Radio Business Report™

Voice Of The Radio Broadcasting Industry®

May 13, 2002 — Volume 19, Issue 18

At deadline...

Cumulus Media (O:CMLS) sold 8.6M shares of stock. Part of the $55.6M take will be used to fund its Saginaw purchase (see page 4). Lead underwriter: Deutsche Bank Securities

David Field new Entercom CEO

Entercom (N:ETM) founder **Joe Field** has turned over the CEO title to his son, **David Field.** Joe will continue as Chairman, but David is now President and Chief Executive Officer.

Doctor on forced vacation

"Good Morning America" medical correspondent Dr. **Nancy Snyderman** has been given a one-week suspension. She violated the policies of ABC News when she did a radio commercial for Tylenol.

Radio One closes in Atlanta

WHTA-FM is now officially a part of the Radio One (O:ROIA) portfolio. The former WPEZ-FM, once part of the Macon market, now beams into Atlanta from its new city of license—Hampton, GA.

Alpine shipping $299 XM radio package

Alpine Electronics has begun shipping its new XMA-T200RF Universal XM Satellite Radio package, which includes a tuner box (TUA-T020XM), its controller/modulator (CRA-1667RF) and wireless remote control, for $299.

ABC ups Mike Rizzo

ABC News Radio has promoted Executive Producer/Sports **Mike Rizzo** to GM/News and Sports Coverage, reporting to ABC News VP/Radio **Chris Berry**. Rizzo has been with ABC for 22 years.

Salem lands a Fish in Portland

KFIS-FM is now officially a part of the Salem Communications (O:SALM) portfolio. Salem's Contemporary Christian "Fish" format is already installed on the station, which the company has been operating under an LMA since October.

O'Reilly to keynote Radio Show

Bill O'Reilly who kicked off his syndicated "The Radio Factor" for Westwood One (N:WON) last Wednesday (5/8), has been signed to keynote the NAB Radio Show 9/13 in Seattle.

MAB announced summer meeting

The Michigan Association of Broadcasters' annual meeting and management retreat has been scheduled for 7/25-7/27 at the Soaring Eagle Resort in Mt. Pleasant.

Funches heads for the Big Easy

Muriel R. Funches, who has been filling the VP/GM slot for Clear Channel (N:CCU) at KHMX-FM and KODA-FM in Houston, is heading east. She is now VP/Market Manager for CCU's seven-station cluster in New Orleans.

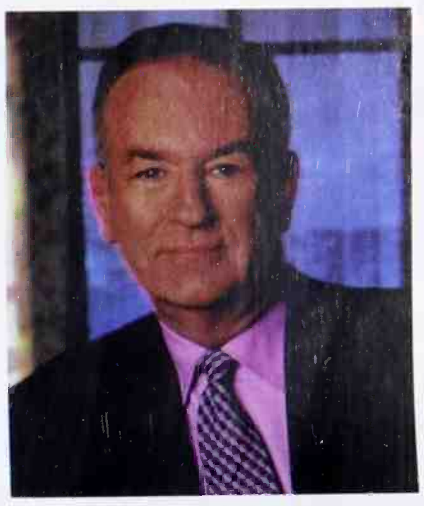
Joel Hollander

Hollander: Not paying comp for O'Reilly

On the eve of the 5/8 launch of **Bill O'Reilly**'s new show, Westwood One (N:WON) CEO **Joel Hollander** quickly debunked an "exclusive" report by Premiere's **Matt Drudge**, posted 5/7 on the DrudgeReport.com, which claimed that WW1 was paying hundreds of thousand of dollars per market to clear O'Reilly's "The Radio Factor" in major markets.

Asked about the claim in his quarterly conference call by CS First Boston analyst **Paul Sweeney**, Hollander said the report was not true. "You can never believe what the newspapers write. We don't pay comp for Bill O'Reilly. We pay comp on our radio networks. There was another personality at another network that is a little upset and jealous that he can't get into prime time—and you're going to see a lot of these articles written over the next month, two months, especially the day before launch. There's not many times when you get to launch a show with 216 affiliates. Now, if we needed to pay comp to get on in a market where we were void and we had no other choice, we would consider doing that—but that is not something that we have to do at this point," Hollander said.

Drudge claimed that WOR-AM New York was getting $300K in comp. WOR GM **Bob Bruno** tells *RBR*: "We don't discuss our contracts or agreements with outside vendors or suppliers. One thing is true: We're delighted to have Bill O'Reilly. He's going to be a great addition to our lineup."



Bill O'Reilly

Hollander was ecstatic about prospects for the record-breaking launch with an affiliate lineup that he called "oceanfront property." WW1 is projecting that O'Reilly will add $3M in cash flow for the show's first year, but Hollander noted that there's a lot of potential upside. He estimated that Premiere's **Rush Limbaugh** show (with three hours of daily inventory vs. two hours for O'Reilly) is booking $40-50M in annual advertising with a cash flow margin around 50%.

In his recent interview with *RBR* (4/29, p. 4), O'Reilly struck back at Matt Drudge for publishing articles claiming that O'Reilly was trying to take advantage of Rush Limbaugh's hearing loss (since rectified by a surgical implant) by going head-to-head with Limbaugh in the same time slot.

"Now what Drudge did was he took—and I know who did it, because this is a very small business—somebody who called him up fed him this stuff and didn't want me to go on the radio because by me doing so, this person may be hurt in his business. And I told Drudge he was being used by this person and that what he printed was absolutely untrue and unfair. That's life in the fame lane, that's what happened, but I'm not going to sit for it," O'Reilly said.—JM, CM

April auto sales finish strong

The RAB reports U.S. auto sales approached record levels with an overall gain of 2.8% in April, which qualified as the first year-over-year monthly increase of 2002. The latest figures from Autodata Corp. show that new cars, minivans, SUVs, and pickups sold at an annualized rate of 17.4M units vs. 16.65M last year. SUVs and luxury vehicles turned out to be the hottest sellers in America during April as brand new products, generous discounting, a recovering economy, and growing consumer confidence continued to push domestic auto sales forward.

Total auto sales amounted to approximately 1.45M new vehicles last month, up from 1.35M in April 2001. Optimistic automakers have revised their definition of normal sales levels and increased their predictions to 17M units or more this year. General Motors led the way for the Big Three last month with sales 13% higher than a year ago. DaimlerChrysler's performance showed signs of improvement with a 3% gain while Ford sales slipped 8%.

NAB nabs seven for boardroom duty

The National Association of Broadcasters has appointed three new members to the NAB Radio Board and reappointed four others.

Joining the Radio Board are **Lew Dickey**, Cumulus (O:CMLS), **David Field**, Entercom (N:ETM), and **Mark Mays**, Clear Channel (N:CCU).

The four having their board seats renewed are **Ronald Davenport Jr.**, Sheridan, **Marilyn Kushak**, Midwest Family; **Alfred Liggins**, Radio One (O:ROIA); and **Peter Smyth**, Greater Media.—DS

Lew Dickey

David Field

Mark Mays

NAB defends consolidation

In reply comments for the FCC's review of its local radio ownership limits, the NAB has repeated its assertion—a view also incorporated into the filings of several broadcasters—that the FCC has no legal authority to tighten the limits set by Congress in the 1996 Telecommunications Act. But even if the FCC did have that authority, the NAB said, opponents of consolidation failed to provide any evidence that consolidation has depressed competition. While the NAB and various broadcasters submitted studies demonstrating that programming diversity has increased since 1996, NAB charged that the naysayers, such as the United Church of Christ, had submitted only anecdotal claims of decreased diversity and anti-competitive behavior.

"The failure of commenters such as UCC to provide evidence demonstrating that recent increases in ownership concentration have had deleterious marketplace effects appears particularly striking because other commenters submitted studies showing that consolidation has not caused any significant increase in radio advertising rates and may in fact have resulted in lower prices for advertisers," NAB said in its 5/8 reply comments.

