Panel (*RBR* 2/25, p.2). The US Copyright Office is expected to make its final ruling on the fees 5/21. Group owners Cox (N:CXR) and Susquehanna joined in the effort, as well as stations from The New York Times Company (N:NYT) Greater Media and Salem (O:SALM), among others.

A lengthy list of participating webcasters is listed on Hanson's website.

As the "Day of Silence" was waged, the RIAA was in the midst of its own campaign against webcasters, accusing anti-CARP campaigns as misinformation. SoundExchange, the RIAA's royalty collection agency, is attempting to discredit Internet radio claims and concerns, purchasing open letter ads in music and record industry magazines appealing to the music industry and readers to contact Congress in support of the CARP suggested rate.

RIAA is hoping to rally label execs and retailers to fight for Internet radio fees. The ad accuses anti-CARP campaigns as misinformation and undermining the process. "They are inundating Congress with complaints that they cannot afford to pay for the music even though they pay market value for things like bandwidth and rent," the letter reads.—CM

## iBiquity Digital wants expanded band AM test station

Sole IBOC developer iBiquity Digital has asked the FCC to grant it a license for an experimental band AM in Warren, NJ—the location of the former Lucent Digital Radio, which merged with USADR to become iBiquity. The license is for full-time operation @ 50 watts and will likely be used for nighttime testing that will be submitted to the NRSC. The NRSC has only supported IBOC AM for daytime use.—CM

## RBR News Analysis

### Radio's the same as it ever was

We're always hearing about how radio has abandoned its relationship with musicians (see "...NOW it can told, p.2"), stifling creativity and condemning all but a tiny percentage of recorded music to obscurity by refusing to play more than a few tunes at any given time.

My question is, when was this not the case? I come from a musical background. Musicians I followed were able to fill clubs and concert halls, but I almost never heard them on the radio, even back in the '70s at the dawn of FM when it was controlled by long-haired kids.

There were (and still are) a handful of stations with daring playlists featuring artists otherwise unheard over the airwaves, but they were few and far between even back then. Since the 80s, that kind of radio has been almost nonexistent.

Why is this? Is it because radio executives hate to play high-quality music?

No! It's because the public doesn't want to listen to it!

And people are whining about voice-tracking. They want their own local DJs. However, for 20 years, radio listeners time and time again have said they want "less talk."

Radio has responded to the musical and talent tastes of the public because it has to survive. It plays hits and doesn't talk much because to do otherwise would be to lose listeners, which means it would lose value for advertisers and ultimately lose money.

Radio is the way it is, not because Clear Channel owns 1,200 stations, but because that is what the American public has demanded all these years. If you put a positive spin on it, you could say the public gets what it wants. If you go negative, it gets what it deserves.

Elected officials only face a vote once every two, four or six years. In 93 US markets, listeners vote for their favorite radio stations four times a year. The stations respond or fail. It's that simple.

From where I sit, those who wish radio would be like it was should be very happy—it is. It never really changed.—DS

## RBR News Briefs

### Detroit area to get new FM

Windsor, ON and Detroit will get a new FM as the CRTC approves a CP for the CBC for a new class A facility on 107.9 FM to carry the network's "La Chaine Culturelle" French-language service. The station will be built within a year. It will likely not be a powerhouse, as Flint, MI and Cleveland, OH both have full-market stations @ 107.9.—CM

### DC gets another talker

Syndicated Solutions (SSI) announced that it has entered an alliance with Birch Broadcasting's WWTL-AM Indian Head, MD/Washington, DC. The station, which previously aired foreign language programming, will change its format to Talk and will broadcast The SSI Radio Network. IBC Radio Networks, which operates the station with Birch has received a CP to increase day output to 25kW.—CM

### Chuck Sherman named NABEF President

**Chuck Sherman**, the NAB EVP/Television has been upped to President of the NABEF and Special Assistant to NAB President **Eddie Fritts**. He will continue to oversee NABEF initiatives such as the Service to America Summit, the Broadcast Leadership Training program and the Media Sales Institute at Howard University; and assist Fritts in long-range NAB strategic planning and other industry assignments.—CM

