Radio Business Report™

Voice Of The Radio Broadcasting Industry®

December 17, 2001 — Volume 18, Issue 51

The Loop's Cris Ohr and others discuss marketing in an uncertain economy

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RADIO NEWS

ADBIZ

MEDIA MARKETS AND MONEY

TELIVISION BUSINESS REPORT

FCC resurrects EEO policy

By a unanimous 4-0 vote, the Commissioners of the FCC voted to establish a second Notice of Proposed Rule Making to establish Equal Employment Opportunity rules for broadcast and cable operators. Prior FCC EEO requirements have been struck down twice in the courts, and an effort to appeal the latest defeat failed back in June.

The new rules will require that broadcasters and cable operators notify any organization which requests information about job openings, and asks that non-vacancy-specific outreach efforts (such as job fairs and internships) be made to assure that all segments of the community are aware of employment possibilities.

Broadcasters and cable operators would be required to place information on outreach efforts in their public file; radio stations with 10 or more employees would be subject to mid-term reviews; the FCC would conduct random audits; public comments and complaints would go into the file; and a annual employment report would be required, although this would be for informational purposes rather than for enforcement.

Chairman **Michael Powell** (R) praised the Mass Media Bureau for coming up with a proposal which he believes gets EEO back on the Commission's books in a way that is judicially sustainable. His fellow Republicans, **Kathleen Abernathy** and **Kevin Martin**, also supported the measure. Lone Democrat **Michael Copps** also voted in favor of the NPRM, although he felt it did not go far enough—he said that the FCC was too cautious this time around as it tried to stay within the judicial boundaries it has been contending with.—DS

Concord responds to Ringer: "Bull-dingy and horsepuckey!!"

Mark Jorgenson's Concord Media Group has responded, via counsel, to charges leveled by Ohio resident **David Ringer** that is a "front" company for Clear Channel Communications (N:CCU). Ringer filed a petition to deny the sale of WKKJ-FM Chillicothe, OH from Secret Communications to Clear Channel (*RBR* 11/19, p.2). Concord's response was prepared by **Lee W. Shubert** of Rosenman & Colin, LLP

"Ringer's Petition contains a series of vacuous allegations that are based on fiction, linked to, or supported only by, speculation, innuendo and surmise," wrote Shubert. "The fatal fault with Ringer's Petition is that it presents nothing more than speculation, innuendo and conspiratorial hypothesis, all that fall far short of presenting a cogent, substantiated argument. Ringer's Petition is simply devoid of any probative, meaningful or substantive facts of evidence."

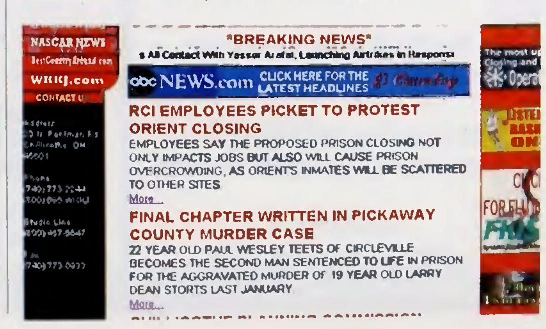
As *RBR* expected, Concord/CCU post-deal relationships were defended as being legitimate joint sales agreements (JSA) (*RBR* 12/3, p.3). Concord readily admits that it has entered into JSAs and local marketing agreements (LMAs) with Clear Channel in several markets. It contends that these are legal "arms-length" agreements. "CMG [Concord] freely admits that its business plan is based upon strategic alliances utilizing LMAs and JSAs. Where economics dictate, CMG will enter into JSAs or LMAs with other broadcasters in order to operate stations that CMG (or its affiliates) owns." To emphasize that the Jacksonville JSA should come as no surprise to the FCC, a copy of the JSA contract submitted to the FCC was attached to Shubert's filing.

Discussing the WKKJ-FM situation, where Concord transferred its LMA with Secret to Clear Channel, Shubert wrote, "Cabal?—Not! Conspiracy—Not! Arms length agreement and transaction?—Of course!!" Shubert's response to allegations that Clear Channel was in complete control of Concord's four stations in Jacksonville: "Bull-dingy and horsepuckey!!"

Ringer is not taking Concord's scathing objection to his petition lying down. A response to that, as well as additional filings from Clear Channel and Secret, will be forthcoming. His attorney, **Arthur B. Belendiuk**, has asked the FCC for some extra time and says counsel for the other three parties has agreed to a 1/2/02 filing deadline.

***RBR* observation**: Although this could have been done for any number of reasons, we couldn't help noticing that the WKKJ website, which used to have a direct link to Clear Channel's three Chillicothe stations, is now linked to: nothing (see pictures).—DS

WKKJ's website showing CC's linked sister stations (above taken on 11/12) have been removed (below taken on 12/13)



Radio Business Report
Voice Of The Radio Broadcasting Industry ®

December 17, 2001
Volume 18, Issue 51

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Radio Business Report is published weekly by Radio Business Report, Inc. Publishers of Radio Business Report, The Source Guide, www.rbr.com and the Information Services Group database.

Subscription rate: One year $220.

