RBR TVBR Radio & Television Business Report

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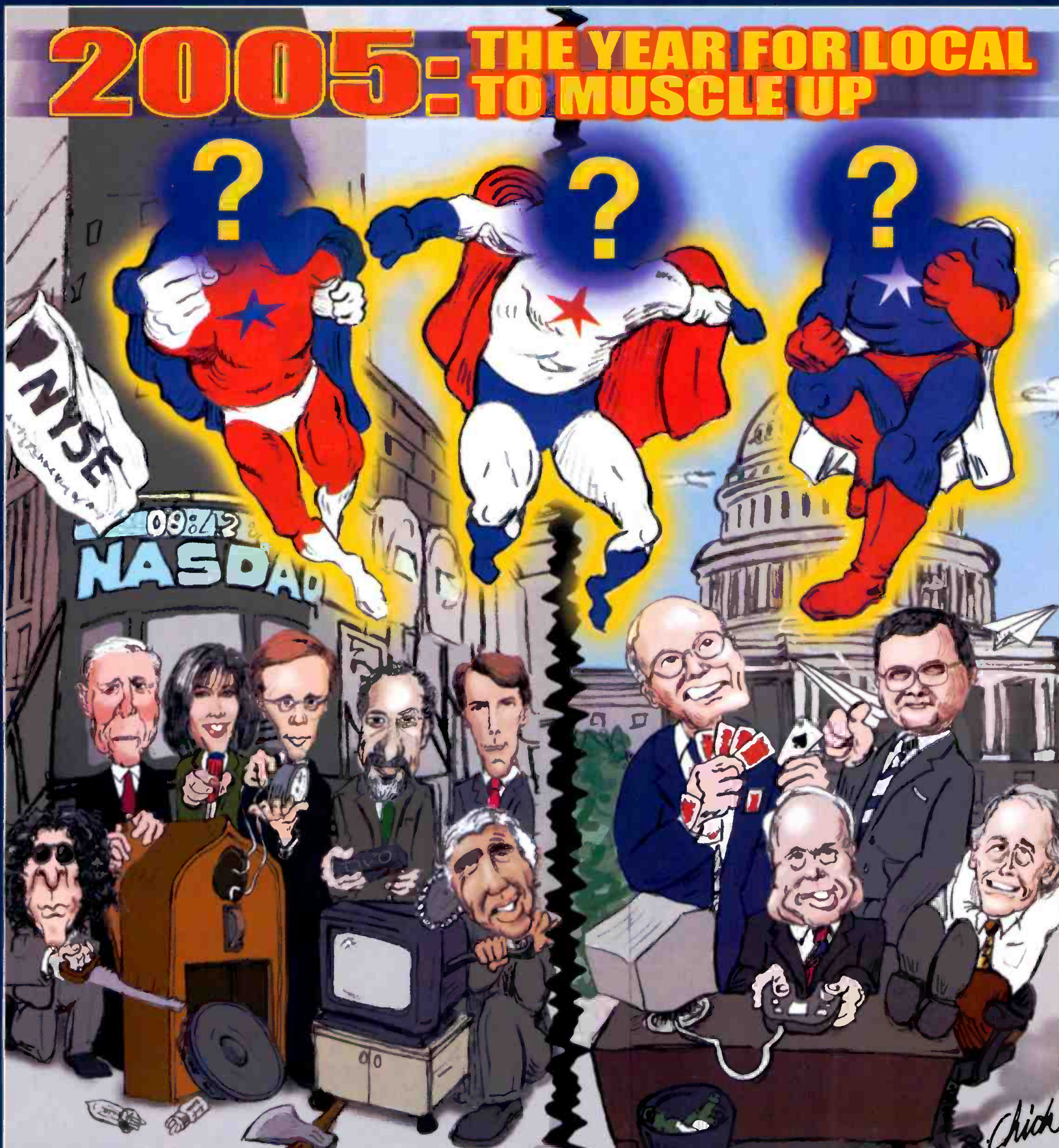


Eddie Fritts, NAB CEO, comments on the biggest issues facing broadcasters in 2005

What are the biggest issues facing radio in general for next year?
HD Radio is now ready for primetime. I'm encouraged by the announcement from some of the biggest groups that they will be transitioning their stations to digital in the next few years. I'm hopeful that all of the groups will follow suit. Radio can't be an analog player in a digital world. I'm convinced that our future will be secure if we embrace digital technology while never losing sight of the fact that localism is our franchise, and ours alone.

What happened to the Congressional support for broadcast deregulation in the 1996 Telecom Act? It seems now that most members of the House and Senate want to pretend that they had nothing to do with that law and are trying to pin it on the FCC.
Media consolidation is a controversial issue — there is no doubt about that. It is also true that Congress passed the 1996 Telecom Act and left it up to the FCC to fill in many of the details. When the FCC announced its intention to deregulate media ownership rules, I don't think anyone could have foreseen the amount of criticism that was generated.

We had groups like Code Pink on the left and the National Rifle Association on the right all united against "Big Media." When you add to that the controversy that swirled over the Janet Jackson indecency incident at the Super Bowl, it became a rallying cry for opponents of media deregulation. They are energized like never before, and FCC Commissioner Copps has skillfully tapped into that.

