Radio Business Report™

Voice Of The Radio Broadcasting Industry®

May 14, 2001

Volume 18, Issue 20

RADIO NEWS

RADIO ADBIZ

STREAMING

PROGRAMMING FOR PROFIT

MEDIA MARKETS & MONEY

Radio suffered least Internet erosion

Scarborough Research released its first national Internet study (5/9), which details changes in the way Internet consumers use online media and how that has affected their use of traditional media. Radio fared the best, with only 9% of online consumers listening less often since they began using the Internet. Television viewership, on the other hand, lost 23%; magazine readership lost 20% and newspaper readership 15%.

Conversely, a small percentage of those surveyed say they consume traditional media more often: 11% for radio, 9% for newspapers, 8% for magazines and 7% for TV/cable. Since using the Internet, the majority of online users stated they've not altered their traditional media consumption or they aren't sure how it changed: radio (81%), newspapers (75%), magazines (72%) and TV/cable (70%).

The study, based on 2,000 e-interviews in 64 markets from adults 18+ who had accessed the Internet in the past 30 days, found that 48% have used the Internet in the

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past 30 days with 55% having been part of the online community for three or more years. 42% of online users have consumed some form of streaming media in the past 30 days. 38% listened to streaming audio and 26% watched streaming video.—CM

S&P forecasts growth pickup

It's hardly "irrational exuberance," but Standard & Poor's is projecting a pickup in economic growth later this year. First, though, S&P forecasts that Real Gross Domestic Product growth will slump to 1% (annualized rate) for Q2 after a short-lived bump—up to 2% in Q1. Real GDP growth is seen as accelerating to 2.5% in Q3 and 3.8% in Q4. That would bring the year in at 1.9%—well behind Real GDP growth of 5% in 2000 and the slowest year since (you guessed it!) 1991.

And that's if things go relatively well.

"Though consumers could well retrench in the face of job cuts, we're betting they'll hang in and allow the economy to bridge the gap until manufacturing and technology begin to recover," wrote **Ken Shea**, Research Director, S&P.—JM

FCC crosses out crossownership confab

The FCC took an NPRM scheduled for 5/10 which would consider modifying, eliminating or retaining rules which prohibit common ownership of newspapers and broadcast stations off the agenda.

In a meeting with the press in April, FCC Chairman **Michael Powell** said that he thought the rules were ripe for re-examination (*RBR* 4/9, p.3). He said, "I don't know why there is something inherent about a newspaper or a television station that means they can't be combined."

According to reports, the four sitting Commissioners could not come to agreement on wording for a starting point for the NPRM.—DS

No writers' strike

The current advertising slump may not be all bad news for big media companies. Concern over the soft economy apparently helped avert a Hollywood writers' strike. Negotiators for the Writers Guild of America, whose 11.5K members write most of the scripts for TV programs and movies, seemed to back down on a number of non-economic issues-but the studios, represented by the Alliance of Motion Picture and Television Producers, also gave some ground to avoid suffering the double-whammy of a strike in the midst of a worsening recession.

The three-year agreement, which still must be voted on by union members, is projected to increase payments to writers by $41M, along with increasing their creative control. It also includes, for the first time, coverage of scripts written for production on the Internet.

Attention now turns to studio contract talks with AFTRA and SAG. Current contracts with the two unions representing actors are due to expire 6/30.—JM

Webcasters selling ads, says Arbitron

Arbitron (N:ARB) released its latest survey 5/8, "Webcasters Speak Out," at the Webcast Advertising Today conference, hosted by Arbitron Webcast Services and The Digital Media Association (DiMA). The study revealed that 63% of webcasters have been called on by agencies placing webcast ads, significantly up from last year's survey. "In a study we conducted last year, nearly half of the agencies said they had never been approached by webcasters trying to sell advertising," said **Bill Rose**, GM/VP, Arbitron Webcast Services.

Among the findings: 85% of those surveyed say they sold at least one webcast advertising buy in the past year; 51% of the webcasters said that advertisers should run webcast ads to target an attractive audience; 45% of webcasters sell a combination of webcast ads, sponsorships, in-stream ads and gateway ads; 80% have sold in-stream ads; 42% of webcast ad dollars come from direct advertisers; 33% from interactive agencies and 25% from traditional agencies.

Two-thirds of webcast advertising is sold to brick and mortar companies and 34% to dot com companies. Automotive companies are the number one target for webcast advertising sales, followed by Entertainment (24%), Music (20%), "dot-com" companies (15%) and alcoholic beverage companies (13%).

The findings were based on a February to April survey by Arbitron and are based on 62 interviews with senior execs from Internet-only webcasters, rep. firms, content delivery networks, technology companies and broadcasters. —CM

XM's satellite system complete

With the successful 5/8 launch of its second satellite, "Roll," XM Satellite Radio's (O:XMSR) satellite constellation is complete. Roll lifted off at 6:10P ET from Sea Launch's Odyssey platform in the Pacific, joining XM's other satellite, "Rock." News of the successful launch sent XM stock soaring 37% to $11.40 in ne next day's trading.

XM plans its official commercial unch in late summer; Sirius may e delayed until late this year due o chipset delays. Sirius' three satllites are in orbit. Both have yet to omplete their terrestrial repeater etworks, which will piggyback ne signal in urban corridors.—CM

Moody's downgrades Big City Radio

Moody's Investors Service has owered its ratings on Big City Radio's (A:YFM) public bonds. Moody's rating on Big City's 174M in senior discount notes has been cut from B3 to Caa3-a hree-step downgrade. Those notes are due to receive their irst cash interest payment, 9.8M, on 9/15. Moody's notes hat Big City doesn't currently have the liquidity to make that payment and the company is operating in negative cash flow.

"To date, the company's revenues have fallen dramatically hort of projections provided by he company two years ago," Moody's said. "In addition, the current advertising market is weak, providing fewer opportunities for growth. Unless Big City is able to raise additional equity funding, here is likely to be further downward pressure on the ratings."

Moody's 21-step rating system has only two steps below Big City's new bond rating. Company officials did not return *RBR*'s calls seeking comment.—JM

Moody's goes negative on Ackerley

Moody's Investors Service has changed its outlook for The Ackerley Group's (N:AK) debt ratings to "negative," despite the $200M cash infusion from selling the NBA Seattle SuperSonics, while at the same time confirming its previous ratings on Ackerley's various types of debt-ranging from two to four steps below investment grade (Ba2, Ba3 and B1).

