Radio Business Report™

Voice Of The Radio Broadcasting Industry®

May 27, 2002

Volume 19, Issue 20

House of Blues rejects Anschutz

The Rocky Mountain News reports 5/17 that the House of Blues board of directors has rejected **Phil Anschutz**'s Concerts West bid to take over its chain of nightclubs, amphitheaters and concert booking. Now, both Concerts West and Clear Channel Entertainment are both out of the running. **Fred Rosen**'s Key3Media and Entercom are the two final contenders to buy the nation's second-biggest concert company.

Orban/CRLI reworks debt

Orban/Circuit Research Labs Inc. (O:CRLI) has once again reworked the terms of the debt it owes Harman International (N:HAR) from two years ago, when CRLI acquired Orban for $10.5M. For the second time, Orban/CRLI has gotten Harman to rewrite the terms of two notes for $5M and $3.5M. It's also gotten several payment extensions along the way. As things stand now, the notes, which accrue interest at 12% (originally 8%), won't be due until 12/31/03.

Jimmy de Castro gets Award

Jimmy deCastro will receive the 2002 Lifetime Achievement Award from the Radio Broadcasters of Chicagoland at the seventh annual Achievement in Radio Awards (AIR). The AIR Awards, which recognize excellence in local radio and benefit the March of Dimes, will be held 11/7 at the Hyatt Regency Chicago.

Howard Holder dies at 85

Howard Randolph Holder, Clarke Broadcasting's Chairman since 1990 and former President of the Georgia Broadcasters, died at 85 years of age on 5/6. The Athens, GA resident had extensive experience in radio, beginning at WHBF in Rock Island, IL in 1939. After service in WWII ('41-'45), he was an announcer at WOC-AM in Davenport, IA, 1946-47.

Rick Sanchez joins HBC for radio show

Rick Sanchez, the former WSVN-TV Miami anchor and new MSNBC morning anchor has signed with Hispanic Broadcasting (HBC) for a new weekday radio show. Sanchez will host "Buenas Tardes America" on Hispanic's WQBA-AM, Miami and WADO-AM, New York from 3pm to 5pm. The show focuses on current events and issues that affect Hispanics.

TV, radio workers get job aid in AZ

Arizona Governor **Jane Hull** signed into law 5/22 a bill restricting broadcast stations' ability to impose contract clauses that keep employees from going to work for other outlets. The bill (SB1042) allows TV and radio staffers to seek work at another station if their contracts are not renewed or they are fired.

Hollings kills merger-review proposal

Ernest Hollings

Sen. **Ernest Hollings** (D-SC) was successful in his attempts to quash an inter-agency agreement proposal between the DOJ and FTC that would put all media mergers under the DOJ's Antitrust Division (*RBR* 3/25, p. 2). The Bush administration dropped the controversial plan 5/20. The DOJ and FTC wrote Senate committees that they would abandon the agreement that would deem which agency should review mergers in specific industries. DOJ would have authority over mergers in the Internet, software, telecommunications, media and entertainment industries; the FTC would review mergers in health care, energy, computer hardware, automotive and biotechnology.

The administration's notice came just days before a Senate Appropriations subcommittee chaired by Hollings was scheduled to consider budget items for both agencies. Hollings had threatened to cut the agencies' budgets if they carried out the agreement. The senator was against the agreement because it gave oversight of media and entertainment mergers to DOJ instead of the FTC, an independent agency with members from both parties.—CM

CARP rejected; 30 days until final decision

The US Copyright Office has rejected the CARP panel's royalty fee recommendations. A final determination will be made by 6/20.

Digital Media Association Executive Director Jonathan Potter commented that Librarian of Congress **James Billingham**'s rejection of the proposed rates "offers hope that the final royalty will be more in line with marketplace economics."

RBR observation: The rejection of the CARP proposal may have saved hundreds of webcasters.

XM's repeaters under bipartisan congressional scrutiny

Billy Tauzin

The NAB and other broadcasters' lobbying efforts may have finally paid off—with bipartisan support at that. Two Congressmen—Energy & Commerce Committee Chairman **Billy Tauzin** (R-LA) and Committee member **Gene Green** (D-TX)—fired off a letter to FCC Chair **Michael Powell** 5/22, objecting to XM Satellite Radio's patented technology that would allow it to transmit local content from its terrestrial repeater network. At issue are XM's permanent repeater license applications.

From the letter: "XM has received a patent on technology allowing them to convert a terrestrial repeater into essentially a low power radio station allowing it to insert locally flavored programming in direct violation of their license. We beleive the FCC needs to closely examine this possibility before making permanent any license for XM's terrestrial repeaters. Specifically, the FCC should ascertain the exact location of every repeater, the interference issue justifying its existence, and an explicit statement acknowledging that said repeaters will never be utilized to feed locally differentiated programming."

"We're obviously pleased to see members of Congress raising questions about what appears to be a very disingenuous ploy by the satellite radio folks to explore local programming options," NAB spokesman **Dennis Wharton** tells *RBR*.

***RBR* observation:** Amazing that this is what it may take to finally get the FCC to address the repeater issue. The Commission all but ignored NAB's filings on the matter, and all the press on it as well. BTW, *RBR* already has the database of these repeaters if anyone is interested. Call April Olson @ 703-719-9500 to order your market repeater report.—CM

Feingold introducing bill to quash industry practices

The *Chicago Tribune* reports 5/23 that Sen. **Russell Feingold** (D-WI) will introduce a bill likely next month to curtail or eliminate a number of industry practices that he says have led to higher concert ticket prices and homogenized radio programming that features only the most financially-backed artists. The statement comes as the industry is already under scrutiny from legislators including Rep. **Howard Berman** (D-CA), who are calling for the tide of consolidation that has concentrated power in a handful of conglomerates, particularly Clear Channel Communications, to be reversed.

Russell Feingold

"It is striking the range of people that radio deregulation has affected negatively in different parts of the music industry and the economy, Feingold said. "It's a sign of how offensive this system has become. The reason I have put it high on my agenda is the range of people it has affected: artists, consumers, labor groups, concertgoers and every person who listens to radio. This is an antidemocratic trend, because a free society is made up of a variety of voices. So to have music homogenized and controlled by a few big companies is a significant issue in a democracy and a culture..."

An unprecedented coalition of musicians, artists, union groups, retailers and labels have joined Feingold and other politicians to call for sweeping changes in an industry. The group, which launched the campaign 5/24 (after our deadline for this issue) will release a joint statement signed by "10 of the major organizations representing the musicians and industry that seek major changes in how music reaches listeners over the radio," said the Trib. The group will also call for reform of "legal" payola (labels funneling promotional money to stations through indie promoters in exchange for airplay consideration). Since '96, concert ticket prices have risen 61%, Feingold's office told the Trib, whereas the consumer price index has risen only 13%.

Reactions from the CARP rejection

The NAB and Arbitron have both issued statements on yesterdays (RBR.com 5/21) news that the US Copyright Office/Librarian of Congress has rejected the ridiculous CARP royalty recommendations (RBR 2/25, p.2).

"NAB is pleased the Librarian of Congress has rejected the rates and terms recommended by the Copyright Arbitration Royalty Panel for the use of sound recordings for webcasting," says NAB's **Jeff Baumann.** "We are hopeful the Librarian's final determination will result in rates and terms that reflect market reality." Says **Bill Rose**, VP/GM, Arbitron Webcast Services: "We are pleased about today's decision and we are eager to hear what the Librarian of Congress will decide on 6/20. We are hopeful a decision will be reached that will enable the webcasting medium to continue is growth and reach its potential as an advertising medium"

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

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

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

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

Bradenton, FL Office
Jack Messmer
Phone: 941/792-1631
Fax: 253/541-0070
Email: .... JMessmer@rbr.com

Nashville, TN Sales Office
June Barnes
Phone: 615/360-7875
Fax: 615/361-6075
Email: .... JBarnes@rbr.com

Brookfield, CT Sales Office
David Frankel
Phone: 203/775-3928
Email: .... dfrankel@rbr.com

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Promotions

Bryan Farrish Radio Promotion in Sherman Oaks (Los Angeles) has a **part-time** opening for a promotions person to work from our office, assisting our other promoters. If you are not in LA, please forward this to an associate in LA who may be interested.

Promote our client syndicated talkshows to commercial radio, for clearances. Promote our client indie artists to commercial radio, for airplay.

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To apply: Call 818-905-8038 x27

RADIO NEWS®

Clear Channel creates "Clear Channel Advantage"

Clear Channel is reconfiguring its ad sales divisions to leverage cross-platform or multi-platform deals for advertisers. The new unit, Clear Channel Advantage, will sell advertisers on one-stop shopping for all of its properties, including radio, TV, outdoor and live entertainment. Clear Channel is also merging part of CC Entertainment, which sells local sponsorships, into the company's radio-sales group (see other story).

Says CCU President/COO **Mark Mays**: "Clear Channel Advantage leverages the power of Clear Channel's unique national footprint with our unparalleled multi-platform advertising opportunities. The Clear Channel Advantage advertiser may now exploit any combination of radio, TV, outdoor and entertainment advertising or marketing opportunities across geographies as custom as a single market, a regional trading area, the entire country, or globally. Clear Channel Advantage is poised to reach into every division of Clear Channel and extract the right mix of advertising—whatever the combination of platforms—to maximize sales for our clients."

Clear Channel Advantage staffers will report to CC Radio President/COO **John Hogan**.

New Jersey cluster OK'd, Copps dissents

In a three-to-one decision, the FCC has approved multiple deals by **Charlie Banta**'s Millennium Radio Group to acquire WADB-AM, WOBM-AM & FM, WJLK-FM & WBBO-FM in the Monmouth-Ocean Counties Arbitron market in New Jersey. The Commission's Republican members accepted Millennium's argument that the market has a high percentage of listening to out-of-market stations, lessening concerns about market concentration.

Michael Copps

The FCC's lone Democrat, **Michael Copps**, disagreed. "I cannot support the grant of these transactions, which would result in one owner owning five stations in the Monmouth, New Jersey area, with a total of 63.8% of the advertising revenues in the market," Copps wrote. "While most listeners may listen to out-of-market stations, these stations do not provide the local coverage that makes radio unique."

TM Century reports Q2 revenues down

TM Century (O:TMCI) reported that net revenues were down 12.7% to $2.1M in its fiscal Q2, which ended 3/31.

"The events that occurred on September 11, 2001 and the subsequent effect on the advertising industry had a continuing impact on second quarter revenues for all product lines, which historically derived approximately 50% of revenue from barter agreements," the company said.

Music service revenues were down 15.6%, jingle revenues dropped 21.3%, comedy network revenues were down 27.4%. However, production library revenues increased 12.9%.

TM Century's net loss for the quarter was $256K, compared to a loss of $223K a year earlier.

CC Radio and CC Entertainment merge local and regional sales

Clear Channel President and COO **Mark Mays** announced 5/21 the merger of its local and regional sales teams of the Radio division with the local and regional Music Group sales teams of CC Entertainment, effectively immediately. Says Mays: "The combined sales team will provide unprecedented access for our advertisers to the unique opportunities of our radio and live music advertising platforms. [The move] offers the Company's sales executives the opportunity to continue their professional development, as they gain integrated sales experience while learning other sides of the business."

The merged sales force will report to CC Radio President/COO **John Hogan**. CC Entertainment will maintain a national sales and marketing group to sell and service advertisers for national concert, theatrical and family tours and motor sports events, and national marketing relationships associated with the division's live entertainment venues.

Pinnacle Holdings announces Nasdaq delisting notification

Tower site manager Pinnacle Holdings (O:BIGT) announced 5/21 it received an anticipated Nasdaq Staff Determination that the Company failed to comply with the minimum $1 bid price rule requirement. Its common stock will be delisted from Nasdaq at the opening of business on 5/24. The Company also announced that the terms of an amended and restated master lease agreement between it and Arch Wireless Holdings were confirmed by the U.S. Bankruptcy Court. Arch Wireless filed Chapter 11 on 12/6/01. The amended lease agreement provides Arch with flexibility to rationalize its network while guaranteeing the Pinnacle a minimum monthly rent. Pinnacle also announced that it has entered into a memorandum of understanding to settle the consolidated securities class action lawsuit that is currently pending against Pinnacle, CEO **Steven Day**, former CFO **Jeffrey Card**, former CEO, **Robert Wolsey** and other current and former directors of Pinnacle.

Washington Beat

CCU forms "CCPAC"

Clear Channel announced the formation of its employee-sponsored Clear Channel Political Action Committee (5/20). CCPAC's purpose will be to communicate the company's positions on key governmental and regulatory issues. CCPAC will operate within the traditional Political Action Committee guidelines supporting initiatives and candidates who favor the issues that will help the company grow its business and compete fairly in its industries.

Says CCU Chairman/CEO Lowry Mays: "I am pleased to announce the formation of the Clear Channel Political Action Committee, a move that I believe is long overdue. We understand the importance of our relationship with government on the local, state and federal levels is critical to the success of our company. The new CCPAC will give us the tools to work on issues that are important to us."—CM

House to hold webcast royalty hearing 6/13

The House Copyright Subcommittee may further clarify issues on webcast royalties for the US Copyright Office, which will make the key recommendations to Librarian James Billington. After turning down the CARP recommendations (RBR.com 5/21), Billington's final determination on rates and terms for the webcast industry will be made 6/20.

RBR Stats

FCC releases new station totals From June 30, 2001 to Dec. 31, 2001

AM stations	4,772 up 45
FM commercial stations	6,089 up 38
FM educational stations	2,259 up 25
commercial VHF stations	576
UHF commercial	740
VHF educational	125
UHF educational	254
VHF LPTVs	535
UHF LPTVs	1649

NAB objects to new complaint system

The NAB has told the FCC that it should not include complaints about indecency and other programming in the Commission's proposed unified system for processing informal complaints from the public. In a formal filing, the NAB says the proposed "one size fits all" system just won't work with programming complaints. For one thing, there's no provision to attach tapes or transcripts to the form. The NAB says there's no evidence that there's anything wrong with the current system and that programming related complaints by their nature require Commission review and aren't going to be resolved by staff negotiations between the complainant and the broadcaster. Also, the NAB warned that if programming complaints are routinely processed like other complaints it could add to public confusion over the FCC's authority to regulate content beyond indecent and obscene broadcasts. In other words, a broadcast programming complaint simply can't be handled in the same way as a complaint about telephone billing.