How will having John McCain exit as Chairman of the Senate Commerce Committee change things for the NAB and broadcasters?
It's no secret that we've had differences with Sen. McCain on a number of issues. Yet we have worked with him on a number of initiatives, too. For example, we strongly support a bill of his that would reinstate a tax certificate program to increase the number of minority owners in broadcasting.

Sen. Ted Stevens will become chairman of the Commerce Committee in the new Congress, and the ranking Democrat will be Sen. Dan Inouye of Hawaii. We have a good relationship with both. Both Sen. Stevens and Inouye say they are committed to re-writing the 1996 Telecom Act, and there may be some opportunities presented to us during that process.

Does NAB have a position on indecency, or is the industry too divided on the subject?
NAB's position on indecency is that voluntary industry initiatives are far preferable to government regulation when dealing with programming issues. We also believe most Americans would acknowledge that broadcast programming is considerably less explicit in terms of violence and sexual content than that which is routinely found on cable and satellite channels.

RBR & TVBR 2005 Observation and Outlook

The key this year is still accountability and this word has to be digested in many areas—not in a broad brush stroke that spans all media. **Irwin Gotlieb**, CEO of Group M says it in a blunt manner: "If you are afraid of change this might be a good time to leave the business. If you choose to hang on and pursue opportunity buckle up because it's going to be a terrific ride." Here are the Top 10 issues Radio & TV will be facing and *held accountable* for in 2005, as we see them:

1. Accountability continues to get the most attention. Bottom line—the client wants to know exactly what they got for their money spent. They want to know what they bought ran when it did and as it was supposed to. Radio and television will continue to help provide agencies and advertisers improved data and research in the ROI measurement arena. We will follow that measurement via new developments in econometric modeling and methodologies being employed in our media throughout the year.

2. EDI—Cable has it and it has been the buzz for over two years. EDI is one solution piece to the accountability puzzle. In 2005 there will be no choice except to decide which system to plug in. Agencies have complained numerous times that radio doesn't get on buys just because EDI isn't available across the board. So some media are still playing catch-up. When the playing field is once again a level one, we may see some healthy shifts in spend.

3. PPM and LPM are both People Meters, but very different technologies. What is clear is that diaries won't cut it with advertisers for much longer. Nielsen's Local People Meter is still tied to the set-top and button-pushing, so the next move is to passive measurement. Arbitron will be testing its Portable People Meter in Houston this year, but without Nielsen as a partner as it was in Philadelphia. Arbitron is still pushing for a joint venture and Nielsen is getting pressure from ad buyers and some station groups to get onboard. It's all about accountability, and the advertisers have made it clear that they can spend their dollars elsewhere if radio and TV don't deliver. Just check out the 2005 ad spending forecast from Bob Coen and notice that 25% increase for Internet—wow! *continued on page 5*

Eddie Fritts, NAB CEO, comments on TV issues:

What are the biggest issues facing TV in general for next year?
The biggest issue for both radio and television operators is the ongoing conversion to digital, both for radio and TV. There are now about 1,400 stations on air, but only a third of those stations are being carried on cable. It's baffling why policymakers allow the cable gatekeepers to deny viewers access to the digital and HD programming from local broadcasters.

What are the biggest issues on Capitol Hill facing TV next year?
I think it's safe to say that the digital television transition and issues related to broadcasters' return of analog TV spectrum will be a priority in the next session of Congress. The fact is that broadcasters have done our part. The vast majority of TV stations are on air in digital, and there is an enormous amount of HDTV entertainment and sports programming on the air. Now it's up to consumers to go out and buy the DTV sets, which is something we can't control.

NAB will be working to make sure that we don't prematurely disenfranchise consumers from access to local television signals. Currently, there are 73 million TV sets in America not hooked up to cable or satellite. We can't just "flash-cut" to digital without having a plan in place that ensures the continued ability of analog TV homes to receive local television.

Efforts to pass so-called "indecency" legislation may continue to be raised on Capitol Hill. We will continue to make the case that broadcasters are far more responsible with program content than our cable and satellite TV and radio competitors.

What are the main broadcast industry controversies right now that NAB working on resolving? Are broadcasters being hurt on Capitol Hill by the perception that TV licensees want never to part with their analog licenses?
I don't accept the premise that there is a perception on Capitol Hill that broadcasters want to hold on to analog TV spectrum forever. Broadcasters have consistently told lawmakers that they want this transition to end sooner rather than later. Our stations are collectively spending hundreds of thousands of dollars sending dual program streams — one analog and one digital. We want the transition to end if for no other reason than to reduce the enormous utility bills that stations are paying.

Having said that, the issue here is how soon are you willing to turn off analog TV. There are 73 million analog TV sets still used every day, and if you simply "flash cut" to digital, that represents a whole lot of folks who are going to be denied access to local television service.

RBR & TVBR 2005 Observation and Outlook cont'd...

4. Sirius and XM Satellite Radio are not just battling each other, but traditional radio. They're no longer just talking about digital sound quality, but now are focusing on content as well. Content is king in programming. Sirius is behind in subscribers, but they've made big plays to add content: Howard Stern and the NFL. Plus a new CEO in Mel Karmazin, with his roots in radio programming. Radio had best CYA and really get local this year.

5. More local for both radio and television: Local sales, local programming, local sales training. Radio and television have to produce stronger local content with fewer commercials. Both will continue striving to produce and program local content for a younger audience as well.