The NAB concludes that, at the very least, the FCC must refrain from reducing local radio ownership limits below those set by Congress in 1996. —JM

Radio Business Report
Voice Of The Radio Broadcasting Industry ®

May 13, 2002
Volume 19, Issue 18

Executive Editor .... Jack Messmer
Managing Editor .... Dave Seyler
Senior Editor .... Carl Marcucci
Production .... Michael Whalen
VP Administration .... Cathy Carnegie
FCC Research Consultant .... Mona Wargo
Administrative Assistant .... April Olson
Publisher .... Jim Carnegie
VP/GM, Associate Publisher .... Ken Lee
Senior Account Executive .... John Neff
Account Executive .... June Barnes

Editorial Advertising Offices
6208-B Old Franconia Road
Alexandria, VA 22310
PO Box 782 Springfield, VA 22150

Main Phone: 703/719-9500
Editorial Fax: 703/719-7910
Sales Fax: 703/719-9509
Subscription Phone: 703/719-7721
Subscription Fax: 703/719-7725

Email Addresses
Publisher: .... JCarnegie@rbr.com
Editorial: .... RadioNews@rbr.com
Sales: .... KLee@rbr.com
JNeff@rbr.com

Bradenton, FL Office
Jack Messmer
Phone: 941/792-1631
Fax: 253/541-0070
Email: .... JMessmer@rbr.com

Nashville, TN Sales Office
June Barnes
Phone: 615/360-7875
Fax: 615/361-6075
Email: .... JBarnes@rbr.com

Brookfield, CT Sales Office
David Frankel
Phone: 203/775-3928
Email: .... dfrankel@rbr.com

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

Subscription rate: One year $220.

RADIO NEWS®

Interep raises $5M

Interep (O:IREP) said it would have a new financing package in place in plenty of time for its 7/1 bond payment (*RBR* 5/6, p. 1)—and indeed it has. The radio rep firm sold $5M in new securities through a 5/9 private placement. Although not announced by Interep, a separate SEC filing revealed that the buyers were mutual funds managed by self-described "media maven" **Mario Gabelli.** Gabelli already owned about 6.3% of Interep before the deal. If all of the convertible shares and warrants were exercised and converted into common stock, the Gabelli funds would own 28.17% of Interep's equity.

Cue licenses iBiquity's IBOC technology

Traffic information services provider CUE Corporation announced 5/2 it has agreed to terms with iBiquity Digital to license its AM and FM IBOC technology to deliver real time traffic information and other telematics services over FM stations utilizing IBOC technology in the future. CUE currently broadcasts real time, route specific traffic information over 50 markets in the US over its FM subcarrier network of 500 radio stations. The company also broadcasts Emergency Weather Warnings for the National Weather Service in Washington, D.C. as a public service. The company's telematics service offerings offer hourly Weather Forecasts and News Alerts, as well as Flight Delay information. CUE also announced recently it was extending its service to Canada in association with Rogers Communications.

Viacom is KCAL-ifornia dreamin'—of a radio buyer

Viacom (N:VIA) may or may not know who wants one of its Los Angeles area radio stations. Regardless, it has six months to strike a deal, as the FCC granted both its acquisition of KCAL-TV from Fidelity Television and its request for six months to spin off a radio station to come back into compliance with the local ownership caps.

Two TVs are OK if there are at least eight independently-owned full power commercial and/or noncommercial television outlets in the market, and as long as one of the two stations is ranked fifth or lower among that group.

The maximum number of radio stations co-owned with a television duopoly is six. Viacom must shed one to come into compliance.

Commissioner Michael Copps went to the trouble to issue a separate statement on the matter. It was a bit odd, as he supported the six-month waiver, saying, "...I believe the unique vibrancy of the Los Angeles market can support the waiver for such a brief period of time." He basically laid the groundwork for his future dissension, should Viacom take too much time spinning a radio station. "I do not expect to see, nor do I expect to support, a request for an extension of the waiver we grant today."—DS

NAB to honor Dick Ferguson

Dick Ferguson will be honored in Seattle at the NAB Radio Show with the 2002 National Radio Award. Ferguson is Co-COO of Cox Radio (N:CXR) and previously headed his own group, NewCity Communications. He's also served as Chairman of both the NAB Radio Board and Joint Board.

Braiker exits New Northwest

Ivan Braiker has resigned as President and COO of New Northwest Broadcasters, the group he co-founded in 1998. Chairman and CEO **Michael O'Shea** told *RBR* that Braiker will continue to be a "significant" shareholder and credited him with handling a lot of the heavy lifting in making consolidation work as the company acquired 43 stations in eight markets in 18 months. "That project is done," O'Shea noted. New Northwest's board of directors has authorized O'Shea to engage an executive search firm to seek out a potential new President with experience in driving revenues in small and medium markets.

KFI scrambles to apologize for "I Shot the Sheriff" goof up

KFI-AM's morning man Bill Handel admits he goofed big time by playing "I Shot the Sheriff" 5/30 behind news stories about L.A. County Sheriff David March being shot to death. The station quickly set up a special phone number to apologize to law enforcement officers and others and has posted the apology on its website (http://www.kfi640.com/deputy.html).

Washington Beat

EEO? You can en banc on it

The FCC is holding an en banc hearing on the reinstatement of EEO rules Monday, 6/24 from 10A-1P. The latest version of the rules is an attempt to find a set which will pass muster with the courts, which have already shot down two earlier version.

The hearings, which come almost a month after the final deadline for reply comments (the 4/15 comment deadline has already come and gone) will feature individuals representing both small and large broadcast and cable companies, as well as academics, association reps and groups in the public sector.—DS

News Briefs

7-UP launches radio ad campaign

7-UP announced 5/6 it's launching a new ad campaign for radio that features music by GRAMMY-nominated British R&B artist Craig David and Urban/CHR artist Willa Ford.

In the "7 UP Explains the Lyrics" radio ad campaign, the well-intentioned, yet clueless, 7 UP marketing executive from the brand's TV advertising campaign tries to interpret, and ends up misinterpreting, certain lyrics from the following hit songs: Craig David's "7 Days" and Willa Ford's "I Wanna Be Bad."

In addition to hearing the two 7-UP radio commercials, consumers also will see a variety of TV spots in 2002. The TV and radio commercials were created for 7-UP by Young & Rubicam New York.

Radio One names Leslie Bauer new CIO

Radio One announced 5/4 it has hired Leslie C. Bauer as its Chief Information Officer. She will be responsible for the strategic development and implementation of all of Radio One's information technology needs and resources. She reports to Radio One EVP/CFO Scott Royster. Her IT experience spans over 20 years, 10 of which were spent at IBM and the last several as the CIO of U.S. Foodservice.

ABC taxies into Tijuana

The FCC has granted ABC Radio (N:DIS) the right to transmit US-originated programming from a facility located in Mexico. XEMM-AM, like numerous other co-located signals, beams into the San Diego market from just across the border in Tijuana, Mexico. ABC will put its ESPN Radio Network on the station, going head-to-head with another border-crossing station: Clear Channel's (N:CCU) XTRA-AM.—DS

Jacobs warns against overheated station market

Regent Communications (O:RGCI) reported Q1 results right in line with the early estimates it released 4/10. net revenues were up 14.6% to $13M and broadcast cash flow was up 5.1% On a same station basis, that worked out to a revenue decline of 2.4% and a BCF decline of 9.7%.

With around $75M in cash on hand from its recent add-on equity offering, Regent is ready for more expansion. But in his conference call with analysts, CEO **Terry Jacobs** said he won't overpay if the market starts moving back to the sky-high prices seen just a couple of years ago.