NAB's filing notes, however, that the proposed unified system might be just fine for dealing with technical complaints involving broadcasters.—JM

How Did You Let Yourself Get Sold-Out?

By Jefferey Myers

We were meeting with a client in the Midwest when we were asked, "How do you let yourself get sold out?"

He was troubled since he made first quarter at the last minute. May offered the opportunity to either make year-to-date or the second quarter goal early. But he was in a situation where neither could be achieved because his stations were already sold out.

The sales manager had been chasing the station's budget each month since the beginning of the year—making each month at the last minute. In this constant pressure environment many sales managers have shared with us that they must focus month-to-month, since everything has been coming down at the last minute.

The annuals, semi-annuals and quarterly advertisers from last year are holding back or have reduced their commitments thus far this year. Since January, advertisers who traditionally booked four to six months in advance have been only booking four to six weeks out, continuing to keep pressure on the near-term sales goal.

Since second quarter, there appears to be an up tick in activity across the country and in each region. May, in particular, appeared to catch a number of managers unprepared for the increased activity. The same could be true for June unless action is taken now.

The ripple effect of selling out negatively impacts advertisers, sellers, management and the station staff. Some sales managers view this heightened level of activity as an opportunity to raise rates and capture whatever short fall they may have suffered since the beginning of the year. Not so fast!

Is this a time radio can win friends and influence future advertising expenditures through the way they handle their clients?

Wasn't it a short term reaction instead of long term strategy that lead to the sellout problem that you may now be experiencing?

These sold-out situations arise because many mangers re-act verses pro-act. They let the game control them instead of planning to control the game. Veteran sales managers learned somewhere in their past that their success or failure was directly tied to their ability *to manage* their inventory, rather than letting the market manage it for them. It isn't rocket science after all. It never ceases to amaze me how managers get themselves in an inventory debacle at certain times of the year. For example: As long as we have been alive (and in the business) Presidents Day is in February, Memorial Day is in May, July 4th is in July and on and on.

Unfortunately, many sales managers are still creating their sales packages only weeks before these peak periods, utilizing inventory that should have accounted for and priced at a premium at the beginning of the year. Have you tried to get a discount airline ticket during Christmas, Thanksgiving, and Memorial Day? Maybe it's time we learned to reserve premium inventory for peak demand—that's a long-term strategy that works.

In addition to "retail selling holidays" there are historical patterns of sellout in the industry, such as April, May, October and November. These windows vary slightly due to format, but it is a known fact that all stations have three to five months each year where is tremendous pressure on their inventory.

Jefferey Myers

Let us suggest a number of ways managers can prevent sellouts and achieve the goal.

• Personal Selling Principles teaches the 5 P's—**Proper Planning Prevents a Poor Presentation**. Translation: Plan your work, then work your plan.

• Price your premium inventory so budget is achieved at a 90-95% sellout and you still have inventory you can use to win friends and influence future advertising expenditures.

• Regardless of how soft your market may be, sales managers must look at inventory at least 60-90 days out on a daily basis to identify potential opportunities for rate increase based on any given weeks level of sell out.

• Don't wait to alert the sales team of potential problem sellout weeks. Once you get to 60% sellout, alert them that rates will be moving up based on demand and allow them 24-48 hours to get clients to place orders at favorable rates. Watch how fast they respond!

• Consider a sliding rate scale such as: alert at 60-70%, raise rates at 70-80%, increase again at 85-95%. This should be based on activity in the pipeline and monitored closely. This requires communication and trust between managers and sellers.

• Two weeks before all holidays, rating sweeps, seasonal starts and retail periods, inventory should be priced at a premium based on previous sellout factors. This should be done regardless of the markets level of activity at the time. There are always those advertisers that come in at the last minute. Of late, this has become the action plan for even major advertisers. Be prepared.

• If you are planning to raise rates because your programming trends are showing you should have an increase in the upcoming ratings book, raise your rates at least two weeks prior to the publication of the ratings. Rate increases are never well received and are resented when tied to ratings success. This also protects you from the advertisers who have a strategy to bet on the ratings in order to buy inventory cheaper.

• Consider raising rates two weeks before a bad book as well,—it minimizes how far you have to lower your rates.

I'm sure you've heard it said that if you're sold out you sold it too low. Well, that's not necessarily always the case. Sometimes the real problem is that no one is watching the store. It takes leadership to price inventory properly and maximize its use.

As Ken Chenault, CEO of American Express, said recently in a *Newsweek* interview, "The role of a leader is to define reality and give hope."

Sales mangers, your inventory is your reality. The hope from senior management is that your control of the inventory will maximize revenue and make budget before you sell out.

Senior management, your reality is that you have entrusted your inventory to your sales managers. Have you taught them how to protect it?

Jeffrey Myers, Principal of Personal Selling Principles. He may be contacted at 301-333-4912, 301-595-1871, PSPTraining@netscape.net.

News continued...

H&R Block moves buying biz to Campbell Mithun

H&R Block has moved its national broadcast buying from Mediaedge to its creative agency, Interpublic Group's Campbell Mithun. CMR says H&R spent $35M in 2001.

Cumulus to reincorporate in DE

Cumulus said it will change its state of incorporation from Illinois by merging with a subsidiary based in Delaware—pending shareholder approval 6/14. Almost the state's motto, Cumulus says in its SEC filing that Delaware has adopted "comprehensive, modern and flexible corporate laws that are updated and revised periodically to meet changing business needs."

RAB unveils liquor ad acceptance survey

The Radio Advertising Bureau is asking stations to voice their thoughts about airing commercials for distilled spirits: "While it's not our place to officially endorse or condemn the practice of airing commercials for distilled spirits on your stations, we feel that more information can help stations to make that decision for themselves. Accordingly, RAB is asking you to take a moment and participate in a brief survey on liquor-advertising acceptance practices at your organization."

To participate, go to www.rab.com and click on the ad survey link on the left side of the page.

Bertelsmann buys Napster after all

Bertelsmann is buying Napster after all. The German media conglomerate will pay $8M of Napster's debts in return for the company's assets. As part of the deal, Napster CEO **Konrad Hilbers** and founder/CTO **Shawn Fanning** have to withdraw resignations that were submitted last week. They quit last week when negotiations between Bertelsmann and Napster broke down. Bertelsmann originally invested in Napster in 2000 with the hope of eventually re-launching it as a paid subscription service.

OMD negotiating third multiplatform deal

OMD USA, which two weeks ago made news for its multiplatform deal negotiations with Viacom and Disney (RBR.com 5/13), is now reportedly talking to AOL Time Warner about another massive single-year deal—possibly worth $200M-$300M in upfront and scatter dollars. OMD's proposal would involve ad buys on AOL Time Warner properties including The WB, TBS, TNT, TCM, CNN, Headline News, Warner Bros. Domestic Television syndication, Time Magazine and other publications.

The pending deals with Disney and Viacom are said to be worth $1B in ad dollars each.

CC Outdoor buys Scottish Radio Holding's outdoor division

Scottish Radio Holdings is selling its outdoor advertising unit, Score Outdoor, to Clear Channel Outdoor. Clear Channel will pay an initial 33.5M pounds in cash for Score, with a further 24M pounds deferred over the next four years dependent on future sales from the business, a total of $85M. Score has billboards across Scotland and the North West, Midlands and South West regions of England. Clear Channel Outdoor plans to combine Score with its More O'Ferral unit.

One-fifth of all listeners tune to Talk radio

Scarborough Research released (5/21) a study that says one fifth of all listeners are regularly tuning into the News/Talk radio formats. The median age of listeners is 52, and 24% of News/Talk listeners are aged 45-54. Adults between the ages of 55 and 64 are 47% more likely to listen to the format. Seniors 65+ are 50% more likely to tune in.

Younger adults are less likely to tune in: Only 3% of News/Talk radio listeners are aged 18-24, and 11% are 25-34. The study also reveals that better-educated and affluent individuals are more likely to be News/Talk radio listeners. 52% of listeners are white-collar. Individuals with postgraduate degrees are 82% more likely to tune in than the market average, and 37% of people who have a household income of $250K+ listen to the News/Talk radio format.

The markets that have the highest penetrations of News/Talk listeners are St. Louis (40%), Milwaukee (39%), Seattle (37%), Boston and Cincinnati (34%). The markets with the lowest penetrations are Honolulu (9%), Memphis and Greenville (10%).

Radio Unica to transmit address

Miami-based Radio Unica announced 5/23 it will begin transmitting Mexican President Vicente Fox's weekly address to the Nation 6/1. The decision was announced by Joaquin Blaya, Chairman and CEO. As a precursor to President Fox's weekly message, on 5/24 at 12:00 noon, Radio Unica will broadcast an exclusive, live, hour-long, interview with the Mexican President.

XM unveils live performance studio

Jazz artist Wynton Marsalis will inaugurate XM Satellite Radio's new live performance studio in a lunchtime performance 5/21. The studio will allow XM to host live performances and mix and remaster audio. It's big enough to host a 40-piece orchestra.

By Carl Marcucci

John Rosso

News Radio:
Riding the 9/11 wave

While News and Talk listening across the country cooled off a bit after the historic ratings of the 9/11-charged Fall book, most stations carrying the formats were still up in the Arbitron Winter '02 book compared to Winter '01. The Winter numbers show All-News ratings typically leveled off or dropped to a degree. Without the immediate danger of another crisis (well, it depends on the day...), the need for news becomes less of a priority again for some listeners. Among some selected All News stations, in NY, WINS-AM dipped from a 4.8 to 4.0 and WCBS-AM dropped from 3.6 to 2.6. In LA, KNX-AM was up from 2.4 to 2.5 and KFWB-AM was down from 2.1 to 1.7. WBBM-AM Chicago took a dive down from 6.2 to 5.1, and #1 WGN-AM was up a tenth of a point. WWJ-AM Detroit was down three tenths of a point. KYW-AM Philadelphia dropped 1.1 and WTOP-A/FM Washington continues to be the #1-rated station there in the morning and drive dayparts, dropping only .1 between the Fall and Winter books.

"It looks like News/Talk in general seems to have given back a lot of what it gained in the Fall, which, I don't think was a surprise to anybody. I would say affiliate counts haven't really grown significantly in the last month or so," **John Rosso**, SVP Affiliate Relations, ABC Radio Networks, tells *RBR*. "A lot of News/Talk stations kept some of their increases. WABC is a good example, where they had a great Fall book. Winter was down a little bit [4.0 to 3.9], but they didn't give it all back."

A tremendous Fall book

The Fall book was indeed incredible, considering the survey period didn't start until 9/20/01. According to Interep, the number of listeners to All-News stations reached their highest levels then in 12 years. On average, in the Top 10 markets, total AQH listening rose 17% over the Summer '01 book. Cume for All News increased by 16% over same period. Overall, 23% of P12+ listeners in the Top 10 metros tuned in to All News radio during the survey period. In-car AQH listening to All News was up 25% during the Fall '01 book. In-office listening was up 15%. On a day-part basis, weekend listening was up an impressive 25%, while combined drive times increased 16%. Infinity's WBBM-AM Chicago saw the greatest increases, with AQH up 29% and cume up 29% as compared to the Summer book. Infinity's WCBS-AM NY was up 32% in AQH and 18% in cume; its WINS-AM was up 20% in AQH and 26% in cume. Overall, eight out of the top ten (New York, Chicago, San Francisco, Philadelphia, Detroit, Boston, DC and Houston) markets showed double-digit increases in either cume, AQH, or both.

News product at music stations

An impressive number of music-intensive stations have added news product since the 9/11 attacks, so say the providers. Of course, it's not just about 9/11 anymore—news is being made faster now than ever. "Based on the world's current volatility, Americans need to stay abreast of local and national news has increased and many find themselves tuning into News/Talk radio" says **Howard Goldberg**, SVP, Radio, Scarborough Research. "Non-News/Talk format stations are now considering their options to provide listeners with news and information that they had once not offered in the past. This will place an additional emphasis on the News/Talk format stations to meet the programming needs of their core listeners."

Tom Callahan, GM of AP Radio, says more than 150 music stations have signed up for AP Network News—its flexible, live audio 24 hour network—since 9/11. With 600 current affiliates, APNN has seen 25% growth since that day. "While I would say the intensity of new affiliations has leveled off, stations are ever-mindful of the fact that this issue of crisis coverage has not gone away and everyone remembers what happened that first week or weeks and how they didn't have coverage," Callahan says. "And as we have been reminded time and time again—just when we least expect it if something happens, we want to make sure the industry is covered."

Tom Callahan

Many previous AP affiliates increased their services as well. "Before many were getting drive time news, now they're getting it 24 hours or they're getting our audio actualities services—Sound Bank and Prime cuts. Those are things that are moving," Callahan adds.

In today's world where everyone is so focused on the bottom line, there's a natural knee-jerk reaction to cut back on news and other programming and focus on selling. But there's some basics of the business that can't be ignored. On 9/11 much of the radio industry was caught with its pants down.

"It was terrible. You work so hard to build an audience, in any sized market, and then just to say, 'Hey, go to television,' or 'We'll even simulcast television on our station.' I think that many stations, because they were not prepared for this coverage, or in all fairness, because they were advised by someone that 'news is not important to this format,' were poorly mislead. And I think that unfortunately many stations, they didn't want to do this but had to acquiesce to television—acquiesce their brand, their audience and really turn it over to television. I'm sure many programmers regret doing that," Callahan explains.