Moody's acknowledges that Ackerley improved its balance sheet by paying down $192.5M in debt. "However, the ratings' outlook is revised to negative to incorporate the adverse effect that the soft advertising environment and the company's planned capital expenditures are having on Ackerley's cash flow coverage and leverage," the ratings company said. With planned capital spending and incremental borrowing, Moody's says Ackerley will reduce its EBITDA coverage of interest payments to around one time and increase its debt/EBIDTA ratio from the current six times to 7.9 times by year end.

"At its anticipated leverage targets, it appears likely that Ackerley may violate the covenants of its bank agreement," Moody's warned.

***RBR* observation**: Might this make it even more likely that Ackerley will sell its radio stations? It's already set a price tag of $150-175M (*RBR* 5/7, p.15)—JM

Burying the hatchet in Wichita

A $3M dispute between Mid-America Ag Network and Journal Broadcasting may be coming to an end, according to a

Radio News®

Commuters' fright, radio broadcasters' delight

Radio is the only medium that effectively captures its audience—it alone is able to trap large numbers in a location where it dominates and where the other media options are largely unavailable—the automobile. A study released by the Texas A&M University's Texas Transportation Institute measured traffic congestion in 68 markets, pinpointing the worst—or from radio's unique vantage point—the best markets.

The travel rate column refers to the average amount of extra time spent commuting through rush hour traffic as opposed other times. Travel time is the same, adjusted for additional delay from accidents, breakdowns, etc. Annual delay is the average hours per year per person spent sitting in traffic.

***RBR* observation**: If your market is on the list, it is permissible to celebrate—just don't tell your fuming listeners what the party is all about.—DS

Rank	Market	Travel rate	Travel time	Annual delay
1	Los Angeles	1.55	2.06	56
2	San Francisco	1.45	1.77	42
3	Seattle	1.44	1.81	53
4	Washington	1.42	1.71	46
5	Chicago	1.40	1.69	34
5	San Diego	1.40	1.64	37
7	Boston	1.37	1.71	42
8	Portland	1.36	1.65	34
9	Atlanta	1.35	1.63	53
9	Las Vegas	1.35	1.57	21
11	Denver	1.34	1.61	45
12	Houston	1.33	1.61	50
13	New York	1.32	1.70	34
13	Miami	1.32	1.58	42
15	Detroit	1.31	1.59	41
15	Minneapolis	1.31	1.58	38
15	San Jose	1.31	1.56	42
15	Sacramento	1.31	1.55	34
15	Riverside-S.B.	1.31	1.50	38
20	Phoenix	1.30	1.50	31

Source: Texas Transportation Institute report from the *Wichita Business Journal*. The companies may be close to an out-of-court settlement following Mid-America's April 16 lawsuit.

The problem stems from Journal's decision to drop Mid-America programming from two of its Wichita stations—KYQQ-FM and KFXJ-FM—which were in the midst of a 10-year agreement to carry the network signed in June 1996.

Mid-America's **Larry Steckline** inked the agreement with the then-owner of the station, Lesso Inc., which in turn was owned by: Larry Steckline. Since then, the stations have been sold twice—to Great Empire Broadcasting 1/97 and then to Journal 1/99.

Journal VP/GM **Ken Fearnow** made the decision to pull the programming, which led to the lawsuit, and now, to all appearances, the settlement. Although both principles in the dispute agreed that the court date was likely to be averted, neither would disclose the terms of any agreement.—DS

Radio News®

RBR News Analysis

Fed's view cloudy as well

Think the members of the Federal Reserve Board know more about what's happening in the economy than you do? Nope. In a speech (5/4) at Valparaiso University in Indiana, Chicago Federal Reserve Bank President **Michael Moskow** reviewed the events of the past couple of years and defended the Fed's controversial moves to push up interest rates last year to cool what he claims was an "overheated economy." But, he noted, other factors, such as an "unexpected and rapid rise in energy costs," really put the brakes on spending.

"So where do we go from here? Well, the outlook for the remainder of this year is even more uncertain than usual," Moskow admitted. Over the long-term, he said, prospects are good because productivity growth remains high. Moskow, who is a member of the Fed's policy-making Open Market Committee, says inventory backlogs have been drawn down, which should bode well for production as this year goes on. However, he sees three risks:

1. Consumer confidence. "If Americans don't buy, production won't rebound," he noted.

2. Business capital spending. The regional Fed chief notes that there's little hard data, as opposed to consumer goods, to determine whether past "over-investment" has been worked off, clearing the way for demand to pick up. "It's possible that the oversupply is worse than we think," said Moskow.

3. Export demand. "A healthy world economy increases US exports. Recently, however, growth abroad has been less robust and this has contributed to declining exports," the Chicago Fed boss said. "Should foreign growth remain sluggish, it would be a negative for the US outlook."

In Moskow's view, the Fed's monetary policy tries to balance the risks of inflation and economic weakness. "When you survey the US economy right now, the risk of economic weakness is greater than that of inflation. That doesn't necessarily mean we're in a recession. It means that our economy is operating below its potential," he said in the Indiana speech. "I think the most likely scenario is for economic growth to pick up from its current slow but positive pace later in the year."—JM

Doyle Rose fighting Mancow's FCC fine

WKQX-FM's (Q-101) morning driver **Eric "Mancow" Muller** was fined $14K for indecency last month by the FCC for indecent language on two (3/20/00 and 5/15/00) broadcasts where women discussed graphic sexual topics. Well, according to the Chicago *Sun-Times*, Emmis President **Doyle Rose** issued a five-page response to the Commission 5/7 saying the fine should be dismissed, based on "an inadequate factual record"—Q-101 has no tapes or transcripts of the broadcasts, and neither does the FCC.

Without tapes or exact transcripts of the shows in question, the FCC lacks "objective evidence of what was actually broadcast," wrote Rose.

The complaint, which initiated the fine, was filed by Citizens for Community Values. It has filed over 30 complaints against Muller over the years.—CM

Guthrie to head NARC

Former ad agency and media executive **James Guthrie** has been tapped to serve as President of the National Advertising Review Council (NARC), the self-regulatory body for the advertising industry. He fills a full-time position that has been vacant for slightly over two years.

"This is a great day for the ad industry and for the NARC," said **Kenneth Hunter**, President of the Council of Better Business Bureaus (CBBB), who was one member of the four-person Board of Directors which selected Guthrie. The other members were the Presidents of the American Association of Advertising Agencies (AAAA), Association of National Advertisers (ANA) and American Advertising Federation (AAF).

NARC, established in 1971, has presided over thousands of cases to enforce "truth in advertising" self-regulation for the advertising industry. It establishes policies for the CBBB's advertising investigative arms, National Advertising Division and Children's Advertising Review Unit, and the National Advertising Review Board, which is the appeals body for cases not resolved by the two investigative units.