RADIO NEWS®

Arbitron reports PPM ratings comparisons

Arbitron (N:ARB) announced the completion of the first phase of its Portable People Meter (PPM) market trial with the release of a third round of ratings comparisons for the new television, cable and radio audience measurement system. Compared to ratings reported by current TV and radio audience measurement systems, Arbitron says PPM reports higher total-day average quarter-hour (AQH) estimates for consumer use of electronic media—radio, TV and cable.

"Our success in the first phase of the U.S. market trial keeps us on a fast track to deploy the PPM in local markets across the US," said **Marshall Snyder**, President, Worldwide PPM Development, Arbitron. "By the second quarter of 2002, the industry will have the first direct comparisons of PPM audience estimates for individual radio and TV stations as well as cable networks."

Since 12/00, PPM has been undergoing market trials in Wilmington, DE, Arbitron released ratings results from the first phase of the trial on 7/19 and 9/24. The next phase in Arbitron's demonstration of the PPM is to expand the sample to at least 1,500 people across the entire Philadelphia DMA beginning in January. For a sampling of the results, see RBR.com (12/13)—CM

Monterey, Syracuse-Utica: Clear Channel responds

Clear Channel (N:CCU) has responded to some of those who have expressed dismay over parts of its merger with The Ackerley Group (N:AK). In Monterey, the petitioners are Buckley Broadcasting (*RBR* 12/3, p.1) and Congressman **Sam Farr** (D-CA) (*RBR* 12/10, p.1). The petitioner in Syracuse-Utica is **Douglas F. Elznic**.

In Monterey, CCU proposes to combine an Ackerley O&O TV and another TV LMA'd by Ackerley with its six-station radio cluster. CCU contends that the LMA'd station, for which Ackerley provides up to 15% of programming, is non-attributable, citing as evidence a letter to that effect from the FCC's Chief, Video Services Division, Mass Media Bureau **Barbara A. Kreisman**. This results in a one-TV, six-radio cluster. CCU further contends that it has demonstrated that there are more than 20 independent media voices in the relevant market, a fact which it says is acknowledged by Buckley.

Wrote CCU legal representatives **Gregory L. Masters** and **Christopher L. Robbins** of Wiley, Rein & Fielding LLP, "In modifying the radio-television cross-ownership rule, the Commission already has determined that, where at least 20 independent media voices remain in the market, a combination of one TV and six radio stations is consistent with a diverse and competitive market. Clear Channel has demonstrated that 20 independent media voices will remain in the market. Period. End of story."

Arguments for the proposed New York clusters follow along the same lines, although there is more detail on specific stations. One error in the original filing in support of the Ackerley acquisition was explained and corrected—the contours of WXBB-FM DeRuyter NY (the former WVOA-FM) were inadvertently left off and replaced with WVOA-FM Mexico NY (the former WVOQ-FM). CCU acknowledged that spin-offs would be required in the Utica-Rome market.—DS

Fed cuts interest rates again

As the financial markets had expected, the Federal Reserve Board has cut key interest rates (12/11) for the 11th time this year—this time a one-quarter of one percentage point cut. The Fed Funds rate (the rate for loans between banks) is now at 1.75%, its lowest point since 1961 and 4.75% below where it began 2001. The Fed's Discount Rate (the rate it charges on loans to member banks) is now 1.25%, the lowest rate ever.

"Economic activity remains soft, with underlying inflation likely to edge lower from relatively modest levels. To be sure, weakness in demand shows signs of abating, but those signs are preliminary and tentative. The Committee continues to believe that, against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are weighted mainly toward conditions that may generate economic weakness in the foreseeable future," the Fed said.

"Although the necessary reallocation of resources to enhance security may restrain advances in productivity for a time, the long-term prospects for productivity growth and the economy remain favorable and should become evident once the unusual forces restraining demand abate," the announcement continued.

"The Fed is steadfast on turning this economy around," said **Martin Regalia**, VP and Chief Economist of the US Chamber of Commerce, in praising the latest rate cut. "The economy is expected to shrink another 2% in the fourth quarter due to a weakening of consumer spending and a decline in business investment. However, the recent interest rate cuts are sure to provide a boost to economic growth come early next year."

Regalia urged the Fed to continue its efforts to boost the economy, but he also called on Congress to adopt an economic stimulus package, which he said would go a long way in shoring up consumer confidence.

***RBR* observation**: Try as they might, **Alan Greenspan** and company are finding it far more difficult to build a robust economy than it was for them to create the current recession. Somehow the Fed governors have escaped much-deserved blame for creating the current troubles. As we and few others (including the *Wall Street Journal* and **Paul Kagan**) warned last year, the Fed was on a fool's mission to try to put downward pressure on world oil prices by raising US interest rates in the face of a stagnant economy. We were correct in concluding that the only way to achieve that result via US monetary policy would be to plunge the world into a recession by tanking the US economy. Well, oil prices are indeed down, but the cost was far greater than can be justified. Greenspan thought he could dance the US economy on the edge of a cliff without falling off—but we've all learned that he isn't that fleet of foot.—JM

NAB, MMTC on EEO

The NAB is holding off on a full review of the new EEO proposal submitted by the FCC as a Notice of Proposed Rule Making (NPRM). Said CEO **Eddie Fritts**, "NAB has always encouraged broadcasters to employ a diverse workforce, and our industry has sponsored may innovative programs to accomplish that goal. We will review the new FCC proposal and this will be a topic of discussion at our January Board of Directors meeting."

