

RADIO BUSINESS REPORT™

VOICE OF THE RADIO BROADCASTING INDUSTRY®

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240 stars in his cap

How will Steve Hicks run Capstar's 240 stations? The broadcast veteran who's building the biggest radio group ever talks about the challenge of managing so many stations, examines superduopoly strategies and gives some hints of what's yet to come.

RBR's interview with Steve Hicks, pages 6-8.

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The Broadcast Education Association is celebrating 41 years of service as an academic organization for communications professors who teach radio and television to students preparing for careers in electronic media. Thank you for recognizing the potential for research and training that over 230 colleges and universities and 1400 academic members provide our industry through their communications programs.

I agreed to serve as president of the Broadcast Education Association this year to help raise its profile among professionals like you. I know first hand the value and potential of this organization and how important your participation will be.

A handwritten signature in dark ink, appearing to read 'Norman Pattiz'.

Norman Pattiz
BEA President - 1996-97

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Mighty May: Revenues up 10%

A brisk national advertising market continues to drive radio revenues into double-digit gains. With national revenue up 14% and local up 8%, combined revenues were up 10% in May, according to the RAB radio revenue index.

All five regions posted strong increases. The Southeast had the strongest local performance, up 10% in May, but the weakest national performance, up only 6%. The West registered the biggest national gain, up a whopping 21%.

YTD radio is up 10% in combined revenues with local up 9% and national up 17%.

Next week: RBR's Mid-Year Forecast. Find out what's in store for the radio business through the end of 1997.

Westwood reconfigures unwired nets

Making good on Mel Karmazin's promise to improve network radio's performance, Westwood One (O:WONE) has reconfigured its spot (unwired) RADAR-rated networks "to better appeal to advertisers," said **Mike D'Ambrose**, SVP/COO, Westwood One (WW1).

Beginning in Fall 1997, WW1 announced it will offer three "new" networks, although two—The Source and NBC Radio Network—bear the name of previous WW1 nets. The other new net is NeXtnetwork. Gone are the Country and AC, and Young Adult

networks. (See chart, below)

The NeXtnetwork replaces The Source as the network that targets young demos 18-24 and 18-34. The Source aims slightly older than NeXt and is made-up of an entirely new list of WW1 affiliates. NBC Radio Network, a sort of unofficial network which lacked a name until now, complements its TV network counterpart, by targeting 25-54 with a skew towards Women.

WW1 advertiser nets

Network	Demo target
NeXtnetwork	18-24 and 18-34
NBC Radio Network	Adults 25-54, Women
(CBS) Spectrum*	Adult 25-54
The Source*	18-34, Men
CNN+	Adult 25-54

* Networks that also have some news programming. CBS Spectrum has news on the half hour.

Sinclair says no deal yet

Following RBR reports (*RBR Mid-week News Brief* 6/25 and *RBR* 6/30, p. 12) that Sinclair Broadcast Group (O:SBGI) is the winning bidder for News Corporation's (N:NWS) spin-off of Heritage Media's (N:HTG) radio and TV groups, Sinclair's stock price went up and trading volume increased.

Sinclair issued a statement (7/1) acknowledging that it is in negotiations on a deal in excess of \$500M. "Although Sinclair is engaged in ne-

gotiations regarding this bid and other potential transactions, Sinclair has not entered into any definitive acquisition agreements or letters of intent with respect to any prospective acquisition," the company said.

RBR observation: We stand by our story. Sinclair and News Corp. are working out a minor financial dispute, but the deal should be finalized soon.

However, it appears Saga Communications (A:SGA) dropped out as Sinclair's bidding partner when the price went beyond Saga's comfort limit. Saga could still buy Heritage's Norfolk and Milwaukee stations from Sinclair.

FCC OK's Viacom/Evergreen deal

The FCC has OK'd a \$2M settlement agreement between **Jesse Jackson's** Rainbow Coalition, Viacom and Evergreen Media. The Commission (6/27) approved the sale of six Viacom stations in New York and Washington, DC to Evergreen and the sale closed 7/2. The Rainbow Coalition contended Viacom reneged on a promise to find a minority buyer for at least two of the stations (*RBR* 5/26, p. 3).

There are five components of the settlement, designed to enhance minority broadcast ownership: \$880,000 is targeted for national conferences to promote media diversity; \$600,000 goes to a public education effort on broadcast minority media entrepreneurship; \$400,000 will fund three university research studies on minor-

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Upped & Tapped

Journal on an even Kiel: Journal Broadcast Group President **Doug Kiel** has been named EVP of parent Journal Communications Inc.

The Powers that be: MediaAmerica has tapped **Ed Powers** as its latest Affiliate Relations Manager. He'll be based in New York.

If you can't consult them, join them? Veteran programmer **Jack Taddeo** has taken down his shingle to join SFX Broadcasting as SVP/Programming Resources.

Westwood One has reorganized its affiliate relations department. **Nick Kiernan** will be SVP. Under him are five Senior Regional Directors: **Lyn McIntosh** (Northeast), **Bob Leeder** (Southeast), **Dino Masi** (North Central), **Mary McCarthy** (South Central) and **Erle Younker** (Western).

KBTZ-FM has trapped a new PD: **Jim Trapp** will program the Modern Rock "Buzz."

Maggie McAleer has signed on as Director of Marketing & Promotions for Odyssey Communications' trio of Southern California FMs.

The Select Network, which operates a radio dating service, has signed **Andrea Weiss** as VP, Radio Division.

Evergreen's Boston KISS (WXKS-FM) has brought in **Jack Foley** as GSM. Meanwhile, across town, CBS has given WODS-FM VP/GM **Ted Jordan** the reins for WBZ-AM as well in the wake of **Ed Goldman's** move to WBZ-TV.

McColum as you see 'em? Metro Networks has appointed **Michael McCollum** as its new VP/Human Resources. **Ellen Schultheis** has been named GM/Kansas City.

Bonneville Chicago has announced its management structure as new stations come into the fold: **Drew Horowitz** will be President of the market and GM at WTMZ-FM. Under him will be **Chuck Williams**, VP/GM for WPNT-FM and **Cristina Wilson-Ohr**, VP/GM for WLUP-FM.

Cox's News-Talk-Sports radio franchise in Atlanta will have a new Local Sales Manager: **Eric Wunnenberg** will handle those chores for WSB-AM and LMA'd WCNN-AM. Additionally, **Trey Workman** was named Sports Sales Manager for WSB.

ity ownership; \$80,000 is targeted for scholarships at a nonprofit DC-based broadcast school and \$40,000 goes toward reimbursing Rainbow's legal expenses.

Victoria Jones brings tabloid Talk to radio

Battle of the sexes? Debuting August 4th, United Stations Talk Radio introduces **Rush Limbaugh's** new antithesis, "On The Air With **Victoria Jones**." Filling a huge gap for female audiences in the 12-3pm Eastern slot, Victoria Jones will deliver the dirt—scandals, entertainment gossip—in a live call-in show. Her last radio gig was morning drive on News/Talk WWRC-AM Washington.

"Political Talk is starting to erode in ratings, and male-oriented Talk shows are maxed-out. There are plenty of tabloid publications and TV programs, but none in radio," said **Mike Castello**, Director of Affiliate Relations for US Talk Radio. Castello estimates 50 affiliates for the launch, and 125-150 by year one.

Here's a first: Web show to radio show?