He adds, "We're just saying protect your brand, protect your audience. I would say the best way to describe this is long-term insurance for any broadcaster, and that's really how we're positioning it: Is there a crisis today? No. But if something happens, are you prepared, are you ready? And are you going to turn over your listeners to a TV station as opposed to letting them hear it directly from you through the radio?"

Traug Keller

"I think now we have seen that there are FM stations that want to have a form of crisis coverage should, God forbid, another crisis occur of the magnitude of 9/11. And that's the business we're in," ABC Radio Networks President **Traug Keller** tells *RBR*. "We have been investment spending over the last three years in our news product, because that is the engine that drives the bus. And at times like this when there is war or the threat of war, or a heinous act of terrorism, the country is searching for answers and information. I think we found that after 9/11, where we saw an extraordinary number of the commercial radio stations taking our news, there was a recognition on the part of news directors and PDs that it does, in fact, matter where you get your news."

"Since September the 11th, we've seen a tremendous increase in music-intensive radio stations picking up news and information. Obviously, on the day of the attacks themselves, there were a lot of stations in a variety of formats that immediately switched to an All-News product," says VP Radio, ABC News **Chris Berry**. "There were a number of stations that are already ABC Radio News affiliates, but maybe hadn't utilized their association with ABC to pick up special coverage. It's not just about marketing top and bottom of the hour newscasts. We were talking to more music-oriented stations, providing them with information—not only on our special reports or status reports, but also on some of the longer form coverage that we're doing on briefings and even one-hour specials that we're doing in the evenings."

"It reinforces radio's position as the first place people go to hear about breaking news. I think long-term it's good for the industry to have more information, even on the music-intensive stations. If all you are is a jukebox, somebody can buy a jukebox and replace you," Rosso warns.

He also says it's not that easy to put a number on how many stations have added news affiliations or news product. Affiliations with large syndicators often come with a package deal—if a station takes one product, they have rights to others in the portfolio: "I would say that there are probably in the hundreds of music stations that are now carrying some news product using the existing ABC affiliations that they have. In terms of new affiliations, it would be probably 75+. How many of them now are using the news programming that they have already been entitled to for a long time, or using more of it is hard for us to track because we really don't have any system that can tell us what a station is using and not using unless it's got a commercial embedded in it."

And what Rosso has seen in the smaller and some medium markets is stations flipping format into News/Talk at a faster rate than in the past: "This is just anecdotal, but just from the day-to-day flow of business, I think we're seeing an increased interest in News/Talk with companies that maybe have underperforming AM stations. It might be their tertiary signal in a market. They're saying, 'I can put on a bunch of syndicated Talk shows and a syndicated News network. It will cost me very little to run because I'm not going to do any local news, but it's going to do better for me than whatever I'm running now'."

AP launched a one-minute newscast in March. It runs at :58 past the hour and stations, because it's only :55, have the ability for local station ID and sponsor IDs. "It's really a very compelling, one-minute headline updates that are delivered in a very contemporary style.

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WABC-AM	New York	⬆24%
KABC-AM	Los Angeles	⬆33%
KSFO-AM	San Francisco	⬆24%
WMAL-AM	Washington	⬆31%
WSB-AM	Atlanta	⬆27%
WCBM-AM	Baltimore	⬆36%
KPAM-AM	Portland OR	⬆125%
KSL-AM	Salt Lake City	⬆31%
WDBO-AM	Orlando	⬆32%
KXLY-AM	Spokane	⬆47%
WTKG-AM	Grand Rapids	⬆325%
KERN-AM	Bakersfield	⬆85%

Source: Arbitron Winter 2002 v. Winter 2001, Metro, AQH Share, Adults 25-54, station exact times.

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News/Talk by the numbers

According to a recent study by Scarborough Research,

- Currently, 22% of American Adults 18+ listen to News/Talk
- St. Louis, Milwaukee and Seattle are the highest rankers, with 40%, 39% and 37% respective Adults 18+ listening to News/Talk
- The lowest markets are Honolulu with 9% and Memphis at 10%
- The median age of News/Talk listeners is 52.
- 24% of the 45-54 group are most likely to listen
- 47% of the 55-64 are most likely to listen
- Seniors 65+ are 50% more likely to tune in
- Younger adults are less likely to tune in, with only 3% between 18-24 and 11% between 25-34
- 52% of listeners are white-collar workers
- 82% that have post-graduate degrees are more likely to tune in than the market average
- 37% of people with household incomes of $250K+ listen
- 80% of News/Talk radio listeners own their own residences
- Listeners who own a second home are 34% more likely to tune in to News/Talk than the market average.

It's not your traditional, 'Here's the news,' explains Callahan. "Music stations really have gotten a hold of that. In fact, the more requests that we get, it seems to be, 'I need that one minute quick update.' They like our style and we've really focused on the music stations with this product."

On 9/11 most of the news nets allowed non-subscriber stations to use their news feeds for free. "If you weren't an audio member, we didn't care, we felt we were in a crisis mode and we wanted to do a service to the industry. And the letters, thank-you's and all the appreciation was gratefully received. We thought it was important to do a public service," says Callahan.

Westwood One, the largest distributor of news in the US for radio, offering Fox Radio News, CNN Radio News, NBC News and CBS Radio News, has added more than 100 new music-intensive affiliates since 9/11. "Remember, we decided after September 11th (RBR.com 9/12) for 72 hours to give our news offerings to non-affiliates for free," Westwood One CEO **Joel Hollander** tells *RBR*. "And what that has done for us in return is we have signed up over 100 new affiliates. We put together a limited-inventory news

Joel Hollander

product for many of these stations. The 100 total includes all of our news offerings."

Like for AP, music-intensive stations understandably are going for the quick-read, so to speak. "They're looking for more headline stuff. Our news offerings have become much more important to affiliates that did not have news product since 9/11. And we get inquiries every week about stations wanting to have some type of news product and news presence," Hollander explains.

9/11's effect on the stock market and economy also caused a surge in demand for financial news programming. The attack on the WTC was not just an attack on the WTC, it was literally an attack on Wall Street.

"The whole incident made people tense—about their lives, security, personal safety. And after personal safety, the next thing people worry about is their financial safety—providing for their families," says **Andy Denemark**, VP Programming, United Stations Radio Networks. "I don't know how connected it is to terrorism, but there sure is a bumpy bunch of stocks out there. We've been doing the '**Lou Dobbs** NBC Financial Reports' for a year and a half, and we've had three big surges in terms of interest in that feature. One was the initial launch, a second was last May a year ago when Lou went back on CNN, and the third surge was after 9/11." The show currently has 734 affiliates.

ABC Radio Networks will soon complete a network redundancy project (*RBR* 1/21, p.14) for its uplink facility/network operations center in New York so it can continue to distribute news products and services out of DC or Dallas, should there be an event that would prohibit use there.

American Urban Radio Networks (AURN) currently offers its affiliates American Urban News and SBN News. Says AURN President **Jay Williams**: "That news product is available to them 100% of the time. We have a lot of affiliates, many of which are music-intensive stations. However, they were not using the news product. Post-9/11, we've seen is a rise in them utilizing the news product."

Williams says stations across the country including WWRL-AM New York, WOL-AM Washington, WAMO-FM Pittsburgh, KJLH-FM LA and WHAT-AM Philadelphia have all added extensive additional news from American Urban News: "Those are some examples. These are the ones that were prominent in their praise for our news product and how it added the much needed information that their audiences wanted to know."

By Jack Messmer

Red flag lands in the Big Easy

The recently-announced cash-swap deal in which Clear Channel (N:CCU) and Wilks Broadcasting propose to exchange FMs in New Orleans (RBR 5/20, p.6) has the FCC reaching for its hanky. One half of it does, anyway. The part where Clear Channel sends KKND-FM to Wilks did not get a red-flag notice. However, the part where Wilks sends WRNO-FM to Clear Channel did receive the flag.

On the face of it, this appears to be another ludicrous flag-throwing. Clear Channel will go from two AMs and five FMs to: two AMs and five FMs. Wilks will go from four FMs to: four FMs.

Both FMs are 100 kw stations with nearly identical tower heights.

Look at the latest Arbitron report for the market and the flag makes even less sense. Classic Rock WRNO-FM pulled a 3.6 12+ in the winter 2002 survey, while Alternative KKND-FM pulled a 3.9. CCU actually comes out on the short end of the stick. Look back to the fall and the gap is even greater: WRNO garnered a lackluster 3.3 rating to KKND's 5.1.

However, Clear Channel obviously values the 99.5 mHz facility—enough to kick in $12.5M to effectuate the swap. The difference is its city of license, which is New Orleans, right in the thick of the market. It is also a full Class C. 106.7 KKND is licensed to Port Sulphur, and despite the fact that its technical parameters are a close match to those of WRNO, it is licensed as a slightly-less-desirable Class C1.

Bottom line: 1) This deal does not change the count of any ownership groups in the market; 2) Whatever the disadvantages of the KKND signal, they are not so great as to prevent the station from outperforming WRNO in the ratings; and 3) There is no real point to subjecting the two radio companies and the American taxpayers to the costs of reviewing this relatively minor transaction.—DS

Island FM brings $1M

A Puerto Rican station station owner is island-hopping to become a group owner. Richard & Rita Friedman's Pan Caribbean Broadcasting de P.R. Inc. is paying Jonathan Cohen's Benjamin Broadcasting Corp. $1M for WVPI-FM Charlotte Amalie, US Virgin Islands. The Friedmans already own WMDD-AM Fajardo, Puerto Rico.

Salem adds an Island AM

Salem Communications (O:SALM) is expanding its Honolulu superduopoly with the addition of KJPN-AM. Herbert Nishida's International Communications Corp. is being paid $650K for the 940 kHz signal. The addition will give Salem four AMs and one FM in Honolulu.

Cumulus raises $199.2M

Cumulus Media (O: CMLS) announced 5/23 it has raised $199.2M, in offering 11.5M shares of its Class A Common Stock. Underwriters picked up the 1.5M-share greenshoe from Cumulus' add-on stock offering. As previously noted by *RBR* (although not announced by the company), the selling shareholders were The State of Wisconsin Investment Board (920,000 shares) and ING Capital (30,552 shares). Cumulus plans to use $55.6 million of the proceeds for the previously announced buy of Wilks Broadcasting, and to use the balance for general corporate purposes. Deutsche Bank Securities acted as lead underwriter for the offering, which was co-managed by Bear, Stearns & Co. Inc., CIBC World Markets, Morgan Stanley, Robertson Stephens, SunTrust Robinson Humphrey, UBS Warburg, Robert W. Baird & Co. and Jefferies & Company.—CM, JM

Mixed quarter for NextMedia

Still-young NextMedia (public bonds) reported revenue and cash flow gains for Q1, but those gains were all due to acquisitions and growth in its radio properties. The company is continuing to deal with a drag from its outdoor division—a media sector that's recovering more slowly than radio.

On a pro forma basis, Q1 radio net revenues rose 9.7% to $13.6M and cash flow rose 20% to $4.2M. But outdoor revenues declined 17.6% to $5.6M and cash flow dropped 55.2% to $1.3M. That left pro forma revenues for the entire platform flat at $19.2M and cash flow down 14.1% to $5.5M.

Actual net revenues were up 32.4% to $19.2M and cash flow grew 22.2% to $5.5M.

In announcing those results, Chairman **Carl Hirsch** and CEO **Steve Dinetz** hailed NextMedia's radio division for "industry leading" results, but lamented the situation for outdoor: "The outdoor advertising environment has not shown significant signs of improvement, we have our management and people in place and we are implementing our local sales strategy."

Revenues down, cash flow up at Jones

Jones Media Networks (public bonds) is continuing to see cash flow benefits from last year's jettisoning of some of its less profitable radio shows and addition of some new ones. While Q1 radio revenues were down 5% to $9.4M, EBITDA shot up 89% to $800K. Now, with the ad market improving, the company is expecting to see Q2 radio revenues rise 15% to $24M and for EBITDA to grow 438% to $7M.

Jones Radio Networks President **Ron Hartenbaum** told analysts he is encouraged by the improvement he's seeing in the network radio ad market. "Despite the network radio upfront being delayed several weeks, we were able to deliver some solid network radio results in the first quarter. We're optimistic about the second quarter, as we have experienced solid bookings in the scatter market. We remain cautiously optimistic that the advertising marketplace will continue to show signs of improvement in the second half of 2002, assuming economic conditions continue to improve."

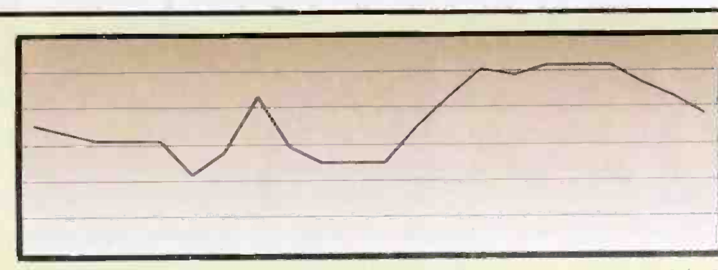
For all of Jones Media Networks—including radio, cable and satellite services—Q1 revenues were flat (up $49K) at $18.6M, but EBITDA from continuing operations increased 206% to $2.9M.

One final note: Jones has dismissed Arthur Andersen as its auditor. From now on, its books will be reviewed by KPMG.

Radio Business Report
Voice Of The Radio Broadcasting Industry

The Radio Index™

The Index moved down 6.169 for the week to close 5/22 at 274.096.



Television Business Report™
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This year vs. last:

an optimistic upfront for syndication

In Part III, we focus on the outlook for syndication in this upfront vs. last year. Rating points targeting viewers 18-49 are especially tight going in to the upfront. So much so that many of the cable nets, i.e. E!, Comedy Central and Bravo, say they're already close to selling out 18-49 Q2 scatter and may move a good deal of Q3 inventory before their upfront deals are even made. It all adds up to optimism going into the upfront season. "Right now, all the networks are sold out in Q3—Fox and ABC have been sold out, CBS is now sold out. Part of it is they're short of ratings points," says **Steve Hirsch**, President, King World Media Sales. "But with the shortage, demand will be up. So when you put those two together, you get a positive outlook for the overall business in general."