David Honig of the Minority Media & Telecommunications Council "...commends the FCC for continuing its efforts to formulate new [EEO] regulations. Proscribing and preventing discrimination and remedying its long-term effects, as well as promoting diversity of voices, remain core FCC objectives irrespective of politics and philosophy."

MMTC is one of 33 organizations seeking a Supreme Court reversal of the D.C. Circuit of the U.S. Court of Appeals decision which struck down the last version of the rules.—DS

Cumulus to buy Pittsburgh move-in

Cumulus has an option to buy Hot AC-Oldies WLSW-FM Scottdale, PA from **Stanley Wall** and move it into the Pittsburgh market after moving its own Oldies WWIZ-FM Mercer, PA further away from the 'burgh. Class A WLSW already covers a portion of Pittsburgh's southeast suburbs, as Scottdale is 30 miles from downtown.—CM

ESPN Radio celebrates 10th anniversary

The actual launch date was 1/1/92, but Disney's (N:DIS) ESPN Radio is starting its 10th anniversary celebration on Christmas Eve, with a "Ten Years of ESPN Radio" special program scheduled to air 12/24, 25 & 31 and 1/1 & 3, plus 2/3. The retrospective is hosted by two original staff members, **Chuck Wilson** and **Mike Tirico**.

Over those 10 years, ESPN has grown from 104 stations carrying a few hours of programming to a 24/7 service with 195 full-time O&O and affiliate stations and some programming airing on 690 additional affiliates.—JM

CCU cutting Programming Assistants

According to www.insideblackradio.com, Clear Channel (N:CCU) is cutting back on Programming Assistant positions. From the site: "Effective immediately Clear Channel has sent down a mandate to all Urbans: "if station *PD's have music directors, all* programming assistants must be released from the radio station. More Clear Channel cutbacks are imminent from programming, sales, promotions and administrative departments."

The site reports WGCI-FM Chicago's **Elroy Smith** and WJLB-FM PD **KJ Holiday** both lost programming assistants last week due to cutbacks. "More Clear Channel cutbacks are imminent from programming, sales, promotions and administrative departments," the site added.

Says Clear Channel spokesperson **Pam Taylor**: "I just asked [EVP Programming] **Sean Compton** if that was true or not. There have been a number of cutbacks across the company, which is no secret. I've got an email out to find out if there was something that said that's what we're going to do. I'm sure those people lost their jobs, but it's just part of the initiative to cut costs."—CM

RAB, CCU solidify partnership

Clear Channel Radio (N:CCU) President/COO **John Hogan** has inked an agreement with RAB President/CEO **Gary Fries** which will give each and every current and future CCU station membership in the Radio Advertising Bureau. Said Hogan, "This is just part of the commitment that the company has made to train and provide support to the sellers within the Clear Channel organization. The arrangement allows us to integrate the valuable RAB programs and on-line services into our company's sales support and training."

Gary Fries

109 stations are joining the RAB mnembership roster—1,070 were already on the list. And, no—there's no group discount. We asked.—DS

MMTC looks for CP extensions

Minority Media and Telecommunications Council has asked the FCC to consider recession-impact showings when faced with a request to extend the time to construct a granted construction permit. MMTC's **David Honig** noted that the events of 9/11 had dramatic and unforeseen effects in the lending community, and that financing has become even more difficult to come by, particularly for minorities. "Financiers are loath to sink funds into any venture whose value could be zero if the construction clock strikes twelve," he wrote.

Honig further noted that new station CPs and CPs to upgrade existing facilities are among the best ways for minorities to enter the ranks of broadcast ownership.

"...our proposed CP buildout policy would promote small business and minority ownership by ensuring that construction deadlines are administered realistically in light of current market conditions. Our proposal is also responsive to Congress' instruction that the Commission eliminate market entry barriers, and it would help fulfill the Commission's desire for new service as a means of promoting competition and diversity."—DS

Sinclair/Sullivan deal finally comes to a close

Back in 1998, Sullivan Broadcast Holdings Inc. sold part of its TV group to Sinclair Broadcasting Group (O:SBGI), with the other part going to Glencairn Ltd. Allegations that Sinclair and Glencairn were more or less one and the same company have held up the transaction. Until now.

The FCC found that the relationship between the two transferees did get a little too cozy, and each has been hit with a $40K fine—$8K for each of five Sullivan stations initially headed for the Glencairn portfolio. Essentially, Sinclair had an LMA with Glencairn and a purchase option with Glencairn, which brought it to the two-item limit governing such inter-corporate relationships. A loan from Sinclair to Glencairn created a third, a creditor-debtor relationship which took the two over the top and into the FCC's actionable zone.

That done, the station sales have been approved save one. The sale of WBSC-TV Anderson SC, in the Greenville-Spartanburg SC-Asheville NC Nielsen DMA from Glencairn to Sinclair, has been dismissed due to a lack of enough independent television station owners in the market to support the combination it would make with Sinclair's WLOS-TV Asheville.