6. Indecency. Judging by equally outraged watchdogs on both sides of the issue, this issue is hotter than ever. One of the big surprises of 2004 was that Congress, in almost unanimous agreement regarding the need to inflict fines of up to half a million bucks in transgressing broadcasters, nevertheless failed to do anything about it. We fully expect they will get it through one way or another in 2005. Still, questions abound. Will the courts get involved? Will broadcasters who made big-time voluntary contributions to the US Treasury in 2004 find themselves in trouble again anyway in 2005?

7. FCC's rulemaking and influence on consolidation and deal making, for both radio and television. Critical decisions on local ownership caps, mainly involving TV double and triple plays and newspaper-crossownership combos, are back at the FCC for recon by order of the 3rd Circuit. Would-be TV consolidators are resorting to LMAs, much like radio before 1992. Others, holding tenuous TV-newspaper combos under expiring waivers, are getting as nervous as a cat in a kennel. Broadcasters and the FCC are weighing a trip to the Supreme Court. 2005 will be a start, but it could take years to untangle this mess.

8. Spot load/clutter. An ongoing problem. Reach is not what it used to be for radio and television. The solution for some is to buy more inventory. It's a vicious cycle—that leads to further clutter. And with more clutter has come more erosion of listeners and viewers. Need we mention XM and Sirius? Radio has laid down some controversial solutions to the problem. We've been at the forefront of the issue and will continue to follow it faithfully in 2005. Television has its solutions as well. Page 23 demonstrates this point as Ford brands Mustang nationally with a branded entertainment coup.

9. Recovery at last? Universal McCann ad guru Bob Coen is mildly bullish in his 2005 forecast for radio and TV. He's projecting that total US ad spending will rise 6.4%, with local advertising up 4.8% and national up 7.4%. But he noted that TV "won't look good" because of the lack of any Olympics or political advertising. Still, he's projecting only a 1% decline in TV national spot and he sees local TV rising 2.5%. Some TV groups are already warning Wall Street that such figures may be over-optimistic and they're guiding to negative numbers. After several soft years, radio guys would be happy with Coen's 5% projection, but we haven't heard anyone promising that to Wall Street.

10. RBR & TVBR's 5 C's = **C**ommon sense, **C**ross marketing and **C**ross platforming and solid **C**ontent. As stated on our cover, the battle is between Wall Street and Capitol Hill and various other **C**hallenges.

2005: This YEAR for Local to Muscle UP!
(RBR & TVBR will begin a series in the morning Epapers on these topics. If you are not receiving your RBR and TVBR morning E-paper, go to WWW.RBR.COM or WWW.TVBR.TV and get on board for a interesting 2005 every morning for the next 260 days.)

GM TALKBACK

By Carl Marcucci / cmarcucci@rbr.com

How has the Sarbanes-Oxley Act affected the accounting routine at your station(s)? At the end of 2004, publicly held companies had to be in compliance (billing systems). When they filed reports at the end of Q4, they had to tell them exactly what they had—no fudging.

On the Radio Front:

Leslie Hartmann,
VP/Finance, Controller, Radio One
Sarbanes-Oxley 404 has certainly been an onerous piece of legislation, for almost every department in all of our radio stations. I think that most of us initially thought the entire burden of 404 was going to fall on the accounting department, and although the accounting department is responsible for putting the actual numbers in the ledger, the responsibility of providing accurate information falls on everyone.

Radio One has always had very strong formalized controls, policies and procedures in place for all of the business functions. However, one of the processes that we had to refine and document was the log reconciliation process. One of our Traffic Directors commented that she never thought that Enron would have such an impact on her life. We also had to refine and formalize some of our monitoring systems to ensure that the Company's policies were being adhered to. An example was just documenting that the procedures were being carried out. "Sign and date" was a continuous mantra among the ranks. One of my Market Controllers eloquently described in his 2005 budget narrative "It's gotten to the point at home where I sign and date the mail as I open it! I must say that the importance of everything we do that leads to the bottom line of our financial statements is now magnified."

To improve internal controls by further segregating duties for more of the Business functions, we also had to review our staffing in the markets. In some cases we found that we had to add more bodies, in others, we had to redistribute some of the work.

As an end result, I think we have seen some significant benefits come out of the process. Department managers have become smarter about their business. Managers are certainly more astute about business and how their roles directly impact the business and profitability of the station. SOX has changed the way they think and the way they operate. They have become more efficient, working smarter to accommodate their new responsibilities in their current work schedules. They have had the opportunity to observe and share best practices across different markets within the Company. Another indirect benefit has been improved communication between departments. The stations just cannot pass the rigorous scrutiny of Sarbanes-Oxley unless they operate as a team.

Dave Pugh, CC Radio RVP/Michigan:
We have always had strong financial checks and balances in place, locally and corporate-wide, and we are all working together to comply with Section 404 of the Sarbanes-Oxley. The current policies that we have in place at the local level have made this a very easy transition for us.

Tony Bonnici, VP/GM, Lotus Broadcasting:
My understanding of Sarbanes-Oxley is, it applies to public held companies and we are not a publicly held company. However, we do follow the spirit of Oxley, even though we aren't required to. We are also in the process of instituting internal audit procedures.

Joe Barlek, SVP\Controller, Susquehanna Radio:
Susquehanna Radio is not as far along with the process as perhaps some of the other radio public stock companies. Since our stock is not publicly traded, we have an extended timeline to comply. While we are in the transition process, Susquehanna is not under the same time pressures or deadline for this year.