Bob Cesa, EVP/Advertising Sales and Cable Programs for 20th Television explains the medium's impressive reach—reach that can solve the current 18-49 crunch. "Some of the great benefits we provide to advertisers are high-rated shows in 99% of the country. First-run programs like Wheel, Jeopardy, ET and Oprah are very highly-rated shows that run on a M-F basis with the same kind of network coverage and ratings of network Primetime shows. Advertisers can also buy are the off-net sitcoms and dramas—some of the best shows in television history. Our ratings for some of our top shows like Friends, Seinfeld, Raymond, and some of the younger skews/ 18-49, like Buffy the Vampire Slayer, King of the Hill, some of the shows that I have, that skew very well onto 18-34s and teens."

Cesa also markets The X Files, The Practice, That 70s Show, Dharma and Gregg, and Divorce Court.

Hirsch adds, "Our ratings are equally as good as many of the networks—or minimally somewhere between the networks and cable. We're a wonderful alternative and adjunct, really, to the networks, and the replacement of our inventory is different than what cable really offers. One of the great advantages we have is that you can buy program-specific. Think about it—you can't go into the networks and just buy Friends. I mean you could, but the price would be so extraordinary, you wouldn't think of doing it that way. However, that's not to say we don't sell shows in conjunction with other shows."

While a recent Nielsen Monitor-Plus ad spending study (see below) said Q1 '02 syndicated TV dollars sank 8.9% to $734.M, the positive supply-and-demand economics playing throughout the industry right now has both buyers and sellers agreeing syndication is already looking much better than last year. Q2-Q4 may look much better, thanks to a strong upfront. "The buyers seem interested. It's not like last year, where at this point in time I knew I was in trouble," Buena Vista Television EVP/Ad Sales and SNTA Vice Chairman **Howard Levy** tells *TVBR*. "I mean they were basically hunkered down. I couldn't get my phone calls returned. Now, there are discussions going on, 'This is what we're looking at...we like this.' It feels like a lot more normal of a year than it did last year. Last year it just felt bad, even before what happened in the upfront. At that point, they were selling scatter significantly below upfront and now they're selling it significantly higher than upfront."


Bob Iger

Harry Keeshan, EVP, PHD, estimates there's going to be at least as much demand this year as last. "And that's starting to form already because a year ago we knew at this point that all budgets were going to be significantly down, as the economy turned into a recession. There's more confidence in this market than there was a year ago. The artificial tightening in the market helped, with ABC and Fox going out. That led to a bit of an artificial scatter market. Which leads to artificial confidence. That helped network confidence and there seems to be more money out there."

"It's a much more positive feel," Hirsch concurs. "There's a general agreement that the economy is turning around—when exactly it's going to turn, nobody knows. But on the other hand, we know there's going to be a lot more spending attached to that. Most of the clients that we've talked to believe that their budgets are either flat or up somewhat."

Cesa thinks it's going to be "whole lot better this year" for a number of reasons: "One is the economy is coming back. Barring any unforeseen catastrophe, the buyers will take into consideration the networks' erosion, they will end up re-expressing their money into the less-expensive alternatives such as syndication or even cable. We're anticipating a rebound from last year's marketplace. The pickup rate on the options [as Disney President **Bob Iger** said in Part I] have been much, much higher this year than last year. It's usually a leading indicator. Last year, they were dropping a lot because they didn't need it—the economy was deteriorating."

Carat USA's SVP/Director of National Broadcast **Andy Donchin** thought last year could have been better for syndication. While he's already seeing an improvement this time around, "I think it's important for syndication to get in in the meat of the market. By that I mean last year they got hurt a little because the market was so protracted and everybody got their network money down and their cable money down and they were like last in line," he recalls. "And I think what they have to do is get more into the mix of things and when things really heat up to be there. I think they need to get in earlier and it could be healthier for them on the shows that obviously are well-received and do well. Obviously, some of their shows even compete with network ratings—Friends, Seinfeld and Raymond. Maybe at the buying community, we haven't given them their fair share at what they rightly deserve."—CM

TV Briefs

NBC ups Zucker

NBC has removed **Scott Sassa** as its top West Coast Entertainment President, handing over all his responsibilities to NBC Entertainment President **Jeff Zucker**. Sassa will remain a LA-based consultant to NBC, working with Chairman/CEO **Bob Wright** and President/COO **Andy Lack** on strategic ventures.—CM

Sinclair dumps Andersen

You can add Sinclair Broadcast Group (O:SBGI) to the ever-growing list of companies that have dropped Arthur Andersen as their corporate auditor. In Sinclair's case, the change came about because Ernst & Young acquired the financial statement assurance and tax operations of Anderson's Baltimore office on 5/15. Thus, Ernst & Young is now Sinclair's auditor.—JM

GM takes control of local spot

General Motors has decided its GM Mediaworks will now get oversight of $800M+ in billings, taking over all local spot buying for the automaker from Interpublic Group sister Local Communications (LCI), a unit of Universal McCann. GM has also reportedly upped its spot buying to $800M from $300M.—CM

Maxim Magazine to launch "Maxim TV"?

Execs from the London-based men's magazine Maxim are reportedly negotiating with Vivendi Universal to create a Maxim cable channel. Previously, the magazine was in discussions with USA to create Maxim-branded shows for that network.—CM

WWE announces repurchase of NBC's stake

World Wrestling Entertainment (N:WWF) announced 5/20 it repurchased from NBC 2,307,692 of its Class A common shares at $12 per share for a total cost of approximately $27.7M. This represents approximately 3% of total common shares outstanding.—CM

DTV amendment buried in bioterror bill

Included in the "Public Health Security and Bioterrorism Preparedness and Response Act of 2002," passed by the House 5/22 and expected to pass the Senate in days, is an amendment that would require the Commission to give DTV allocations to stations who received CPs after the FCC had issued digital allocations. The FCC says these stations would only get one channel instead of two to operate with. New analog licensees that went on air post 4/3/97 are at issue. The bill was written by Energy & Commerce Committee Chairman **Billy Tauzin** (R-LA).

It reads:

"Subtitle C (a) Pair Assignment required—In order to further promote the orderly transition to digital television, and to promote the equitable allocation and use of digital channels by tlevision broadcast permittees and licensees, the FCC, at the request of an eligible licensee or permittee, shall, within 90 days of the date of enactmant of this act, allot, if necessary, and assign a paired digital televison channel to that licensee or permittee provided that

(1) such channel can be allotted and assigned without further modification of the tables of allotments....

(2) such allotment and assignment is otherwise consistent with the commission's rules....

(b) Eligible licensee or permittee—For purposes of subsection (a), the term "eligible licensee or permittee" means only a full-power licensee or permittee."

The wording goes on to say that the only licensees eligible for receiving a paired digital channel must construct the DTV facility within 18 months of receiving the CP.—CM

Media General reports April numbers; broadcast div. up

Media General (N:MEG) reported (5/21) revenues of $80.2M in April, up slightly from $80M in April 2001. Publishing revenues declined 3.5%; broadcast revenues increased 7.5% and Interactive Media revenues were up 20.3%. In the Publishing Division, classified revenues increased 0.6%. Retail revenue was 9.3% below last year. National revenue was down by 7.6. In the Broadcast Division, gross television time sales increased 7.2% from the same month last year, with automotive advertising leading most of the growth. Local advertising improved 1.8%, while national advertising was up 9.7%. Political advertising increased to $767K from $125K in April of 2001. Media General owns 26 network-affiliated TV stations in its media portfolio.—CM

Nielsen Monitor-Plus tracks Q1 ad spending

A new study of ad spending says Q1 ad spending across most media is up 1.8% over last year. Nielsen Monitor-Plus says spending during the Q1 rose to $17.3B, compared with $17B last year. Remember, however, total ad spending declined almost 10% last year, so the increase is somewhat tempered given that fact. For this study, Nielsen tracked spending in eight media categories including network TV, spot radio, national magazines and cable. It didn't include newspapers and outdoor.

The biggest gains in Q1 were garnered by network television, where ad outlays rose 9.2% to $5.3B. Spot TV and spot radio were up 1.9% and 5.1%, respectively. Spending in national magazines slid 5.4% to $2.7B in Q1, and syndicated TV dropped 8.9% to $734.M.—CM

Radio Business Report™

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May 20, 2002

Volume 19, Issue 19

AFTRA says "No" to CCU

AFTRA members at three Clear Channel NY stations have petitioned the company to drop voice tracking there, claiming voice tracking is a "disservice" to listeners. WKTU-FM, WLTW-FM and the new WWPR-FM all have expired AFTRA contracts and the union is negotiating new deals

Retail sales up 1.2%

Broadcasters and advertisers should get a psychological boost from a 5/14 government report which showed April retail sales up 1.2%—the biggest one-month jump in six months. That was about double what economists had been expecting and far more than the meager 0.1% rise in March. Higher gasoline prices were a factor, but even with pump sales excluded, retail sales were up a full 1%.

IBiquity to build experimental AM

Ibiquity Digital has applied to the FCC for an experimental station on 640 AM in Frederick. If approved, the station will operate with 4000-watts during daytime hours.

Warnecke upped at MediaCom

Matthew Warnecke, Director, Network Radio Services, National Broadcast, was upped to Director, Network and Spot Radio Services, National Broadcast at MediaCom 5/1.

PPM to add 6-11 demo

Arbitron's Personal People Meter (PPM) system will add a children's demo to radio ratings—the 6-11 year old category will be measured because that demo is already measured for TV, which is measured as part of the meter service.

Wimmer's heart surgery a success

"I visited with Roger Wimmer yesterday, a day after his open-heart surgery. The miracles of modern medicine!" stated Matt Hudson. Wimmer is recovering at Porter Hospital in Denver (Englewood), CO.

Tim Spengler upped at Initiative

Tim Spengler, EVP/Director of National Broadcast Initiative Media, N.A. in LA, is taking over all of the agency's national broadcast business. The duties had been split with Arthur Schriebman, EVP EVP/Director of National Broadcast for Initiative Media N.A. in NY. Spengler is moving to NYC in the promotion.

Hiwire signs WarpRadio.com

Hiwire announced 5/14 it will provide audio ad insertion, ad tracking and ad sales for all of WarpRadio.com's 200+ streaming radio stations.

Gary Fries

Revenues were back up in March

After a dip in February, radio revenues rebounded in March with a 1% gain over the previous year, according to monthly figures from the Radio Advertising Board. That 1% gain was across the board—local, national and combined.

Through the first quarter of 2002, radio revenues were down 1%. Local sales were off 1%, but national spot was up 1%. Total radio revenues had been up 1% in January, but down 5% in February (due primarily to TV stations not advertising during the Winter Olympics).

"History has shown that Radio is the most resilent of all advertising media and the first medium to post positive growth following a downturn," declared RAB President & CEO **Gary Fries**. "Radio's cross-section of advertising categories makes it less vulnerable to unexpected fallouts from one or two advertising sectors. Radio is positioned for steady recovery as we approach the end of 2nd Quarter and move into 3rd Quarter."—JM

Sirius has 100 channels, 412 subscribers

Sirius Satellite Radio (O:SIRI) finally launched on Valentine's Day and last week (5/14) reported results for its first quarter with real, paying subscribers—412 of them. CEO **Joe Clayton** told Wall Street analysts he expects that to grow to "several thousand" in Q2 and assured them that Sirius is on track to meet expectations of 100-150K subscribers by year end. He announced that Sirius would begin marketing its service last Wednesday (5/15) in 10 more states—Alabama, Indiana, Kentucky, Michigan, Mississippi, Ohio, Tennessee, Texas, West Virginia and Wisconsin—brining the total to 28 states.

"The clock really starts ticking for us on July first—with national service availability, with the commencement of our advertising program and with improved equipment availability. Then it's a whole new ballgame for Sirius Satellite Radio," Clayton declared.

With its 412 paying subscribers, Sirius booked its first-ever revenues in Q1—$4K in subscriber payments and $34K (minus $5K in agency fees) from advertising.

RBR observation: There's no way to calculate the CPM on those ad sales, but the advertisers as a group paid $84 per subscriber over that month and a half period that Sirius was in operation. Wouldn't it be cheaper to send each a bouquet of flowers and a talking card?—JM

Jury orders ABC to pay Radio Aahs $9.5M

A jury has awarded Children's Broadcasting Corp., (CBC) the parent of the old "Radio Aahs" kids net $9.5M. The whole drama began in '96 when ABC backed out of its deal with Radio Aahs and then launched "Radio Disney." CBC sued, and in '98 a jury awarded Radio Aahs principal Chris Dahl a $20M verdict that never went into force because the judge rejected the verdict. That decision was reversed last year in appeals. The Star-Tribune says the recent $9.5M award was based on a narrower range of allegations—breach of contract and misappropriation of trade secrets. ABC may appeal. —CM

Jack Myers turns bullish

The most bearish of *RBR's* panel of forecasters (*RBR* 1/14, p. 8) is now predicting a growth year for radio and even slightly positive results for TV. **Jack Myers** is now predicting that radio revenues will grow 4% this year, after previously forecasting a 4% decline. For TV he's still expecting the big four networks to be down 2%—half of the 4% loss he'd previously been looking for. He expects national and local spot TV to be up 4%, rather than down about 9.5%. And although the dollars are much smaller, Myers is expecting a dramatic improvement for TV syndication—up 5% instead of down 12%. All in all, that would give the broadcast TV industry a gain of 1.5% for 2002.

Myers released his revised outlook for all media (5/13) as he issued a projection that the TV, cable and syndication upfront will finish with a gain of 3.8%. He expects the TV networks to gain 1% (but with CBS the only one of the big four to post a gain), cable to rise 5% and syndication to jump 11.8%.