The grant of the station transfers from Glencairn to Sinclair were

Cumulus moves higher

With two acquisitions totaling $304M (*RBR* 11/26, p. 1 & 6), Cumulus Media (O:CMLS) has moved into the Top 10 ranks of US radio groups. According to a number crunch by BIA Financial Network, Cumulus now has pro forma revenues of $268M (based on station-by-station 2000 revenue estimates), making it the 9th highest billing US radio group. A huge gap still remains between #1 Clear Channel (N:CCU), at $3.55B, #2 Infinity (N:VIA), at $2.36B, and the rest of the field—where no one else has yet gotten to half a billion.—JM

Top25 radio groups by revenue
BIA Financial Network estimates of 2000 revenues
(pro forma for acquisitions)

Rank	Owner	Est Rev (in $000)	# stns	# mkts	Stock Symbol
1	Clear Channel	3,553,715	1,213	190	N:CCU
2	Infinity (Viacom)	2,355,950	183	41	N:VIA
3	Cox Radio	454,950	78	18	N:CXR
4	ABC (Disney)	436,400	54	27	N:DIS
5	Entercom	423,450	96	18	N:ETM
6	Citadel	347,825	204	41	—
7	Radio One	299,800	62	23	O:ROIA
8	Emmis	295,400	23	8	O:EMMS
9	Cumulus	268,475	243	51	O:CMLS
10	Hispanic	261,100	54	14	N:HSP
11	Susquehanna	235,250	33	9	—
12	Bonneville	203,950	20	6	—
13	Greater Media	152,500	18	6	—
14	Spanish Bcg System	149,000	26	8	O:SBSA
15	Jefferson-Pilot	142,050	17	5	N:JP
16	Salem	132,350	82	35	O:SALM
17	Beasley	122,975	43	11	O:BBGI
18	Saga	99,800	56	11	A:SGA
19	Journal	77,450	36	8	—
20	Regent	65,325	61	13	O:RGCI
21	Entravision	65,250	52	23	N:EVC
22	Sandusky	64,200	10	2	—
23	Inner City	63,800	17	8	—
24	Tribune	62,100	4	2	N:TRB
25	NextMedia	54,675	56	11	—

Source: BIAfn MEDIA Access Pro, 11/20/01

Michael J. Copps

done over the objection of Commissioner **Michael J. Copps** (D), who feels that the relationship between the two companies may well have constituted an attempt to get around FCC rules and own two TV stations in certain markets. He feels that additional hearings on the matter are warranted, not a grant of the transactions at this time.

"We are pleased to finally have closure on these transactions," said Sinclair President/CEO **David Smith**. "We have been awaiting FCC approval of many of these transfers for as long as three years."

In all, Sinclair will be adding 14 stations. As for the aforementioned fifteenth, WBSC-TV, Sinclair is challenging both the factual basis of the disallowal of the sale, and is further challenging in court the validity of the "eight-voices test" used by the FCC.—DS

Clear Channel defends Charlottesville LMA

The FCC is looking into an LMA which Clear Channel (N:CCU) has had in the Charlottesville, VA market, ranked #225. The station in question, WUMX-FM, is licensed to Air Virginia Inc. Clear Channel has proposed to acquire the station for $5.9M (*RBR* 5/1/00, p.13), and according to paperwork filed in relation to the deal, has LMA'd the station since 4/1/01. This deal has obviously been kicking around the back rooms of the FCC for some time now.

Clear Channel argues that the 18 months during which the LMA was in operation demonstrate that "...Clear Channel's operation of WUMX has enhanced competition to the benefit of advertisers and served the public interest in maintaining a diversity of programming choices and formats for listeners and advertisers alike." CCU also claims that its primary competitor in the market, Eure Communications, has actually improved its position in the market since the LMA took effect.

CCU also objects to what it saw as the FCC's presumption that the relevant market in the inquiry is radio advertising. "Clear Channel's radio stations in general, and in Charlottesville, face vigorous competition for advertising revenues from all media, not just other radio stations. Every day, Clear Channel radio stations win business from and lose business to newspapers, television stations, cable operators and other local media outlets. There is no radio advertiser in Charlottesville that does not have an economical option to radio advertising."—DS

Salem Denver EB gets a new birthday

KRKS-AM Denver operates on 990 kHz; its expanded band sister KBJD-AM broadcasts from near the top of the dial at 1650 kHz. Per FCC rules, owner Salem Communications (O:SALM) has five years to operate the stations simultaneously, giving it a fair chance to transition the 990 kHz audience to the new frequency. At the end of the five years, the 990 kHz facility will cease to exist.