Call it a web of success. "The Pat and Mike Show" on the web may soon become a syndicated radio show with a leading radio network. According to *RBR* sources, the deal is close, but not yet official.

"The Pat and Mike Show" began on **Pat Dane** and **Mike Walter's** Web site (www.tuneup.com.) Last September it was carried on an AM in Wilmington, NC; then in January began streaming live on AudioNet; then was carried in three more markets. If launched, the "Click and Clack" of the Internet will be carried Saturdays Noon-2:00PM ET, showcasing Web sites, call-ins and interviews.

Katz adds radio database to web site

The newest radio company to put radio information on the web is Katz Radio Group (KRG). The KRG Resource Center (www.krgspec.com) is an addition to Katz's corporate site (www.katz-media.com) and provides much of the top-line information from Katz's database often requested by Katz's current clients and customers

such as market and station profiles. "Right now, people call us for this information, so why not give it to them in another way?" said **Gerry Boehme**, SVP, information systems and strategic support.

Katz developed the site through an alliance it announced late last summer with World Wide Radio. (*RBR* 9/16, p. 5)

The next step, said Boehme, will be to link the information to station web sites, where more detail about a station would be available. "That will help drive national traffic to station web sites, which we can sell in conjunction with radio campaigns," said Boehme. "We already have advertisers interested in a radio web site network."

RBR observation: Is Katz hedging its bets? At first glance, it may appear Katz is setting itself up to be replaced. But transforming the web site into one that can replace the role of a rep firm is far from Katz's goal. "On the surface it may look like we'll be making it easier for people to go around us," said Boehme. "But you can go direct now and have 20-30 conversations per market. This is more for planning. There's still a wealth of services we have available that's not on the site."

Quello says Hundt trying to polish record before FCC exit

How can you say that someone who believes in restricting broadcasters' advertising rights believes in the First Amendment? That's one of the questions posed recently by outgoing FCC Commissioner **Jim Quello** about Chairman **Reed Hundt** to the Florida Association of Broadcasters. Hundt has recently been quoted as saying "no [First Amendment] values are more important in our society". Quello calls that "spin control."

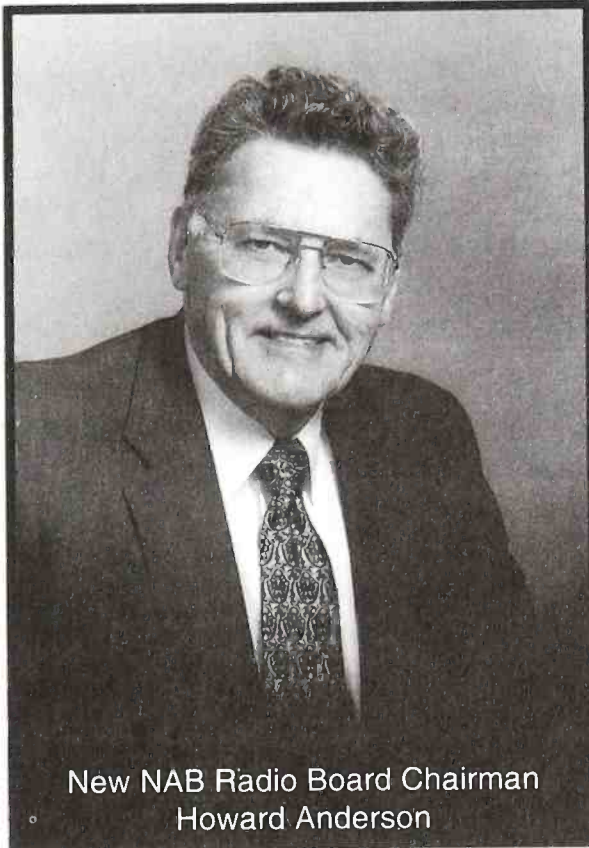
FCC revises '97 fees

Radio stations will pay the FCC between \$200-\$2,000 in Congressionally-mandated regulatory fees in September. That's compared to \$280-\$1,250 last year. The station class used to be the only factor determining the amount of the fee. Now, population and class figure into the mix. The fees are due Sept. 15-19.

NAB Radio Board Chairman

Howard Anderson dives into his new role

Howard Anderson has been elected Chairman of NAB's Radio Board. Previously, he was vice chairman on the Radio Board and his term ends in June '98. Anderson is president/owner of California Corporation KHWY Inc. and operates stations in California and Hawaii. RBR Senior Editor/Washington Bureau Chief **Leslie Stimson** recently spoke to Anderson about his priorities as NAB Radio Board Chairman and the experience he brings to his new role.



New NAB Radio Board Chairman
Howard Anderson

What issues will be your priority as chairman?

The biggest challenge we face is working with government agencies and the Administration to see that the Congressional intent [of the Telcom Act] is carried out.

You mean a possible FCC inquiry into broadcast alcohol ads?

Congress spelled out the mission of these agencies [the FCC and the FTC] but there seems to be a lot of overlap. My personal feeling is that it's for the FTC to deal with.

How will new Commissioners coming to the FCC change what you do?

It depends on how much experience the new Commissioners have had with broadcasting. It would be nice to get someone who can read a balance sheet and an operating statement and knows the demands we face. We want to work with the Commissioners.

How are NAB's talks with the DOJ going?

We still have a difference of opinion. But, there has been an intelligent, reasonable exchange of information. We don't agree that radio is a relevant market by itself, especially when you're down here in the trenches where I am, competing with cabtops, outdoor, TV and newspaper.

What are your thoughts on consolidation?

Consolidation was the only answer in order to make the business viable again. A lot of us who are small, independent operators may think this is a terrible thing, but on the other hand, the prices of our properties are now back up and more intelligently reflect their worth.

How did you get into the business?

I was still in college at the University of Utah and started to work for W6IS [experimental, which became KDYL-TV] in 1948 in Salt Lake City. I directed cooking shows, roller derby, wrestling matches...all the live stuff we used to do in the early days. In 1951 I went to WFAA-TV in Dallas and became film director. It was a real experience buying British films [because that was all we could get] and getting those Texans to understand British accents. Then, I went on to syndicating films on TV for ABC and Twentieth Century Fox. After that, I worked for Howard Hughes.

How did you get into radio?

I was working for Howard Hughes' Summa Corp. as VP/marketing for his seven Las Vegas hotels and developed the idea of putting a radio station out in the Mojave Desert to catch people coming into Las Vegas. The media costs were prohibitive and the wasted coverage was huge, but half of the Las Vegas business comes from southern California. So, if you could get them when they were headed to Las Vegas, you'd have a concentrated market, close to the point of purchase. I left Hughes in 1978, formed a California corporation and applied to the FCC for the licenses. We were able to persuade the FCC that people traveling on the highway have common interests, needs and problems and met the Commission's definition of a community.

You needed to do that to get the license?

To satisfy the specification, we picked two tiny hamlets...Yermo and Mountain Pass, CA. I added a third transmitter in 1991. The three FMs cover I-15 and I-40, the main highways between LA and Las Vegas. The format is Light AC. We're live 24 hours a day. We do a great deal of traffic, weather and news. We get about a 100% turnover every three and a half hours. In '95 I bought three stations in Honolulu: KCCN AM-FM and KINE-FM which program all Hawaiian music.

What was the thought behind the Honolulu purchase?

Las Vegas and Hawaiian music are concept sells. And I like a concept sell rather than being a slave to ratings. We ought to be selling the fact that we can bring customers into the store and we can sell merchandise, rather than selling numbers.