### Jay Craven succumbs to cancer

**Jay Craven**, who had headed the LA office of Katz's Clear Channel Radio Sales for the past year, died Monday (4/29) after a short battle with cancer. He was 40 years old and is survived by his wife, **Cheryl**, and two young children. Craven joined Katz Radio in 1987 as an AE in New York. After working in various Katz offices, he was made a Vice President in 1998. He was named Regional Vice President of Clear Channel Radio Sales just last year.—JM

### Sirius expands service to include 18 states

Sirius Satellite Radio (O:SIRI) announced 5/1 its service is now available in seven additional states. "As part of our accelerated nationwide service roll out, Sirius...launched in Arkansas, Louisiana, Minnesota, Missouri, Nevada, Oklahoma and Utah, bringing the total number of states to 18," said **Guy Johnson**, Sirius EVP, Sales and Marketing. "We are right on schedule and very pleased with the progression of our service availability. Later this month, service will officially be available throughout the entire midwest region and we'll begin to move into the southeast."

Service is already available in Arizona, Colorado, Idaho, Iowa, Kansas, Montana, Nebraska, New Mexico, North Dakota, South Dakota and Wyoming in addition to Houston and Jackson, MS. Sirius will offer nationwide service 7/1.—CM

### Newspapers claim readership up

The Newspaper Association of America is trumpeting readership gains in its Spring 2002 Competitive Media Index (CMI)—NAA's analysis of data from Scarborough Research from 75 markets for the period 8/15-9/15/01.

The CMI said that 55.5% of all adults read a newspaper each weekday—up from 54.3% in the previous semi-annual report. Sunday readership was 63.9%, up slightly from 63.7%.

At the same time, NAA noted that the latest data from the Audit Bureau of Circulations—for the six months ended 3/31/02—showed paid daily newspaper circulation down 0.6%.

NAA President **John Sturm** hailed the readership report as "encouraging" and dismissed the circulation decline as "not surprising in a down economy," noting that some papers had cut back on promotional spending.

"Nevertheless, when you look at these reports side by side, you can see that newspapers are delivering the reader base that advertisers value. It also clearly demonstrates what we've been saying for some time—more people read a newspaper than buy one," Sturm said.

**RBR observation:** So, NAA is claiming that circulation is down, but more people are reading newspapers. If you know any ad buyer who believes that, please send us their phone number. We'd like to sell them the Brooklyn Bridge.—JM

### CCU wins Urban battle in Country capital

It looks like **Lew Dickey** owes **Randy Michaels** a steak dinner.

The two radio CEOs had made a bet when Michaels' launched Clear Channel's (N:CCU) WUBT-FM as an Urban challenger to Cumulus' (O:CMLS) market-dominating WQQK-FM in Nashville. Michaels had bet Dickey a steak dinner that he could beat WQQK in two books. "I'm trying to get there in one," he told *RBR* a few weeks ago. Indeed, the Winter Arbitron results just out show WUBT with a 7.7 share 12+, up dramatically from the 5.4 it posted in the Fall after switching mid-book from Contemporary Christian as WZTO.

WQQK still finished third overall—South Central's Soft AC WJXA-FM was #1 with an 8.4—but its 6.3 was down more than a full point from its previous 7.4.

Although it appears Lew will have to feed Randy, the Cumulus CEO has maintained throughout this battle that WUBT has been targeting primarily younger demos, so he's not really worried about any impact on ad revenues. "WQQK, like WVEE [Atlanta], WGCI [Chicago], WJLB [Detroit], WUSL [Philadelphia], WKYS [Washington] and several other heritage Urban stations—many of which are owned by Cumulus—enjoy franchises in their markets with both the advertisers and the listeners. It's virtually impossible to displace them, though many have tried," he said.—JM

### Liabe in Louisiana

KTRY-FM Bastrop, LA has accumulated a small laundry list of violations which have resulted in the not-so-small sum of \$22K being charged by the FCC. Owner Jamie Patrick Broadcasting Ltd. has been hit for "failure to respond to Commission correspondence, failure to install and operate Emergency Alert System (EAS) equipment, and failure to maintain a public inspection file.