Do to an error, the five year period for KBJD started ticking upon grant of the construction permit. The day upon which the CP became a license should have been the kick-off for the five years of simultaneous operation of the two stations. KBJD officially became a licensed facility 2/20/01, some three years after the CP was issued. The license for the station has been amended, giving KRKS a few more years before it becomes a thing of the past.—DS

Krasnow on the move

Long-time *RBR* legal contributor **Erwin Krasnow** is exiting the law firm of Verner, Liipfert, Bernhard, McPherson & Hand after a 17-year run, but he'll still be running in the same circles. He's heading for crosstown Shook, Hardy & Bacon. That law firm boasts a former FCC Commissioner among its ranks, **Henry Rivera**. Making the move with Krasnow will be **Michael Berg**. Krasnow is a former General Counsel for the NAB; Berg was Associate General Counsel.—DS

LMiV adds 1.6M listeners in LA with KPWR-FM

Emmis' KPWR-FM, "Power 106," has launched as the latest LMiV-powered website 12/10 (www.power106.fm). Power 106 has an audience of over 1.6M

"The launch of Power 106's website is significant for our network—and not only because of the sheer number of listeners Power 106 represents," said **Jack Swarbrick**, LMiV's President/CEO. "It is significant because this website is loaded with rich content that extends the special relationship Power 106 has with its listeners. The team of Power 106, Emmis Interactive and LMiV has once again succeeded in bringing the potential of LMiV's network to life."

LMiV is the independent website development conglomerate of Bonneville International, Corus Entertainment, Emmis (O:EMMS), Entercom (N:ETM) and Jefferson-Pilot (N:JP).—CM

Ad nauseum continued

Yet another bleak report on ad revenues is on the streets—this time, CMR is reporting a 7.8% YTD drop through the first three quarters of 2001 compared to the same period in 2000. That's a drop of $5.9B down to $68.8B from $74.7B.

The 9/11 terrorist attack homed in particularly fiercely on television advertising, which lost $313.2M that week alone. Network TV was down 8.0% and spot TV down 17.9% through three quarters. But even spot TV has outperformed national spot radio, which is down 18.6% through Q3. National spot radio is spared the indignity of being the biggest loser only by the national newspapers category, which is down 21.5%. At -11%, network radio is only slightly below par compared to all other media. CMR does not measure local radio, traditionally the industry's strongest category (certainly the case this year).

Among top advertisers, budget slashing has been commonplace. In fact, eight of the current top ten were able to make the list despite cuts, in some cases radical cuts. For example, General Motors stayed in first place despite a 28.4% decreases in expenditure. Among the top ten, only AOL Time Warner and Fort Motor Co. upped ad budgets.—DS

Ad spending by media: First three quarters 2000 vs 2001

Media	YTD Q3 2000	YTD Q3 2001	% Chng
Network TV	15,279	14,058	-8.0%
Magazines	12,533	11,895	-5.1%
Spot TV	13,123	10,773	-17.9%
Cable TV	7,679	7,843	+2.1%
Sunday Newspapers	8,139	7,471	-8.2%
Daily Newspapers	6,269	5,892	-6.0%
Syndication—National	2,326	2,406	+3.4%
National Newspapers	2,788	2,190	-21.5%
Outdoor	1,807	1,853	+2.6%
National Spot Radio	1,981	1,613	-18.6%
Sunday Magazines	766	792	+3.4%
Network Radio	699	622	-11.0%

all figures are in Millions
Source: CMR, a Taylor Nelson Sofres company

By Carl Marcucci

Targeting consumers and advertisers in an uncertain economy — *Part I* —

Kmart CEO **Chuck Conaway** recently said of the retail chain's same-store sales drop of 2.6% for November, "Our sales performance...fell short of our expectations as our planned reductions in advertising and promotional activity decreased customer traffic more significantly than we anticipated. Recognizing the impact, we have adjusted our advertising and marketing strategy appropriately for the holiday season and over the Thanksgiving weekend we recognized significant sales increases compared to last year." Simple cause and effect? While a good many retailers and their subsequent categories decided to cut ad spending because of reduced revenues, some, like K-Mart, have found you've got to spend money to make money.

Westwood One CEO **Joel Hollander** is using Conaway's comments to his advantage, putting copies of the original AP story in all of his sales packages. "The industry has to go out and bring in new business and take these big advertisers and make sure that they're spending money branding themselves. Because obviously, a huge chain like K-Mart, when they come out and say that they lost share because they didn't advertise, we didn't do a good enough job selling our medium and we need to do better," Hollander tells *RBR*. "We have to do a better job of bringing people into radio and getting those shares of dollars and branding ourselves."

For this holiday season, few are predicting any gains in retail sales from last year. The Commerce Department underscores the fact, announcing 11/01 retail sales were already down 3.7% from last year. "This is a year unlike any other, so that makes it more tough. Retailers realize with the economy and the state it's in that they have to do their part to continue to ensure that the economy hums along. Stores are open longer hours, some small and medium sized independent retailers are offering more hours to their part-timers, rather than hire new people and the owners of those retail establishments are working longer hours. They're also offering deeper discounts and are even giving away merchandise to get people into stores and to get them buying," **Aaron Ward**, spokesperson, Retail Council of NY State, tells *RBR*.

Retailers, after the 9/11 attacks, put their holiday marketing plans, their window decorating, their advertising, and pre-holiday sales on hold. That, in and of itself, helped contribute to the overall decline in advertising in Q4. In addition, when the economy is in recession and there's a greater amount of uncertainty about how the holiday shopping season will go, retailers look at ways to save money. Marketing strategy is one of them.