Guthrie was most recently a VP at Primemedia's (N:PRM) Channel One TV service for schools. He'd served for several years as Exec. VP of the Magazine Publishers of America after a long career at various ad agencies.—JM

Infinity takes to the streets of LA

Viacom's (N:VIA) Infinity Outdoor and France's JC Decaux announced that they teamed up to bid for a 20-year street furniture contract with the City of Los Angeles. While street furniture as an advertising medium in the US has been limited mostly to bus stops, it's big business in Europe and Decaux is the world's largest street furniture company. Its US subsidiary already has European-style public toilets and kiosks deployed in San Francisco. The LA contract will cover some 2,500 bus shelters, plus public toilets and other types of street furniture.

Infinity currently holds the bus shelter contract with the City of LA. By teaming with Decaux, it hopes to expand into a wider array of offerings. It's not known what other companies may have submitted competing bids.—JM

Radio AdBiz

[The Pros]of Radio [C]onsolidation

y Karen Agresti

Vith the recent announcement f Clear Channel's statement that ley may not renew their Arbitron ıbscription, many agency me-ia executives are once again lasting the "evils of radio con-olidation." This veiled threat as many believing that no good an come of the concentration f power in the industry to a few ıega companies.

However, there are some of s who still believe that consoli-ation will really help move the usiness forward for our clients. et me point out two major ben-fits that a consolidated industry tructure will help facilitate.

. EDI: Buyers and sellers of ıedia are asking for a fully ıtegrated system that man-ges all workflow and inter-ction between agencies, rep ırms and stations. Right now, o much of the exchange of nformation is being done nanually because their indi-idual systems can't interact vith each other. There is an gency initiative of Interpublic Group of Companies, Omnicom Group and WPP Group to collectively develop ı "universal" media transac-ion system for agencies and tations. Given that these com-panies represent agencies that pend almost 50% of the US roadcast dollars, the devel-pment of this system most ikely will help set the stan-dards for the industry.

Agency executives estimate hat only about 20% of man-power is used to actually nego-tiate media campaigns—with the remainder of the time utilized in back end monitoring, mainte-nance, billing and traffic. For stations, surely the numbers are similar. Full electronic exchange would also help reduce errors that can sometimes be costly to both agencies and stations.

While this may take 12-18 months to get an integrated system up and running, the radio industry can move to-wards the first step in EDI with electronic invoicing. For those TV and Spot Cable sta-tions already involved in EDI for invoicing, agencies have fewer discrepancies and are turning payments around faster to stations—in some in-stances by almost two weeks.

2. Multi-Station Cluster Selling: The concept of cluster sell-ing in markets—one sales per-son representing all stations to agencies and clients—is the best thing radio can offer. Some agency executives are afraid of this concept because of fears of price fixing and less competi-tion. However, the potential benefits for clients are far greater:

• One promotional opportu-nity can run across all stations in a group—Imagine the power and impact of a promotion that reaches 35-40% of the market!!! Greater Media and Infinity are two companies that have done an excellent job in developing these opportunities for clients.

• Improved sales and ser-vice—A single sales rep for all stations in a cluster would have a shorter account list, there-fore they would be able to spend more time servicing their clients. There would be more incentive for them to better understand their clients' busi-ness and marketing needs so they could capture a bigger share of each buy since it would have greater impact on their personal income.

• Improved market penetra-tion—Despite the fear of forced combo selling, most agencies will consider adding secondary stations in a group deal "in moderation," as long as the stations do deliver on the client's true core target. This usually helps increase reach in the marketplace, es-pecially if the formats bring exclusive audiences. All agen-cies are asking for is the op-portunity to have some veto power on certain stations that may not fit a particular client's individual needs.

Radio consolidation is good for all of us, as long as owners use the consolidation to help move the industry forward, and agen-cies recognize the value that can come out of it.

Karen is SVP/Director of Local Broadcast for Boston-based Hill, Holliday.
She can be reached at 617-572-3464 or Kagresti@hhcc.com

We asked a few General Managers from around the country to share with us, and you, their views of the industry. This time we quizzed:

Gregg Frischling, GM, Steel City Media, Pittsburgh, PA
WLTJ-FM, WRRK-FM

Sam Church, GM, Cox Radio, Greenville-Spartanburg, SC
WJMZ-FM, WPEK-FM

Rich Potyka, GM, Tri Media Inc., Globe-Phoenix, AZ
KRXS-FM

GM Talkback

By Carl Marcucci

What do you think about the AFTRA/ streaming issue and how does it affect your web presence?

Frischling I think the streaming issue needs to get solved ASAP. Any long-term battle will kill the future growth of radio station streaming. As far as our stations go, we will see little to no effect in the short term, but long term it could hurt us. We are working on streaming without commercials.

Church Although our streaming is temporarily down at our stations, we are continuing our efforts to offer full-service web sites and look for technical solutions to the AFTRA/ SAG problems. We are asking our concerned advertisers to keep the communication lines open so we can deal with any talent problems before a schedule is placed.

Potyka The AFTRA issue was caused by what appears to be a very uninformed negotiator for the agencies. Clearly he/she did not have a clue about the streaming of broadcast audio. I wonder what other "bombs" are in the contract. We had already decided to stop streaming the over-the-air program in favor of developing a "Program 2" based on more local talent and free from RIAA interference. We currently co-produce five hours a week for the radio of that type of material. I am using the same type of automation system we use for over-the-air to control this Program 2 giving us some economy of scale and well debugged software. We will be launching the new web site this summer.

What ways are you finding to make money on the web?

Frischling So far we have not made any money off of our websites. We have used them for internal promotions.

Church Our Urban station, WJMZ does a quarterly magazine targeting African-Americans in Upstate South Carolina. We are developing a tie-in from our print efforts to actually offer that product over the web site, and in turn utilize the combined media as a package.

Potyka Based on our new local web plan, sales are again very local and complement, but not duplicate, the radio advertising. Our data suggests about 80% of our web listening was local meaning the Phoenix metro; much of it at work as background music. The new plan (Program 2) gives a shorter "on demand" life cycle with more interactive capability. Sponsors like the ability to add changes quickly and to have visual content. So we keep it local, short, and complement the radio.

Are you selling your website separately or as an add-on sale?

Frischling Mostly as an add-on sale, but we are working toward selling the websites separately.

Church We do not offer our website as an add-on. We feel that you can never establish value on that medium if it is a give-away.

Potyka Yes the web can and will be sold separately. Like the local LPTV for our home city this, the web, must be a new and complementary business. The advent of low cost high speed connections makes the web a really viable way to get to advertisers that had always used print—I think it competes with the 'papers much more than with radio. Our radio spots direct "readers" to the web. Our sales people are getting excited about this prospect and the ability to serve many smaller communities much better than weekly papers. We also find that the web gives us a way to sell to customers that the downtown media ignore as being too small to consider.