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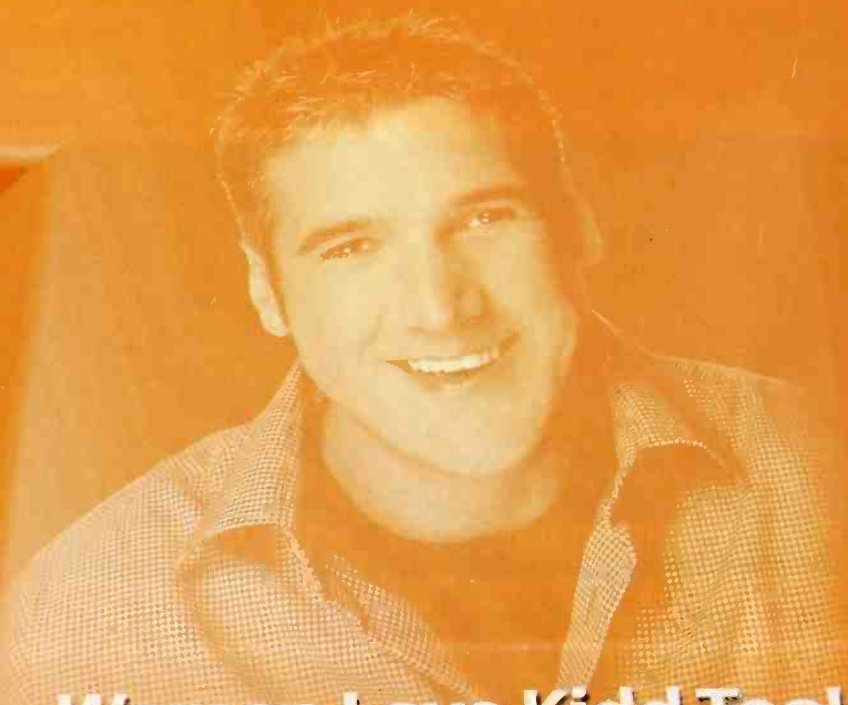
— JJ Morgan, Program Director, KMXW, Wichita

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— Dustin Drew, Program Director, KTND, Austin

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Lew Dickey

## Lew Dickey: Moving Cumulus into bigger and better markets

With more than 240 stations in 53 market clusters, and counting, Cumulus Media (O:CMLS) is second only to Clear Channel (N:CCU) in station count. And although its stations are mostly in medium and smaller markets, that accumulation of signals makes Cumulus a top-10 group in terms of radio revenues—\$253M in pro forma 2001 revenues, according to a recent estimate by BIA.

To manage that huge collection of stations, CEO **Lew Dickey** has a management chain with three Executive Vice Presidents—**Jon Pinch**, EVP and COO, heading sales and operations; **John Dickey** over programming and engineering; and **Marty Gausvik**, the company's CFO, over finance and accounting. Each then has five regional managers (or format specialists, in the case of programming) reporting to them. Also, all national sales are under the direction of **Peter Remington**, who also reports to Pinch. Although most Cumulus stations are Interep clients, the recently acquired Aurora group is with Katz.

After nearly 18 months out of the station-buying market (except for occasional fill-ins) while the company restructured and worked on rebuilding its revenues (and Wall Street's confidence), Cumulus recently closed two deals to add three stations in Nashville and the Aurora group in New York's far suburbs for a total of \$307M.

"We knew we wanted to grow, but we had to fix it first," Dickey said of the company's hiatus from station buying while he rebuilt the management team and structure after restating the company's earnings in mid-2000. "As I've told The Street, I don't ever want to be over-leveraged again, either financially or operationally."

Dickey says the company's move into larger markets is by design—it's simply easier to make money in markets with more people and, of course, more ad dollars. Cumulus has also gotten into its two largest markets—Houston and (soon) Kansas City—by moving signals in from other nearby markets. That is also a strategy that Dickey intends to use a few more times.