On the Television Front:

Bill Moll,
President/CEO, CC Television
It's not just about the television business—it has obviously impacted the entire business world. And it's costing every industry—not just broadcasting—tens of millions of dollars a year, every year, to implement. We've been living with it for the last year, and Sarbanes-Oxley has been around for a long time—long enough now that we've been able to respond. But we haven't responded to it simply as a broadcast or television company. The whole corporation has had to respond to it, and as a huge public company like ours, there is simply no question that you will comply and that you will comply with infinite precision and detail. There is simply no room for error. And everybody in the company understands that. I think we understood it before, but now that it's mandated by law and there are penalties, it certainly gets your attention. Clear Channel has undertaken an enormous burden, both in internal software and external support systems to comply.

How does it change our behavior? It means that if I sign off on a set of financials, I'd better know exactly what's behind it, and I do.

Ed Piette, CBS's KCCO-TV Minneapolis
The Sarbanes-Oxley Act has impacted every area of our station. Without a doubt, the Accounting department is hit the hardest because they have to document and track almost every transaction. We have implemented new software to record every audit test that's done. But the new act also means that management throughout the station has to be focused on all business activities and verify the accuracy of documentation required for the audits. Even our IT department has to upgrade systems and institute even more rigid security measures. There is no question that the Sarbanes-Oxley Act has put the focus on accountability, and that was exactly the intention.

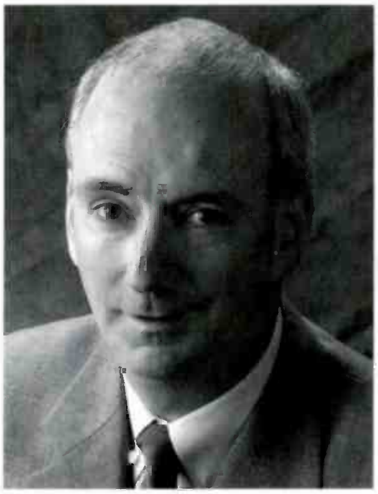
VCI Addresses Sarbanes-Oxley

By W. Lowell Putnam, President and CEO Video Communications, Inc. (VCI)

Because it requires personal sign-off by top level officers and allows them to become individually liable, Sarbanes-Oxley (SOX) has forced many companies to review all their financial systems and practices to a degree that has not been done for years, if at all. Much of this review has been done by outside auditing firms to a cost of millions of dollars in billable hours, so it is not surprising that some companies are now considering going private to save those costs. SOX also has no clear guidelines- each auditing firm interprets it differently. If you change firms, you can expect that the new firm will find a new set of compliance issues that the other did not.

Most SOX compliance issues are much more about business practices than about system functionality. Some of these are standard control practices that should already be in place such as separation of duties. For example, log reconciliation should not be done by the people who produce the log (Traffic) or those who aired it (Operations), but by someone in another area- typically Accounting.

Because SOX is all about audit trails, it is important that your systems (software and otherwise) have appropriate journal files showing when financial changes occurred within the system. A key point that is often missing is where information comes out of one system and goes into another. VCI has extensive journaling and therefore the impact on us in terms of required changes has been small.



W. Lowell Putnam

In general, the major points pertaining to SOX are:

It is expensive to go through an initial audit to show compliance and you will have to do it every year, although subsequent audits should be less expensive.

It is as much about job responsibility as it is about system capabilities.

In the end you have to be able to show the who, what, when, where and why about changes to financial data.

This is only the first round, starting next year there is a new section of SOX dealing with "notification of significant financial events". Anyone want to define those words?

About VCI

VCI offers an open, standards-based sales, traffic, and accounting solution that is designed for modern broadcast and cable business practices. VCI's product, STARS II+, enables broadcasters in all size markets- from small market independents to the multi-station cluster operations - to assemble and edit logs faster, while managing commercial inventory more efficiently. STARS II+'s SalesDesk empowers sales teams to make strategic financial decisions while managing client accounts with maximum effectiveness. Based on the Windows operating systems, STARS II+ offers robust functionality, an easy-to-use graphical user interface, and ODBC database support for flexible customization and reporting. VCI's commitment to providing high quality core business solutions to the broadcast and cable industries has resulted in more than 225 customer sites throughout North America.

FEATURE

Ad chiefs' forecasts revisited: Who was right, who was wrong?

By Carl Marcucci / cmarcucci@rbr.com

In the beginning of 2004, we ran a predictions feature from the ad chiefs—industry organization heads—on their 2004 forecasts, predictions, spins and prognostications. Here, we revisit those predictions and look at what 2005 has in store.

THE PARTICIPANTS

Gary Fries, Radio Advertising Bureau (RAB) CEO
Chris Rohrs, Television Bureau of Advertising (TVB) President
Sean Cunningham, Cabletelevision Advertising Bureau (CAB) CEO
Mitch Burg, Syndicated Network Television Association (SNTA) President
Stephen Freitas, Outdoor Advertising Association of America (OAAA) Chief Marketing Officer
Greg Stuart, Interactive Advertising Bureau (IAB) CEO
John Sturm, Newspaper Association of America (NAA) CEO

Your predictions for 2004: Where were you wrong?; Where were you right?