Did you always want to be in broadcasting?

Since I was 10 years old. I used to sit in front of the radio at night and listen to "Lights Out." I wanted to be in radio but as I got more into broadcasting and did a little on-the-air work I realized I was better on the business side than on the performing side.

by Jack Messmer

Building the biggest radio group ever is just the latest star in Steve Hicks' cap

Born into a Texas radio family (brothers Tom, Bill and Jay, and their late father, John, have all been station owners), Steve Hicks is now amassing the largest group of radio stations ever assembled—Capstar Broadcasting Partners. The company owns, or has agreements to acquire, 240 stations, stretching from New England to Hawaii and Florida to Alaska.

Capstar is the largest radio group, in terms of billings, which is not a public stock company. That may change soon. Capstar has filed its initial public offering (IPO) with the SEC and, depending on market conditions, may sell stock to the public this year.

Launching his own new company shortly after exiting as President of SFX Broadcasting last year, Hicks has been expanding Capstar rapidly by merging in regional broadcast groups, then acquiring additional stations while leaving the original group's management in place. He spoke recently with RBR about this "group of groups" approach.



Steve Hicks, CEO, Capstar Broadcasting Partners

How do you put together a group that has so many people involved who have built their own companies and have different management styles?

It's the biggest challenge when you have an idea on paper that puts together something that has 200 to 300 radio stations. You have two questions: How do you do that financially?; and how do you operate it?

The strategy that we decided to employ was having Capstar Broadcasting Partners really be a holding company having at least five, maybe six regional operating companies. You could employ people that have that entrepreneurial spirit to be CEO of the regional company that may have 50 or 60 radio stations in their regional groups. Each group by itself will be a significant sized radio company.

There are different styles of management, there are different cultures regionally. The way people operate radio stations in the Northeast is not the same as how they operate them in the Southwest. We want to play to that strength and have it more like the Bell Company did when they divided up and had regional operating companies across the country with these specific assignments, and that's really the way we have decided to go forward.

Radio execs were probably shocked when Norman Knight sold his group into Capstar. How did that come about?

I went to Boston, like a lot of other people, to meet with Norman. He is literally a living legend. I didn't make an offer to buy his radio stations, I just spent an afternoon and got to

know him and told him what I was about and what my ideas, values, and goals were. He thought about it for about a week and called me back and he said, "You've done something that nobody's ever been able to do and that's convince me that I want to turn my radio stations over to you." That's kind of the way it happened. He's a great man.

Have you established any organizational formulas that you're confident with, such as how many stations a single GM could oversee and how many markets a regional manager can oversee?

If you start in the bottom tier of the structure, there has to be a market manager in each market that we are in. Those people in some cases, have five, six, seven radio stations. Their job today in one market is very simi-

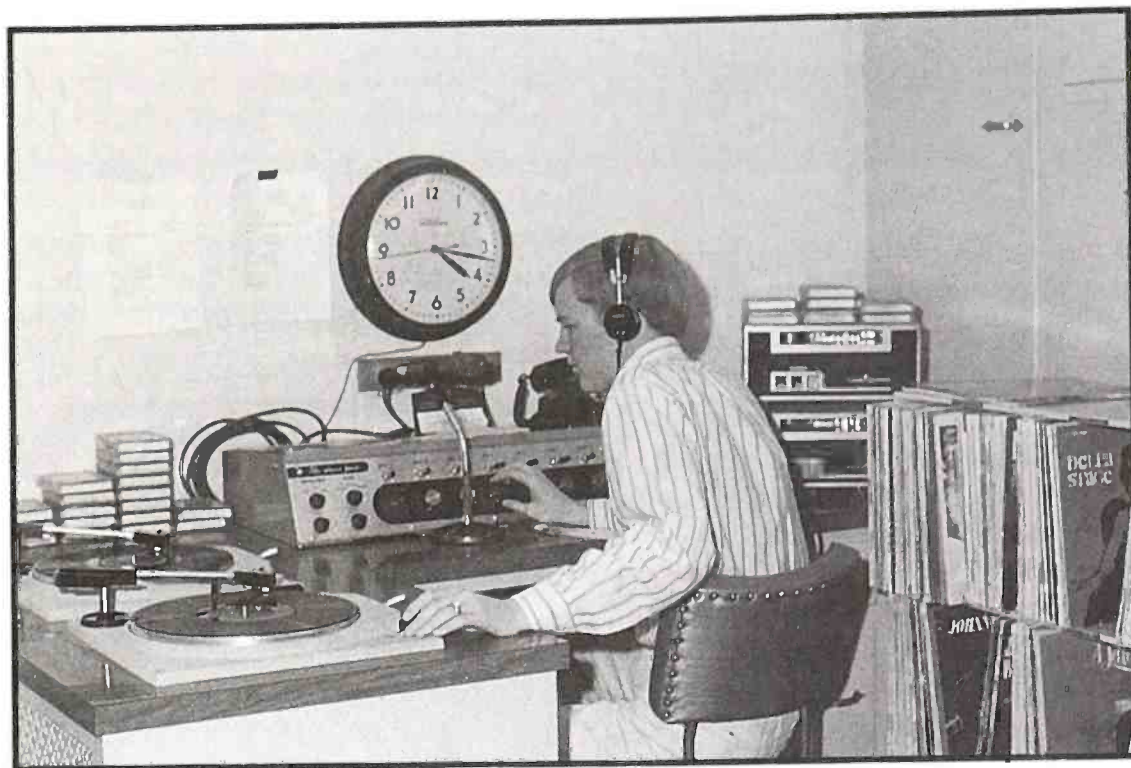
lar to what my job was six years ago running a group of six or seven radio stations. They just happen to be geographically in the same location. It takes a very special type of manager to be able to do that. It takes someone who is able to delegate responsibility and build a team.

There were some very successful single station managers that I recall from the old days that could do it all themselves and were very hands-on—controlling type people that did extremely well with the single station environment. I'm not sure that same skill set works as well when you have six or seven properties and have to develop the team of people with strong middle-management. That's what we're really trying to encourage on a market basis.

Above that we have in most cases some stronger people that may be in a market that are more senior. They help oversee not only their market, but maybe also help oversee a couple more—people in the middle tier between the local GM and the president of the region. In the case of say the Northeast, with Atlantic Star, **Jim Shea** has three people who are kind of regional managers, that help him with the markets.

Does this mean that radio companies will be developing managers in a different way than in the past?

The skill set is different when you look at these multi-task type of organizations. What I look for in a market manager today is someone who's good with people, who's a very good trainer, a good teacher, who can build cohesive groups of people to work together. That's somewhat different than the old days when you had a more dictatorial-type, hands-on person in a smaller environment.



Remember the '60s? A teen-age Steve Hicks behind the mic at KBPO-FM Beaumont, TX.

How has deregulation effected employees in the smaller markets? Are there fewer of them, and are they going to have different kinds of career opportunities?

There are fewer market managers, but it's opened up positions that weren't there before. In the case of almost every one of our operations, there may be a few jobs in some categories—such as a receptionist or a manager—that's lost in an initial consolidation. But, in almost every case, within a year the total employee count is higher than it was before we did the consolidation. What it's meant so far is more opportunities on the sales side of business, and in promotions.

On the programming side, is deregulation a plus or a minus for people wanting to become disc jockeys and PD's?