"Move-ins are extremely difficult and time-consuming for any group to do," Dickey noted. But with such a large portfolio of stations, he says Cumulus is constantly assessing what it can do to maximize those signals—whether in-market upgrades or a move to a

different market. "Once in a while you get a little lucky and find that you can move Beaumont into Houston or Topeka into Kansas City—and we have a few more of those up our sleeves."

But are standalones viable, even in large markets?

"If we can pair them with one more, then we would more than likely be staying in those markets, but otherwise we will be exiting, most likely though a swap with another existing broadcaster in the market," Dickey said.

## A different view of NTR

While many other radio group owners are targeting NTR—non-traditional revenues—as a way to boost revenues and cash flow, Lew Dickey is a contrarian. Rather than adding NTR, he's ordered Cumulus market managers to cut back on NTR programs.

"Much has been said about this

and I realize that my position on this is a bit controversial," Dickey told *RBR*. "In sizing the whole thing up and really doing a thorough analysis of our revenue and the revenue streams that we had coming in, it became very clear that we were spending an awful lot of time and effort on NTR programs that were extremely low-margin business. On top of that, they were highly distracting."

Some of those NTR programs that Dickey saw as distracting his company's sales staffs from selling radio spots were events, some were direct mail pieces—the very type of NTR that other groups are promoting. "Any number of things that get people out of selling regular spot radio on a daily basis," he said.

"For instance, if you're trying to put on a family fair, a job fair, a bridal fair or something like that, you're out trying to convert sponsor dollars—which, for the most

part, were existing clients that were just trading dollars. We became in the business of selling pipe and draping—and renting halls and catering—instead of selling spots and sending invoices. I'm just a very firm believer in the value of a radio commercial," Dickey explained.

"I don't believe you have to throw a carnival every time you sell a radio schedule. Radio is an extremely powerful medium, it's a very efficient medium and it's a very targetable medium, which makes it even more efficient and powerful. For those reasons, a 60-second commercial announcement is a hell of a value. We need to do a much better job of selling that value instead of apologizing by offering all kinds of incentives or enticements to our clients to come onboard with us," he insisted.

"If you go buy a newspaper ad, you get a newspaper ad and an invoice. If you buy a 30-second

spot in the six o'clock news, you get to run the spot and you get an invoice. They don't give you a carnival. They don't start throwing all kinds of events and fairs and freebies and value-added—I think it's a bunch of nonsense," Dickey continued.

Despite that, Cumulus hasn't completely eliminated events at its stations. "No, not completely," Dickey confirmed. "There are a few things that have been done at some of the stations that we've bought over the years and are actually pretty well-run events and they do make some money for us. The biggest thing I'm concerned with is the distraction factor. If the margin is there, then it's a question of 'how distracting is it?' Even though we may make money on an event, if it's an extremely time-consuming event that takes our people away from the main idea, then I tend to shy away from it and go in another direction."

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## El Dorado exits Houston and (temporarily) radio

Once a multi-market group owner, El Dorado Communications is now selling its last two stations and exiting the radio business, at least for now. It will sell KEYH-AM & KQQK-FM Houston for \$30,000,001 to **Lenard Liberman's** Liberman Broadcasting. That will expand Liberman's Houston cluster to four AMs, three FM's and one TV station—most of them, including the independent TV station (KJZL-TV, Ch. 61), broadcasting in Spanish.

"While I'm not announcing anything today [4/30] other than this sale, I'm not getting out of radio. Radio's a wonderful business and I enjoy serving the public," CEO **Tom Castro** told *RBR*. "It's a good business with good returns and wonderful people in the industry. So no, I'm not getting out of radio."

Castro said there are still opportunities in radio, although not as many as 10 years ago—and stations are certainly more expensive. Even so, he believes he can find opportunities even in large markets, so he won't necessarily have to go down market to make buys.

Castro's associate, El Dorado Sr. VP and General Counsel **Roel Campos** already has his next gig. He's been tapped by President **Bush** for a vacant seat on the SEC (see p. 1).