Fries/RAB: There is no question that 2004 did not develop as strongly as predicted a year ago. The sales environment never became as "robust" as it appeared it would, except for some isolated packets throughout the year. Yes, it was disappointing but the fundamental strengths of radio have remained intact and we continue to see a solid base in a broad range of advertiser categories.

Rohrs/TVB: We would appear to be exactly on track with our projection for 2004. We said it would be +10% to +12%, it looks like it will probably be +11%, right in the dead center of the range we estimated. Although it is very uneven—some markets are up a lot more than that, some are up a lot less. Of course, that's determined by how much political you've got. But in aggregate, it looks like we'll be dead-on, exactly as we said.

What is your industry facing that needs to be overcome in 2005?

Fries/RAB: We need to deliver results for our clients and establish an image of Radio accountability. This is crucial to the growth of our business. You can no longer expect an advertiser, or their agency, to take your word for it that a Radio commercial will work for them. You have to prove it! We have to run the scheduled commercial, at the scheduled time as well, and supply electronic documentation of our performance. The advertising environment is changing and technology is enabling an even more sophisticated landscape. We need to be a part of that. We must be changing with the marketing industry toward a "Consumer-Controlled" market and realize that the environment around us is in a revolution from a distribution and impression valuation to a "behavior and engagement" marketing valuation.

Rohrs/TVB: 2004! Replacing the political dollars. Our whole point of view on the two-year business cycle becomes more of a reality with every year as political grows and as spot TV becomes more the battleground of political advertising. So we're a two-year business cycle and when you look at it one year at a time you can pull your hair out because comparisons are either very depressing or euphoria. So that's what we're facing in '05—it's the odd-numbered year following the always-powerful even-numbered year.

Where do you stand on the People Meter for radio and TV measurement?

Fries/RAB: The advertising community has said that they want a more in-depth, precise measurement evaluation than we currently have. It is essential for the Radio industry to deliver such a system. At the current time, there has been no presentation of such a device other than Arbitron's PPM. We are currently engaged in an economic impact study with Forrester Research on the PPM. Hopefully, that will give us some economic metrics to evaluate the change to electronic measurement. The Houston test should continue the process of evaluating how the device will work and identify any problems that need to be corrected. At some point, the industry as a whole is going to say we will support it or we will not. The advertisers have begun telling Radio that they want electronic measurement and if we do not move in that direction, we will lose a competitive position on the media playing field. The real question is, will it be too late? We will not know until it happens, but the PPM has been going on for 13 years now. It really comes down to being an important block in the foundation of radio's future.

Rohrs/TVB: Our focus is on broadcast vs. wired cable in local markets. We attend to the audience delivery that is available to a local advertiser. Network advertisers, they don't care whether the home receives subscription programming via wired cable or satellite. It doesn't matter, the commercial comes in both ways. Of course, that's entirely different in local TV—there is no local insertion on satellite.

So, as a local medium, we pay attention to the numbers for broadcast vs. wired cable, and we like what we see five LPM markets that are up and operating. Broadcast beats wired cable in all LPM markets by a wide margin and, most encouraging and important to us, in Los Angeles. LA is the first of the LPM markets to have satellite penetration very close to the national average. In the LA, LPM numbers the aggregate broadcast numbers are clobbering the aggregate wired cable delivery. We're very comfortable with what we see in LPM. Somebody asked me the other day about how cable has always been talking so much about what great things LPM would do for them. My answer is be careful what you wish for.

COMING ATTRACTIONS

IN FEBRUARY'S RADIO & TELEVISION BUSINESS REPORT

Feature:

"The Pros and Cons of Nielsen's LPM and Arbitron's proposed PPM service"

We follow the history and conflicts surrounding the Local People Meter deployment in NYC, LA, San Francisco, Boston and Chicago and Arbitron's test in Philly and proposed test in Houston. Nielsen and Arbitron are doing a delicate dance on financial and technical support for PPM. We tell you why.

Engineered for Profit:

"New tower standards coming: are you ready?"

Did you know existing standards for broadcast and communications towers is currently in the midst of the biggest revision in years? We talk to engineering consultants, tower companies and those on the standards committee for the details and what it could mean to you.

TVBR GM talkback:

"How has LPM ratings changed selling in your market?"
We ask TV station GMs what they think—the good, bad and the ugly.

News/Talk:

We interview Fox News Radio's Tony Snow.

Media Markets & Money:

A run-down of the biggest quarterly deals and an analysis of Universal McCann's Bob Coen's forecast for 2005.

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What is the biggest concern for your constituents? How are you going to help them?

Fries/RAB: Right now, I think everyone is concerned about being accountable to advertisers, being sensitive to heavy spot loads, and ultimately, to increasing Radio's share of advertising dollars. Elevating radio's position in the perception of the advertiser is essential, and doing that requires us to document how and why radio is effective and can stimulate ROI.

We are going to help them through initiatives such as the Radio Ad Effectiveness Lab and the studies that are being developed about Radio advertising effectiveness. This is the most important undertaking by the Radio industry in years. This gives us fresh, relevant material to take to the streets. It stimulates at the highest level a dialog on Radio. Having a united industry supporting these efforts is essential for our growth and we currently have that environment. People like radio and how it works. We need to verify, with research, how it works and how it is effective. The design of our studies actually includes participation on the committee of advertisers and agencies. This makes it relevant to their needs and gives it credibility as they are involved throughout the process.