How did you get into radio?

Frischling Radio has been part of my family since I was born. My father started in the representative business over 40 years ago. For the last 17 years my family has owned WLTJ. WLTJ has been a part of my family for a long time.

Church From the time I was able to listen to the radio, I was determined to be on the air. A friend who shared that same goal, had landed a job on-air at Top-40, WRFC in Athens, GA. recommended me for the position of automation baby-sitter on their new FM sister station, WFOX (Gainesville/Atlanta). We ditched automation a couple of months later and went live! The rest is, well...you know.

Potyka My dad worked in the Grant Building in Pittsburgh during the 50's, on the floor just above KDKA. Because he often ate lunch with the KD people he could get me into the studios. So by 10, I was hooked by all that gee wizz art deco radio chrome. The engineers and talent were great and allowed me to see it all from the inside. I remember so well Bernie Armstrong, Ed and Wendy King of "Party Line" and all those neat radio electronics. When I went to Carnegie Mellon I joined the WRCT campus radio staff as an announcer and engineer for the carrier-current AM station. In college I also worked part time at KQV and WAMO then on to Motorola Semiconductor. In 1986 a friend asked me to build a FM station for him, which rekindled the fire. In '89 we got a Class A 80/90 CP, went on as a C3 in 1995 and upgraded it to a C2 in 1999 covering most of the Phoenix metro.

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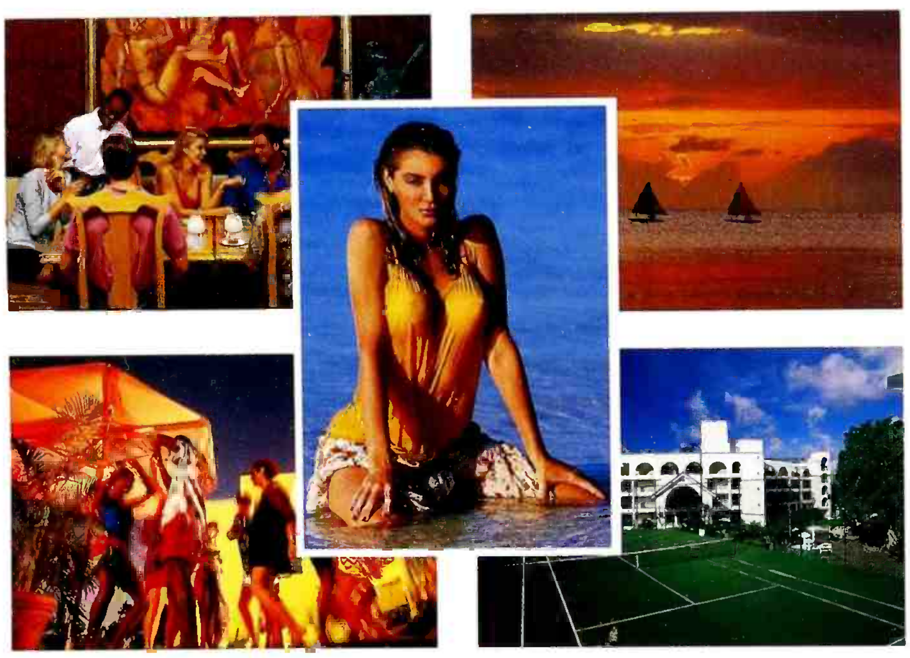

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Streaming

By Carl Marcucci

The quest for ad insertion

The dust is finally settling as some stations re-launch their webcasts—as quick as they find ways to block the dreaded AFTRA talent spots (*RBR* 4/16, cover, p.11). While many thought the RIAA fee requirements (*RBR* 2/12, p.8, 12/18/00, p.4) would scare commercial broadcasters away from Internet streaming, AFTRA was the real nail in the coffin for quite a few. The new AFTRA and SAG unions streaming fee requirements—300% fee increases on webcast spots that advertisers already had paid for—had agencies firing off letters all over the country warning stations not to run the ads or risk cancellation of terrestrial buys. Some or most of ABC Radio, Jefferson-Pilot, Clear Channel, Emmis, Bonneville, Cox Radio, Citadel, Lotus Broadcasting, Radio One, Saga, Entercom (and others) had nothing in place to filter the ads, so the streams were silenced. And that took its toll.

MeasureCast, which provides next-day streaming audience measurement services, echoed that silence. "We showed in that [first] week that the overall Internet radio index dropped 6% [it also dropped the week after]. The most notable of them were ABC Radio," MeasureCast CEO **Ed Hardy** tells *RBR*. "Hopefully, the worst is over, but it definitely has been a driving force towards people accelerating the rollout to ad insertion, there's no question about that."

The MeasureCast index has since climbed, but largely due to higher Internet-only webcaster ratings.

The latest solutions

Solutions for radio webcasters range from using in-house insertion/substitution software add-ons from digital audio systems vendors to contracting third party providers that use the online inventory as part of a network sale. The common solution integrates the insertion technology with stations' existing digital storage and automation systems. Scott Studios, Enco Systems, Broadcast Electronics/Everstream, Media Touch/OMT Technologies and RCS all provide hardware/software packages to "split stream" the audio feed, where designated, and remove/replace AFTRA or other ads.

Enco recently debuted "I2E," the Intelligent Insertion Engine—a solution that works with the company's own DADPro32 digital audio system (and others as well) to replace spots on an Internet stream.

At NAB2001, Broadcast Electronics (BE) unveiled its recently-announced streaming solution, forged from a partnership with Everstream. The package includes an encoder, a custom player with integration to digital audio storage systems, title and artist presentation with album art, e-commerce options, targeted audio ad insertion, 55 side format channel offerings and a "My Mixes" personalization option. The package is made to seamlessly integrate with BE's AudioVault digital audio and storage system.

OMT Technologies, with broadcast software provider Media Touch, announced another ad substitution solution 4/10. "iMediaAdCast" features seamless content substitution, track titling data and simultaneous Internet stream encoding with both Real Networks and Windows Media technology.

Of course, the traditional third party solutions providers—Hiwire, SurferNetwork, Coollink Broadcast Network, StreamAudio, Real Networks, RadioWave, IM Networks and Lightningcast all came forward with their existing solutions to help out in the "crisis."

A new ad insertion solution was first demonstrated 5/3 with Bonneville's all-news WTOP.com—the first LMiV website from the online venture partnership of Emmis, Bonneville, Entercom, Corus and Jefferson Pilot. XACT Radio also debuted recently (RBR 5/7, p.4).