**RBR observation:** We just had to ask about that single dollar. "We wanted more than \$30M," Castro explained. "We didn't get much more, but it's over 30!"

## Clear Channel sets OKC AM shuffle

Clear Channel (N:CCU) is swapping and moving stations in Oklahoma to give it a new 50kw AM in Oklahoma City. That new station will be on 1210 kHz—the current KGYN-AM, which has applied to the FCC to jump from Guymon in the Oklahoma panhandle to Oklahoma City—232 miles away—and boost power from 10kw to 50kw. To clear the way, Clear Channel is swapping its KEBC-AM (1340 kHz) Oklahoma City for First Choice Broadcasting's KTLV-AM Midwest City, OK, so CCU can shut down the 1220 kHz facility. First Choice owners **H.D. & B.J. Williams** will still have a home in the OKC market for their Gospel programming and move up to a better signal—from a 300-watt daytimer to a 1kw fulltime signal.

KGYN licensee TELNS Broadcasting Co., owned by **J. Edwin Smith Jr.**, has filed with the FCC to make the jump to Oklahoma City, but has not yet filed to sell the station to Clear Channel. CCU has been LMAing the station for more than a year, although it remains a standalone AM in the panhandle.

**RBR observation:** No cash is changing hands in the KEBC-KTLV swap, but based on past AM sales in the market we're estimating the value at \$500K. Guymon, OK, by the way, will still have one station remaining after KGYN exits—KKBS-FM—which makes it possible for CCU to make the city of license swap.

## SBS' Q1 was through the roof

Spanish Broadcasting System (O:SBSA) CEO **Raul Alarcon** sounded jubilant as he reported the company's Q1 numbers to Wall Street: "Our results for the first quarter, ended March 31st, came in much better than our previous guidance. Our overall revenues were up 18.3%, more than three times the high end of our 5-6% guidance, and broadcast cash flow was over \$11.1M, a 68% increase that also significantly beat our previous guidance range of \$6.5-7.5M. We attribute our strong revenue growth to sooner-than-anticipated improvement in the overall economy, combined with vigorous across-the-board sales efforts. All of the SBS core markets experienced revenue growth and BCF expansion, particularly Los Angeles and Miami. In fact, this is the highest first quarter revenues ever generated in the company's history. Revenue increases were substantially more than overall general market radio increases. In fact, on a core market composite basis, SBS outpaced the general market by 23%, confirming our strong strategic position as the economy

## Saga Q1 up solid single digits

Saga Communications (A:SGA) saw Q1 net revenues rise 5% to \$23.9M and broadcast cash flow gain 6.4% to \$7.3M. That all led to after-tax cash flow of \$3.8M, or 23 cents per share, which beat the Thompson Financial/First Call analysts consensus (only three analysts participating) of 20 cents.

On a same station basis, revenues were up 1% and BCF 5.4%. Saga doesn't break out separate figures for its radio and TV units.

In his conference call with Wall Street analysts, CEO **Ed Christian** added his voice to those saying that the market is clearly improving. "We're seeing some pretty heavy sellouts and we're having, I don't want to say that we're turning away anyone, but we're having to work very hard to re-jigger our inventory to accommodate everybody. And that's not adding units, by the way," he said. Christian said buyers are having to again focus on planning—that they can no longer call at the last minute to place ad buys and expect to find time available.

So, is the recovery definitely here?

"What I see is slow, measured spotty growth for the balance of this year here. If it's sustainable, if nothing else happens, you can look for '03 to kick up to the standard five to some odd percent [growth] that it was. You're not going to make up for lost time," Christian noted.

and our industry continue to rebound."

SBS' net revenues for Q1 were \$29.7M.

On a same station basis, SBS said net revenues were up 13.9% and BCF 35%.

Alarcon said KSOL-FM, the company's newest LA station, is now getting "real traction" in the market. That helped boost national sales in LA by 128%. Alarcon also alluded to a "new relationship" that the company is about to announce with its national rep, Interep (O:IREP), but declined to give any details at this time. Interep also told *RBR* it would have no comment yet.