"What we've seen this year is many have used less advertising early on and more subdued advertising. Retailers have looked at ways where they can cut in some cases and chosen to delay their advertising this year. Some of the members we've talked to are doing their advertising during certain weeks, rather than a continuous stream. In general, retailers have to be more cost-conscious in a very highly competitive retail environment," says Ward. "At the same time, they know they have to advertise in order to get people in to the stores. More so than ever before, retailers have to strike a balance between enough advertising to attract people to their stores, to let customers know of the great discounts they can get, yet at the same time they can do so much advertising that it strains their budgets in a very tough year, given the recession."

Cris Ohr

Radio is definitely working harder and smarter attracting retailers, taking the focus to local. **Cris Ohr**, GM, Bonneville's WLUP-FM Chicago came out of the sales arena and has operated in down times before. "I've been through three recessions in the radio business, and hopefully what you can do is talk to the bigger clients, because it's kind of the big get bigger, the survival of the fittest. What you're trying to communicate from your sell is those people who advertise and market during a recession, when a recession is over, will come out with a larger share of business. I think what you're trying to communicate to your best advertisers is support them and encourage them with ideas and they will be better off for it at the end of the day."

What about the other retailers? "I think for the smaller retailers it's going to be hard. The first thing they do is cut their advertising. I think that those companies that are spread too thin have a very hard time in a situation like this. They can't carry the kind of inventory that they want. I'm in Chicago Christmas shopping today and it's amazing how low the prices are."

Joel Oxley

Recessions are a great time for upper management to roll up their sleeves and get down to the battlefield. "You really need some senior-level managers going down with their sellers because, it's amazing to me, this is the first time some of my senior sellers have been in any down cycle. A lot of my sellers are 31 and 32 years of age and since they've come out of college, every year has been double digit growth. They've never been there before so they need senior managers who have gone through and worked through recessions to be able to pump them up and build their confidence. I was on three calls this week myself. I was with agency clients yesterday. We did a lunch, we brainstormed ideas."

Joel Oxley, GM of Bonneville's News WTOP-A/FM and Classical WGMS-FM DC isn't too concerned about making changes this holiday season for TOP, or in Q1 (see Part II), but does offer a word of advice. "Even though this has been a tough year—our market has been down considerably—we still managed to have 6% sales growth this year. We've got a lot more clients that want to target the federal government. The automotive guys came back fairly heavily in October and November with their 0% financing. Actually, this is the best December the station has ever had," he tells *RBR*. "We don't rely a whole lot on a retail strategy, we try and really sell long-term—52 week, 26-week, 13-week deals. We've been doing that for a long time. It's tough, but you've always got to take into account the long term and try and sell as long-term as possible. It sounds simple, but it's easy to get away from that, and if you're always concentrating on what's going on next month or the month you're in, it's very, very hard to win that way. Unfortunately, a lot of people are back in that mode because there's so much budget pressure. Getting the longer-term business allows you to pick and choose when the transactional stuff comes down. Because that is key—you can't take it all because you will end up taking a lot or really bad business. You don't want to be out there like a bunch of sharks after chum dividing up all the last-minute CPP dollars."

Signs of a recovery or flashes in the economic pan?

What about next year? As 2001 winds down (much to the relief of many), signs are surfacing of a possible rebound. A shock to no one, the economy was finally declared in recession last month. Forecasters and economists are a bit stymied to put much down in ink, as 9/11 put a monkey wrench into established trending formulas and principles. How does one calculate the cost of terrorism and the resulting impact on a business or economic forecast? What if another (God forbid) tragic event occurs? Established principles of guidance are a bit obsolete as of late.

"What we've seen in the past, historically, is when you have these type of shock events, they tend to affect expectations more than people's assessment of current conditions. If the fear and the cause abates, generally you have a bounceback in confidence if the economy is strong," **Lynn Franco**, Director of the Conference Board's Consumer Research Center, tells *RBR*. "The economy is not strong now, so this kind of waiting for the other shoe to drop would affect people's expectations."

It's a bit confusing—while the Conference Board's index of newspaper want ads, a key barometer of the job market and the economy, fell from 52 to 46 in October (the lowest reading since 1982) other numbers have been positive. "We did see last month a pickup in consumers' expectations. If that continues, it may signal that we're kind of bottoming out. But expectations are still at very weak levels," adds Franco.

The Commerce Department said orders to US factories shot up 12.8% in October, reflecting stronger demand for airplanes, cars and computers. This, after new orders dropped 9.2% in September. The rebound was seen in durable goods—items expected to last at least three years—but largely due to military buying for the war effort. The October increase was the first since May and the largest since the government began keeping records in March '92, based on the current system.

The Commerce Department also reported 11/29 that new home sales posted a seasonally adjusted annual rate of 880,000 in October, a 0.2% gain from the upwardly revised September rate of 878,000. "These strong housing numbers reflect October's average monthly 30-year mortgage interest rates, just above 6.5%, which were essentially the lowest rates since the 1960s," said **Bruce Smith**, president of the National Association of Home Builders. "Consumers responded to these very favorable mortgage rates, despite the overall weakness in the economy and the continued economic fallout generated by the events of Sept. 11."