The former bear says his conversion is based on continuing evidence of improving ad market conditions. "However, we remain cautious based on indications that the stock market and general economy are not sufficiently recovered, and marketers remain reluctant to commit to significant increases in ad spending. Consumer spending remains strong even in the face of declining consumer confidence, escalating war in the Mideast, continued threats of terrorist actions, degenerating confidence in corporate accounting and reporting, and advancing actions by New York State Attorney General Elliot Spitzer against research analysts for major investment firms," Myers said in his new analysis. "Unless these negative forces, and unforeseen future events, ultimately cause the economy to reverse itself and tail back into a recession, marketers can be expected to equal their 2001 advertising investments in 2002, slightly increase their commitments in the Upfront market, and plan for 2 to 4 percent spending increases overall in 2003."

Myers noted that radio is looking particularly strong. "Among all media, radio has shown the most impressive resiliency, and is forecast to recover from a nearly 4% loss in revenues last year to a gain of 4% in 2002." (Note: Myers' final estimate of last year's decline, -3.6%, is much less than that of RAB, -7.4%.)—JM

Jack Myers' new forecast

	Yr. 2002 forecast on 12/01	Yr. 2002 forecast on 5/02	Projected 2002 revs. on 5/02	Yr. 2003 forecast on 5/02
Newspapers	-2.0%	-5.0%	$42.1B	-1.0%
Broadcast TV Networks	-4.0%	-2.0%	$15.8B	2.5%
National/Local Spot TV	-9.5%	4%	$19.8B	1.0%
Broadcast TV Syndication	-12.0%	5.0%	$2.7B	3.0%
Radio	**-4.0%**	**4.0%**	**$19.1B**	3.0%
Yellow Pages	-3.0%	3.0%	$14.0B	-1.0%
Consumer Magazines	-7.0%	-6.0%	$15.2B	2.0%
Network Cable TV	-6.0%	4.0%	$12.6B	9.0%
Local/Regional Cable TV	5.0%	3.0%	$4.0B	12.0%
Online	10.0%	4.0%	$4.5B	15.0%
Outdoor	-1.0%	1.0%	$5.2B	2.0%
Total US Media	**-5.7%**	**-0.4%**	**$155.0B**	2.2%

Source: Jack Myers LLC

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

Editorial/Advertising Offices
6208-B Old Franconia Road
Alexandria, VA 22310
PO Box 782 Springfield, VA 22150

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

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

Bradenton, FL Office
Jack Messmer
Phone: 941/792-1631
Fax: 253/541-0070
Email: .... JMessmer@rbr.com

Nashville, TN Sales Office
June Barnes
Phone: 615/360-7875
Fax: 615/361-6075
Email: .... JBarnes@rbr.com

Brookfield, CT Sales Office
David Frankel
Phone: 203/775-3928
Email: .... dfrankel@rbr.com

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RADIO NEWS®

S&P still concerned about Interep

Despite Interep's (O:IREP) sale of $5M in new securities (5/13, p. 2), Standard & Poor's is keeping the rep company on it CreditWatch list with negative implications.

"Although this issue very modestly improves Interep's cash balances, it is not clear that the company's existing liquidity will be sufficient to meet all of its operating and financial needs while cash flow remains depressed," said S&P analyst Steve Wilkinson. "Near term liquidity continues to be the overriding credit concern in light of the soft advertising environment and Interep's high level of financial obligations."

S&P said whether Interep can move off of the CreditWatch list "will be resolved based on Interep's ability to secure additional capital to meet its near-term obligations and improve its EBITDA exclusive of contract termination revenue."—JM

Cumulus raising cash on Wall Street

Cumulus Media (O:CMLS) is selling more stock to re-stoke its coffers. Deutsche Bank Securities is currently pricing an offering of 8.6M shares. That would total around $163M. More than 830K of the shares being sold are coming from two selling shareholders. A concurrent SEC filing by Cumulus indicated that three shareholders might be selling part of their stakes—BA Capital, the State of Wisconsin Investment Board and ING Capital.—JM

Non-competes on way out in Arizona

The Arizona House of Representatives approved a bill which will add Arizona to the growing list of states banning non-compete clauses in broadcast employment contracts. The measure had already passed the state Senate, but goes back for a final vote by the upper body of the Arizona legislature before going to the desk of Gov. **Jane Hull**. Broadcasters had lobbied against the measure, while labor unions had pushed it.—JM

Disney under IRS audit

The Walt Disney Co. (N:DIS) revealed 5/15 in an SEC filing that its tax filings are being audited by the IRS for three years of the past decade and that the auditors are challenging some of Disney's tax accounting practices.

"The Internal Revenue Service (IRS) is currently examining the Company's federal income tax returns for 1993 through 1995. While the audit is not complete, the IRS has recently indicated its intention to challenge certain of the Company's tax positions. We believe that the Company's tax positions comply with applicable tax law and intend to defend the Company's positions vigorously. The ultimate disposition of these matters could require the Company to make additional payments to the IRS. Nonetheless, we believe that the Company has adequately provided for any foreseeable payments related to these matters and consequently do not anticipate any material earnings impact from the ultimate resolution of these matters," Disney said in its SEC 10-Q.

Wire service reports of the IRS action had little impact on Disney's stock price, which closed up 10 cents for the day (5/15) at $24.50.—JM

DOJ says "No" to CCU's plan to buy House of Blues

The *Rocky Mountain News* reports (5/14) the plan to merge Clear Channel and HOB Concerts, the two largest concert companies in the nation, didn't pass muster with federal antitrust laws, according to the Department of Justice. With potential antitrust investigations and a federal lawsuit filed by Denver promoter Nobody in Particular Presents, the proposal was dismissed, sources told the paper.

The proposed deal involved selling off assets in certain markets to help pass DOJ scrutiny. Clear Channel would buy a few select HOB venues and properties in certain markets and leave the bulk of the company to Concerts West. The deal was deemed inadequate, and CCU would have had to sell off nearly as many assets as it was acquiring in order to go through, sources said.

So what now? HOB's assets may be divided up between CCU and **Phil Anschutz**'s Concerts West. Anschutz would end up owning most of HOB, including its concert division and its line of nightclubs. HOB's board of directors requested more time in a conference call 5/13 to discuss a tentative offer from Entercom, which has proposed to buy HOB in conjunction with LA music mogul **Howard Kaufmann**. His clients include The Backstreet Boys, **Jimmy Buffett**, **Lenny Kravitz** and Aerosmith. They would become co-owners of the HOB chain.

According to Amusement Business, Clear Channel Entertainment grossed $1.226B; HOB $173.8M and Concerts West $30.555M in the period from 12/11/00-12/3/01. —CM

OMD in talks with Disney, Viacom for $1B cross-platform deals

The *Wall Street Journal* reports OMD USA, the media-buying arm of Omnicom Group, is in discussions with Disney for a deal that calls for OMD to place more than $1B ad dollars across Disney's ABC-TV stations, ESPN, A&E Networks, Lifetime Television, Buena Vista Television, ABC Radio and Disney's print publications and Internet properties. OMD clients include advertisers Pepsi and Gillette. ABC is overseeing the negotiations. If the Disney deal is completed, it will be the largest cross-platform deal to date, besting Viacom's deals with Procter & Gamble ($300M), Snapple ($15M), *The Wall Street Journal* and most recently, Monster.com ($15M) (RBR.com 4/30).

However, OMD is reportedly also working on another $1B cross-platform Viacom deal that would include CBS, UPN, MTV Networks, BET, CBS and UPN TV stations, syndicator CBS Enterprises, Infinity Radio, Viacom Outdoor and Internet properties. —CM

RBR News Briefs

Mays, Karmazin, Dickey added to FCC council

Clear Channel Chairman/CEO **Lowry Mays**, Viacom President **Mel Karmazin** and Cumulus Chairman/CEO **Lew Dickey** are among the 41 newest members of the FCC's "Media Security and Reliability Council." The Commission created the council as a forum to develop and ensure "the robustness and security of the broadcast and multi-channel video programming distribution industries."

The council is chaired by Tribune President/COO **Dennis Fitzsimons** and will hold its first meeting 5/17. Other members include **Eddie Fritts**, Susquehanna Radio President/CEO **Peter Brubaker**, Radio One Chair/founder **Cathy Hughes**, Emmis Chairman **Jeff Smulyan**, NPR President/CEO **Kevin Klose**, Hispanic Broadcasting President/CEO **Mac Tichenor** and XM President/CEO **Hugh Panero**. —CM

Homeland Security chief to keynote NABEF confab

President **George W. Bush**'s Director of Homeland Security, **Tom Ridge**, will be the keynote speaker for the 2002 Service to America Symposium next month (6/10) in Washington, DC. The annual symposium sponsored by the National Association of Broadcasters Education Foundations (NABEF) will focus this year on how broadcasters, government agencies and nonprofit organizations can work together in the face of tragedy. WNBC-TV New York President and GM **Dennis Swanson** will join representatives of the Salvation Army, American Red Cross and the Pentagon on one panel looking at the aftermath of 9/11.

Former NYC Mayor **Rudolph Giuliani** will also be on hand when local broadcasters are recognized for community service at an evening banquet sponsored by NABEF and Bonneville International.—JM

Radio-Mercury awards finalists named

The RAB's 11th annual Radio-Mercury Awards finalists were announced 5/10. A total of fifty-nine finalists from the General, Hispanic and Station-produced categories will compete for the $100K Grand Prize. Cliff Freeman and Partners has six entries in the General category final round, with Arnold Worldwide next at five and DDB Chicago and Goodby, Silverstein and Partners at four each. The five Radio-Station Produced Category finalists include Entercom-Portland, Talk KLSX-FM LA, Rose City Radio-Portland, Next Media's WZSR-FM Crystal Lake, IL and Zimmer Radio Group, Carterville, IL. —CM

RBR Stats

2002 Radio Revenues

Month	Local	Natl.	Total
January	+1%	+1%	+1%
February	-6%	+1%	-5%
March	+1%	+1%	+1%
Q1	-1%	+1%	-1%

Source: RAB

Canada to charge royalties for streaming

The Canadian Federal Court of Appeals has ruled that Canadian copyright law applies to Internet audio transmissions even if they originate from outside the country. The ruling paves the way for Canada to charge royalties to webcasters that are not based in the country but can be accessed therein. The RIAA counterpart organization in Canada is "CRIA," The Canadian Recording Industry Association. CRIA has won the appeal after a lower court had ruled against it. In the appeal, the CRIA argued that Internet transmissions of music to end users in Canada qualify as "communications to the public" and are covered by Canadian copyright law even if they originate outside Canada: "The case sets an important precedent for the international recording industry in three main ways: It supports the licensing of internet transmissions of music in each country to which they are transmitted; It helps local record companies, artists and authors, in all countries where the transmissions are received, to get paid; and it discourages the development of offshore piracy havens, whereby internet services could evade copyright licensing in a country by moving outside of its borders." —CM

Webcasters, labels speak to Senate Judiciary Committee

The Senate Judiciary Committee met 5/15 with both sides of the webcaster royalty debate to discuss rates for Internet radio. The hearing came a week before the US Copyright Office is expected to decide (5/21) on the rates, proposed by the CARP panel (*RBR* 2/25, p.2): 0.14 cents per listener per song for Internet-only webcasters and 0.07 cents per song for simulcast streaming of terrestrial signals. The webcaster side thinks a fair deal would be 3%-4% of revenues for royalty fees.

Some of the comments from the 5/15 meetings:

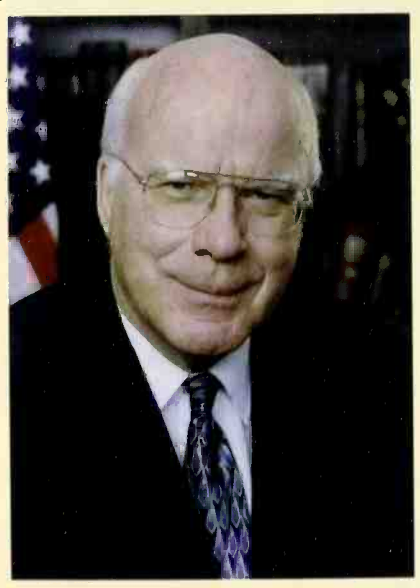
Frank Schliemann of OnionRiverRadio.com: "We will be bankrupted by royalties...Please help these calamitous rates from being implemented...The suggested rate would require a small webcaster like Onion River Radio to pay out 78% of its total revenues for royalties...[I] would be forced to pay more royalties as I gained more listeners...A better model would be the arrangement worked out with songwriters, where radio stations pay 3.5% of revenues."

Arbitron Webcast Services VP/GM **Bill Rose** mentioned Arbitron-Edison's Internet studies that show webcasting is growing rapidly but still in its infancy compared to other media. He said if broadcast radio had had to face fees similar to the CARP royalties when it began, it's highly unlikely it would have grown into the industry it is today.

Hilary Rosen

RIAA Chairman/CEO **Hilary Rosen**: "The arbitrators had access to a huge amount of confidential financial data about the webcasting and recording businesses. They did their homework. They looked at large and small companies, their costs, their financial projections, their forecasting statements, their IPO offerings, etc. In other words, the CARP had a lot more information about the webcasters' ability to pay than this hearing could ever unveil...In the end, if Congress believes a subsidy for webcasters is appropriate, it should not come on the backs of the individual creators and companies who provide the webcasters with the key component of their business. Perhaps other subsidies, such as tax breaks, would be more appropriate...It was the webcasters who insisted upon a per use fee (except at the very end of the process after final rates were proposed), and several webcaster witnesses, including their principal economic expert, testified against the adoption of a percentage of revenue rate. In the end, the CARP (relying in large part on the webcasters' expert witness) concluded that a percentage of revenue metric was inappropriate for several reasons."