Despite its extraordinary Q1 results, SBS is still being conservative with its forecasting. CFO **Joe Garcia** told analysts to expect Q2 revenues to rise 6-7%. "The advertising sector is showing some signs of a slight improvement," he said, "yet advertisers continue to put in their buys late."

## Cox's Neil sees auto strong, TV gaining

Cox Radio (N:CXR) posted Q1 revenues slightly behind last year, but still \$2M ahead of what it had told Wall Street to expect. In fact, it appears that the 0.6% decline, to \$86M, would have been a positive number, but for the loss of \$1-1.5M in TV sweeps money that was missing in February due to the Olympics. Broadcast cash flow was up 0.7% to \$30M, also \$2M more than the company's previous guidance to The Street.

"Automotive business remained strong for the quarter, up 19%. We also saw strength in finance and banking, home improvement, auto parts and repairs, recruitment and training, fast food restaurants, night clubs and the hotel industry. On the weak side—media, telecom, department stores, furniture, food products and, of course, Internet-related businesses continued to be less than stellar," said CEO **Bob Neil**.

For Q2, Neil said he's beginning to see "favorable trends" in both the timing and pricing for ad buys. "For the first time in a while, we have encouraging pacing information," he said. "April is currently pacing up almost 8% and both May and June are pacing up mid-single digits. Remember, though, it is still too early to know where June will end, but the good news is we're beginning to see some true firming of demand and, hence, rates."

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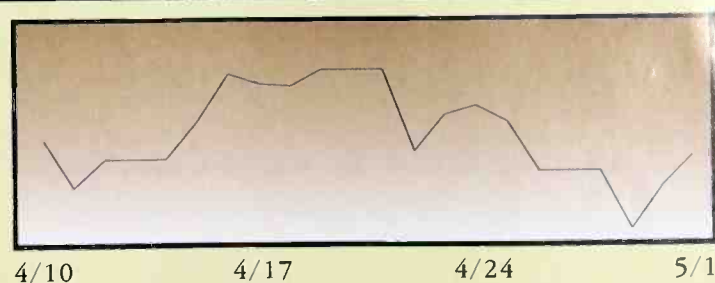
Radio stocks seem to have no direction—much like the rest of the market. The Radio Index™ closed 5/1 at 272.684, down 5.723 from a week earlier.

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# Television Business Report<sup>TM</sup>

## Voice Of The Television Broadcasting Industry<sup>®</sup>

May 6, 2002

Volume 19, Issue 17



Peggy Green of Zenith Media

### Posturing for the upfront

In this four-part *TVBR* series, we look at this year's upfront buying season. In Part I, we focus on the networks. Now that the broadcast networks are beginning to show new programming schedules for the 2002-2003 season, the upfront marketplace is starting to open. Both the sellers and buyers are doing a bit of posturing, as par for the pre-upfront course. Last year, for the buyers it was unique—the networks were cheaper than the year before. For some people that had never happened, those that didn't have tremendous length in the market; and for those who did, it hadn't happened for a long time.

Says **Bob Iger**, Disney President (he assumes the role of ABC's **Steve Bornstein** after his resignation): "We're seeing early signs of a marketplace that is strengthened, certainly when compared to last year. From a ratings standpoint, we go into the marketplace in not a particularly strong position. We feel at this point very good about our development and we're going to try to hold pricing as best as we possibly can—and in effect let the marketplace develop before we make the kind of decisions [on] exactly how much we're going to hold back. I think that we are reasonably sure that we're going to see a CPM increase in the single digits."

It's a supply and demand equation, as always. For networks, Carat USA's SVP/Director of National Broadcast **Andy Donchin** agrees supply is tighter, based on ratings dips. To satisfy reach requirements on previous ad supply, unsold inventory had to be sacrificed, rather than refund partial payments, which is almost never done. "The only thing that we know for sure now is the supply side of the equation. Which is, for Prime Time, the supply of Adult 18-49 and 25-54 rating points on the four networks are down around 10%. So, going in, you know there's just going to be less supply. The big question is the demand. Obviously, even with a flat demand and less supply, knowing economics, technically prices could go up," Donchin says.