It'll be a real plus. It gives PDs and DJs the ability to advance within organizations if they're talented. I

think it's much easier to have influence now over a variety of stations and move up in markets more quickly.

Our plan is, we're employing an intranet system that is going to connect all of the radio properties across the country. If there is any programming or voice that we need from someone in Honolulu that we want to put on the air in Allentown, we could do that in real time. We really wanted to be able to interconnect these things so we can share talent on a much easier basis than before.

Will you get into syndication at some point?

Not in the true sense of it, but I think we can develop products in regional clusters that we can distribute to our own stations. I think we will be looking to develop our own products for our stations. In the past a lot of that has been bought from outside providers. I think we will have the ability to create a lot of that for ourselves.

continued on page 8

It's the biggest challenge when you have an idea on paper that puts together something that has 200 to 300 radio stations. You have two questions: How do you do that financially?; and how do you operate it?

continued from page 7

Is there any kind of limit to how many stations/markets Capstar will grow into?

If our target range of markets is 50 to 250, we're going to be in about 60 of those markets. I can see that growing into as many as 100 over time, but it's not going to be an overnight process. We kind of do a Wal-Mart approach. It's been our strategy to enter these markets and try to deliver a quality product with quality people. The biggest challenge that I see is increasing radio's share of revenue in these markets. We're starting to see some success in that.

Do you see growing revenues easier or harder in the smaller markets where you may not have TV competition, but you have newspaper competition?

It's easier for two reasons. The level of competition is not as sophisticated in these markets as it is in New York and Los Angeles. The other factor is that you can

more directly influence the advertising decision in these size markets, because it's not filtered as much through the advertising agencies as it is in the larger markets. We can have a more direct relationship with the car dealer in Allentown or Corpus Christi, TX where the radio station develops a per-

sonal relationship and tells the story of how radio works versus newspaper.

How large does a market have to be for it to make sense for you under your business plan?

We'd like to be able to see that we can aggregate at least a million dollars in broadcast cash flow in a market before we're interested in entering it.

Is there any limit to how small a station could be if it's adjacent to an area where you already have stations that you would look at acquiring it?

It depends on the station, on how many people it covers and what the advertising possibilities are with that product. Like everybody else we all like to have the full complement of Class C and B FM stations whenever we can. That's not always possible.

More with Steve Hicks in the August issue of Manager's Business Report.



Winning the NAB's 1992 Marconi Award: Steve Hicks and Gerry House, morning personality, WSIX-FM Nashville.

Capstar's parade of stars

With 240 stations to run, the management structure of Capstar Broadcasting Partners is somewhat complex. Here's a who's who and what markets they're responsible for.

Capstar Broadcasting Partners	Atlantic Star Communications	Southern Star Communications
Jim Wesley, Chairman Steve Hicks, President & CEO Paul Stone, Exec. VP & CFO William Banowsky Jr., Exec. VP & General Counsel Frank Osborn, Managing Director David Benjamin, Managing Director Joe Mathias, Managing Director Jim Strawn, Managing Director	(Northeast Region) Jim Shea, President & CEO Markets: New England, New York, Delaware, Maryland, Pennsylvania, West Virginia & Kentucky Stations: 49	(Southeast Region) Frank Osborn, Interim President Markets: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee & Virginia Stations: 78
Central Star Communications	GulfStar Communications	Pacific Star Communications
(Midwest Region) Mary Quass, President & CEO Markets: Iowa, Illinois, Michigan & Wisconsin Stations: 23	(Southwest Region) John Cullen, President & COO Markets: Arkansas, Kansas, Louisiana, Oklahoma & Texas Stations: 55	(Western Region) Dex Allen, President & CEO Markets: Alaska, Arizona, California, Hawaii, New Mexico & Nevada Stations: 35

BROADCAST INVESTMENTS

July 1—RBR Stock Index 1997

Company	Mkt:Symbol	6/25 Close	7/1 Close	Net Chg	Pct Chg	7/1 Vol (00)	Company	Mkt:Symbol	6/25 Close	7/1 Close	Net Chg	Pct Chg	7/1 Vol (00)
Ackerley	A:AK	12.125	11.875	-0.250	-2.06%	165	Jacor	O:JCOR	37.125	37.875	0.750	2.02%	981
Alliance Bcg.	O:RADO	3.125	3.000	-0.125	-4.00%	0	Jeff-Pilot	N:JP	71.062	69.312	-1.750	-2.46%	1271
Am. Radio Sys.	N:AFM	39.875	41.000	1.125	2.82%	659	Jones Intercable	O:JOINA	12.812	12.750	-0.062	-0.48%	54
Ceridian	N:CEN	42.875	42.375	-0.500	-1.17%	4579	Katz Media Group	A:KTZ	6.125	6.625	0.500	8.16%	132
Chancellor	O:CBCA	38.500	40.250	1.750	4.55%	48	Metro Networks	O:MTNT	23.250	25.312	2.062	8.87%	364
Childrens Bcg.	O:AAHS	4.750	4.750	0.000	0.00%	73	New York Times	A:NYTA	50.125	50.500	0.375	0.75%	2866
Clear Channel	N:CCU	63.375	61.750	-1.625	-2.56%	1937	Pacific R&E	A:PXE	3.250	3.125	-0.125	-3.85%	42
Cox Radio	N:CXR	27.562	25.375	-2.187	-7.93%	83	Paxson Commun.	A:PXN	13.000	13.000	0.000	0.00%	770
DG Systems	O:DGIT	4.500	4.625	0.125	2.78%	60	Pulitzer	N:PTZ	50.750	52.437	1.687	3.32%	51
Disney	N:DIS	82.000	78.562	-3.438	-4.19%	21068	Saga Commun.	A:SGA	19.500	18.500	-1.000	-5.13%	27
Emmis Bcg.	O:EMMS	42.500	42.500	0.000	0.00%	253	SFX Bcg.	O:SFXBA	39.875	40.875	1.000	2.51%	555
Evergreen	O:EVGM	43.125	45.125	2.000	4.64%	2154	Sinclair	O:SBGI	30.000	30.250	0.250	0.83%	2184
Faircom	O:FXCM	0.280	0.281	0.001	0.36%	0	TM Century	O:TMCI	0.468	0.468	0.000	0.00%	0
Fisher	O:FSCI	127.000	129.000	2.000	1.57%	3	Triathlon	O:TBCOA	7.000	7.562	0.562	8.03%	300
Gannett	N:GCI	99.437	101.875	2.438	2.45%	2767	Tribune	N:TRB	48.250	49.125	0.875	1.81%	2203
Gaylord	N:GET	22.437	22.937	0.500	2.23%	1217	Viacom Cl. A	A:VIA	30.250	29.625	-0.625	-2.07%	2564
Granite	O:GBTVK	10.000	10.125	0.125	1.25%	0	Viacom Cl. B	A:VIAB	30.625	30.375	-0.250	-0.82%	16973
Heftel Bcg.	O:HBCCA	53.625	54.562	0.937	1.75%	28	Westinghouse	N:WX	23.312	23.750	0.438	1.88%	75677
Heritage Media	N:HTG	19.125	19.000	-0.125	-0.65%	3232	Westwood One	O:WONE	31.937	31.375	-0.562	-1.76%	749

Gates eyeing CBS?