Meanwhile, **Orrin Hatch** (R-UT), the top Republican on the committee, told Committee Chairman **Patrick Leahy** (D-VT) he was preparing legislation that would not address the royalty issue but would encourage online music services by giving them access to out-of-print music, among other things. Leahy said he would work to develop Hatch's proposal but had not reached any conclusions about the royalty rate.



Patrick Leahy

Said Leahy: "Now that the finding has been reached, and is being reviewed by the Librarian of Congress, the industry is in an uproar. Nobody seems happy with the outcome of the arbitration and all the parties have appealed. The recording industry and artist representatives feel that the royalty rate...is too low to adequately compensate the creative efforts of the artists and the financial investments of the labels. Many of the webcasters have declared that this per-performance approach, and the rate attached to it, will bankrupt the small operations and drain the large ones. Such an outcome would be highly unfortunate not only for them but also for the artists, the labels and the consumers, who all would lose important legitimate channels to connect music and music lovers online...Moreover, independent of the substantive outcome, I have heard complaints from all sides about the fairness and completeness of processes and procedures employed in the arbitration. Indeed, the concerns of many small webcasters were never heard, since the cost of participating in the proceedings was prohibitively expensive and their ability to participate for free was barred by procedural rules...All of which brings me to the question I want each of our witnesses today to consider: Why can't everyone, Congress and artists and labels and webcasters alike, take the CARP as a genuine learning experience, and sit down to determine what is the next best step? If the parties can avoid more expense and time and reach a negotiated outcome more satisfactory to all participants, that would surely be preferable to rampant dissatisfaction."—CM

Broadcasters tell FCC to leave radio limits alone

As the FCC wrapped up the comment period for its review of local radio ownership limits, several broadcasters joined the NAB (*RBR* 5/13, p. 1) in suggesting that the FCC should keep its hands off the limits that Congress set in 1996.

Echoing NAB's stance that the FCC has no legal power to change the limits set in the 1996 Telecommunications Act, Cumulus Media (O:CMLS) insisted that the evidence presented to the FCC demonstrated that consolidation had had "no adverse effects on competition or diversity in local radio markets."

Cumulus said that the FCC would be ill-advised to accept the proposal of the National Association of Black Owned Broadcasters (NABOB) that it change its method of defining local markets from contour overlaps to the markets used by Arbitron. Cumulus noted that Arbitron changes market boundaries from time to time and that the list of stations reported for each market changes frequently.

In its reply comments, NABOB insisted that the NAB and various broadcasters were wrong—that the FCC does indeed have the authority to change the local radio limits. NABOB insisted that the FCC and federal courts have historically interpreted the "public interest" provisions of the 1934 Communications Act as giving the FCC broad powers and that nothing in the 1996 Telecommunications Act changed that.

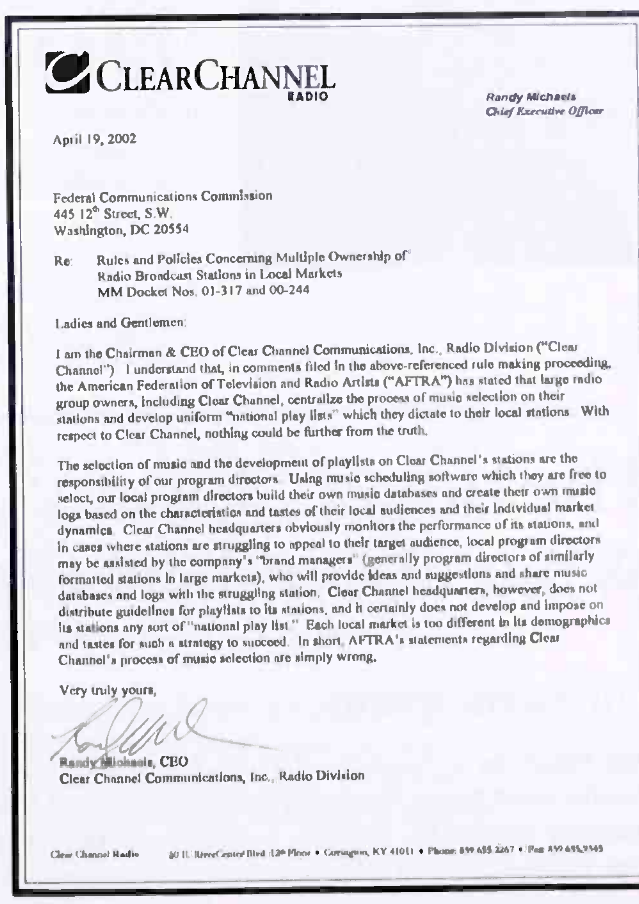
While broadcasters presented evidence that consolidation has increased programming diversity by increasing the number of different formats available in most markets, NABOB said that missed the point. "The First Amendment requires that the American public receive its news and information from a variety of antagonistic sources. This can only come from broadcast voices controlled by diverse competing owners," NABOB said.

While opposing any numerical decrease in local ownership limits, Radio One (O:ROIA) did agree with NABOB's call for the FCC to take action to promote minority ownership. Radio One backed NABOB in calling for the FCC to stop granting waivers that allow groups to exceed ownership limits for months and sometimes years while seeking spin-off buyers. And the nation's largest Black-owned radio group broke ranks with other large broadcasters in backing the FCC's red-flagging of deals for consolidation scrutiny. Radio One even suggested that the flagging be tightened from the current standard of one owner with 50% of revenues or two with 70% to 40% and 60%, respectively.

Viacom (N:VIA) said that a study submitted by the Minority Media and Telecommunications Council proved the opposite of what MMTC said it did. Rather than demonstrating that minority ownership has suffered since 1996, Viacom said the study demonstrated that the number of minority-owned stations has risen more than 50% since 1997. And while the number of minority owners has decreased somewhat, Viacom said consolidation has had less of an impact on minority owners than on the radio industry as a whole. Specifically, it noted that while the total number of radio owners has dropped 25% since 1996, the number of minority owners has only declined 17%.

Although the FCC's comment cycle is officially closed, the Future of Music Coalition told the Commission that it had gotten a grant from the Rockefeller Foundation to study the impact of radio consolidation on playlist rotations and survey the general public about the state of US radio. The Coalition said the results would be available late this year.

Clear Channel (N:CCU) denied allegations by AFTRA that consolidation has led to major broadcast groups dictating music playlists. In addition to its formal comments, the nation's largest radio group included a letter (right) signed by Clear Channel Radio CEO Randy Michaels insisting that "our local program directors build their own music databases and create their own music logs based on the characteristics and tastes of their local audiences and their individual market dynamics."



CLEARCHANNEL RADIO

Randy Michaels
Chief Executive Officer

April 19, 2002

Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets
MM Docket Nos. 01-317 and 00-244

Ladies and Gentlemen:

I am the Chairman & CEO of Clear Channel Communications, Inc., Radio Division ("Clear Channel"). I understand that, in comments filed in the above-referenced rule making proceeding, the American Federation of Television and Radio Artists ("AFTRA") has stated that large radio group owners, including Clear Channel, centralize the process of music selection on their stations and develop uniform "national play lists" which they dictate to their local stations. With respect to Clear Channel, nothing could be further from the truth.

The selection of music and the development of playlists on Clear Channel's stations are the responsibility of our program directors. Using music scheduling software which they are free to select, our local program directors build their own music databases and create their own music logs based on the characteristics and tastes of their local audiences and their individual market dynamics. Clear Channel headquarters obviously monitors the performance of its stations, and in cases where stations are struggling to appeal to their target audience, local program directors may be assisted by the company's "brand managers" (generally program directors of similarly formatted stations in large markets), who will provide ideas and suggestions and share music databases and logs with the struggling station. Clear Channel headquarters, however, does not distribute guidelines for playlists to its stations, and it certainly does not develop and impose on its stations any sort of "national play list." Each local market is too different in its demographics and tastes for such a strategy to succeed. In short, AFTRA's statements regarding Clear Channel's process of music selection are simply wrong.

Very truly yours,

Randy Michaels, CEO
Clear Channel Communications, Inc., Radio Division

Clear Channel Radio • Covington, KY 41011

***RBR* observation:** Does that also apply to Talk programming, Randy? To date, not one of Clear Channel's stations has signed on for Westwood One's (N:WON) new Talk show featuring **Bill O'Reilly**. One *RBR* source says some of CCU's GMs are not happy that they're not being allowed to take the hottest new Talk product in years. "O'Reilly is up to like 230 stations now, so how could there be 230 stations that want the show and not one is airing with a company that owns 1,200 stations? It just doesn't make sense," the source noted.—JM, CM

By Carl Marcucci

The Dial-Global merger: New grown-up on the block

Several well-known names in radio are now under one umbrella, changing the landscape for media buyers. Excelsior Radio Networks acquired Dial Communications and merged Dial with its Global Media Division in early April (*RBR* 4/8, p.12). The new national sales rep. division, Dial Communications-Global Media (Dial-Global) is headed up by principals/co-Presidents **David Landau**, **Jeffrey Gasman** and **Ken Williams**. Dial-Global is a $50M (est. 2002 revs.) company with a combined client roster of 40 radio programs/production companies.

David Landau

Excelsior is a subsidiary of Franklin Capital (A:FKL) and was formed last summer by Franklin, Sunshine Wireless and Change Technology Partners from the purchase of Winstar Radio Networks, Winstar Global Media and Winstar Radio Productions. "The investor group that put the companies together had experience in the radio industry," said **Spencer L. Brown**, Excelsior's VP and an SVP at Franklin Capital. "We both owned stations and were a happy victim of consolidation. And we see the same potential, both on the station side of things, which won't affect us, but also on the network side where we could be the consolidating industry. We really wanted to be the consolidator, rather than have the industry consolidate around us. So we saw this as a time where we could acquire, particularly Global Media and what was the Winstar Radio Networks, at a very advantageous price. That would allow us to basically get in the game at a good entry point. And I think what Dial does is put a little meat on the bones, and also we're bringing on a very strong management team."

Excelsior/Dial-Global reps over 25 clients, including Jefferson-Pilot Radio Network ("**Bob & Sheri**"), Mann Group, **Dave Koz**, The PGA, Waitt Media, "The Countdown" and "Gospel Traxx" hosted by **Walt "Baby" Love**, Stephan Productions and Wall Street Journal Reports. Excelsior's production division produces/distributes 50 programs and services. Dial has 20+ clients, including 60 Second Inc., WOR Radio Network, Multi-Net Marketing, TM Century, NBG Radio Networks and TRN's **Michael Savage** Show.

So what's on tap for Dial-Global? *RBR* interviewed David Landau and a few key industry buyers for their take on the new combined entity going forward. The company recently finished a two-day national sales meeting. "We had people from all over the country fly in to NYC. We all came away really excited here," says Landau. "The thing that made it attractive for us is that Dial was strictly a national representation firm and this provided us with a programming and affiliate arm. The partners and myself have a lot of contacts all throughout the radio business and we get a lot of calls. However, we didn't have the programming or production expertise and we didn't have the affiliate expertise. And now, by combining with Excelsior, with **Larry Kahn** and his group, it really gives us a lot of clout in the marketplace."

Jeffrey Gasman

He adds, "We're all very sales and marketing driven. Kenny is out of the West Coast. He's really an expert at systems and organizing the company, and he's very involved with the talent. Jeffrey is very involved in talent and operations and I'm involved in marketing strategies and sales. We all work together as a team."

Indeed, Dial-Global is steeped in marketing and sales expertise. Landau was President of Unistar; Williams and Landau were involved in Multiverse, as original investors in Dr. **Laura**; and Gasman formed Dial in '89. In 11/00, Landau and Williams became partners in the company after leaving EVP/Sales slots at Premiere.

Ken Williams

Global was a heritage syndication company that was set back a bit after its parent, Winstar, declared bankruptcy (*RBR* 4/23/01, p.16). Says Landau: "There was really nothing wrong with Global as an organization. The problem with Global is the parent company Winstar, which went from $6B market cap a year ago to $40M. They've got great systems and we're keeping them intact. We're going to keep the sales and traffic staffs intact. Their clearance department is the best in the business, and we're keeping that intact. It's a very significant group of people. We have six full-time people in the clearance-affidavit department, and there's affidavit research. We feel that there are synergies involved with the two companies and we're going to be able to bring our marketing and our systems expertise with the combination and create a lot more value."

With that added value and critical mass, Dial-Global has already become the focus of radio groups looking to launch their talent nationwide. "I also think there's opportunity for the remaining syndication to get involved with the groups, because they're looking to roll out their talent on a national level," Landau says. "We've received a lot of calls, and I think there's an opportunity there for us to get involved in that."

To RADAR or not to RADAR...

In a recent interview (*RBR* 4/22, p.4), MindShare USA SVP, Director of Radio Negotiations **Reyn Leutz** lobbied for Dial-Global to have its products RADAR-rated.

"You know the cost prohibitions regarding RADAR," responds Landau. "RADAR is a very expensive and very technical business to get involved in. The companies that are involved in it are Clear Channel, Westwood and ABC. These are multi-billion dollar organizations. We're still an entrepreneurial company."

Nevertheless, Landau is going to look into it: "It's a very expensive situation, but I do think there's an opportunity. I'd like to talk to Arbitron about it—It's no longer RADAR, it's now Arbitron involved—and see if there's some way for us to take a look at it."

Sponsorships

Previous to the merger, Global didn't have a sponsorship merchandising person that just sold sponsorship packages. That's all about to change in a big way. "I think there are some great sponsorship opportunities. We're going to roll out a person to sell sponsorships with merchandising packages to clients," Landau explains. "We're going to get people more involved with our clients in terms of getting more person-to-person and added value opportunities. There's a lot of room for that. That's been truly a hallmark of Dial more than a lot of other companies—to get involved with the talent on a one-on-one situation and see how we can get involved in other projects that the talent is involved in."

The buyers' forum: What about Dial-Global?