Iger says the predicted increase in rates is based on a tight scatter market as well. "It's a very strong scatter marketplace. That's one of the reasons why you're see the pickup in options—that advertisers who had bought in the upfront are opting to stay in, versus to get out. Why that is so strong is that the scatter marketplace is so high and the fact that rates in scatter are so expensive versus what they were in upfront. I would suspect that one of the reasons that the scatter market is as good as it is for CBS and for NBC is that both Fox and ABC have that make-good situation."

The buyers, however, aren't so easily convinced that a tight scatter will lead to a more expensive upfront. "Right now we're looking at a scatter market in Q2 that's very tight. I think it's artificially tight and that a lot of people are using that as sort of the launching point to forecast cost increases for the upfront. And so there's this psychology right now that favors the sellers' side because of an artificially tightened second quarter," PHD CEO **Steve Grubbs** tells *TVBR*. "Two networks—ABC and Fox—are out of sale because they had audience shortfalls, and they have to take inventory out of sale to make good on those audience shortfalls the company guarantees. So if they hadn't suffered ratings declines, then probably the scatter marketplace would be similar to what it has been for the last couple of quarters. We would be seeing a very moderate scatter marketplace and there wouldn't be all this enthusiasm, what I would call 'false enthusiasm'. There's been a slight increase in demand, but nothing to really justify any kind of significant premium. So I think what you're seeing right now is that there's this groundswell of enthusiasm and hope from the sellers' side and I don't know that that's necessarily well-grounded. I think it remains to be seen what the increase in ad demand is and I think at this point, it's a minimal increase."

The TV buyers also argue that all of the prognostication and posturing means next to nothing when the bulk of their clients haven't even produced budgets yet. "When I get all my budgets in from my clients—I have two autos now, I have a huge pharmaceutical company, a consumer health company, a movie company and a retail company—I think I'll get some indication of what's going on in the marketplace. But except for one small client, I don't have the budgets yet," says Donchin.

Zenith Media's President/National Broadcast **Peggy Green** agrees, "I think it's too premature for anybody to assess what this year's marketplace is. Right now all of us are trying to understand and assess our clients' needs and then come to a determination. Last year took a long time for us to figure out what the marketplace was—not because we didn't have our budgets or our plans in place, but it really was an issue of price. What the buyers felt the schedules were worth vs. what the vendors thought the schedules were worth. We don't know whether that's going to happen this year or not. But I assume everybody who has my job is doing the same thing that I'm doing right now—trying to figure out what our strategy is going to be for next year. At this point in time, we're still in the information gathering stage."—CM

See Part II in next week's *TVBR*: More on the network upfront.



Andy Donchin of Carat USA

### Will Sook be Wall Street's Nexstar?



Perry Sook

**Perry Sook** and ABRY Partners have filed with the SEC to take Nexstar Broadcasting Group public in an IPO expected to raise up to \$143.75M. The 20-station group (14 owned/six LMA'd, including one LPTV) is focused on small to medium markets. Its largest market is #52, Wilkes Barre-Scranton, PA, and its smallest is #189, St. Joseph, MO. Its network lineup is diverse—six NBC, five CBS, four ABC, three Fox and two UPN.

Nexstar's pro forma net revenues for 2001 were \$116.2M, with broadcast cash flow of \$39.4M. As of 12/31/01, the company had debts of \$304.7M. \$127.6M from the IPO proceeds will be used to pay down that debt load.

The IPO filing will be updated to add the expected stock price and a breakdown of how much equity will be sold to the public. Regardless, ABRY, which owns all of Nexstar's super-voting Class B stock, will continue to have voting control.

Nexstar has applied to trade on Nasdaq as "NXST." The IPO will

be managed by Banc of America Securities and Lehman Bros.