Microsoft (O:MSFT) CEO **Bill Gates** is considering a bid for Westinghouse (N:WX) to add CBS to the software giant's holdings, *The New York Post* reported (7/1). The New York tabloid also said Seagram Co. (N:VO) was mulling a bid for CBS, but there was no explanation of how the Canadian company could circumvent foreign ownership restrictions. Both Microsoft and CBS denied the report.

Westinghouse stock, which had already been rising since **Mel Karmazin** was put in charge of CBS' TV stations as well as radio, got another boost from the Microsoft rumor. Even so, paying \$15B for CBS would be easy for Microsoft, worth 10 times that amount.

400 TV with DG

DG Systems (O:DGIT) says more than 400 TV stations are now receiving spots digitally over DG's video distribution system. DG's original distribution system, for radio, serves over 5,000 stations.

7/7/97 RBR

JACOR COMMUNICATIONS

has acquired

KOGO-AM/KKLQ-FM
KCBQ-AM/KIOZ-FM

San Diego, California

from

PAR BROADCASTING

for

\$72,000,000

The undersigned acted as exclusive broker in this transaction and assisted in the negotiations.



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by Jack Messmer

Brewing up bigger radio players in Milwaukee

The nation's beer capital had been rather slow to catch the consolidation wave sweeping the radio industry, but that's been changing. In the latest deals announced last week, Clear Channel (N:CCU) is adding a third FM and two former competitors—Shamrock and All-Pro—are merging forces.

WZTR to Clear Channel for \$14.5M
Terry and Sandy Shockley have a superduopoly in Duluth-Superior, but their Milwaukee station, WZTR-FM, had been a standalone. Now it's being sold to **Lowry Mays'** Clear Channel Communications for \$14.5M. Clear Channel already owns one AM and two FMs in the nation's beer capital, and Shockley's Oldies outlet should be a good demo fit with Standards WOKY-AM and Country WMIL-FM. **Broker:** Kalil & Co.

Shamrock & All-Pro team up
"Why should we let [Capstar's] **Steve Hicks** and [CBS'] **Mel Karmazin** have all of the fun?" says **Bill Lynett**, President, Shamrock Communications. Rather than sell out to one of the big group consolidators, Lynett and **Willie Davis**, President, All-Pro Broadcasting, are combining forces in Milwaukee. They've created Milwaukee Radio Alliance (MRA), with Davis as Chairman and Lynett as President and CEO.

MRA is now handling programming and sales for All-Pro's WMCS-AM & WLUM-FM and Shamrock's WJZI-FM. Eventually, the 50/50 partnership will become the licensee of all three stations.

Dan Manella, who was WMCS/WLUM's GM, is now GM for all three stations. Former WJZI GM **Ray Cal**

was displaced by the consolidation.

Each of the three stations maintains its own local sales staff. All three, though, have had Interep's Allied Radio as their national rep for over six months.

Milwaukee is the only market Shamrock and All-Pro have in common and the merger there doesn't affect any of their other stations.

If you buy it, they will listen

Hey, if it worked for baseball in an Iowa cornfield (at least in a movie), it ought to work for radio.

If you haven't guessed by now, **Randy Michaels** is buying more small market stations for Jacor Communications (O:JCOR). This time he's doubling up in both bands in Cedar Rapids, IA, Arbitron market #198, paying **Tom Ingstad** \$8M for KXIC-AM & KKRQ-FM Iowa City. Jacor already owns the market's heritage powerhouse, WMT-AM & FM. An LMA of the Ingstad stations began last Tuesday (7/1). **Broker:** Chapin Ent.

RBR observation: Consolidation is just about finished in Cedar Rapids. The other big player is Capstar, which is hiring **Mary Guass** as its midwestern group head and buying her three stations for \$15M (RBR 6/23, p. 12). The question now is whether Jacor or Capstar can cut a deal to buy locally-owned KRNA-AM & FM.

Dick adds fourth FM in Knoxville

For now it's just a long-term LMA, with no immediate plans for a purchase, but Dick Broadcasting took over programming and sales of WOKI-FM Knoxville last Monday (6/30). That gives Dick a second 100kw Country signal to go along with long-time market leader WIVK-FM. The company plans a 90-day evaluation before making any format alteration.

In all, Dick now has two AMs and four FMs in Knoxville that it either owns, is buying, or LMAs. WOKI owner **John Pirkle** will continue to own and operate CHR WNFZ-FM, a Class A licensed to Oak Ridge, which

Charles W. Banta, President and CEO of
Mercury Radio Communications, Inc.

has agreed to transfer the assets of

**WEDG-FM, WGRF-FM and
WHTT-AM & FM Buffalo, New York**

for

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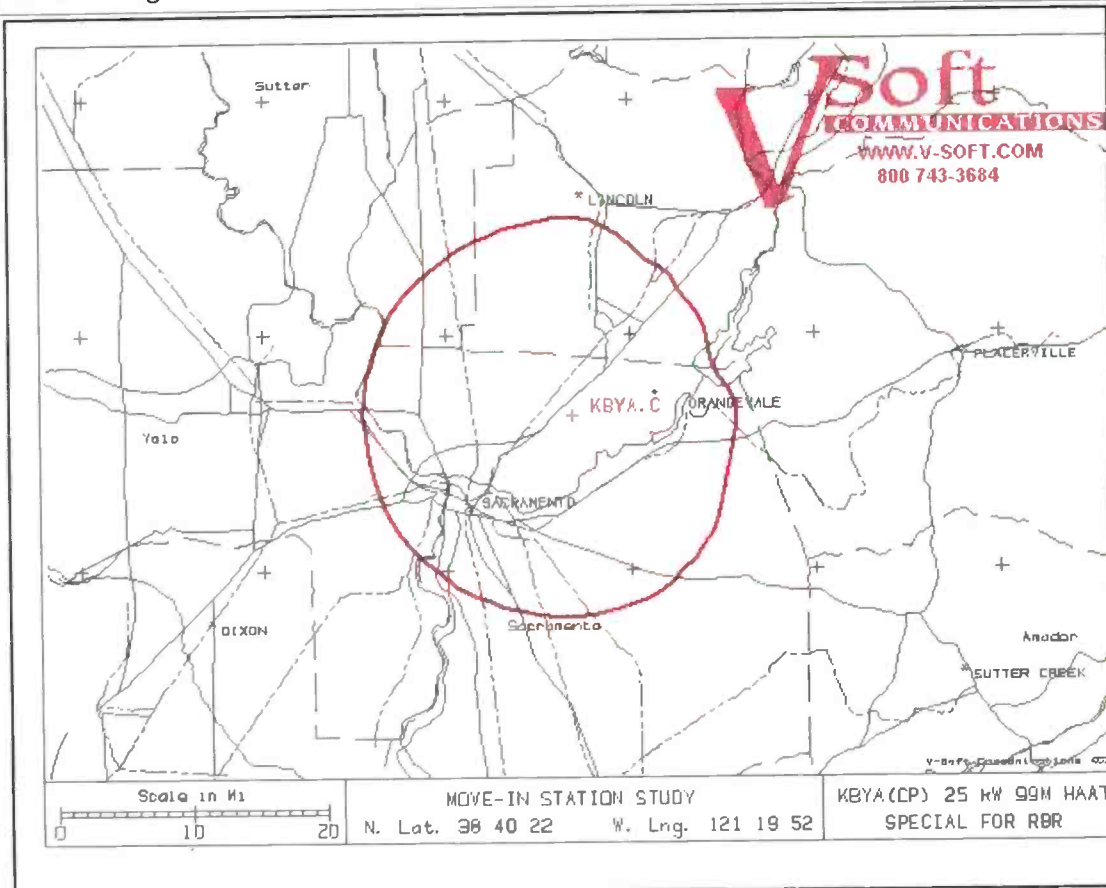
Move-in battle in Atlanta; Construction in Sacramento

Susquehanna Radio and Salem Communications are battling at the FCC over their competing move-in proposals for the Atlanta market (Arbitron market #12)—on 100.5 MHz and 100.7 MHz, respectively (*RBR* 2/3, p. 10).