Rohrs/TVB: I think it's carriage of our digital signals. We're obviously into the transition period now to digital transmission—an important period, one with huge opportunity for the broadcasters. But there is a great concern whether we will be able to win full carriage of our digital signals and therefore the opportunity to do both hi-def and appropriate multicasting. That is probably the biggest concern because there is a huge upside for us in digital, but it could be clipped if we don't get carriage. We've made the investments, but we have the worrisome prospect of the gatekeeper not giving us carriage.

I'm a digital cable subscriber and I have the HD tier and it's a home run for broadcast. We have the most appealing programming and when you look at the broadcast offerings in hi-def, it's spectacular. If we lose the ability to get full carriage of our digital signal it would just be a terrible thing.

RAB's Gary Fries and TVB's Chris Rohrs speak candidly about what's in store for '05

What is the outlook for 2005?

Fries/RAB: We are seeing some strengthening at the current time and I anticipate that will continue into '05. There are many factors out there that affect advertising and many distractions that cause advertisers to hesitate in launching major campaigns. I feel we are getting beyond that at this point. My crystal ball projection for '05 is currently mid single digits, but I feel there is strong opportunity for that to change in a positive way. We just have to get further down the road to really get a clear picture of the future. Long-term, I am quite optimistic. The basic ingredients of radio that have served us so well have not changed. Short term is where the picture is blurry. There are many domestic and international issues that are unstable and that does not make forecasting easy at this time.

Rohrs/TVB: It's going to be flat, but let me quickly jump to that two year forecast we've been talking about for quite a while now. When you look at '05'-06, which is the next two year increment, we're calling that at plus 9.8%, over '03-'04, the previous two year cycle. Within that, '05 would be flat and '06 would be just shy of +10%. In terms of what's driving what happens, Automotive we see as remaining strong. Automotive has been very powerful in spot TV. First half of '04 it was plus 11% in spot.

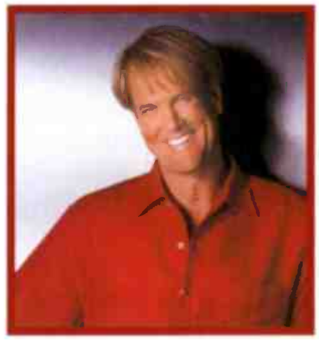
We think automotive stays strong, because there's too much capacity in the car business—supply exceeds demand. The only way you can hold market share, let alone grow it, is to be extraordinarily aggressive with your marketing. We think that the marketing in the automobile industry has only begun to ramp up.

We're working very hard on the prescription drug category, the DTC pharmaceutical category. Obviously it's a big category—more than $3 billion. Spot gets almost none of it—4%. We're working very hard to convince those advertisers that their ROI would benefit dramatically by more targeted television, as opposed to network/national television. And we're getting some real traction with that idea and we see growth coming.

Two or three others that we think are going to drive the next two years—one would be financial, and one of the big drivers in there will be more credit card marketing driven by the fact that American Express for the first time will be distributing their cards through banks. That will substantially ramp up the competition. Telcom—it's the cellphone, the hand-held device and the explosion in the amount and kinds of content that will be delivered by wireless hand-held devices like the cellphone, Blackberry and PDA. That's only begun. We're sending pictures, video, more and more. That will be a monster marketing battle and that just kind of goes out as far as you can see.

The last one I would mention is I believe issue advertising will be a big growth category. And I don't mean just political/ballot issues. I mean community issues, business issues that will be played out in media advertising. We're starting to see more of that—I was fascinated by the local people meter dispute in New York. A business issue packaged as a community issue and played out in advertising. This is a pretty contentious society with a lot of competition for opinion. I think there will be more usage of media advertising, specifically I think there will be a lot of local TV in that, so we see growth there.

JOHN TESH SAVES LIVES



True Story...The other night on Lite 100.5, John Tesh did a segment on heart attacks, suggesting to cough, violently, if you think you're having a heart attack. He said, "The latest medical research says, coughing during a heart attack stimulates the heart to start beating properly again."

Today, I had a phone call on the Lite 100.5 request lines from a lady (Millie) who was actually listening to John Tesh and was having a heart attack at the same time! Unbelievable huh? She said the coughing saved her life! She called to thank me for having the John Tesh show on the air and said that our station and John Tesh saved her life! She cried as she thanked me on the phone! This is what great radio is all about!

Craig Powers, Program Director
KMZQ/FM- "Lite 100.5" Las Vegas
Infinity Broadcasting of Las Vegas

Since launching just about a year ago, The TeshMedia Group's daily edition of The John Tesh Radio Show has reached its newest milestone, signing its 125th affiliate! The show's concept of "Music & Intelligence For Your Life" has taken Adult format radio by storm, is beating the competition, and delivering winning ratings!

the john tesh radio show

Music and Intelligence for your Life

"We are proud to have The John Tesh Radio Show on K103. His wit, personality, and genuine style make John a perfect fit for our station"

Tony Coles, Regional Vice President of Programming & Program Director, KKCW/FM-Portland, OR

I just returned from a diary review, and guess whose name popped up again and again? John Tesh! John was enthusiastically mentioned by 30% of our newly converted P1's. John has attracted new P1's from Country, Oldies, CHR, and Rock listeners, from across all age groups. If ever there was a programmer's dream come true, it's the John Tesh Show. Thanks for the new P1's!