"We're looking at a number of things. But I want to point out, that as we look out to acquisitions, we have a concern that all of us, I think, share, in that certain of our competitors, as they gain access to the capital markets, might repeat the mistakes of the past and create an overheated market for overpaying. I would remind everybody, however, that in the past, even in challenging times Regent's exercised our acquisition discipline and we've never deviated from our strategy," Jacobs said. "We're confident that we're going to be able to utilize this balance sheet that's now one of the strongest in the industry to effectively make prudent acquisitions that meet our criteria of creating shareholder value."

For Q2, Regent is telling Wall Street to expect same station revenues to be up 2-4%.

RBR Stats

Where's the beef? FCC tabulates complaints

The FCC has released its latest quarterly stats on complaints and inquiries received. Broadcasters were relatively ignored, amassing only 270 for the Q1 2002. Cable complaints totaled only 167.

By far, the most action involves billing & rates for wireline telecommunications, which drew 3,350 of the total 7,204 complaints filed for the category. Wireless telecom was well below that level, but still vastly more active than broadcast/cable, with 1,850 billing/rates complaints out of a total of 2,978.

Did something happen in March to spur a wave of risque programming? Broadcast indecency complaints swelled to 161 that month, compared to only 45 in January and 36 in February.

The charts below show the total complaints and inquiries to the FCC for broadscasters during the first quarter.—DS

Broadcast Programming Complaints

	Jan	Feb	March	Q1
Indecency/Obscenity	45	36	161	242
General criticism	9	0	2	11
Other	6	1	4	11
Religious	1	1	4	6
Total	61	38	171	270

Broadcasting: General Inquiries

	Jan	Feb	March	Q1
General info	277	237	277	791
Starting a station	240	217	210	667
Low power info	272	259	261	792
O'Hair religious rumor	31	12	23	66
Programming/content	486	437	451	1,374
Total	1,306	1,162	1,222	3,690

by Dave Seyler

The Cumulus program: Shoot for the center

Cumulus in a box

Cumulus Media (O:CMLS) is the quintessential medium-to-small market group. Almost all of its properties are in or very near Arbitron markets, with the vast majority of stations falling into the 101-200 range. Almost 63% of its markets and stations fall into that group.

Although it has a presence in all parts of the US, its markets tend to be bunched toward the middle of the country. It also has a distinct southern flavor—the South contains by far its most dense regional concentration, and its Southwest-Rockies contingent is almost entirely made up of stations in Texas, which borders the South.

Cumulus enjoys 1st place status in 24 of its markets (47%), and is in either 1st or 2nd place in 44 of them (86%).

76% of its markets are home to superduopoly clusters (39 of 51), and only three markets are not at least in a duopoly, meaning that its consolidation level is 94%.

[Editor's note: We see at deadline that Cumulus, rather than selling its Saginaw standalone to Wilks, is reacquiring it along with the rest of the Wilks cluster, taking its superduop rate to 78% and its overall consolidation rate to 96%.]

The first part of the charts below shows the number of stations in each category. The next grouping shows the number of superduopoldies, duopolies, AM-FM combos and standalones. The third group shows the number of times Cumulus is 1st or 2nd in aggregate ratings, the number of times it goes head-to-head with Clear Channel (N:CCU), and the number of times it beats Clear Channel.

Country, Urban formats lead the way

The format lineup at Cumulus is almost a pitch-perfect replica of the format choices of listeners in its markets.

Country is king in the smaller markets, and it is king at Cumulus as well. Country does not do well in the largest markets, a fact which hurts its total listenership totals. It means that Cumulus' total Country audience, which makes up 19.8% of its total listenership, is almost twice what you'd expect from an average US radio group, but at the same time it's almost dead on par with the averages in the markets Cumulus operates in.

Urban is a big format in the South, where Cumulus has a big presence, and Cumulus is there, offering the format well above the national rate, but only somewhat above the Cumulus market rate. Cumulus' presence in CHR, Rock and Oldies is also dead on par with its markets.

If there is a format that Cumulus seems to gravitate to, it's Classic Rock-Classic Hits. Cumulus doubles the national average, and is well above the market average.

The group seems to shy away from the AC group (the ACs it does run tend to be of the Hot variety, without little or no presence in the Soft AC strain), nor does it put much emphasis on News-Talk stations. That said, Cumulus does not ignore these important format groups, maintaining a strong presence in each.

Cumulus is not big on niche formats, although it will carry them here and there. The lone weird stat on the chart below shows how Cumulus has nearly cornered the market on Smooth Jazz in its markets with almost no Smooth Jazz listenership—a testament to the almost total lack of Smooth Jazz stations in the smaller market sizes.

Cumulus by market size

Mkt size	Mkts	AMs	FMs	Sup	Dup	Com	Stnd	1st	2nd	CCU	Win
1-50	2	0	4	1	0	0	1	0	0	2	0
51-100	5	7	16	3	2	0	0	2	3	4	1
101-150	17	25	52	10	5	1	1	7	6	10	4
151-200	15	20	56	13	2	0	0	9	6	8	4
201-250	8	7	32	8	0	0	0	5	3	4	1
250-smlr	4	7	17	4	0	0	0	1	2	2	1
TOTAL	51	66	177	39	9	1	2	24	20	30	11

Cumulus by region

Region	Mkts	AMs	FMs	Sup	Dup	Com	Stnd	1st	2nd	CCU	Win
Northeast	6	8	15	2	3	1	0	3	3	3	1
Mid-Atl	5	8	20	4	1	0	0	1	4	4	0
South	17	26	67	15	2	0	0	8	6	11	5
Midwest	12	13	36	9	2	0	1	7	3	3	0
SW-Rockies	8	8	30	7	0	0	1	4	3	7	4
Pacific	3	3	9	2	1	0	0	1	2	2	1
TOTAL	51	66	177	39	9	1	2	24	20	30	11

Charting Cumulus

FMT	CMLS Stns	CMLS Pct	US Pct.	Mkt Pct.	US Index	MKt Index
Ctry	35	19.8	11.0	18.3	180	108
Urb	18	16.1	10.5	12.1	153	133
CHR	23	12.6	11.3	12.2	112	103
ClsRk	28	12.0	6.0	7.9	200	152
AC	23	10.3	14.0	14.2	74	73
NT	31	8.6	15.9	11.0	54	78
Old	21	6.4	5.4	6.0	119	107
Rk	13	6.3	5.3	6.2	119	102
Stds	11	2.8	3.1	3.5	90	80
Rel	9	2.3	2.6	3.5	88	66
Altv	6	2.2	4.2	2.5	52	88
SmJz	3	0.7	2.5	0.4	28	175
Span	0	0	6.6	1.7	0	0
Var	0	0	0.1	0.5	0	0
Clscl	0	0	1.4	0.1	0	0

By Jack Messmer

Randy Michaels

Clear Channel Radio revenues up 3.3%

Radio was one of two divisions with revenue gains for Q1 at Clear Channel (N:CCU) and the only one to increase cash flow. Radio revenues were up 3.3% to $782.8M, with cash flow (EBITDA) gaining 3.4% to $303.6M. On a pro forma basis, radio revenues were up 2.4% and cash flow 3.2%.

Clear Channel Entertainment had the biggest revenue gain—up 18.6% to $475.8M—but saw cash flow drop 10.6% to $15M. CCU's relatively small TV division is lumped into the "other" category, where revenues were down 0.1% to $101.4M and EBITDA dropped 29.3% to $15.9M.

President **Mark Mays** told analysts that things are looking brighter for radio in Q2: "As you know, February was a little soft in Q1; March was very strong in Q1. It looks as though April will equal March. It looks as though May will be better than April and it looks like June will be better than May. So we definitely, as **Lowry** said, tend to have a positive momentum and we would anticipate that radio would be up low to mid single digits on the revenue line for Q2."

"The great news is demand is up, so pricing is moving up," CCU Radio CEO **Randy Michaels** added later in the company's quarterly conference call with analysts.