WTOP.com was also the first LMiV site to turn on its Internet audio stream, sans AFTRA ads. "Given the nature of what we do, we are the enabler for the streaming. The technology does include ad blocking and insertion technology and we provide that technology in partnership with both Real Networks and DoubleClick," LMiV Director of Corporate Communications **Kim Lee** tells *RBR*.

Which stations are next to launch with LMiV? Adds Lee: "We do have a set of beta stations representing each of our founding media companies and we are finalizing those launch plans as we speak."

Real Broadcast Network (RBN) will be repping audio inventory for LMiV's network of streaming sites, once established. "The solution around the AFTRA issue is that this talent still gets paid, but they get paid for an Internet ad, not this 300% markup for the terrestrial broadcast that's broadcast over the Internet. The solution is meant to make it profitable to stream. The byproduct is that it also happens to solve the AFTRA issue," RBN Product Manager **Jim Kreyenhagen** tells *RBR*. "As far as the ad repping component goes, the local stations will also rep the inventory, so they will be trying to sell some of their own ads. But in the event that they don't sell 100%, we're also selling those ads at the same time."

RBN will also be the ad insertion solutions provider for ABC Radio, which has cut all webcasts while its "streaming infrastructure is being retooled." ABC is due to resume streaming any day now. Says Kreyenhagen: "We're helping them out on the ad replacement side and we're also doing some geographical blackout work with them. ABC Radio wants to be able to identify where a user is and if they're coming from some place outside of the US, they want to be able to disable that person's ability to listen. It's because of licensing issues. We will also be doing the same thing with their ad inventories as LMiV."

AFTRA may have helped establish what streaming providers believed all along—the Internet is a new medium and should be treated that way. It has also changed the way radio looks at the medium, explains SurferNetwork CEO **Gordon Bridge**, "AFTRA has redefined our business. It has dramatically accelerated the interest on the part of the radio stations to cooperate. The new, unsolicited calls have been great."

MediaAmerica Interactive reps all of StreamAudio, CLBN and SurferNetwork radio clients—close to 1,500 streaming stations under contract. The company is understandably not at all displeased with AFTRA's decision. "If the advertiser wants to reach this growing universe of people that consume streaming media, they've got to buy this medium. An advertiser is not going to get any kind of top spin from the terrestrial spots—not any more. AFTRA just made sure that that door is firmly shut," explains MediaAmerica Interactive COO **Michelle Jennings**.

Content vs. Commercials?

Having the option of ad replacement doesn't mean the replacement has to be an ad or promotion. It can be short-form programming too. "Here's a wonderful opportunity for somebody like a Jones MediaAmerica who might have a medical show or a law show or something, depending on format. So suddenly, the users of the Internet are getting content instead of commercials," MediaAmerica VP Business Development **Rob Drucker** tells *RBR*.

Having a void that must be filled in online programming presents plenty of opportunities for the station, advertisers, syndicators and even the labels. "Now record labels can get maybe more than a hook played as a commercial. Look, we've got a five minute slot on 1,000 stations—perhaps we can put a song on there," Drucker adds.

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Programming for Profit

News-Talk was leading Y2K growth format

by Dave Seyler

While music programming stalwarts Adult Contemporary and CHR were seeing some audience share erosion in the year 2000, the News-Talk-Sports category was soaring, claiming nearly 16% of the total US audience. No doubt it did not hurt that it was an election year.

Formats in the Urban family picked up half of a percent and Classic Rock was up 0.4%. All other formats were within 0.2% of last year's share.

As well as being the seated royalty of the AM dial, News-Talk is king of the Top 50 markets as well, by a wide enough margin to win the format title for the nation as a whole despite finishing no better than 3rd in any other market-size cell. Country, which leads the pack almost everywhere else but in the biggest cities, does so poorly there that it is in 4th place in overall listening.

Niche formats Smooth Jazz and Classical drop off to almost nothing below the top 50 markets. Alternative is being used in smaller and smaller markets, but is seldom seen below market 150, dropping to 2% and below at that point.

The presence of Spanish also diminishes with market size. Urban goes down as well, but still remains a force in many small Deep South markets.

Data is from Arbitron and the *RBR* Source Guide Database. On the first chart, the Rated column gives the total number of rated stations, Unrtd gives the total number of unrated stations.

Format groups, both dials, US persons 12+

Rank	Format	AM	FM	Rated	Unrtd	Pct	Chng
1	News-Talk	965	70	726	309	15.9	+0.8
2	AC	55	653	617	91	14.0	-0.5
3	CHR	7	367	359	15	11.3	-0.4
4	Country	189	633	626	196	11.0	+0.1
5	Urban	75	274	315	34	10.5	+0.5
6	Span	306	174	294	186	6.6	+0.1
7	Cls Rock	13	346	327	32	6.0	+0.3
8	Oldies	97	291	310	78	5.4	—
9	Rock	4	245	242	7	5.3	-0.1
10	Alternative	6	173	155	24	4.2	-0.2
11	Standards	299	55	262	92	3.1	-0.1
12	Religion	573	282	349	506	2.6	+0.1
13	Smooth Jazz	7	66	64	9	2.5	—
14	Classical	2	34	28	8	1.4	-0.1
15	Chldn-Var	65	9	14	6	0.1	—
	Total	**2663**	**3672**	**4688**	**1647**		

Format breakouts by AM/FM, market size

			Mkt size:						
Rank	Format	AM	FM	1-50	51-100	101-150	151-200	201-250	251-283
1	News-Talk	67.9	1.6	17.5	11.9	11.8	9.5	10.4	9.5
2	AC	0.6	17.7	12.9	15.9	15.1	14.9	16.2	15.9
3	CHR	0.0	14.4	10.5	12.0	11.8	15.6	10.6	9.4
4	Country	2.1	13.4	7.4	15.4	18.3	20.4	24.9	26.3
5	Urban	2.1	12.8	11.4	8.1	8.9	5.5	5.7	8.3
6	Span	8.4	6.1	10.7	4.7	2.1	2.6	1.8	0.4
7	Cls Rock	0.0	7.7	5.4	7.0	6.2	6.0	10.0	8.8
8	Oldies	0.7	6.8	4.9	5.8	6.6	7.4	6.5	7.3
9	Rock	0.0	6.8	4.5	5.9	7.9	8.6	6.2	6.6
10	Alternative	0.0	5.3	4.6	4.0	2.8	2.0	1.8	0.5
11	Standards	11.2	0.9	2.6	4.7	4.2	4.0	3.4	3.1
12	Religion	6.6	1.6	2.3	3.3	3.8	2.2	2.4	3.8
13	Smooth Jazz	0.0	3.2	3.2	0.8	0.5	0.8	0.1	0.1
14	Classical	0.0	1.8	1.9	0.4	0.0	0.4	0.1	0.0
15	Chldn-Var	0.4	0.0	0.1	0.1	0.2	0.1	0.0	0.0