The participants:

Matt Feinberg VP/Manager of Radio, National Broadcast, Zenith Media
Natalie Swed Stone, Managing Partner/Director of National Radio Services, OMD USA
Matthew Warnecke, Director, Network and Spot Radio Services, MediaCom
Jeni Cramer, Media Manager, Advertising Services Department, Warner-Lambert Consumer Group, Division of Pfizer Pharmaceuticals

What do you think of the Dial-Global merger?

Feinberg I think it makes sense for Dial and Global to keep alive in the radio marketplace. They both have an array of properties of varying strengths and by bringing them together they get to weed out the weaker properties and strengthen the strong properties and compete in a marketplace that's getting increasingly competitive and increasingly smaller. There are bigger players but fewer of them.

They've both been around a long time. With David Landau and Ken Williams, they bring a lot of experience and a success record. And Dial has been around a long time. I knew **Sandy Gasman**, who started the company years ago.

Swed Stone I think it's better for them, obviously. There's less competition in the marketplace—they don't have to compete against each other. From their vantage point, it's positive. From our vantage point, I think we'll have to wait and see. Will they do anything differently? Will they allocate more resources to systems or research or upgrades?

Warnecke I think that mergers are always neither 100% of the best or 100% of the worst. It's up to this new entity to put together good looking, efficient, strong station lineup networks, which is, of course what will get us to purchase them. It remains to be seen how they can leverage the economies of scale to the audience that we as media buyers try to deliver. The proof is in the pudding. I'm actually hoping that this makes for a stronger overall network. I hope they succeed like gangbusters.

Cramer: These are companies we have done business with for a long time. I think it's a good move on the investment company's part, and I think it's going to be a stronger company in the end. If they already have networks that are 600-800 stations, that's pretty significant. So is it going to make them bigger or better? It all depends on how they reconfigure themselves in the end.

What do you think of the packages they're offering?

Feinberg I think the strength of them being able to do this is they will be able to customize, if you will, networks to different advertisers' needs, which I think is the strength of some of the non-RADAR rated properties. Hopefully, they will be able to package networks together that fit our needs. They will have more resources.

I think this will put them more in the lines of the MediaAmericas, who do a very, very good job of addressing advertisers' needs. Whereas sometimes if you're with the other old line networks, they're locked into their lineup. They can't change, so if it doesn't meet your clients' criteria, nobody can do anything about it. Our buys are so complex nowadays, and I think the industry is going towards this, it has become much more sophisticated. The planning process is a much more intense process, where all of the brand people—buying and planning—are all involved in it. So I think this will help, once Dial-Global truly merges organically, it will be good.

Dial-Global is going to offer creative sponsorship opportunities. Do you think the combined entity could offer worthwhile options for your clients?

Swed Stone I have encouraged them to allocate some resources behind promotion, to have a promotional department. I have tried to encourage them, now that they may have a little more depth in the company, to do some different kinds of things—be more creative: look at offering sponsorships/tie-ins with venues; come to us with creative ideas, (which is a big thing for us). There is room for them to upgrade in that area as well. Research is one issue, creativity, ideas and promotions are another issue.

I think that syndicators have certainly benefited from a lack of inventory in the network radio marketplace generally. Buyers have money to spend, larger networks run out of inventory, and everybody gets bought eventually. But, the question is: do you want to risk getting bought later, or do you want to secure your place early? Getting bought first necessitates some creative ideas, some leadership. They've let the networks lead, with research, with ideas, with everything—and that has worked for them. But if they ever want to compete with the networks on a different level, then they certainly have to step up in all areas. Billings is one measure of acceptability in the marketplace; there are other yardsticks by which to be measured.

Warnecke I think that is a good idea. For all of the purported strength in this returning economy, advertisers are still apprehensive about departing from an all-television mix. Anything that we as an industry can do to help show the strength of radio, it's consistency and its ability to deliver an audience time and time again, will be a great thing for Landau and all of our agencies to do.

Should Dial-Global and Excelsior become RADAR rated? Would it change the way you buy them?

Feinberg If they became RADAR-rated properties, then they definitely gain a little more credibility in the marketplace. It's hard to say if we would buy "more" of them, because every buy is different. I'm not one to say unilaterally that a network is going to get our business. It just depends on if they fit whatever the strategy of the particular campaign we're involved in. When nets join RADAR, often their numbers go down. We just put it in perspective. We are pretty much in agreement that the Arbitron Nationwide ratings that are used by non-RADAR-rated properties are pretty much inflated. That's generally reflected in the cost.

Swed Stone As I've suggested, the networks tend to lead, and if you want to be in that league, then there are certain things that you do in order to be there. It's not just about the billings that you generate, it's about the quality and services that are delivered such as research, systems, accountability and added value. It's up to them to determine what level they choose to achieve.

Unfortunately, sometimes what happens is companies wait and are not motivated to change things until they see a decline in business. We saw that two years ago. Business was great, but it didn't stay great and because some companies were complacent, they weren't able to stay ahead of the curve. I think that one should prepare. It may not always remain a saturated marketplace. What if there are new competitors tomorrow, like an AOL or somebody else? Then what happens to those who are not as creative, let's say, or whose systems aren't indeed advanced, research isn't as strong as it should be? Then an AOL could come in and take advantage of that. It's important for serious, long-term suppliers to ensure they're as strong as they can be, because things can and will change.

And so the message to Dial-Global is: 1+1 should equal 3 or higher. We need to see how Dial-Global gets to 3 from here and if they want to. When two companies merge and have a vision, the result should be a totally different company—not two companies glued together. We need to see if Excelsior has a vision. Certainly, the buyers need to help raise the bar for our clients' sake, and we will continue to do that.

MEDIA MARKETS AND MONEY™

By Jack Messmer

Big City reducing red ink, but problems continue

Big City Radio (A:YFM) used less red ink in writing its Q1 financial report. Net revenues were $3.4M—down 19.2% from a year ago. However, if you exclude the $1.1M contributed the previous year by the company's Phoenix stations, which were sold to Hispanic Broadcasting (N:HSP) last fall, same-station revenues were up 9.5%. Although broadcast cash flow remained negative, that negative number improved from $1.44M last year ($1.38M without Phoenix) to $844K in the first quarter of this year.

But while Big City's operating results are improving, it still faces a cash crunch. A semi-annual $9.8M cash interest payment on its bonds will be due 9/15, but the company had only $6.6M in cash on hand on 3/31—the remaining proceeds from its $34M Phoenix sale. As Big City has noted repeatedly in its SEC filings, its financial problems "raise substantial doubt about the Company's ability to continue as a going concern."

Meanwhile, Big City faces yet another problem. The rules of the American Stock Exchange require listed companies to have an audit committee with at least three members—all outside directors. But Big City's seven-member Board of Directors has only two members who aren't officers of the company—**Michael Boyer** (CFO of American Saw and Manufacturing Co.) and **Leonard White** (CEO of Rigel Enterprises and former head of Orion Pictures). Executive VP **Sylvia Kessel** had previously served as the third member, although last year's proxy statement acknowledged that she wasn't eligible under the AMEX's rules. The other four directors are Chairman **Stuart Subotnick**, his wife **Anita** (the co-founders and principal owners), President and CEO **Charles Fernandez** and Executive VP and General Counsel **David Pershing**. This year's proxy states that Big City is trying to find a third independent director to serve on its board and audit committee. It has until 6/30 to come into compliance with the exchange's listing rules.

The audit committee shortcoming isn't the only problem, though. Big City noted that its reduced shareholders' equity, losses from continuing operations and net losses also put it in jeopardy of losing its AMEX listing.

***RBR* observation:** Unless he wants to sell off more stations, it appears that Stuart Subotnick will have to put more of his own money into Big City to make that September bond interest payment. That might not be easy to do though, since Subotnick's other companies aren't doing well either.

David Benjamin

Triad expands Fargo cluster

David Benjamin is expanding Triad Broadcasting's superduopoly in Fargo, ND with a deal to buy an AM and JSA its FM sister. Under terms of the contracts with **Thomas Vertin** and **Robert Comstock**, Triad will pay $1.2M to acquire KBMW-AM, licensed to Breckenridge, MN, from WB Broadcasting. That will expand Triad's cluster to two AMs and four FMs in the Fargo market.

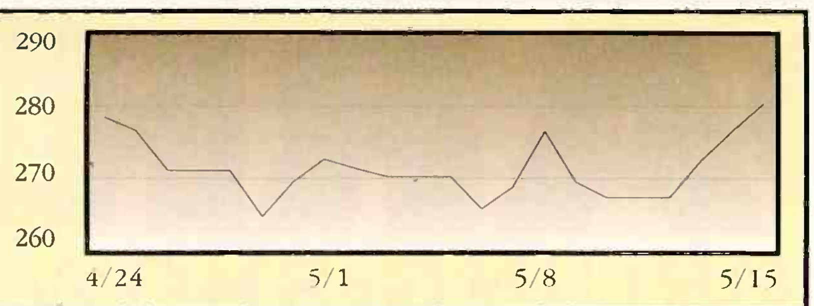
At the same time, Vertin and Comstock are buying out the interests of **Dean Aamodt** and **Jay Schuler** in Guderin Broadcasting, the licensee of KGWB-FM, Wahpeton, ND—just across the Red River from Breckenridge, MN. They have applied to the FCC to relocate KGWB to Triad's Wolverton, MN tower that's currently used by KLTA-FM & KPFX-FM, move from 107.1 mHz to 106.9 mHz and upgrade from Class A to Class C2. They're also entering the station into a JSA with Triad. If, within the next three years, FCC rules are changed to allow Triad to acquire a fifth FM in the Fargo market, it will have an option to buy KGWB, with the price set by a formula that's not being disclosed at this time. Broker: Johnson Communications Properties

***RBR* observation:** It's a stretch to say that KBMW-AM is in the Fargo market, but it will expand Triad's coverage to the south and should continue to do well serving the Breckenridge-Wahpeton area. KGWB-FM should be a fully viable Fargo station after its signal upgrade.

Radio Business Report
Voice Of The Radio Broadcasting Industry™

The Radio Index™

Radio stocks are moving slowly higher with the broader market. The Index closed 5/15 at 280.265, up 3.814 from a week earlier.



CCU to pay $12.5M in Big Easy swap

We now know the financial terms of Clear Channel's (N:CCU) deal to swap to a better signal in New Orleans. CCU will pay **Jeff Wilks'** Wilks Broadcasting $12.5M as the cash kicker in a swap of CCU's current KKND-FM (106.7 mHz) for Wilks' WRNO-FM (99.5 mHz). Wilks bought WRNO and KMEZ-FM last year for $23M.

***RBR* observation:** Although both stations in this swap are 100kw, the 99.5 facility is a full Class C licensed to New Orleans, while the 106.7 signal is a Class C1 licensed to Port Sulphur. As a result of the swap, CCU will get a signal that covers more land (and people) and less water. Wilks will still have four stations in the New Orleans market and CCU seven.

Wichita price tag is $2M; Sacramento on hold

Entercom's (N:ETM) latest SEC filing has put a price tag on its pending sale of KQAM-AM Wichita, KS to Disney's (N:DIS) ABC Radio to become a Radio Disney O&O. Entercom will receive $2M for the station, still leaving it with six stations in the market.

Entercom's SEC filing also revealed that **Ed Stolz**, as expected, has appealed a state court order to sell KWOD-FM Sacramento to Entercom for $25M under a 1996 letter of intent and that the appeals court has issued a temporary stay of the lower court order. An appeals court hearing is set for this week (5/21).

New St. Louis AM brings $1.625M

A move-in AM in the St. Louis market has sold for $1.625M. KRFT-AM, licensed to De Soto, MO, had been a 5kw daytimer on 1190 kHz, with its transmitter well south of St. Louis. It's still a daytimer and still on 1190, but it now has a new 10kw, four-tower array just across the river from St. Louis in Illinois.

The buyer is All Sports Radio LLC, headed by Gregory Marecek, which already owns KFNS-AM & FM. Seller The Raftt Corp. is headed by Jerome Friemel. Broker: **John Saunders** (seller); **Bill Cate,** Sunbelt Media (buyer)

Small Town on air in second market

Small Town Radio (O:MOLY) has LMA'd WSBI-AM Static, TN, giving it a second station on the air and broadcasting its programming. The first was WDGR-AM Dahlonega, GA. The company said WSBI already gets into the Cookville, TN Arbitron market and, once a 10kw upgrade is built, will hit eastern portions of the Nashville metro as well. WDGR is heard in the Northern suburbs of Atlanta.

The suburban-Atlanta-based company has deals pending to buy both stations and several others, but has yet to close any of those purchases. As of 5/14 it withdrew a financing plan that it had been pending SEC approval since last September, citing "unfavorable market conditions." That financing plan would have had Small Town Radio exchange new stock for cash from a Bermuda company to close each purchase—with the Bermuda company then selling the stock in the public market (RBR.com 10/9/01).

Meanwhile, the company is going ahead with a shareholder vote on a proposed one-for-18 reverse stock split and reincorporation in Nevada (from Colorado), although the annual meeting has been rescheduled to 5/28 from the original date of 5/3.

The company, headed by President **Donald Boyd**, also announced that **Michael Cobb** has been named CFO.

***RBR* observation:** Wasn't Small Town launched with a business plan to serve markets *outside* the Arbitron-rated markets? So why is the company bragging about what Arbitron markets its signals are penetrating? Besides, that Nashville claim is a bit of a stretch, anyway.

Sale bill in Billings is $125K

A construction permit for a new 1kw AM in the Billings, MT market has been sold for $125K. The buyer is not one of the market's current owners, but a newcomer, Hi-Line Radio Fellowship Inc., headed by **Roger Lonnquist**. The seller was Palmetto Radio Group. The new station will be licensed to Lockwood, MT and operate on 1450 kHz. Broker: American Media Services

Revenues up double digits for Unica

Q1 revenues shot up 45% to $8.2M at Radio Unica (O:UNCA). That big jump includes MASS Promotions, which the company acquired in Q2 of last year—but even without MASS Radio Unica's radio revenues were up 18% to $6.7M. Cash flow, however, remains negative. EBITDA for

Q1 was $2.7M, a 45% reduction in red ink from a year earlier.