Michaels declared that the new regional data crunches that Clear Channel negotiated last year with Arbitron (N:ARB) are "truly powerful voodoo." Although the breakouts won't be available for all CCU markets until the Spring book is delivered, CCU has been using test data in Florida, Ohio and Iowa. Michaels said the data that measures listening across broad areas, rather than just in-market, is proving his long-held contention that many of Clear Channel's powerhouse AMs deliver far larger audiences than they've been given credit for in the past. For example, in Ohio—where WLW-AM Cincinnati is one of those regional flamethrowers—Michaels says the regional data has already brought in $4M in new revenues.

***RBR* observation:** Rep. **Howard Berman** (D-CA) ought to check out that Q1 report for Clear Channel Entertainment—revenues of $475.8M and cash flow of $15M. That's a pathetic margin of 3.2%! If Clear Channel has, as Berman charges, monopolized the concert business, the Harvard Business School didn't teach Lowry, Mark and **Randall Mays** much about monopoly pricing.

Olympics gave WW1 Q1 boost

$5M in billings from Winter Olympics coverage helped power Westwood One (N:WON) to record Q1 revenues of $126.3M, a gain of 4% from a year earlier. In fact, those $5M in billings accounted for the entire $4.7M gain. Operating cash flow rose 10% to $32.2M.

"We continue to see improvement in the advertising marketplace and I'm very optimistic we will continue to see improvement as the year progresses," CEO **Joel Hollander** told analysts. "We are now in the midst of three positive months—April, May and June—for the first time in quite some time. So we're excited about that. Accordingly, we are raising our estimates of full-year EBITDA and free cash flow to $185M and $113M respectively. Free cash flow per share is still expected to grow by 15%. For the second quarter we expect revenue to increase low to mid single digits from the second quarter of 2001 and EBITDA to increase double digits."

Analysts sought an update on whether Clear Channel (N:CCU) was returning its stations to WW1's Metro Traffic after shelving plans to expand its own traffic service. Exec. VP **Shane Coppola** reported that at its peak, CCU had traffic operations in 20 Metro markets, but that two have now returned to Metro—and that talks are underway with CCU about a half dozen of the remaining 18 markets. "Our business works with or without them," Coppola said, "but we prefer to work with them. We think there's mutual benefits to both parties."

Hollander noted that Metro just launched its latest traffic market, Little Rock, AR, with Clear Channel's cluster as affiliates.

The CEO also gave some insight into how Viacom's (N:VIA) cross-platform selling operation, Viacom Plus, is benefiting WW1, which is partly owned by Viacom. "It's great for us. Certainly the assets of Viacom are unbelievable. There are times when we get to get included in there. Most recently we got an order for the Wall Street Journal Radio Network through Viacom Plus for **Imus** and for **Charles Osgood**, so we're very excited about that. So that's kind of like a cherry on the cake for us," Hollander explained.

McCord & Feuer: They're back...

Two former group owners have teamed up to get back into radio ownership. According to the *Amarillo Globe-News*, **Herb McCord** and **Norm Feuer**—calling themselves Feuer-McCord Communications Inc.—were the top bidders at the Potter County District Court for KPQZ-FM, which has been under court receivership for nearly a year (RBR.com 6/21/01). McCord and Feuer bid $3M for the station—the second highest price ever paid for a station in Amarillo and by far the most ever for a stick. By comparison, Cumulus (O:CMLS) assembled its entire six-station cluster for around $6M. Receiver **Roger Cox** told the newspaper that he expects to enter into an LMA with McCord and Feuer so they can get the station back on the air soon.

***RBR* observation:** As we reported last year, this was the second trip through receivership for KPQZ. Former owner Socorro Mandujano bought it out of receivership in 1998 for $790K, but operated the station for barely more than three years before it was once again in receivership.

Cumulus buys Wilks' Saginaw cluster

Saginaw, MI is the latest new market for Cumulus Media (O:CMLS). **Lew Dickey** & company are paying$55.6M for WSGW-AM, WGER-FM, WTCF-FM, WCEN-FM & WLTZ-FM. **Jeff Wilks** assembled the cluster in three transactions over the past two years for a total of $25.95M. Dickey told analysts that Wilks' sales staff has been building revenues and broadcast cash flow this year is projected at $4.7M, making the acquisition multiple 11.8 times. Broker: **Mike Bergner**, Bergner & Co.

***RBR* observation:** We hear Cumulus is also the winning bidder for US Broadcasting's (a/k/a Magic Broadcasting) three AM and four FM cluster in the Macon, GA market. Look for a price around $35-36M. **Doug Grimm**, who owns US with partner **Don McCoy** won't confirm that—he told us "there are no signed contracts yet."

Amarillo combo brings $1.1M

Rodriquez Communications, operating as Amigo Communications, is buying a combo to expand its Amarillo, TX superduopoly to five stations. Amigo, headed by **Marcos Rodriguez** and **Chuck Brooks**, is paying $1.1M for KTNZ-AM & KBZD-FM. The seller is Metropolitan Radio Group, headed by **Mark Acker**. Broker: **John Pierce**, John Pierce & Co.

***RBR* observation:** If we assume that Rodriguez is going to flip these stations to a Spanish format, this is also a stick deal—so how do we account for the price difference with the story in the left column? KPQZ is a Class C1 (100kw) and KBZD is a Class C3 (21.5kw). That justifies some price difference, but not $1.9M. Anyway you look at it, $3M is a really rich price for this market. What do Norm and Herb have up their sleeves?

Mobile duop split for $7M

Cumulus Media (O:CMLS) and **Ken Johnson**'s .COM+ will split Baldwin Broadcasting's FM duopoly in the Mobile, AL market, bringing to an end nearly three years of litigation between Baldwin owner **Barry Wood** and former GM **Bill Phillips**. According to the *Mobile Register*, the proposed sale and settlement got approval from a federal bankruptcy judge in Virginia last 5/3.

According to court documents, the settlement was reached 5/1, with **Bernard Dittman**'s WABB (FM) Inc. agreeing to bid $6.1M for the pair, which would have given him a four-station superduopoly. But that bid was topped at auction by Cumulus and Johnson. Apparently the split will have Cumulus paying $5.11M for WAVH-FM (its sixth station in the market) and Johnson paying $1.89M for WZEW-FM (for a duopoly with WNSP-FM). Phillips is to receive $2.46M under the settlement.

Maui FM brings $1.15M

George Hochman is getting a third FM in Hawaii. He's paying **Ivan Dixon** $1.15M for KONI-FM Lanai City, which is on the island of Maui. Hochman's current two stations, KITH-FM and KTOH-FM, are both on Kauai. Broker: Media Services Group

Greater Media adds in Monmouth-Ocean

Greater Media has announced a deal to increase its Monmouth-Ocean and Morristown, NJ adjacent market cluster from four stations to five. Its latest acquisition is Atlantic Broadcasting's WJRZ-FM. No other details were announced.

Hispanic lowers Q2 outlook

Hispanic Broadcasting Corp. (N:HSP) met expectations for Q1 with a little to spare, but apparently sparked some selling of its stock by lowering its outlook for Q2. The Thompson Financial/First Call consensus estimate had been for earnings per share to be 12 cents in Q2, but HBC this morning (5/7) to expect 10-11 cents.

"I will say this. May is better than April by a wide margin and June is better than May. We feel good about our business and hopefully our guidance will be conservative," CEO **Mac Tichenor** told analysts.

Q1 revenues were up 8.7% to $52M and broadcast cash flow gained 6.4% to $16.6M. After-tax cash flow declined 5.4% to $12.8M, or 12 cents per share. Earnings per share were six cents, beating the consensus by a penny.

On a same station basis, revenues were up 7% and BCF 4.7%.