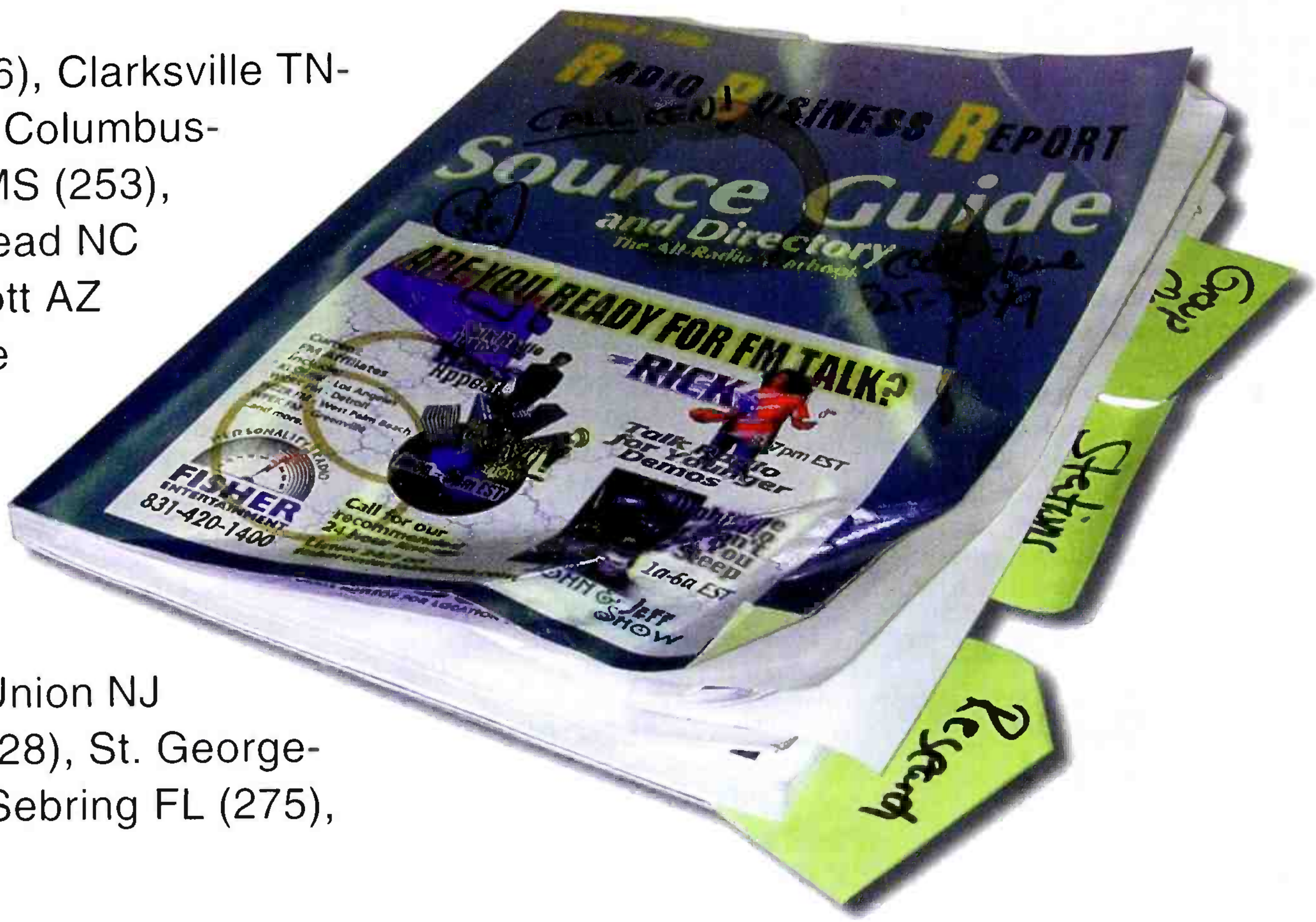
Source: Arbitron, RBR *Source Guide database*

RBR's Source Guide and Directory is in!

14 new Arbitron markets were added to give you a more comprehensive guide to radio station markets.

New additions in this year's book include:

Bowling Green KY (206), Clarksville TN-Hopkinsville KY (199), Columbus-Starkville-West Point MS (253), Elizabeth City-Nags Head NC (244), Flagstaff-Prescott AZ (158), Florence-Muscle Shoals AL (246), Jonesboro AR (278), Mankato-New Ulm - St. Peter MN (260), Mason City IA (277), Middlesex-Somerset-Union NJ (33), Rochester MN (228), St. George-Cedar City UT (248), Sebring FL (275), Westchester NY (59).



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Split at Emerald City

Veteran broadcaster **Paul Robinson** is parting ways with his financial backers at the group that's been known as Emerald City Radio Partners. Centre Partners Management is buying out Robinson's stake in the 12-station group for an as-yet-undisclosed price and Centre's **Gary Rozynek** will become president.

"It's not unusual at all in this business for equity and operators to disagree on a vision for the company," Robinson told *RBR*. Robinson has control of the Emerald City name and says he'll be back later this year with new financial backers to announce new radio purchases.

Emerald City has stations in Honolulu and Hilo, HI, Charleston, SC and Santa Rosa, CA.

Media Markets & Money™

by Jack Messmer

Radio One grows, sells bonds

"Ratings absolutely do matter," Radio One (O:ROIA & ROIAK) CEO **Alfred Liggins** told Wall Street, "and the incredible ratings momentum we have historically experienced has continued this year and is helping us grow while the radio industry experienced contraction in the quarter."

With its string of acquisitions over the past year, you could expect Radio One to post record net revenues for Q1, and it did—$47.9M, up 116%. Broadcast cash flow, likewise, was up triple-digits, 129%, to $22M. More importantly, the company's results were up on a same-station basis—5% for revenues and 7% for BCF.

Shortly after reporting its results, Radio One sold a new issue of $300M in bonds—10-year senior subordinated notes bearing an interest rate of 8.875%. The company said that approximately $200M of the proceeds would be used to pay down bank debt, while $85.4M will be used to redeem a series of more expensive bonds—12% senior subordinated notes. The sale (5/4) was made at par in a private placement.

Entercom hits lowered target

After lowering Wall Street's expectations a month ago (*RBR* 4/16, p. 16), Entercom Communications (N:ETM) delivered Q1 results right in line with those reduced targets. Net revenues were down 2% to $69.5M and broadcast cash flow was off 6% to $23.1M. After-tax cash flow was essentially flat, rising $114K to $15.1M—keeping ATCF per share at 33 cents.

On a same station basis, Q1 revenues were down 4% and BCF declined 6%.