Lynn Franco

Are these signs of a recovery? Some point to what buoyed the increase and dismiss its possibility as a true indicator of recovery. "While [the] news is welcome, most of the rise in new orders is clearly due to a response to September 11, the war in Afghanistan and an incentive-driven pickup in auto sales–not to a general revival in the business climate," says National Association of Manufacturers (NAM) President **Jerry Jasinowski**. "By far, the largest increase was in new orders for defense capital goods, which soared 206%, or $12.4B, last month. The second major increase took place in motor vehicles orders, which rose by 10.6% in response to the surge of auto purchases in October due to 0% financing offered by major auto companies. Together, defense and autos were responsible for three quarters of last month's rise in new orders. Excluding autos and defense, new orders rose a more modest 4%. Some sectors were up while others were down. Clearly we are in the midst of an industry-led recession." (continued in part II)

Coming 1/7: Part Two. What are radio companies planning for Q1 and Q2? How does 0% financing impact auto advertising plans? Plus, more predictions of what's ahead for the economy.

By Jack Messmer

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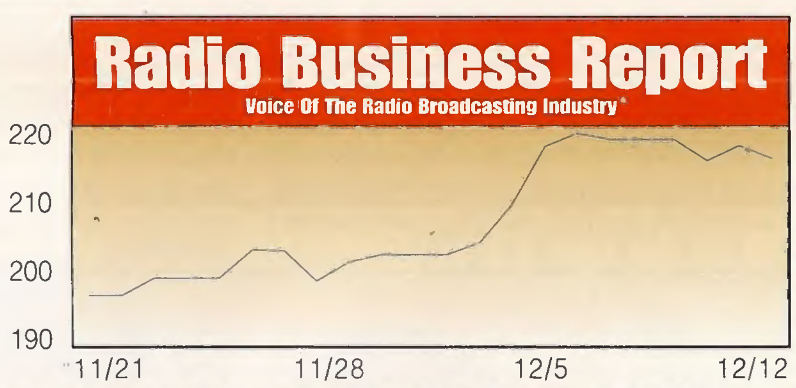

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CCU seeking Polish investments

The *Warsaw Business Journal* quotes **Kalina Janicka**, President of Clear Channel Poland (formerly called Plakanda), as saying that the company has no current interest in buying a stake in a Polish radio group, but wants to spend about $6M over the next year to add to its outdoor operation in Poland.

Janicka told the paper that Clear Channel Poland would only be interested in buying into a Polish radio group if it could be the controlling shareholder. Polish law currently requires that broadcast licensees be more than 50% owned by Polish citizens.

As with most of the world, ad spending is down in Poland, so Clear Channel Poland—which commands about 15% of the country's outdoor ad market—is expecting 2001 revenues of about $12.5M, down from last year's $19.5M.

Gentner closes stock offering

Gentner (O:GTNR) says it netted $23.8M from its expanded offering of 1.5M new shares. A little quick math shows that the underwriters were paid $1.7M from the gross take of $25.5M. The private placement was handled by Wedbush Morgan Securities.

Gentner—which will change its name to ClearOne Communications (O:CLRO) on 1/1/02—also announced the promotion of three executives. VP stripes have been awarded to **Angelina Beitia**, head of marketing, **DeLonnie Call**, head of human resources, and **Kevin Davis**, head of conferencing services.

Television Business Report™

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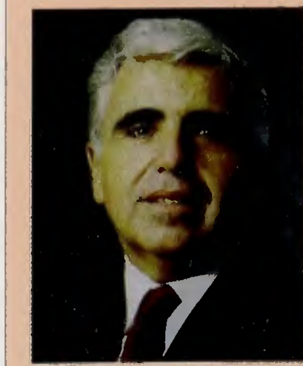
Mel merges UPN operations into CBS



Mel Karmazin

Les Moonves is going to be at the helm of not just one, but two over-the-air TV networks. Viacom (N:VIA) President **Mel Karmazin** announced (12/10) that, beginning with the New Year, Moonves will be responsible for UPN and its O&O stations as well as his current role heading CBS-TV and its O&Os. Moonves' title will continue to be President and CEO of CBS.

"Today's announcement is the culmination of a process that began with the merger of Viacom and CBS and realizes an important opportunity to bring new efficiencies to the broadcast business, while maintaining the distinct voices of CBS and UPN as leaders in free, over-the-air broadcasting," Karmazin said.

UPN had been built by **Kerry McCluggage**, Chairman of the Paramount Television Group, who will be leaving Viacom as the new structure is implemented next month. He had reported to **Jonathan Dolgen**, Chairman of the Viacom Entertainment Group. Dolgen will continue to head that group, which incorporates Viacom's movie and TV production operations.

UPN premiered 1/16/95 with programming on only two weeknights. Today it has prime time programming seven nights a week and covers 84% of the US audience with its O&O and affiliate stations. Viacom bought out former 50/50 partner Chris-Craft's UPN stake several months ago.—JM

Terrestrial TV wins a round in court

A federal appeals court 12/7 upheld an FCC requirement that satellite TV providers must carry all or none when it comes to local TV signals. EchoStar (O:DISH) and Hughes' (N:GMH) DirectTV—which now plan to merge—had sued last year in an attempt to have the rule thrown out as a violation of the First Amendment. A US District Court ruled in favor of the FCC last June and that's now been upheld by a three-judge panel of the US 4th Circuit Court of Appeals in Richmond, VA. The satellite TV companies could now appeal the decision either to the full appeals court or to the US Supreme Court.