Cumulus cash flow up double digits

Cumulus Media (O:CMLS) CEO **Lew Dickey** was happy to report his company's sixth consecutive quarter of EBITDA growth over the same period a year earlier. For Q1 broadcast cash flow shot up 25.4% to $11.5M and EBITDA was up an even stronger 49% to $8M. Those gains came on nearly flat revenues—up only 0.8% to $44.9M—as Dickey continued his campaign for higher quality revenues streams (*RBR* 5/6, p. 6). Low margin NTR and barter deals were down for the quarter (NTR revenues were 52% less), while spot sales were up, including a 14.6% gain for national spot sales.

"On pricing, we're definitely seeing some increased demand right now, which is starting to move prices up. Our average unit rate is moving up a little bit. The number of accounts is moving up—we're now up to about 5K accounts a month on the platform; we're selling about 1M spots a month throughout the platform—and that's definitely up over the last several months. So, we're seeing the number of accounts that we're selling and the number of accounts that we have on the air, everything is moving to indicate that demand is firming up. That's why we're starting to see some increased revenue," Dickey told analysts. "In terms of pacing against last year, April is pacing better than March and May is pacing better than April and June is pacing better than May. We're definitely seeing a positive trend in the second quarter."

For Q2, Cumulus is projecting that pro forma net revenues will rise 2-3% and BCF 10-12%.

Stellar Q1 for Radio One

You can add Radio One (O:ROIAK) to the list of radio groups who've blown away Q1 expectations with their actual performance. Net revenues were up 22% to $58.3M and broadcast cash flow was up 17% to $25.8M. On a same station basis, revenues were up 7% and BCF 10%.

Although only two analysts reported after-tax cash flow projections to Thompson Financial/First Call, they were looking for one cent per share. Radio One tripled that.

Based on current pacings, Radio One is expecting Q2 to be up double digits as well. Inventories are tightening, and CEO **Alfred Liggins** says that's leveled the playing field for radio in negotiations with ad buyers.

"The fact of the matter is, the economy is getting better. Advertising is linked to the economy and the psychology of the economy. I think radio took a real extreme drubbing last year and so we're coming back to normal growth rates. So we should be in good shape as a business. I [was] quoted [by] somebody as saying I think this year is going to be up 2-5%. [CFO] **Scott [Royster]** said he thought that the industry would be up 5%—but you never know. We were down so much last year we could get a big snap-back this year. I mean, down 7% as an industry [last year], that's a lot," Liggins told analysts.

For Q2, Radio One is projecting that revenues will be up 10.5% to $79M and BCF will grow 11.4% to $41M.

Entercom beats The Street

To mark his first day as CEO, **David Field** reported that Entercom (N:ETM) outperformed expectations for Q1. Net revenues grew 6.8% to $74.2M and broadcast cash flow was up 12.6% to $26M. On a same station basis, revenues were up 3% and BCF 6%. After-tax cash flow was 36 cents per share, beating the Thompson Financial/First Call consensus (four analysts) by a penny.

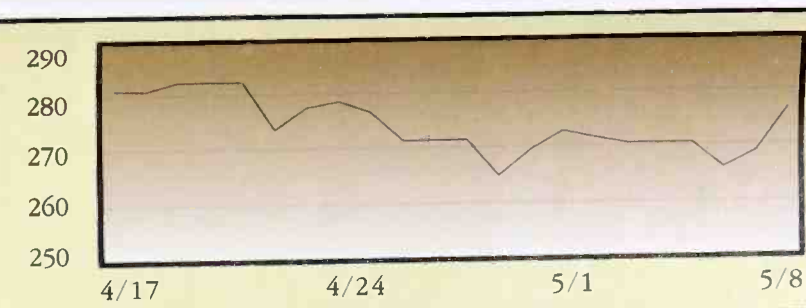
For Q2, Entercom is predicting that revenues will rise 5% and BCF 7%. In his conference call with analysts, Field indicated that Entercom is currently pacing even a bit better than that.

"I think more than the pacing number, what we're looking at is the confidence we have based on the timing of those orders. We have talked for many quarters, as have our peers, of the fact that visibility has been very difficult because we've entered months, frankly, not having a terrific sense of where we're going to end up because a substantial portion of the business has yet to be placed. That changes now as we look at our near future. In fact, the month of May, we entered the month of May basically with about 90% of our months done. We wouldn't want it to be any higher, because if it was any higher we obviously would be leaving money on the table and wouldn't be able to take advantage of other opportunities. But the fact that so much has been placed in advance is a reflection of the fact that advertisers are beginning to feel a change in the market conditions and are not able to sit on the sidelines and enter the fray at the last minute, hoping to steal a bargain," Field said.

Radio Business Report — Voice Of The Radio Broadcasting Industry

The Radio Index™

Radio stocks continued to drift. The Radio Index™ closed 5/8 at 276.451, up 3.767 from a week earlier.



Viacom's Bressler bullish on ad $'s, pacings

The upfront posturing continues. A confident Viacom (N:VIA) CFO **Rich Bressler** told attendees of the Banc of America Securities Conference 5/2 that he was seeing signs of low single digit revenue growth in both radio and television, with radio a bit stronger. He said pacings were looking better as well, with advertisers coming to the company and talking more about one to three month media plans rather than just a week ahead, as has been the case for a while in the downturn. "What gives us a level of confidence is that it's not just absolute radio dollars, but how they are buying," Bressler said.

He added that Infinity closed April with low-single-digit revenue growth and expects May's growth to be in the high single digits.—CM

Ch-ch-ch-ch-changes—channel changes, that is

As stations undertake their transition from analog to digital, many have found they'd rather head to a digital destination different from the one they hold a CP for. This requires a change to the Table of Allotments and a rulemaking. Here are some of the current requests.

Midessa Television Co. wants to take KWES-TV (ch. 9) in Odessa TX to channel 13 rather than ch. 15. This will allow it to use a common antenna and transmission line for its analog and digital signals, thus saving a great deal of cash.

For similar reasons, Georgia Public Telecommunications is asking that WGTV-TV Athens, GA move from ch. 8 to ch. 12, rather than ch. 22 as is currently licensed.

WPBN/WTOM License Subsidiary's ch. 4 WTOM-TV Cheboygan MI wants to substitute digital ch. 35 for ch. 14. This is to avoid interference with adjacent land-mobile operations.

Clear Channel (N:CCU) wants to take its WXXA-TV ch. 23 Albany NY to ch. 7 rather than ch. 4, which it says often has interference problems with videocassette recorders.

Another proposed substitution is in the Odessa-Midland market. Odessa Junior College wants to take its KOCV-TV from ch. 36 to ch. 38 rather than ch. 22. It says it will better be able to replicate its analog coverage on ch. 38 than on the other, where power is restricted by other stations.—DS

One more small step toward DTV

According to Reuters, cable company Communications Co. Inc. has announced that it will carry non-com digital television signals in its markets, totaling 31 stations on systems in Kentucky, Illinois, Indiana and Ohio.