For Q2 and the rest of the year, Entercom is sticking with the guidance it provided last month. Q2 is expected to bring net revenues of $97M, BCF of $41M and ATCF of $26M, or 57 cents per share. For all of 2001, Entercom is expecting revenues of $363M, BCF of $151M and ATCF of $96M, of $2.10 per share.

In his (5/10) conference call with Wall Street analysts, President & COO **David Field** said Entercom is seeing some evidence of increased demand and firming of pricing in several of its markets. "Whether this is a blip or a trend remains to be seen," he noted.

Citadel seeks to cash out bondholders

In conjunction with its soon-to-close $2B buyout by Forstmann Little, Citadel Communications (O:CITC) has launched tender offers and consent solicitations for its outstanding bonds and preferred stock.

The cash tender offers cover three issues of public securities: $101M in 10.25% senior subordinated notes issued in 1997 and due 2007; $115M in 9.25% senior subordinated notes issues in 1998 and due 2008; and slightly over 533K outstanding shares of 13.25% exchangeable preferred stock. As of 12/31/00, he preferred issue was valued n Citadel's 10-K at over $96M. n addition to the calculated value, which is based on a ixed spread of 150 basis points above a certain US Treasury Note, preferred holders will receive a consent payment of $2 per share. The purchase prices for the two issues of notes are also tied to US Treasuries.

Citadel anticipates that all of those prices will be calculated next month, shortly before the tender offers expire at noon (ETD) on 6/26.

Radio Unica happy with Q1

What a change! After a couple of years of trailing the overall radio industry, Radio Unica (O:UNCA) is celebrating its Q1 results. CEO **Joaquin Blaya** said revenues were up 14%, excluding last year's Q1 take from the Gold Cup soccer tournament. This year's big soccer tournament is the Americas Cup—bridging Q2 and Q3—and Radio Unica officials say several big advertising packages have already been sold. At this point, while other radio companies are hesitating to promise much to Wall Street, Radio Unica is saying that full year revenues should be up 12-15%.

In actual dollars, Radio Unica's Q1 was off 10% to $5.6M. But with the soccer costs missing as well as the ad revenues, the company's negative EBITDA improved to $4 from $4.9 a year earlier.

Blaya also announced that Radio Unica has acquired MASS Productions, a Miami-based marketing company which targets Hispanics. The price tag was $4.2M—half in cash and half in a three-year note. Blaya says MASS is profitable and will add $500-800K in cash flow to Radio Unica.

The combination of Radio Unica's Spanish Talk radio network and MASS will create a "one-stop shop for Hispanic marketing solutions," Blaya said.

Cumulus reports improvement

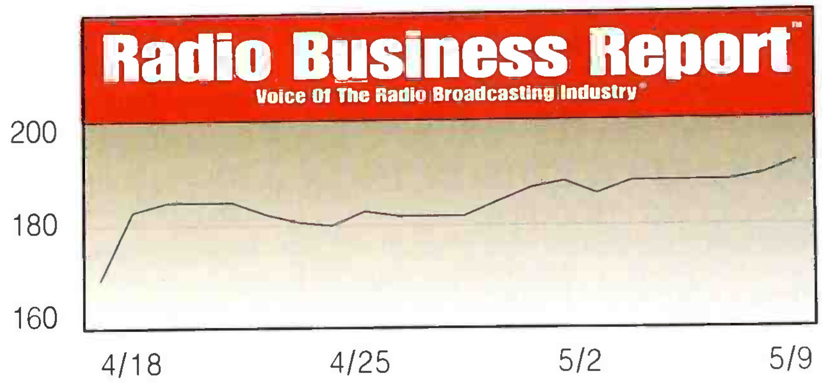
"We are tremendously pleased with the continued improvement in operating performance realized during the first quarter of 2001," CEO **Lew Dickey Jr.** said in announcing Q1 results for Cumulus Media (O:CMLS). "We are achieving meaningful expense reductions across our entire platform as a direct result of the company's operating practices and expense discipline." Dickey said the company's improved cost management had included getting cost of sales under control and eliminating unprofitable NTR events.

Because Cumulus today looks so different from the Cumulus of a year ago, the company offered three sets of numbers for Q1:

1. On a historical basis, net revenues declined 6.6% to $44.6M. Broadcast cash flow increased 69.5% to $3.8M. EBITDA rose 631.8% to $4.6M. After-tax cash flow was -$7.2M, or negative 20 cents per share, compared to -$9.5M, or negative 27 cents per share.
2. On a same station basis (167 stations in 32 markets operated by Cumulus for at least a year), net revenues declined 2% to $29.1M. BCF increased 111.9% to $5M.
3. On a pro forma basis (226 stations in 46 markets, includ-

The Radio Index™

The Radio Index™ pushed to a year-to-date high of 191.934 on 5/9, up 3.546 from a week earlier.



Transaction Digest

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

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.**

$30,000,000 KJJY-FM, KRKQ-FM, KBGG-AM, KHKI-FM, KGGO-FM Des Moines IA (West Des Moines, Boone, Des Moines) from Two Rivers Broadcasting LP, a subsidiary of Barnstable Broadcasting Inc. (Albert J. Kaneb) to Wilks Broadcasting LLC (Jeffrey Wilks, CEO). Two $2.5M letters of credit, total of $27M cash at closing, $3M note. Existing **superduopoly**. LMA since 3/13/01.

$4,500,000 KOGO-FM Temecula CA from Temecula FM LLC (Donald McCoy) to Clear Channel Broadcasting Licenses Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. **Duopoly** with KFXM-FM CP, being acquired by buyer in separate transaction. Station was formerly KTMK-FM. LMA since 4/10/01.

$1,300,000 WZPK-FM Nekoosa WI from Magnum Communications Inc. (Lynne E. Magnum) to Starboard Broadcasting Inc. (John Cavil, Mark Follett, Stephen Gajdosik). $50K LMA payment, $150K cash at closing, $300K promissory note, $800K tax certificate. LMA since 4/01 (exact date unspecified). Buyer is a not-for-profit entity and will operate station noncommercially. Also buying WIBU-AM from same seller (see additional item).

$1,000,000 WIBU-AM Madison (Poynette WI) from Magnum Communications Inc. (Lynne E. Magnum) to Starboard Broadcasting Inc. (John Cavil, Mark Follett, Stephen Gajdosik). $50K earnest money, $150K prepayment, $400K cash at closing, $100K promissory note, $300K tax certificate. LMA since 4/01 (exact date unspecified). Buyer is a not-for-profit entity and will operate stations noncommercially. Also buying WIBU-AM from same seller (see additional item).