Susquehanna is trying to get the FCC to rescind its grant of the sale of WLRR-FM Milledgeville, GA from **Preston Small** to Salem, claiming that Small is still bound by a "secretive agreement" dating back to **Tom Gammon's** 1990 move-in attempt which bars Small and his successor owners from moving WLRR into the Atlanta market. Susquehanna is now trying to revive Gammon's proposal, which was turned down by the FCC, to move WHMA-FM Anniston, AL to Sandy Springs, GA, just north of Atlanta. The FCC last week turned down Susquehanna's application to review the 1991 rejection.

Salem, meanwhile, is trying to move WLRR to Covington, GA, 35 miles east of Atlanta.

While the Atlanta battle rages on, Susquehanna has gotten a construction permit for another Gammon-proposed move-in, KBYA-FM (formerly KTHX), which jumped from Carson City, NV in the Reno market (#131) to Fair Oaks, CA in the Sacramento market (#28). Here's a look at the coverage of Sacramento's newcomer on 94.7 MHz. Yet to be answered is whether Susquehanna will stay in Sacramento and try to buy something else, or swap for something in one of its existing markets.



covers its city of license and the west side of the Knoxville metro.

NPR battling sale to Salem

National Public Radio President **Delano Lewis** is up in arms over plans by the District of Columbia Financial Control Board to sell WDCU-FM to a non-profit subsidiary of Salem Communications for \$13M. Lewis has written to **Andrew Brimmer**, Chairman of the board established by Congress to clear up DC's dire financial problems, urging him to recon-

sider the sale to Salem, which already owns commercial WAVA-FM in the Washington market.

"When NPR and the NPR member stations in Washington initially learned of the possible sale of WDCU, we looked into forming a coalition to purchase the license. However, we found we could not compete with commercial broadcasters in the bid process," Lewis wrote. "While we understand the Control Board's need to close the District's financial gap, we

continued on page 12

SOLD!

KHAK-FM, KDAT-FM and KTOF-AM, Cedar Rapids, Iowa from Quass Broadcasting Company, Mary Quass, President, to Capstar Broadcasting Partners, Inc., R. Steven Hicks, Chairman and CEO, for approximately \$15,000,000.

George I. Otwell
Randall E. Jeffery
and
Elliot B. Evers
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hope you will not sacrifice public interest in order to do so." Broker: Blackburn & Co

Cox spins WENN to Dick

In order to keep the DOJ antitrust bloodhounds happy, Cox Radio (N:CXR) is spinning off one of the four stations it is buying in Birmingham for a total of \$32M (RBR 6/2, p. 12). Cox will assign its purchase of Urban WENN-FM to Dick Broadcasting for \$14.5M.

"We expect the sale of WENN-FM to facilitate the administrative re-

view process by the Department of Justice relating to our acquisition of WBHJ-FM, WBHK-FM and WAGG-AM in Birmingham," said **Bob Neil**, President and CEO, Cox Radio. Broker: **Charles Giddens**, MVP

Poughkeepsie pair brings \$14M

Albany Broadcasting, headed by **James Morrell** and **John Kelly**, is bulking up in Poughkeepsie with a \$14M buy of WBNR-AM & WSPK-FM from **Ed Rogoff's** Enterprise Media Partners. Albany already owns WLNA-AM & WHUD-FM, the big gun in the adjacent Newburgh-Middleton market, which has sig-

nificant ratings and revenues in the Poughkeepsie market. Broker: **Richard Sharpe**, Blackburn & Co.

Barnstable snares Memphis move-in

WWKZ-FM is currently licensed to New Albany, MS, in the Tupelo Arbitron market (#174), where it's still rare for a station to sell for over \$1M. But Radio South, owned by **Houston** and **G. Dean Pearce**, is selling the station to Barnstable Broadcasting for over \$6M. Why? Because WWKZ has a CP to move to Como, MS, which will put it in the Memphis market (#43). The station will remain on 103.5 MHz, with a slight downgrade from Class C to C1.

Barnstable, owned by **Al Kaneb**, already has two FMs in Memphis, WGKX & WSRR. Broker: **Gary Stevens**, Gary Stevens & Co.

Alliance up to 3 1/2 stations

Alliance Broadcasting Group Inc. (O:RADO), one of the smallest publicly traded radio groups, finally has an outlet in its home market, Indianapolis—make that half an outlet. Alliance, headed by President **Joe Newman**, has a 50/50 deal with WXLW-AM owner **Gene Hood**, to buy WPZZ-FM Franklin, IN from Bishop **L.E. Willis** for \$1.5M.

Hoosier swap creates two duopolies

There are two radio groups based in Martinsville, IN. What makes that unusual is that the community only has one AM-FM combo, with no other station in Morgan County, southwest of Indianapolis. Each group has owned the local combo, and now they're switching ownership again.

David Rodgers' Rodgers Broadcasting Corp. will swap WMCB-AM & WCBK-FM Martinsville for WKBV-AM & WFMG-FM Richmond, IN, currently owned by **David Keister's** Mid-America Radio Group Inc. No value is stated for the tax-free exchange, but RBR's estimate is around \$2M.

Keister, who put the Martinsville stations on the air in the 1960s, will create a duopoly with WVNI-FM Nashville, IN, in nearby Brown County. Rodgers also gets a duopoly, with WCNB-AM & WIFE-FM Connersville, IN

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Market Profile

by Dave Seyler

Chancellor builds monumental superduop in Nation's Capital

Chancellor has a very comfortable lead in the Washington ratings race. This is despite the fact that in the Winter survey its best stations, WBIG-FM, WGAY-FM and WMZQ-FM managed only a tie for fifth place (all at 4.5 12+) with Bonneville's WWZZ-FM. But its other two FMs, WGMS and WASH, were also in that neighborhood. Add in the market's second strongest AM (All-News WTOP) the local Sports outlet (WTEM) and another AM Talker and you have a comfortable two-digit lead over the nearest challengers. (Chancellor's conglomerate is probably even stronger than this—its flagship is WMZQ-FM, and its 4.5 rating is uncharacteristically low. It generally pitches fives and sixes and battles WPGC-FM for first place. Expect it to bounce back.)

Chancellor, the nation's second largest radio group, has hefty competition. It is trailed by two top 10 groups, CBS (#1) and ABC (#6). Following them is Radio One (#26), which is now the nation's top minority-owned radio group in terms of revenues.

Bonneville's WWZZ-FM is in a duopoly of sorts with a combo in nearby Frederick MD, which gives it marginal help in the northernmost fringe of the market. There are two more "submerged" duops. Capital Kids runs a pair of Children's formatted AMs and Douglas Broadcasting has just signed up to buy a pair of AMs from Chancellor.

Howard University and Capitol Broadcasting are among the stronger local owners remaining in the large market category. While Howard's WHUR would make a seamless fit with Radio One's duopoly and the Capitol combo would fit nicely into either the CBS or ABC portfolio, we haven't heard of any deals in the works.