Republicans look to TV to court Hispanics

The Republican party is forging a new path into the Hispanic community with a 30-minute television news magazine called "Forging New Paths"—"Abriendo Caminos" in Spanish. Reuters says the show is to be aired in six specially-targeted markets on Spanish language stations. The show is part of President George W. Bush's attempt to make greater inroads into the Hispanic population, which gave him about 35% of its vote in the 2000 election.—DS

DTV marches past 400

15 more stations made the switch from analog to digital transmission. The total now stands at 406, according the the NAB.—*JM, DS*

Diageo plans unwired TV net

Liquor conglomerate Diageo plans to create an unwired TV network of cable and local network to carry its spirits advertising, said **Guy Smith**, the liquor company's executive VP-marketing and external affairs, at Ad Age and Electronic Media's Upfront TV Advertising Summit 5/8. Smith said the goal is to attain national reach at network pricing.—CM

Russia launches DirecTV satellite

A Russian rocket blasted off 5/7, carrying into a space a Direct TV satellite aboard a Proton-K rocket that was launched form the Baikonur cosmodrome in Kazakhstan at 9:10 p.m. Moscow time (1710 GMT).—CM

Amarillo non-com looks to duck electric charge

KACV-TV, the channel 2 station of Amarillo Junior College District, is seeking to change its digital target channel from 21 to 8. It says the change will help it avoid an annual $240K in electricity bills. The FCC has agreed to consider the change, which requires an amendment to the Television Table of Allotments.—DS

King World ups Joe DiSalvo

King World Productions has named **Joe DiSalvo** its new President/Domestic Television Sales, replacing **Stu Stringfellow**, who retired in January. DiSalvo had been SVP/GSM of Domestic Syndication and Cable Sales since '99. DiSalvo reports to King World and CBS Enterprises CEO **Roger King**. DiSalvo's stripes include key roles in "Everybody Loves Raymond," "CSI: Crime Scene Investigation," "Dr. Phil" and "The **Oprah Winfrey** Show."—DS

Viacom joins forces with IBM

Viacom and IBM have joined forces 5/6 in a technology and consulting agreement to develop future digital-entertainment services for Viacom properties. Under the agreement, IBM will deploy a team of business and IT consultants with expertise in media and entertainment to help Viacom develop digital management of its entertainment content, wireless content delivery and computer services on demand. The deal includes services for MTV Networks, Showtime Networks, Paramount and CBS.—CM

ABC looking at Kimmel for "Politically Incorrect" replacement

The LA Times reports 5/4 that sources have said ABC is in discussions with comedian **Jimmy Kimmel**, co-host of Comedy Central's "The Man Show," to serve as host of a program that would replace its troubled late-night show "Politically Incorrect With **Bill Maher**."

Politically Incorrect airs weeknights at Midnight. The program's contract expires at the end of the year. The Times said ABC might want to have an announcement ready before unveiling next season's revised prime-time lineup to advertisers 5/14.—DS

Viacom's MTV adds two more channels

Viacom's MTV networks has launched two new 24-hour digital video channels: "MTVHits and MTVJams." The two add to MTV's "MTV2" (launched in '96) and "MTV Espanol" (launched in 97). The channels will offer MTV's CHR and Urban audiences music videos, harder and harder to find on the original MTV.—CM

Washington Beat

Senate sets showdown on 700 mHz auction

Sen. **Ted Stevens** (R-AK) has made good on his threat to oppose the Bush Adminstration's effort to postpone next month's scheduled auction of spectrum around 700 mHz (UHF channels 52-69). Stevens, who is ranking Republican on the Senate Appropriations Committee, is worried that any delay in the auction would delay the deployment of new wireless services to rural areas. His bill, formally introduced 5/8, would require the FCC to complete the auction by 9/30.

While Stevens' bill isn't likely to become law, it's main purpose appears to be to serve as a foil to a bill passed by the House 5/7 which would bar the FCC from going ahead with the auction, now set for 6/19, and instead postpone it for at lest a couple of years.

A Senate companion to the House bill has been introduced by Senators **John Ensign** (R-NV), and **John Kerry** (D-MA). Senate Commerce Committee Chairman **Ernest Hollings** (D-SC) has yet to schedule hearings on either Senate bill.—JM

Myers: Upfront market settling into routine

Prognisticator ***Jack Myers*** *published his take on the upfront TV season 5/9. Some excerpts.*

"After two years of disruption, the Upfront TV network selling season appears to be settling into a typical routine, as buyers and sellers engage in a mating dance marked by surprisingly consistent predictions of the unfolding market. Although these negotiations are generating a wide spread between buyers' goals and broadcast network sellers' needs, the actual projected disparity is minimal. Buyers appear to be prepared to accept average cost-per-thousand increases from broadcast networks in the 2% to 4% range, while the networks are projecting CPM increases ranging from +4% to +8%. The big question mark is whether overall market volume will surpass the conservative estimates of flat to +3 percent that most buyers are currently projecting...Networks are reported to be projecting cost-per-thousand increases of six to twelve percent, with expectations that the eventual broadcast CPM growth will be four percent."

UK media bill opens market to foreign companies

Get ready ABC, Clear Channel, Viacom and AOL/Time Warner: The UK government has drastically relaxed cross-media ownership rules 5/7 when it published a draft version of a new communications bill aimed at modernizing the UK media—allowing foreign companies to buy into terrestrial television and paving the way for mergers. The bill also lifts bans preventing ownership of more than one national commercial radio license and joint ownership of TV and radio stations. Large newspaper groups would also be able to acquire Channel 5 or radio licenses.

"For too long the UK's media have been over-regulated and over-protected from competition. The draft bill published today will liberalize the market, removing unnecessary regulatory burdens and cutting red tape, but at the same time retain key safeguards that will protect the diversity and plurality of our media," said Patricia Hewitt, the secretary of state at the Trade and Industry department, which is jointly sponsoring the bill with the Department of Culture, Media and Sport.

According to the new bill, the general disqualification of non-European ownership of broadcasting licenses would be abolished, allowing US companies to enter the UK market for the first time. However, the government said it would keep limits on cross-media ownership to safeguard the freedom of debate.

The bill, which is subject to a three-month consultation period, scrapped a ban on a single company running ITV, the UK's biggest commercial television channel, and ended regulation requiring independent television companies to have no more than a 15% share of TV audiences setting the stage for Carlton Communications and Granada, the two companies that control ITV, to merge.

The bill also retains the "Murdoch clause", which prevents newspaper groups with interests in more than 20% of the national market from owning a significant stake in ITV. The clause dashed hopes at **Rupert Murdoch**'s News Corp., which owns best selling UK newspapers The Times and The Sun, of making inroads into ITV through BskyB, the pay-TV broadcaster in which it owns 37.5%, but left News Corp. clear to buy into Channel 5.—CM

NAB's Jim May:

Broadcasters' voice on Capitol Hill

Each time the NAB's chief lobbyist wins a battle, there's little time to celebrate. **Jim May** has to go right back to fighting other fires, since broadcasters are constantly under fire. Sometimes from Republicans, sometimes from Democrats.

In an exclusive interview with *TVBR* and *RBR* Publisher **Jim Carnegie** and Associate Publisher **Ken Lee** in Las Vegas, NAB Executive VP May spoke of the challenges that the broadcasters' organization faces in Congress.

"Interestingly very few of the issues affecting broadcasting I think can be typecast as Republican or Democratic. Most of the issues we find our friends and our enemies in both parties," May noted. One such issue is a current move by some on the Hill to curtail or eliminate pharmaceutical advertising on radio and TV.

"[Sen.] **John McCain** [R-AZ] has been very tough on us. Very much a Republican. And so it's not a partisan issue but I think what people have to understand is the whole issue of health care. And the issue of the cost of the prescription drugs and any impact they may have on rising costs of healthcare is an important national issue and all of the political polling shows it has risen very much to the top five in terms of issues that members of Congress care about. So you've got folks like the AARP and its 35M members who are suggesting somehow that the advertising of these prescription drugs—whether it is Vioxx or any of the popular brands that you see advertising on radio and television—are somehow contributing to the increased costs of those prescription drugs and therefore that increased cost of prescription drugs is driving up the cost of healthcare overall. I can't argue that the cost of the drugs isn't contributing to the overall costs of healthcare. Some of these drugs—in particular those that relate to Alzheimer's, for example—run many thousands of dollars a month for a single prescription. It is extraordinarily high priced. But I don't believe, and I reject the idea, that advertising is the reason for those high costs."

As noted previously (*TVBR* 4/22, p.2), one prominent broadcaster is crediting broadcast advertising with saving his life. In his own interview with *TVBR/RBR*, Paxson Communications (A:PAX) CEO **Bud Paxson** said that information contained in one of the spots led him to ask his doctor questions about a prescription drug that was advertised on TV. So, the argument in favor of pharmaceutical advertising is increasing consumer information.