$900,000 WWNL-AM Pittsburgh from Mortenson Broadcasting Co. (Jack M. Mortenson) to Steel City Radio (Robert L. & Luann J. Wilkins), related to Wilkins Communications Network. $45K escrow, balance in cash at closing.

$550,000 WNOP-AM Cincinnati (Newport KY) from Dayton-Heidelberg Distributing Co. (Albert W. Vontz III) to Catholic Radio Foundation of Greater Cincinnati Inc. (David Rinderle, pres et al). $25K deposit, balance in cash at closing. Buyer in non-profit organization and intends to run WNOP as a noncommercial station. LMA since 9/27/00.

$358,500 WJNC-AM Greenville-New Bern-Jacksonville (Jacksonville NC) from Jacksonville-Topsail Radio LLC (Hoyle Broom) to Heritage Broadcasting LLC (Ronald Benfield), related to Conner Media Corp. and Eastern Broadcasting Inc. $15K escrow, balance in cash at closing. **Duopoly** with WSTK-AM Jacksonville NC; **superduopoly** if pending application for new AM at 1400 kHz Jacksonville NC is granted.

ıg all announced acquisitions nd divestitures), net revenues vere down 2.3% to $44.1M. 3CF rose 37.5% to $9.3M.

RBR **observation:** Do we ıeed any more proof that the adio industry is always changıng? A year ago Radio Unica and Cumulus Media were a couple of the rare ailing companies in an extraordinarily healthy industry. Now the mighty are licking their wounds from a sudden economic downturn, while Lew Dickey and Joaquin Blaya—having suffered through company-specific troubles in 2000—are enjoying their companies' resurgence. Radio Unica is actually enjoying an increase in revenues, while the rest of the industry suffers through a downturn. Cumulus didn't avoid a revenue decrease in Q1, but the company's expenses were so far out of whack a year ago that major cash flow improvements were possible in the face of minor revenue declines.

Media Markets & Money™

Salem same station results up double digits

Ed Atsinger is getting a chance to prove to Wall Street that Salem Communications (O:SALM) really is recession resistant in its Religious radio niche. Even with the drag from Salem's launch of its "Fish" Contemporary Christian music stations in Los Angeles, Chicago and Atlanta, net revenues rose 33.2% to $30.1M in Q1 and broadcast cash flow rose 3% to $10.2M. On a same station basis, revenues were up 12.2% and BCF 11.4%.

In the company's conference call with analysts, Salem CFO **David Evans** noted that the Religious broadcaster's key advertising categories are quite different from general market broadcasters. Salem's biggest ad categories, and the ones which contributed most to Q1 growth, are health/medical, financial, charitable organizations and churches/ministries.

Salem's non-broadcast operations, OnePlace.com (Internet) and CCM Communications (publishing), reduced their Q1 loss to $600K from $2.4M a year earlier.

Total revenues for Salem rose 31.4% to $32M. EBITDA grew 13.7% to $5.8M, but after-tax cash flow decreased 21.2% to $2.6M (11 cents per share).

For all of this year, Salem is projecting that net broadcast revenues will increase 26.8% to $139.6M and that BCF will grow 13.6% to $56.1M. Same station revenues are expected to rise 10% and BCF 12%.

TV powers Entravision's growth

TV revenues rose 19% and cash flow 39% in Q1 for Entravision, giving the Spanish multi-media company an up quarter—a 1% gain on a pro forma basis. The company even did a little better than the lowered guidance it gave Wall Street last month (*RBR* 3/26, p. 12).

While TV was up, pro forma radio revenues dropped 8% to $13M and cash flow was off 11% to $3.2M. Entravision's outdoor division was a dot-com casualty, with revenues plunging 19% and cash flow 65%. The tiny print division saw flat revenues and a 40% drop in cash flow.

Chairman/CEO **Walter Ulloa**—a TV guy who only entered radio a couple of years ago—isn't loosing interest in radio, however. In the company's conference call with analysts, he said Entravision is still interested in buying radio stations in markets where it currently has only TV.

President/COO **Philip Wilkinson** attributed part of the company's radio shortfall for Q1 to the decision to reformat 25 stations at the end of December. Revenues for those stations dropped 13% for Q1, but Wilkinson said the new formats are already showing ratings gains, which should start paying off in increased revenues. Meanwhile, Entravision's other radio stations saw revenues decline 7%, which, he noted, was in line with other groups.

Susquehanna Radio revenues down 5%

Q1 revenues were up 3% to $66.9M for Susquehanna Media as a 5% decline for radio, to $39.8M, was more than overcome by an 11% gain for cable TV, to $24.7M, and an 85% rise, to $2.4M, for BlazeNet, the company's Internet access and web design company. For the entire company, adjusted EBITDA declined 20% to $4.6M.

"Lower revenues resulted from a general decline in the San Francisco economy and a significant decrease in advertising by Internet-related companies," Susquehanna said in explaining the lower radio revenues. Although Susquehanna Media is privately owned, it has publicly traded bonds.

Q1 radio cash flow declined 26% to $11.4M. On a same station basis, Susquehanna Radio saw revenues decline 8% and cash flow 11%.

Cox stays the course

Q1 was tough for Cox Radio (N:CXR), just like everyone else, but CEO **Bob Neil** told analysts that, while he has cut some spending, he's resisting any "slash and burn approach to costs, especially on promotions"—saying that it's important to build for the future when the advertising climate improves. Besides, he noted in response to one analyst's question about how radio is doing compared to the other companies controlled by Cox Enterprises, "radio, compared to other media, we look like superstars!"

For Q1, Cox Radio reported net revenues up 14% at $86.5M. Broadcast cash flow rose 11.8% to $29.8M. After-tax cash flow was up 15.2% to $15.1M, but that was flat at 15 cents on a per share basis. On a pro forma basis, net revenues were down 4% for the quarter and BCF was off 10.4%. Those pro forma results, Neil noted, were held down by the company's acquisition of turnarounds in Houston and Richmond.

Beasley posts mixed results

"Like many radio broadcasters today, Beasley is not immune to slowing economic conditions and advertising," CEO **George Beasley** noted in announcing Q1 results for Beasley Broadcast Group (O:BBGI). Beasley managed to produce revenues and broadcast cash flow just a bit ahead of what it had told Wall Street to expect a month and a half ago. Q1 net revenues were up 13.4% to $25.8M, but BCF declined 6.6% to $6.5M. On a same-station basis, Beasley's revenues were up 5.2% and BCF was down 1.4%.

For Q2, though, the company has dropped its expectations and now expects same-station revenues to be down 10% and BCF off as much as 25%. "What lies beyond that is hard to say," George Beasley noted, so the company has withdrawn the second half and full-year guidance that it proffered to Wall Street in February.

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