**TVBR observation:** LIN's IPO was set to price as we went to press. If Wall Street demand for that medium-to-large market group is good, then it will set the stage for Nexstar to follow down the same path. Who will be next?—JM

### DTV transition: McCain on the attack

Senator **John McCain** (R-AZ) took to the Senate floor to issue a scathing indictment of the progress of the DTV transition, noting that the vast majority of television broadcasters failed to meet the 5/1 deadline.

"The transition to digital television has been a grave disappointment for American consumers and nothing short of a spectrum heist for American taxpayers," he said. "I believe that broadcasters, as beneficiaries of this Great American Spectrum Rip-off, bear heightened responsibility for facilitating the DTV transition."

He at least noted that broadcasters aren't the only piece in the puzzle. "I recognize, however, that even if the broadcasters were to meet their commitments, the transition would not necessarily be complete. Digital broadcasts are one cylinder of the engine needed to drive the transition. Many other issues still remain unsolved and I do not underestimate the amount of work that needs to be done." He praised FCC Chairman **Michael Powell**'s efforts to jump start the process.

Professing his preference for open market solutions to the problem, he nevertheless said, "I believe...that Congress needs to be prepared to intervene, in necessary, to protect the taxpayers of this country. If significant progress isn't made in the DTV transition, then I will introduce legislation that will not be voluntary. Codifying Chairman Powell's voluntary proposal may be the mildest measure we would consider."

He closed with a general indictment of the 1996 Telecommunications Act. "The lessons we should have learned from the failure of the 1996 Telecom Act is that the interests of major telecommunications companies and average American consumers are not the same. Where the interest of the industries and the interests of the consumers diverge, Congress must assure that the consumers come first."—DS

### Washington Beat

#### Paxson expects 700 MHz auction a go

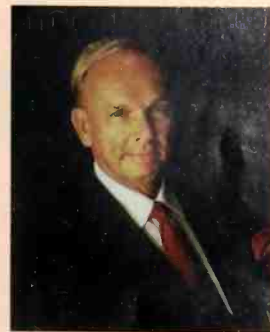
Despite efforts by the **Bush** Administration and some members of Congress to once again delay the 700 MHz spectrum auction, **Bud Paxson** is expecting the auction to take place as scheduled on 6/19. In his quarterly conference call with Wall Street analysts 4/30, the CEO of Paxson Communications (A:PAX) noted that the had FCC began its registration for the auction the previous day—unlike five previous times when the auction was delayed on the eve of the registration process. He also noted that 24 would-be auction participants showed up at the FCC Monday (4/29) for a seminar to prepare for the auction.

"Many of the participants who showed up are the people who have been trying to get it delayed," Paxson chuckled. "So it's kind of strange to see these guys who have been fighting for the delay now coming to realize that it's going to probably happen."

Paxson stands to be the biggest beneficiary if successful bidders pay current TV broadcasters to exit Channels 59-69 immediately, rather than hanging onto those licenses until the digital conversion process is completed.

Although the House is now moving on Rep. **Billy Tauzin**'s (R-MS) bill to postpone the auction, Paxson indicated that the bill might go nowhere in the Senate, even if it wins quick House passage.

"At this point in time, it looks like the auction is going forward. I don't think the game is over yet. I think it's getting close to being over," Paxson said.—JM



Bud Paxson

### Cable industry gets behind DTV

National Cable Television Association President/CEO **Robert Sachs**, on behalf of the country's 10 largest cable operators, has fired off a letter to FCC Chairman **Michael Powell** detailing positive steps toward realizing the transition to digital television broadcast. The steps will be focused on top-100 market cable systems with at least 25K subscribers and bandwidth of at least 750 MHz.

By 1/1/03, Sachs pledges that cable operators will carry, free to subscribers, up to five digital commercial or noncommercial television stations, providing that they put out digital programming for at least 50% of prime time weekly. They will also carry other "value-added DTV programming" to boost sales of digital TV sets.

Additionally, cable operators are putting in immediate orders with manufacturer for set-top boxes with digital connectors for customers who request them. They will also join in the effort to promote and advertise the new technology.—DS