Current battles over liquor and pharmaceutical advertising call to mind

the battle in Congress that led to a ban on broadcast advertising of cigarettes. Some fear the anti-ad efforts could eventually extend to other legal products that some people regard as harmful—such as gas-guzzling SUVs.

"Exactly the case—I'm sure we can make a case that too much caffeine is bad for you," noted May. "I'm sure that we could be assured that there are certain additives to toothpaste that might be unfortunate, we could go right down the list. Sugar is clearly terrible—I am saying that tongue-in-cheek obviously. All you had to do is look at my waistline and know that I enjoy it."

"I think most of the debate on restrictive advertising began with products that are deemed to be harmful. So certainly tobacco advertising was one of the very early examples of that. Alcohol beverage advertising has been the subject of a lot of debate on restrictions. And so far no restrictions have been put in place. But obviously, anyone who has watched the NBC example will know that it is very controversial. And then finally we get into issues like prescription drugs, which are not driven by any sense that these are harmful products, but in this case it is an economic argument. I think it is the first time we've seen the economic argument being made," Mays said.

Most recently, the NAB's biggest victory was in derailing the Torricelli Amendment, which sponsor Sen. **Robert Torricelli** (D-NJ) tried to tack onto the Campaign Finance Reform Act to greatly increased the discounts that political campaigns receive on TV (and to some extent radio) spots. But that has merely set the stage for the next battle.

"One of the byproducts of this debate on the Torricelli language is that having lost, its sponsors are now coming back talking about having actual *free time!* And they made the determination that somehow radio and television stations ought to provide perfectly free time, but only to candidates for federal office. Again, something that we find is not only antithetical to our business, but to the First Amendment."

The entire interview with Jim May can be heard at RBR.com and on RBR Radio.—JC, KL, JM

New Bidder for DirecTV

A new company has been formed to bid for Hughes Electronic's (N:GMH) DirecTV, although it's being styled as a "backup bid"—anticipating that the pending acquisition by EchoStar (O:DISH) won't get antitrust approval. Sat49 LLC, a new Reno, NV-based company headed by President **Lawrence Johnston**, is proposing to have the owners of the four big TV networks participate as investors in the acquisition corporation, Sat49 Inc.

Johnston wants Disney (N:DIS), Viacom (N:VIA), GE (N:GE) and News Corp. (N:NWS) to invest $2B each to own 12.25% each, or a total of 49%. Current Hughes shareholders would receive 49% of the new Sat49 Inc. equity, plus $5.697 per share in cash. The remaining 2% would be retained by Sat49 LLC.

"Sat49 LLC believes that the merger of EchoStar and DIRECTV will not be allowed to occur due to antitrust considerations. For this reason, Sat49 believes that stockholders of GM and GM Class H stock should reject the offer by EchoStar, and proceed with accepting a viable offer," said Johnston in announcing his proposal. "Disney, Viacom, GE, and News Corp. should relish this proposal, as its implementation would finally give them control of the delivery of their programming in an economical and superior format. The offer to provide free national and local channels, along with our corporate structure, which prevents any media participant from obtaining majority control, either separately or in combination, should dispel any antitrust concerns. This business venture, if accepted by all six invitees, will deliver HDTV expeditiously and inexpensively. It will revolutionize the way that Americans receive their TV signals and watch TV."

***TVBR* observation:** Who is Lawrence Johnston? That's what we wanted to know. He told us he's a newcomer to the industry. "I can tell you that I am 52 years old and have been in the Banking and Finance Industry for all of my working life. I have no experience in the satellite or communications field," he explained. Johnston is waiting to hear back from the four networks.—JM

Modest upturn for Sinclair

Sinclair Broadcast Group (O:SBGI) reported Q1 revenues up 0.6% to $150.6M—in line with the flat-to-up-1% quarter that the company had promised investors. Broadcast cash flow outperformed guidance however, growing 1.5% to $54.8M, rather than finishing flat to down 3%.

"We are seeing signs that the advertising recession that began in September 2000 is finally abating," said CEO **David Smith**. "Our local markets, which were up 3.2% in the first quarter, are leading us out of the downturn. Although revenues generated from national advertisers remain weak, we expect the strength of the local markets, the inflow of political advertising dollars, and the expectation for a moderately stronger economy to return the industry to positive growth this year."

For Q2, Sinclair is expecting revenues to be up 1-2% and BCF flat to up 2.5%. At this point, company officials told analysts, April is down 2%, May is pacing down 1% and June is pacing up 8%. Broken down by network, Sinclair's CBS affiliates are the strongest in Q2, up 8%, with Fox up 5%, NBC flat, both ABC and WB down 3% and UPN down 6%.—JM

Meredith's Q3 had a penny to spare

Meredith Corp. (N:MDP) beat the Thompson Financial/First Call consensus estimate of 34 cents per share in earnings—posting earnings of 35 cents. That was for the company's fiscal Q3, which ended 3/31.

TV revenues were off 0.2% to $58.8M, but operating profits plunged 76% to $781K. The company attributed that to higher film amortization and increased benefit costs.

"We are strengthening our broadcasting management team and are improving the sales and news operations at all of our stations," said CEO **William Kerr**. "We are particularly pleased with the progress we have made in Atlanta, our largest market. Every newscast at WGCL showed ratings gains in the key demographic of adults 25 to 54 during the February sweeps period."

Publishing revenues were off 2.6% to $199.6M, but publishing profits rose 2% to $40.7M.

Kerr said that pacings for both publishing and TV are up in the mid-single digits, but he declined to give specific guidance about the company's fiscal Q4. Instead, that will be updated in June, when the quarter is nearly over.—JM

Modest Q1 gains for Liberty Corp.

Liberty Corp. (N:LC) reported Q2 revenues up 2% to $42.8M and broadcast cash flow up 9% to $15.7M. Earnings per share dropped a penny from last year to 21 cents.

"We are cautiously encouraged by the tone of business in the first quarter," said CEO **Hayne Hipp.** "As dominant stations in virtually all of our markets, Liberty properties are uniquely positioned to take full advantage of revenue opportunities as the pace of business begins to accelerate."

Liberty owns 15 TV stations—eight NBC affiliates, five ABC and two CBS.—JM

Liberty creates interactive TV division

Liberty Media (N:L) is buying a controlling interest in OpenTV (O:OPTV) and creating a new division, Liberty Broadband Interactive Television Inc. (LBIT), which will be headed by **Peter Boylan**. Liberty, which already owns 3% of OpenTV, is buying a 43% stake from MIH Ltd. (O:MIHL) for $185M—with 21% in cash and the remainder in either cash or Liberty stock, at Liberty's option. MIH's stake includes super-voting Class B shares, which will give Liberty 89% voting control.

OpenTV has more than 24M set-top boxes operating worldwide. The interactive TV company is based in Mountainview, CA, but LBIT will be headquartered in Tulsa, OK. Liberty had previously linked up with Boylan when it invested in United Video Satellite Group, now Gemstar TV Guide International.—JM

Moody's downgrades Washington Post

Moody's Investors Service has downgraded its long-term debt rating for The Washington Post Company (N:WPO) by one step, from A1 to Aa3. Moody's cited the company's increased leverage in recent years, with debt-to-EBITDA currently around 2.1 times.