Chad Perry
OM/PD WWLW, WFBY, WAJR-FM
West Virginia Radio Corporation

Affiliate Relations: Scott Meyers • The TeshMedia Group • Toll-Free 888-548-8637 • email: Scott@Meyers.net

DIAL COMMUNICATIONS GLOBAL MEDIA Commercial Sales: Dial Global • 450 Seventh Ave, 26th Floor • New York, NY 10123 • 212-967-2888 Fax 212-967-4145

and from the cable and syndication front...

Your predictions for 2004: Where were you wrong?; Where were you right?

Sean Cunningham

Cunningham/CAB: Advertisers did rely more heavily on Cable in 2004 to be their lead TV instrument in reaching TV's most desired consumer audiences.

We saw double-digit growth coming for 2004 because the advertisers and agency media planning groups we met with clearly saw that planning and buying Cable first was the key in 2004 to getting maximum performance out of their TV advertising. The ratings and reach growth, all at the expense of broadcast, grew every week, every month and in every quarter. Cable even grew during the sweep periods while broadcast ratings eroded further versus the previous year's sweeps.

Nationally, Cable went first in the upfront at high volumes and good pricing. Going first was an anticipated literal re-ordering of the marketplace for advertisers and agencies in terms of their reliance on Cable to do the heavy lifting in selling goods and services for advertisers.

In the spot & local TV arenas Cable grew in double-digits in the face of a quadrennial year for broadcasters. Growth came from many categories, particularly financial services, tourism & travel, and retailing. As we anticipated, the game-changer of what LPM's would reveal to us in the Spot Television arena did begin to take hold in 2004. We saw tight agreement in the first three LPM markets that Cable ratings rose significantly with the better methodology while broadcast ratings fell across the key demographics. From a sub-DMA or zone perspective, Cable is the only TV game in town and is seeing strong growth at the expense of newspapers and radio.

Burg/SNTA: We were right on target. We continue to grow in terms of dollars (at 18% in the first half of the year). Our proposition is about quality programming, real ratings, relevance, consistency of delivery and exceptional value. We spoke about our strength in delivering younger viewers. We spoke about relevance to the advertiser (#1 on Fridays, Back to School and Holidays). Syndication is where TV needs to be.

What is your industry facing that needs to be overcome in 2005?

Cunningham/CAB: Being past the tipping point on ratings and reach, we're now looking at quickening the pace of advertiser and agency conversion to Cable TV as their lead television instrument. For every three advertisers that have re-ordered their strategic planning priorities around Cable as a lead selling instrument, there is one that we need to reach out to align their TV investment strategies with where the can reach their most important consumers. We will be aggressively bringing advertisers and agencies the things they most need from a engaged medium: the means of getting closer to the consumer and closer to the sale.

Burg/SNTA: The clients have clearly stated their concerns — fragmentation, clutter, quality programs and new ways of communicating within television – all of which syndication is addressing. Our ratings held in the last broadcast year, and many well established programs are experiencing double digit ratings growth (e.g. Oprah, Phil and Millionaire). Because we're in the programming business, we keep our commercial loads constant (lower than most) and don't flood additional program promotional messages distractingly through our content.

We have great programs that consumers identify as their favorites. Phil and Ellen are great examples of introducing real programs with real value to viewers...and they have responded. Our members are conducting business in exciting new ways utilizing all creative means of communication – product integration, event marketing, internet and mobile phone interactive.

Where do you stand on the People Meter for radio and TV measurement?

Cunningham/CAB: Given the magnitude of "overdue correction" that LPM's have revealed for more accurately capturing Cable viewership, hastening the pace of LPM deployment is critical for advertisers and agencies to have a better trading/measurement currency.

Burg/SNTA: Clients who use syndication already benefit as they continue to use Nielsen's National People Meter sample. The issue of accurate research information is an ongoing concern for people in the business and will only get worse as digital distribution of programming expands. We're already at the point that the average cable rating is under a 0.2 (0.0016) and the relative error in the audience research gets significant at that level.

What is the biggest concern for your constituents? How are you going to help them?

Cunningham/CAB: I think everyone in the television advertising and marketing equation wants the most robust trading currency the industry can produce. The CAB will continue to work very hard with Nielsen on all of their initiatives that can result in better audience measurement. Weather it wider use of minute-by-minute data, the roll-out of LPMs, the tests of PPM methodology or early learning on PVRs, we will stay in the middle of all of the present-critical and future-critical issues. All of the above effort will likewise be expended for data infrastructure creation in the On-Demand arena with the best-in-class providers.

Burg/SNTA: We're all working in a dynamic media environment that has an enormous number of options–and that number continues to grow. Everyone is focused on how to best leverage today's media choices for a communications advantage. We impart information that brings real solutions for reach, value and impact within the current landscape. For marketers transacting business primarily on the weekend, our ratings performance on Fridays provides a cost effective, high reach recency advantage.

Mitch Burg

What is the outlook for 2005?

Cunningham/CAB: Our 2005 projections anticipate another year of double-digit increases in advertising spend for Cable overall that will bring total spend on Cable by US advertisers to over the 20-billion dollar mark. Our discussions with advertisers and media agencies about Cable's growing roll in 2005 television plans in pretty consistent across product categories. "We'll follow the viewers" is the consistent theme we hear, and the "Cable First" model of planning and buying is reported to us as being more of a universal practice than ever before.