Washington escaped the Docket 80-90 move-in frenzy of the last decade, and the station total leaves plenty of room for everyone to make money. As such, duopoly came in relatively slowly, and almost exclusively via deals with national groups

Owner Scorecard

Owner	Calls	Sp92	Owner	Calls	Wi97	Reach
CapCities	WMAL/WRQX	8.7	**Chancellor	WBIG/WGAY/WMZQ/WGMS		
Cook Inlet	WPGC AF	8.6		WASH/WTOP/WTEM/WWRC	26.1	52.8
Evergreen	WTOP/WASH	7.7	**CBS	WPGC AF/WJFK/WHFS/WARW	15.4	39.2
Viacom	WMZQ AF	7.6	*ABC	WMAL/WRQX/WJZW	12.6	30.5
Greater Media	WWRC/WGAY	6.7	*Radio One	WKYS/WMMJ/WOL/WYCB	11.8	23.5
Albimar	WKYS-FM	5.7	Howard U.	WHUR-FM	5.6	14.2
Capitol	WWDC AF	5.2	Bonneville	WWZZ-FM	4.5	15.3
Radio One	WOL/WMMJ	5.0	Capitol	WWDC AF	3.5	15.1
Howard U.	WHUR-FM	3.8	Salem	WAVA-FM	0.9	3.7
Infinity	WJFK-FM	3.3	EXCL	WMDO	0.8	1.1
Duchoissois	WHFS-FM	3.0	ILC Corp.	WILC	0.8	1.9
Colfax	WTEM/WGMS	2.9				
Group W	WCPT/WCXR	2.8				
United	WJZE-FM	2.8				
CBS	WLTT-FM	2.6				
Four Seasons	WXTR-FM	2.6				
Salem	WAVA-FM	1.0				

* = duopoly, ** = superduopoly

Market Stats

Arb rank:	8
12+ pop	3,535,000
% Black	26.2
% Hispanic	6.9

which decided to exit the radio business. Among them were Cook Inlet, Duchoissois, United and Four Seasons.

Although Group W was in the market back in 1992 and subsequently merged with CBS, both of its stations have landed elsewhere. Group W traded its combo to Viacom a full two years before the CBS merger, and they subsequently went to Chancellor in its three-way merger with Viacom and Evergreen. But they aren't with Chancellor either. To stay under local ownership caps, the FM (WJZW these days) was spun to ABC, with the unrated AM going to Douglas.

RBR observation: Consolidation has pretty much run its course in Washington. On the English-language front, we would not be surprised to see further shoring up (if local owners ever decide to cash out). We'd be very

surprised to see a new entrant into the market.

There is, however, a lot of room on the Hispanic front. Spanish-speaking individuals are now almost a quarter of a million strong and growing, and are clearly under-represented on

1997 Revenues estimates:

Radio:	\$220.0M
TV:	461.1M
Newspaper*:	367.2M
(*Washington Post, Washington Times)	

Local Duopoly Dimensions

Radio stations	28
% Superduopoly	46.4
% Consolidated	71.4

Sources: Arbitron, BIA, Nielsen, RBR Source Guide database

the radio dial. EXCL has a foothold, and we wouldn't be surprised at all if Heftel or SBS came to town.

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Company Profile

Westinghouse: A house soon to be divided

Breaking a company apart appears to be more difficult than putting it together

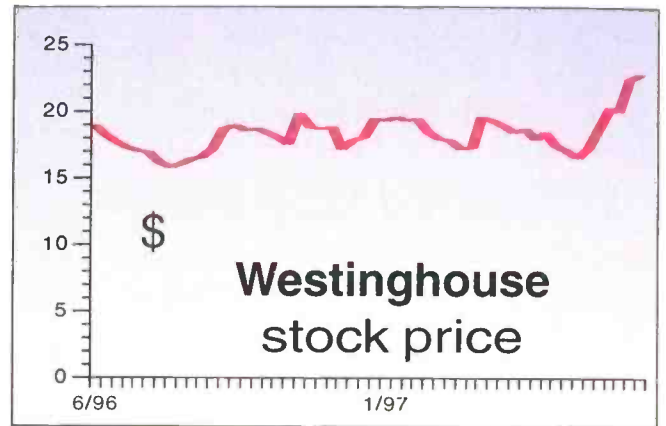
Westinghouse (N:WX) CEO **Michael Jordan** moved rapidly in recent years to turn the moribund manufacturing giant into a broadcasting colossus, buying CBS for \$5.4B in 1995 and adding Infinity Broadcasting a year later in a \$4.9B merger. Even before closing the Infinity deal, Jordan was talking about splitting Westinghouse into two companies—one industrial and one a “pure play” broadcasting company.

If all goes according to plan, that split will take place by the end of this year. The company still hasn't filed a formal plan with the SEC, let alone set a date for shareholders to vote on the split or apply to the FCC to transfer the broadcasting licenses from Westinghouse Electric Corp. to CBS Corp.

One major hurdle was cleared recently (*RBR* 6/23, p. 12), when Jordan announced that Thermo King, manufacturer of refrigerated transport equipment, would be part of CBS, not the new Westinghouse. Logically, the profitable Thermo King would fit better with the industrial company, but the final determination was based on finances, rather than fit. Federal pension watchdogs didn't like the original plan, which would have left virtually all of the company's pension liabilities with the less profitable industrial company. So, for many years to come, retirees from careers building nuclear reactors and electrical components will be receiving pension checks with the CBS logo. To compensate for that

liability, CBS will get Thermo King, although it'll likely be sold off—either to another company or in a public stock offering.

The purpose in splitting Westinghouse is to allow investors to properly value the two very different businesses. Westinghouse officials blame their company's dismal stock performance on the industrial unit, which has been hurt by reduced spending on defense and nuclear projects. Although Westinghouse is now more a broadcasting company than a manufacturer, many of the Wall Street analysts who follow the company are



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industrial and/or defense experts, with no experience in analyzing media businesses. In some cases, broadcasting analysts have been watching Westinghouse as “shadow” analysts, preparing for the split, but

Westinghouse		
1996 Financial Results (\$000,000)		
Category subcategory	Revenues	Oper. Income
Radio	\$554	\$161
TV stations	\$809	\$295
TV network	\$2,581	\$25
Other media & related	\$210	-\$171
Total media	\$4,145	\$310
Thermo King	\$1,013	\$180
Power Systems	\$3,078	-\$575
Government Operations	\$121	\$63
Corp. & misc.	\$92	-\$734
Total	\$8,449	-\$756

Source: Westinghouse 10-K filed with SEC

not issuing formal ratings to avoid stepping on the toes of their firms' official Westinghouse analysts.

What's what? What's it worth?

Once the split takes place, "CBS Corp. will become 'the' broadcasting pure play," according to the media analysts at Montgomery Securities, who have already begun coverage of the company and labeled Westinghouse a "buy" (with a target price of \$28) for its broadcast units.

Freed of its industrial businesses, Montgomery's **John Tinker** and **Mark Zadell** figure CBS will grow revenues 6% this year and 17% in 1998. Radio will continue to be the main profit center, with revenue growth of 12% this year and 9% next, translating to cash flow (EBITDA) growth of 28% this year, to \$567M, and 16%, to \$658M, next year.