Moody's also said its outlook for the publishing and TV company is negative: "The negative outlook reflects Moody's belief that, even with a moderate recovery in advertising spending in 2002, financial leverage, which is currently on par with other A2 rated companies, might not come down to levels consistent with the A1 rating as the company may continue to be an active acquirer. Moody's expects that both education and media industry consolidation trends will continue and that the company will seek to continue to grow through debt-financed acquisitions, particularly in the fragmented, rapidly growing, education business segment where EBITDA multiples remain fairly low, but would still result in leveraging transactions."—JM

Television Business Report™
Voice Of The Television Broadcasting Industry®
May 13, 2002 Volume 19, Issue 18


Gene DeWitt

Syndicators: tired of being third fiddle

In this *TVBR* series, the networks' loss can be cable and syndication's gain. Another issue facing the networks is the number of new show launches. "The riskiest thing in the world, if you've ever bought time, is fourth quarter in the upfront. It's all new programming, and four out five new programs fail. I'm sure you've seen the news with ABC's development, that they're going to have lots and lots of new shows. Well, if you buy a lot of that and four out of five fail, you don't even know what you're buying," **Gene DeWitt**, Syndicated Network Television Association President (SNTA), tells *TVBR*.

"That's exactly what happened last year," **Steve Hirsch**, President, King World Media Sales, tells *TVBR*. "People bought ABC and let alone Fox too, at much higher expectations. It's another advantage of syndication—you can buy shows that have been around for years that have a track record. That doesn't mean however, that you shouldn't buy new shows. You buy shows from distributors that you have great regard for who know how to produce product, get them on the right kind of stations in the right time periods—for example, our Dr. Phil."

Networks should watch their rates as well, because cable is happy to step in and make up for lower reach with lower rates. Says Carat USA's SVP/Director of National Broadcast **Andy Donchin**: "If the networks are too bullish because of the ratings erosion and they're getting increases based more on the lack of supply than the increase in demand, I can see some money flowing to cable. And I don't think that's altogether good. Sometimes the cheapest buy isn't the best buy."

DeWitt says cable has its own crosses to bear with the buyers. "I think the problem with cable, and we've been interviewing advertisers, planners and media buyers, is to get even a few ratings points, you have to buy hundreds of units. It's a very difficult medium to buy cost-effectively for the agencies. And a lot of clients are getting tired of seeing their spots five times in a program, because it's the only way the cable networks can deliver their rating goals."


Steve Hirsch

Syndication looking strong

It's probably no secret that syndication had suffered larger decreases last year than network Prime Times. However this year is different. With an unprecedented number of proven properties available, the syndication biz is poised to present well in this upfront. Syndication offers highly-rated, off-network and original product at a reasonable cost, while network ratings, every year, seem to continue to erode. It's not that the networks aren't putting on good shows, it's just that the masses keep getting, as a whole, more viewing choices to choose from. The strength of syndication, for sure, is that buyers know the audience they're buying. The year-in, year-out performance is predictable, stable and often costs less. Some of the new shows coming into play are really the networks' top shows—ie. Will and Grace (Warner Bros. Television)and That 70s Show (as 20th Television's **Bob Cesa** talks about in Part III).

"I think it's going to be a pretty strong market. The market has been strong in scatter for us for Q2 and Q3 looks excellent for us going in," explains Buena Vista Television EVP/Ad Sales and SNTA Vice Chairman **Howard Levy**. "I don't do too much of a comparison sell against the networks, but we've been out aggressively pushing our product and we have a slew of great shows that deliver for people year in and year out. They're pretty dependable—the Entertainment Tonights, The Live With **Regis** and **Kellys**, The **Oprahs**, the Wheels, The Jeopardys; Raymond has performed, Friends has performed, Seinfeld has performed. And when you start looking at all that, there's a lot of programs out there that are terrific."

"If advertisers want to divert budgets form the broadcast networks because of ratings slides, it's going to help top-tier syndication and top-tier cable networks. It's all going to depend on the pricing of Prime Time. If Prime Time becomes unreasonably expensive, then advertisers are going to divert money into the next tiers—top-tier syndication and top-tier cable," says **Harry Keeshan**, EVP, PHD. "What we're calling for now is a very balanced market. And it's a pendulum that's going to swing for the next two and a half weeks, whether there's more money or less money. The supply and demand pendulum is going to swing back and forth. Last year there were deep discounts, the year before there were huge increases. It's just going to be a better buyer-seller balanced market."

More on syndication, and a comparison of this year vs. last year's upfront in Part III.—CM

Powell diagnoses DTV-envy

Consumers may not be buying DTV sets in large numbers yet, but FCC Chairman **Michael Powell** says they want those giant-screen, digital sets.

"When I go to Circuit City, nobody is over there staring at the 13-inch black and white. They're all in that little dark room with the big ones—and if they're not buying it, they're wising they could buy it," Powell told the National Cable & Telecommunications Association conference in New Orleans. "Every man in this room know the TV envy thing—62-inches, huh?"

Powell was continuing to push for broadcasters and cable companies to move ahead with the transition to digital TV. He insisted that there is consumer demand for the high-resolution programming to fill those big screens - - and he noted that the government needs to see the digital transition succeed so it can auction off the TV industry's current analog spectrum for new uses. The Chairman also noted that it will be programming that ultimately drives the transition to digital—suggesting that the biggest draws currently are sports and movies.—JM

Senate bill would limit drug ads

A group of Senate Democrats has introduced a bill which would limit the tax write-off for pharmaceutical companies from advertising. While not doing away with drug advertising, the bill would limit the tax deduction for advertising to the amount each pharmaceutical company spends on research and development. Ad spending above the R&D level would be allowed, but it wouldn't be tax-deductible.

Lead sponsor Sen. **Debbie Stabenow** (D-MI) and her co-sponsors claim that drug advertising, particularly on TV, is to blame for rising prescription prices. She claims that the bill would reward pharmaceutical companies for spending more money on R&D, rather than on marketing.

Broadcasters and the pharmaceutical and advertising industries dispute the basic assumption behind the bill. (See *TVBR's* interview with Jim May, page 2.) They're expected to lobby heavily against the bill, insisting that consumers benefit from the information delivered by pharmaceutical ads and that advertising doesn't increase drug costs—if anything, the impact is the opposite.—JM

LIN IPO prices at top of range

No doubt about it. Wall Street is hungry for broadcasting stocks. LIN TV (N:TVL) priced its IPO 5/2 at $22 per share—the top of its projected range. That implies a value of 14 times expected 2002 cash flow. Also, LIN sold 17M shares, an increase from the previous plan to sell 14.65M. So the take, before underwriting costs, was $374M. Underwriters: Deutsche Bank Securities, Bear Stearns & Co., JP Morgan, CS First Boston and Morgan Stanley.

***TVBR* observation:** The underwriters could still tap a green shoe of 2.55M additional shares—and, with demand so strong, that appears likely.—JM

Granite gets thumbs up from auditor

Granite Broadcasting's (O:GBTVK) financial picture looks much brighter with $230M in its coffers from selling KNTV-TV San Francisco to GE's (N:GE) NBC, so Granite's auditor has upgraded its outlook for the TV group. In an amendment to its annual 10-K filing with the SEC, Granite submitted a new letter from Ernst & Young LLP which removed the auditor's previous warning of doubts about Granite's ability to continue as a going concern.

"Since the date of completion of our audit of the accompanying financial statements and initial issuance of our report thereon dated February 20, 2002, which report contained an explanatory paragraph regarding the Company's ability to continue as a going concern, the Company, as discussed in Note 17, has sold KNTV and the proceeds were used to satisfy its obligations under its bank credit agreement, and the Company entered into an amended and restated credit agreement. Therefore, the conditions that raised substantial doubt about whether the Company will continue as a going concern no longer exist," Ernst & Young said.

Although amendments to update or correct information in 10-Ks and other SEC filings are usually treated as routine, Granite made sure the world knew about this one. The company sent out a press release 5/8 drawing attention to the revision.

Granite also announced that it had set its annual shareholders' meeting for 5/22.

Without what had been its largest station, Granite now has eight remaining, including two WB affiliates in San Francisco and Detroit that it has been actively shopping. It also owns three NBC affiliates, two ABC and one CBS in medium to smaller markets.—JM