In his 5/13 conference call, CEO **Joaquin Blaya** noted proudly that radio revenues beat even the high end of the 15-17% guidance that he had previously given Wall Street. He added that same station radio revenues were up 20%.

"Following the difficult year that we had in 2001, and particularly the final six months, we were quite pleased with this performance. When compared to the low to middle single digits revenue growth of most of our competitors, and the radio industry, we are proud of what we accomplished."

Blaya said he remains optimistic about 2002 and noted that advertiser interest in Radio Unica's national Spanish Talk network continues to grow. He assured analysts that the company is continuing to work on raising revenues and reducing costs to go cash flow positive and he noted that the company is working on something to improve its balance sheet.

For Q2, Radio Unica is expecting radio revenue growth of 5-7% and total revenue growth of 8-10%.

Newly-public LIN up for Q1

Gary Chapman

In its first quarterly report since its second IPO (5/3), LIN Television Corp. (N:TVL) reported pro forma Q1 revenues up 5.8% to $76.4M and broadcast cash flow up 19.7% to $24.9M. That includes results for the Sunrise group, which was actually acquired in conjunction with the IPO.

Actual revenues were up 7.7% to $58M and BCF gained 25.1% to $22M.

Since the company is still in its post-IPO "quiet period," CEO **Gary Chapman** was reserved in his 5/14 conference call. Nevertheless, he did indicate that things are looking up.

"We're optimistic that there will be a rebound in the overall advertising market during the remainder of 2002," he said. Chapman also expressed hopes that expected relaxation of ownership limits will accelerate station trading activity. "We hope to be an active participant in industry consolidation," he noted.

Having just rung the opening bell at the New York Stock Exchange to celebrate the company's week-and-a-half-old IPO, Chapman noted that the stock sale had put LIN in a strong financial position. The company received gross proceeds of $430M from the public stock sale. $320M of that was used to reduce the company's debt, leaving $881.5M in debt outstanding. He also noted that LIN's public stock should be "very useful" as a currency to offer potential sellers as the company seeks acquisitions. LIN now has $129M in cash and an undrawn revolving credit of $192M for making acquisitions.

Chapman told analysts that Q2 pacings are ahead of last year. "Combined with Sunrise we're close to a double-digit growth. We're please to see the momentum building throughout the quarter—that is, each subsequent month—which is indicative of an advertising recovery. With the ongoing cost controls, we expect to achieve double-digit growth in EBITDA."

Double-digit gains for Entravision

Radio has joined television is posting revenue and cash flow gains at Entravision (N:EVC). For Q1, the Spanish media group saw net revenues rise 12% to $49.1M, pushing up broadcast cash flow by 13% to $12.2M.

"Entravision's first quarter results were highlighted by the performance of our television and radio groups," said CEO **Walter Ulloa**. "In television we recorded an industry leading 21% increase in revenues and a 23% increase in broadcast cash flow, fueled by continued ratings strength at our Univision stations. At our radio group we have clearly turned the corner, capitalizing on the significant ratings gains from 2001 and a strong sales effort. For the quarter radio revenues increased 17% and broadcast cash flow was up 28%, well ahead of our expectations."

While radio revenues rose 17% to $14.8M and TV 21% to $24M, outdoor revenues were down 12% to $5.7M and publishing slipped 2% to $4.6M. Similarly, cash flow was up 28% for radio to $4M and up 23% for TV to $7.9M, but outdoor dropped 89% to $95K and publishing cash flow was off 27% to $231K.

For Q2, Entravision is expecting radio revenues to be up 12-14%, TV 15-18% and publishing flat to up 5%. Outdoor, however, is expected to see revenues decline 18-20%.

Fox net down, O&O group up

Rupert Murdoch

Improved cash flow (EBITDA) at Fox Television's (N:FOX) O&O station group more than counteracted a decline for the Fox Network in the company's fiscal Q3, which ended 3/31.

In his 5/14 conference call with analysts, Fox and parent company News Corp. (N:NWS) CEO **Rupert Murdoch** expressed frustration about his companies' stock prices and declared that things are looking up.

"Not only is the company's balance sheet extremely strong, but the economy. It finally seems the advertising market is showing signs of return to health. I'm not yet prepared to declare a permanent end to the ad recession, but certainly a much stronger market than we were experiencing even six months ago. It is visible at our television stations—the pacings will be up in the low single digits—I think if you take out the Super Bowl that [Pres.] **Peter [Chernin]** mentioned, it's very low single digits—but we have been up every month this year and are staying that way this quarter. It's the second consecutive quarter of positive pacings in nearly a year and a half of negative growth. With six straight months of positive pacings, all I can say is that everything is looking pretty good in June and July. It's too early to say much more than that, but it is also visible at the Fox Network. Scatter pricing today is running about 15% above upfront levels and cancellations are running 3-4% below the customary rate. To be a little more specific, we're seeing real increases in some of our major advertising categories—automobiles, fast food, movies and certainly a strong return in wireless and retail. That, of course, doesn't cover all categories, but it does give us real hope for the upfront campaign, which will be starting and selling over the next several weeks," Murdoch said.

Station revenues rose 35.9% to $435M and EBITDA gained 41.8% to $173M. Even without the recently acquired Chris-Craft stations, the company said pro forma revenues for the station group rose 27%.

While network revenues were up 29.8% to $553M, EBITDA turned negative by $45M, compared to a positive $1M a year earlier. The company blamed the drop on lower ratings and increased programming costs.

Fox Entertainment's best results came from its movie studio, with revenues up only 21% to $1.07B, but EBITDA up 200% to $180M, and cable TV, with revenues up 37.2% to $435M and EBITDA up 137.1% to $83M. In all, the company saw revenues rise 28% to $2.49B and EBITDA up 79.4% to $391M.

Fox handily beat the Thompson Financial/First Call consensus of net income of four cents per share. The actual number was 13 cents. Its controlling parent company, News Corp., had earnings of 18 cents per share, also beating the consensus of 15 cents. CFO **David DeVoe** also advised analysts to adjust their full-year earnings expectations upward. He's now expecting bottom-line growth of 8-10% for News Corp. and 13-15% for Fox Entertainment.

Television Business Report™
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Handicapping the upfront from Wall Street

As the TV networks—and then cable and syndicators—sell their next season to advertisers, investors are watching. *TVBR* asked a couple of veteran Wall Street analysts for their comments on what The Street is looking for this upfront.

Cheen: A more normal upfront

Wachovia Securities bond analyst **Bishop Cheen** has been crunching broadcast numbers for the better part of two decades. From where he sits, this upfront season should bring a return to more normal negotiations between buyers and sellers.

"CBS played tough last time. The conventional wisdom is that they will not play tough this time, although **Mel [Karmazin]** tells anyone who wants to listen that it all worked out fine—he did not have to severely discount his scatter," Cheen told *TVBR*. But while the scatter market has been strong lately, Cheen notes that many observers think CBS had to do some deep discounting to move its unsold inventory in the weeks following 9/11. "While it came back, we don't know how much was sold at the discounted rate," he noted.

"The other wildcard to watch is the backlash. If you raise rates too much, there is speculation that you will drive a significant amount of the budget into cable, which has—just by its inherent nature—a much smaller rate structure compared to broadcast TV. CPMs are much smaller on cable. It's going to be very dramatic to see, if the networks demand too much of a rate increase, how the advertisers will respond," Cheen said. "My guess is that the rates will go up some single-digit number. Demand will be high. And both sides will claim victory."

What about ABC?

"God help ABC. Every year or two or three there's always a network adrift. You and I have been talking to each other for a long time and over the course of that we have talked about beleaguered NBC, beleaguered CBS and this year it's beleaguered ABC," Cheen noted.

"Clearly CBS' demographics are going younger. Fox has got more sports to talk about. NBC has got all of its high-end Emmy shows to talk about and its incredible success—the afterglow of the Olympics...Poor ABC—you get the feeling that whatever they throw on the wall is the program of the week." Gone are the glory days of just three years ago, when ABC was the "Millionaire" network, he noted. "But this too shall pass. The press is going to make it sound like ABC is going out of business—and it is not."

The Wachovia analyst predicts that demand will be good for both network TV and cable in this upfront—that advertisers are more confident about the economy and ready to make commitments. "It feels different to me than it felt in early May of 2001," Cheen said. "It just feels different."—JM

Drew Marcus

Marcus: Expect a bullish swing

At Deutsche Bank Securities, **Drew Marcus** has been valuing broadcasting stocks longer than most of the broadcasting companies have had public stock (and through several mergers and name changes by his employer).

"We're looking for the total upfront—including everything, including the cable networks and everything—to be up 5% this year, versus being down 14% last year—so, it will be an impressive, bullish swing," Marcus said. "We're looking for the big four to be flat, the big six to be up 3%, cable to be up 7% and Univision to be up 18%—so the whole thing total is up 5%."

Of course, within that "flat" forecast for the big four networks, where will be winners—and there will be losers. "We're looking for the biggest winner to be CBS, up over 20%. NBC to be up over 10%. And then Fox and ABC each to be down 15-20%," Marcus said.

ABC's current troubles are well known, so we decided to play devil's advocate and ask Marcus what his pitch would be if he were the one trying to sell ABC's ad inventory to advertisers.

"I would assure them that we're spending a lot of money to develop lots of pilots and thus hope to have above-average success in our new shows. And I would pray to the TV viewing gods," he replied.

Is that prayer likely to work?

"TV programming is a tricky science, so it might work well as other things," Marcus chuckled.

Marcus is expecting advertisers to pay higher prices this year.

"We see pricing, on average, up about 4-5%," he said. "The advertisers realize it's not a buyers' market like it was last year. Certainly the scatter, where all of the networks are having very healthy scatter prices above last year, foreshadow a strong upfront. But I don't think the advertisers have conceded that it's a sellers' market yet. That is what the networks are claiming."—JM

FCC getting tough on DTV laggards

The Federal Communications Commission began a Notice of Proposed Rulemaking 5/16 to set penalties for TV stations that miss digital conversion deadlines. The proposed penalties would begin with a letter of admonishment and gradually escalate to revocation of the station's DTV construction permit. In such an extreme case, the station might also have to face competing applications if it eventually wants to switch to DTV on its original analog channel.

"It demonstrates that while there are opportunities for waivers, that the leash is short, as it must be," said FCC Chairman **Michael Powell**. "We're not going to be unreasonable about it. The transition is complicated. There are bumps on the road that are beyond people's control." The Chairman added that the FCC's intention is that the transition continue "quickly but prudently."

The FCC's Media Bureau staff had praise for big four network affiliates in the top 30 markets for generally meeting the first DTV deadlines in 1999, with only nine exceptions remaining today—a 92% completion rate. In each of those nine cases, the licensees were unable to begin digital transmissions due to circumstances beyond their control, such as local zoning hang-ups. An order approved 5/16 by the Commission grants each of the nine an additional six-month extension. Five other top-30 market stations were chastised, however, for firing up only low-power DTV transmitters. Those minimal facilities were OK'd by the FCC for smaller markets and stations last November, but today's order spells out that they are not permitted for big-four network affiliates in the top 30 markets.—JM

Second station signs for Boston People Meters

Nielsen Media Research has finally signed a second commercial TV station for its local People Meter service in Boston, although all of the big four network affiliates are still holdouts. Entravision's (N:EVC) WUNI-TV (Ch. 27), a Univision affiliate, has joined independent WNDS-TV (Ch. 50) as a subscriber to the metered ratings service. Most Boston TV stations have been boycotting the switch from diaries to Nielsen's electronic set-top boxes, which took place nearly a month ago. Besides the two stations who have now signed up, Nielsen is selling its Boston ratings service to three cable channels—plus hundreds of ad agencies and advertisers who pay considerably less than station subscribers.—JM

Clinton downplays TV talk show idea

Former President **Bill Clinton** has told NPR's "The **Tavis Smiley** Show" that while the idea had some appeal, it's unlikely he'll do a TV talk show. Clinton told Smiley the idea didn't originate with either NBC or his own associates, but rather an outside group of potential investors whom he didn't identify. He did acknowledge having talks with NBC, but said no deal is emminent.

"I don't know if it's going to happen or not, but I'd be kind of surprised if it is, because I just sort of think that it may be hard to make it work commercially, either for a network or private syndicators or anybody else," Clinton said.

The former President did, however, seem intrigued by the idea of having his own TV show. "The appeal of it is that I could speak about the things I care about in an environment where people would be free to listen in larger numbers than I could speak to [in person]," he told Smiley.—JM

TVBR News Briefs

Univision claims bragging honors in big three markets

Univision (N:UVN) says its O&Os beat all comers, English and Spanish, to be number one among Adults 18-34 in New York, Los Angeles and Chicago in the March Nielsen Sweep. That's for the entire broadcast day (and Chicago was a tie). In prime time, Univision said, each was number two (also a tie in Chicago).—JM

NBC offers to buy out Telemundo bondholders

In accordance with "change of control" provisions in the terms of the 10.5% Senior Notes issued by Telemundo, General Electric's (N:GE) NBC has offered to buy back those $305M in outstanding bonds of its new subsidiary, which otherwise won't mature until 2006. Under the tender offer, Telemundo is offering to pay $1,010 per $1000 face value. The offer will expire 6/10.—JM

Viacom closes on second LA TV

Viacom (N:VIA) closed 5/15 on its $650M purchase of KCAL-TV Los Angeles from Young Broadcasting (O:YBTVK), giving Viacom a second station in the nation's second-largest market. That sets a six-month clock ticking for Viacom to divest one radio station in the LA market.—JM

Rupert Murdoch, Gary Chapman and others. TV groups report Q1 results. Pages 6-7.