Radio Business Report™

Voice Of The Radio Broadcasting Industry®

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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.

Ernest Hollings

Hollings kills merger-review proposal

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.

Billy Tauzin

XM's repeaters under bipartisan congressional scrutiny

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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Promotions

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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

By Jefferey Myers

How Did You Let Yourself Get Sold-Out?

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

News Radio:
Riding the 9/11 wave

John Rosso

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

Joel Hollander

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."

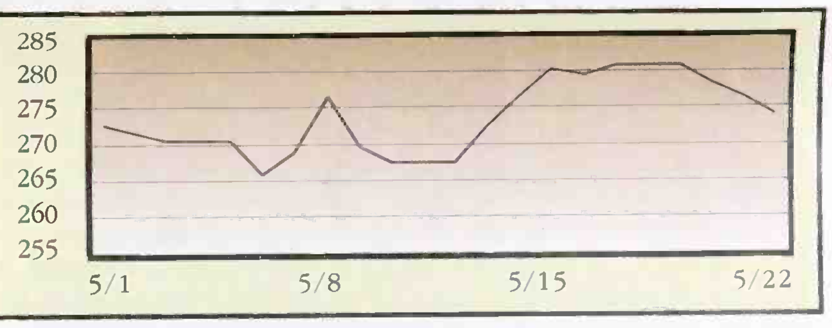
For all of Jones Media Networks—including radio, cable and satellite services—Q1 revenues were flat (up $49K) at $18.6M, but EBITDA from continuing operations increased 206% to $2.9M.

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.



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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."


Bob Iger

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."

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