As it stands now, the FCC rule regarding local signal retransmission will take effect New Year's day. If a satellite TV company offers subscribers a satellite retransmission of one terrestrial TV signal in their market, it must offer all of the terrestrial signals in that market.

***RBR* observation**: Although only a few local signals are currently being offered by EchoStar and DirecTV, both companies are adding channel capacity to do away with the need for subscribers to maintain an antenna to watch their local TV news. However, the two companies want only to retransmit the most desirable local signals—the big network affiliates—but not less watched signals, such as Religious and Home Shopping Network stations.—JM

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Of the stocks that Marsh covers, not one is now rated a "strong buy." He lowered Clear Channel (N:CCU) to "buy" and kept Emmis (O:EMMS) at "buy." Cumulus (O:CMLS), Hearst-Argyle (N:HTV), Radio One (O:ROIAK), Regent (O:RGCI) and Salem (O:SALM) are all rated "market perform" by Marsh, down from "buy."

CCU seeking Polish investments

The *Warsaw Business Journal* quotes **Kalina Janicka**, President of Clear Channel Poland (formerly called Plakanda), as saying that the company has no current interest in buying a stake in a Polish radio group, but wants to spend about $6M over the next year to add to its outdoor operation in Poland.

Janicka told the paper that Clear Channel Poland would only be interested in buying into a Polish radio group if it could be the controlling shareholder. Polish law currently requires that broadcast licensees be more than 50% owned by Polish citizens.

As with much of the world, ad spending is down in Poland, so Clear Channel Poland—which commands about 15% of the country's outdoor ad market—is expecting 2001 revenues of about $12.5M, down from last year's $19.5M.

Gentner closes stock offering

Gentner (O:GTNR) says it netted $23.8M from its expanded offering of 1.5M new shares. A little quick math shows that the underwriters were paid $1.7M from the gross take of $25.5M. The private placement was handled by Wedbush Morgan Securities.

Gentner—which will change its name to ClearOne Communications (O:CLRO) on 1/1/02—also announced the promotion of three executives. VP stripes have been awarded to **Angelina Beitia**, head of marketing, **DeLonnie Call**, head of human resources, and **Kevin Davis**, head of conferencing services.

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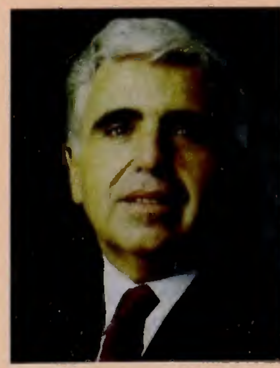
Mel merges UPN operations into CBS


Mel Karmazin

Les Moonves is going to be at the helm of not just one, but two over-the-air TV networks. Viacom (N:VIA) President **Mel Karmazin** announced (12/10) that, beginning with the New Year, Moonves will be responsible for UPN and its O&O stations as well as his current role heading CBS-TV and its O&Os. Moonves' title will continue to be President and CEO of CBS.

"Today's announcement is the culmination of a process that began with the merger of Viacom and CBS and realizes an important opportunity to bring new efficiencies to the broadcast business, while maintaining the distinct voices of CBS and UPN as leaders in free, over-the-air broadcasting," Karmazin said.

UPN had been built by **Kerry McCluggage**, Chairman of the Paramount Television Group, who will be leaving Viacom as the new structure is implemented next month. He had reported to **Jonathan Dolgen**, Chairman of the Viacom Entertainment Group. Dolgen will continue to head that group, which incorporates Viacom's movie and TV production operations.

UPN premiered 1/16/95 with programming on only two weeknights. Today it has prime time programming seven nights a week and covers 84% of the US audience with its O&O and affiliate stations. Viacom bought out former 50/50 partner Chris-Craft's UPN stake several months ago.—JM

Terrestrial TV wins a round in court

A federal appeals court 12/7 upheld an FCC requirement that satellite TV providers must carry all or none when it comes to local TV signals. EchoStar (O:DISH) and Hughes' (N:GMH) DirectTV—which now plan to merge—had sued last year in an attempt to have the rule thrown out as a violation of the First Amendment. A US District Court ruled in favor of the FCC last June and that's now been upheld by a three-judge panel of the US 4th Circuit Court of Appeals in Richmond, VA. The satellite TV companies could now appeal the decision either to the full appeals court or to the US Supreme Court.

As it stands now, the FCC rule regarding local signal retransmission will take effect New Year's day. If a satellite TV company offers subscribers a satellite retransmission of one terrestrial TV signal in their market, it must offer all of the terrestrial signals in that market.

***RBR* observation**: Although only a few local signals are currently being offered by EchoStar and DirecTV, both companies are adding channel capacity to do away with the need for subscribers to maintain an antenna to watch their local TV news. However, the two companies want only to retransmit the most desirable local signals—the big network affiliates—but not less watched signals, such as Religious and Home Shopping Network stations.—JM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