With **Mel Karmazin** now in charge of the O&O TV stations as well as radio, the Montgomery analysts are expecting a turnaround, with revenues growing 2% this year and 12% next. They expect the Zen Master to improve cash flow margins from the pre-Mel 42% to 45% this year and 48% next year—still trailing the 50%+ margins for the O&O TV groups of Disney's (N:DIS) ABC and General Electric's (N:GE) NBC.

If the Montgomery gurus are correct, the cyclical nature of the network TV business may be about to turn to CBS' advantage. "The CBS network moved into second place this season based on overall household ratings, which has held steady while NBC and ABC's ratings decreased 10% and 13%, respectively. **Les Moonves**, President of CBS Entertainment, has a solid track record that suggests he could improve CBS' ratings. He turned out hits like "ER" and "Friends" as head of Warner Brothers Television. We believe it is possible that CBS will become the number one network in terms of total households (not demographics) in the 1997-1998 season."

CBS' pending \$1.55B buy of the TNN and CMT cable networks (*RBR* 2/17, p. 13) from Gaylord Entertain-

ment (N:GET) should help CBS reach "critical mass" in cable, according to the Montgomery analysts. They're looking for cash flow growth of 17% this year and 15% next.

Mel drives the price

Projections aside, what's driving Westinghouse's stock price right now is "The Mel Factor." A lot of Wall Street traders made a lot of money investing in Infinity Broadcasting. They've seen Mel Karmazin build sales and improve cash flow margins as Infinity grew from a small radio group to a giant—second only to CBS when the two merged into an even bigger #1.

Since Jordan named Karmazin to head the CBS TV station group, as

well as radio (*RBR* 5/26, p. 3), Westinghouse's long-flat stock price has finally started heading up. Investors are betting that Karmazin can do for TV what he's already done for radio (and that Moonves will keep the network on track). Mel's never run a TV group before, but he's also never failed to deliver on a promise to Wall Street.

CBS Corp. pro forma projection				
	(\$000,000)			
	1997	1997	1998	1998
Segment	Sales	EBITDA*	Sales	EBITDA*
Radio	\$1,455	\$567	\$1,586	\$658
TV Stations	\$828	\$370	\$928	\$450
TV Network	\$2,627	-\$36	\$3,283	\$135
Other Media	\$582	\$169	\$640	\$186
Total media**	\$5,493	\$1,069	\$6,401	\$1,418

*Earnings before interest, taxes, depreciation and amortization (equivalent to cash flow plus corporate overhead)
 **Montgomery's analysis does not include Thermo King as part of CBS Corp. Totals include misc. deductions.

Source: Montgomery Securities

Faircom Inc.

Joel M. Fairman, President

has purchased

WYHT(FM) and WMAN(AM)

Mansfield, Ohio


from

Treasure Radio Associates, L.P.

for

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The undersigned acted as financial advisor to Faircom in this transaction.



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T RANSACTION D IGEST

by Jack Messmer & Dave Seyler

The deals listed below were taken from FCC filings made public during the week from Wednesday, June 25 through Tuesday, July 1. *RBR's Transaction Digest* reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price.

\$14,650,000—* KIPR-FM & KESR-FM Little Rock (Pine Bluff-Sherwood AR) from Snider Broadcasting Corp. and CDB Corp. (Ted L. Snider Jr., Calvin G. Arnold) to Citadel License Inc., a subsidiary of Citadel Communications (Larry Wilson). \$7.5M cash, balance in shares of preferred stock. **Superduopoly** with KARN-AM & FM, KRNN-AM & KKRN-FM (below). Broker: NationsBanc Capital Markets

\$10,350,000—* KARN-AM & FM, KRNN-AM & KKRN-FM Little Rock (Little Rock-Cabot-North Little Rock-Humnoke AR) and **KAFN-FM** Gould AR from Snider Corp. (Ted L. Snider Sr., Jane J. Snider) to Citadel License Inc., a subsidiary of Citadel Communications (Larry Wilson). \$4.5M cash, balance in shares of preferred stock. **Superduopoly** with KIPR-FM & KESR-FM (above). Broker: NationsBanc Capital Markets

\$2,000,000—* WMCB-AM & WCBK-FM Indianapolis (Martinsville IN) from Rodgers Broadcasting Corp. (David A. Rodgers) to Mid-America Radio Group Inc. (David C. Keister). Tax-free exchange for WKBV-AM & WFMG-FM Richmond IN (below). Price estimated by *RBR*. **Duopoly** with WVNI-FM Nashville IN.

\$2,000,000—* WKBV-AM & WFMG-FM Richmond IN from Mid-America Radio Group Inc. (David C. Keister) Rodgers Broadcasting Corp. (David A. Rodgers). Tax-free exchange for WMCB-AM & WCBK-FM Martinsville IN (above). Price estimated by *RBR*. **Duopoly** with WCNB-AM & WIFE-FM Connersville IN.

\$1,500,000—WPZZ-FM Indianapolis (Franklin IN) from FM 96 Corp., a subsidiary of Willis Broadcasting Corp. (Bishop L.E. Willis), to Al-Grim Broadcasting Inc., owned 50% by Pilgrim Broadcasting Inc. (P. Gene Hood) and 50% by Alliance Broad-

casting Group Inc. (O:RADO, headed by Joseph Newman). \$200K non-refundable deposit, balance in cash at closing. Creates combo with Pilgrim's WXLW-AM Indianapolis.

\$620,500—* KLKY-FM Tri-Cities (Milton-Freewater OR) from Alexandra Communications (Thomas & Cheryl Hodgins) to Citadel License Inc., a subsidiary of Citadel Communications (Larry Wilson). \$50K escrow, balance in cash at closing. **Superduopoly** with KFLD-AM, KORD-FM, KXRX-FM & KEYW-FM. LMA since May 14.

\$578,000—WMNM-FM Port Henry NY from Pro-Radio Inc. (Mark T. Brady) to Excalibur Media of New York Inc. (Joel M. Hartstone). \$15K escrow, additional \$515K in cash at closing, \$48K under non-compete agreement. Note: No contour overlap with Hartstone's WSYB-AM & WZRT-FM Rutland VT. Broker: Kozacko Media Services

\$500,000—WREN-AM Topeka KS from Michael B. Gliner to Mortenson Broadcasting of Canton LLC, a subsidiary of Mortenson Broadcasting Co. Inc. (Jack Mortenson). \$50K escrow, balance in cash at closing. Station is authorized to move to 1660 kHz on expanded AM band.

\$425,000—* WCSJ-AM Morris IL from DMR Media Inc. (Diane M. Root) to Grundy County Broadcasters Inc. (Larry & Pamela Nelson). \$25K escrow, balance in cash at closing. Creates combo with WAIZ-FM Seneca IL. LMA to begin within two weeks of DMR's closing of sale of WJDK-FM to Odyssey Communications.

\$425,000—* KREW-AM & KZTB-FM Yakima (Sunnyside WA) from Bennett Broadcasting Co. (Donald Bennett) to Butterfield Broadcasting Corp. (Gregory Smith, Sol Tacher, David Hartman). \$10K cash downpayment, \$190K note, \$225K under non-compete agreement. Double **duopoly** with KCHT-AM & KXDD-FM. LMA since 10/1/96.

\$400,000—WLEM-AM & WQKY-FM Emporium PA from Priority Communications Inc. (Jay Philippone) to L-Com Inc. (David & Cathy Lent). \$20K escrow, balance in cash at closing.