

are estimated to be profitable; 30% margin if it is 70% or less; 35% margin if it is 80% or less, and a 40% margin if it is 90% or less.)

Six times the average viable station cash flow is a good benchmark for a medium market startup or purchase (markets 26-75), said Smulyan, and seven times cash flow for a major market (top 25).

"The cash flow potential and the [distress] sale value of that station if cash flow doesn't meet projections is how we perceive the value of a station," said Kathy Marien, senior vice president/communications group, for the Bank of New England, which, since 1981, has totaled over \$700 million in its broadcast lending portfolio.

Marien said she tries to project when the station that is seeking a loan will reach its "maximum cash need" in servicing the bank debt. "We build in minimum levels of cash flow [in the yearly projections] that have to be met; otherwise the station would have to be sold," she said. □

## Trout, McLendon, Storz inducted into radio hall

### Radio industry, BMI finalize pact on licensing music

The announcement of a new five-year pact between radio and Broadcast Music Inc. (BMI) and the induction of veteran newsman Robert Trout and broadcast innovators Gordon McLendon and Robert (Todd) Storz—the last two posthumously—into the NAB Radio Hall of Fame highlighted this year's radio luncheon.

Don Thurston, president, Berkshire Broadcasting, North Adams, Mass., and interim chairman of the All Industry Radio Music License Committee, told the luncheon attendees that "all matters pertaining to a new BMI agreement for radio have been satisfactorily concluded" ("Closed Circuit," March 30). (The radio industry has been operating under an interim agreement since the last BMI contract expired on Dec. 31, 1985.) The new "simplified" pact sets annual blanket rates for most stations at 1.39% of net cash revenue, said Thurston. Both blanket and new per-program licenses will exclude trade and barter income reporting.

The new blanket license is retroactive only to Jan. 1, 1987, while the per-program license takes effect on July 1, 1987—interim fees applying to that time.

"For the radio broadcaster, this contract means simplicity and a long term of stable costs. For some, it will mean an actual reduction in fees. For others, depending on format and income, it could mean a slight increase," said Thurston.

"For BMI, these contracts will provide long-term stability with their most important customer and will provide the most income from radio in BMI's history. A level of income that will assure its future competitiveness and provide incentives to the authors

**New lineup.** National Association of Broadcasters marketing task force assigned to develop a national campaign to enhance image of radio has been reorganized. The radio marketing task force comprises NAB radio director Bob Fox, KVON(AM)-KHAY(FM) Ventura, Calif., chairman; radio director Jeffrey Smulyan, Emmis Broadcasting, Indianapolis; Bob Pricer, WOL(AM) Newark, Ohio, radio director Bud Walters, Cromwell Group, Nashville; Ralph Carlson, Carlson Communications International, Salt Lake City; Bill Hogan, United Stations, radio director Ted Dorf, WARC(AM)-WGW(FM) Silver Spring, Md., and radio director Michael Osterhout, Edens Broadcasting, Phoenix.

and publishers of music that should keep their creative juices flowing," Thurston said.

During Hall of Fame induction ceremonies, the children of McLendon and Storz received plaques honoring the two executives who were both instrumental in the creation of the top 40 format.

In receiving his plaque, former CBS News correspondent Robert Trout, who is now a special correspondent for ABC News, talked about his early experiences as a newsman, including coverage of the 1936 political conventions.

In the early days at CBS, "we were all announcers," said Trout. "When I told them I wanted to concentrate just on news, they said no network could afford to have someone do nothing but news," he recalled. "Back then, it didn't occur to anyone that news could make a profit."

Serving as keynote speaker for the radio luncheon was Marshall Loeb, commentator for the CBS Radio Network and managing editor of *Fortune Magazine*. Loeb offered his outlook for the national economy in 1987 as well as his observations on the social and political changes that will affect it over the next several years.

Loeb said there will neither be a "boom or bust" in 1987. "The economy will continue its moderate, some say sluggish, growth," said Loeb, "with the real gross national product expanding about 2.5%." Loeb also projected that inflation will not have a "runaway" year, but rather "inch up to an average of 4%" while interest rates stay at about the same level they are now.

Among what Loeb sees as the social and political changes that will impact on the future of the economy are the continuing trend toward conservative values and the further growth of new technologies. □

## Radio news can be moneymaker, says panel

### Small markets providing more news than major markets; deregulation has not hurt news, concludes radio session

News on radio makes good business sense. That was the message conveyed at a Sunday afternoon panel, entitled "Putting News Back Into Radio." "This panel should be retitled: 'Making Money with News on Radio,'" said Jim Farley, vice president of ra-

dio news for NBC. "I submit that for successful AM radio stations, news never left," Farley said.

The NBC executive, however, acknowledged there are stations that have fired entire news departments. The problem, said Farley, is that "somehow, news directors are not viewed as department heads." The news director should work together with the station manager, sales manager and program director, he said. "News directors need to be better marketers for themselves, their departments and their product," he said.

Farley also took exception to the widespread notion that the radio deregulation order of six years ago has led to less station commitment to news. (A soon-to-be-released Radio-Television News Directors Association-commissioned study shows there have been more cuts in news staffs and news air time in major markets than medium and small markets since deregulation.) Said Farley, "I don't think deregulation has hurt news. The reduction in news staffs is due to economic reasons, not deregulation. It wasn't government regulation that made all-news stations. Broadcasters did it because they saw an opportunity to make money. Debt service is the enemy of news."

Today, small-market radio provides more news than most major-market stations, said David Shepard, vice president of Shepard Enterprises, Moberley, Mo., agreeing with RTNDA's latest study. "You need a common denominator for music stations. That denominator is news," he said. (Shepard Enterprises owns eight stations in Missouri.)

"The first thing we do when we buy radio stations is to look at how the local newspapers cover the news," said Shepard, saying that the station can get a jump on stories before they come out in the papers. "If you have a good early morning news product, you have a better chance to keep that listener throughout the day," he said.

The news, said Shepard, pays off with advertising at premium rates and good will in the community. "The secret to making a profit with news is doing it better than other stations in the market, which requires spending more money than everyone else," said Jack Swanson, operations manager for news/talk KGO(AM) San Francisco. "One of the good things about deregulation is that it weeded out the stations that weren't doing it [news] well," he said.

"Young listeners," said Swanson, "didn't leave the big AM music giants because of news. They left because of fewer commercials."

The session, moderated by Bob Priddy of MissouriNet, Jefferson City, Mo., was sponsored by RTNDA. □