Burg/SNTA: It is very strong. Our programs are well regarded and many are strong individual brands. In an environment where the big four network prime programs continue to decline to levels that are just over a 2 on a target basis and cable ratings are miniscule, syndication's real ratings, high quality / relevant programs and value proposition from a pricing and integrated communications platform basis are what people are looking for in television.

And for competing media...

What you said in 2004: Where were you off?, Where were you right?

Freitas/OAAA: The outdoor industry grew over 5% as expected in the first half of this year. We anticipate sustained growth through the end of the year which will continue into 2005 and beyond.

Stuart/IAB: I'm sorry to say that I was right about TV continuing to take the lion's share of most major ad budgets despite its less than perfect measurement system and ever increasing pricing structure. I'm not saying that TV doesn't play an important role in most campaigns, our research says it does, I just hope that I will be around to witness the moment when advertisers stand up and say, "hey, it's about a proper mix".. I was wrong in not being more bullish about my projections for 2004. The industry has done phenomenally well, and should reach $10 Billion in total revenue very soon.

Sturm/NAA: As we expected, the rebounding economy has spurred solid growth in newspaper ad spending. By the end of the first quarter of 2004, we saw newspaper advertising grow in all major categories. And by the second quarter, classified increased 7 percent, led by a 20 percent jump in recruitment ads as the job market improved and employers relied on newspapers as an effective advertising medium. The latter part of the year was a little soft – as it was for most everyone else.

What is your industry facing that needs to be overcome in 2005?

Freitas/OAAA: The outdoor industry is facing regulatory challenges in some states, such as rebuilding OAAA next year as pending federal highway legislation in considered.

Stuart/IAB: We've made such inroads over the past 12-16 months in helping marketers to understand why and how they must be online. Now, it's time to persuade them to increase the online component of the overall budget. Of the participating marketers in the XMOS studies, the data showed that most would benefit from increasing the online portion. Only ING had allocated the optimal amount right from the start, which was 15%.

Sturm/NAA: Newspapers continue to work hard at attracting younger readers. The newspaper portfolio of products including the traditional printed newspaper, newspaper Web sites, and niche products, such as commuter papers, appeal to a broad cross section of readers of all ages and backgrounds. Many of these creative products and initiatives are showing great promise.

We also need to be free of the Federal ban on newspaper ownership of radio and television stations in the same market. The ban is based on a '70's marketplace that does not exist anymore and never will. Newspapers are the only medium with these restrictions, and that makes absolutely no sense in today's multi-multi channel world.

What is the biggest concern for your constituents? How are you going to help them?

Freitas/OAAA: Outdoor advertising has a lot to offer brands, especially now. Consumers are spending increased time outside their home where they are exposed to outdoor messages. The outdoor industry is working hard to demonstrate to brands the value of outdoor in a media plan. Outdoor deserves a bigger piece of the media pie.

Working with our constituents, OAAA will continue to promote the increasing value of outdoor advertising as one of the last truly mass reach media that can also be highly targeted.

Stuart/IAB: The fundamentals of business tell us that any industry undergoing such extraordinary growth as the Internet will inevitably face growing pains. It is incumbent upon us to manage this growth wisely and with an eye to the future, not with short-term solutions. The silver lining of course is that overwhelming demand is a good problem to have.

With over 18 committees at the IAB, we work directly with our members to develop and implement solutions that benefit the industry at large as opposed to individualized, self-serving fixes. Our members have been wonderfully cognizant that banding together is our best offense right now and obviously this strategy is working.

Sturm/NAA: Obviously, the recent circulation issues are a concern, but I suspect we have seen the low-water mark. We remain deeply committed to helping our members reach out to the ad community and communicate the value of newspapers as an advertising vehicle.

We will help them by pointing out the unique connection newspapers have to the communities they serve. No other media is more closely intertwined with the lives of its users. The future is bright: The core newspaper product has been a platform for expansion, to online sites, free dailies, Spanish language products, suburban weeklies and more.

What is the outlook for 2005?

Freitas/OAAA: The outdoor industry will continue to grow between 5%-7% as more national brands turn to outdoor for solutions to their complex marketing challenges.

Stuart/IAB: The experts tell me we are poised for between $9-10 Billion in revenues by the end of 2004 and 2005 will see continued growth above that. Some have suggested it could exceed $11 Billion and some estimates are even higher, but I'd love to be wrong again in 2005 of having projected low. The Internet is the fastest growing ad medium and we should surpass magazines within the next couple of years. A $10 billion business can no longer be effectively classified as "New Media."

Sturm/NAA: I'm cautiously optimistic for 2005. We anticipate an increase in ad spending of around 4 percent in newspapers. It could be more if the economy shakes off its election year jitters and heads up – like the underlying fundamentals suggest it should. We are in a period of steady growth, low inflation, remarkably stable interest rates and increasing productivity.

The Broadband battle also will be televised

By Deborah McDermott

With another NATPE upon us, I was recently reminded of a conversation I had with some of my peers a few years ago. Thinking back on that dialogue, I recall the viewpoints as being quite divided. One side strongly believed that new media could very well become the bane of a local broadcaster's existence. The other side emphatically felt that broadcast television was like an insurmountable fortress, one that could not be challenged by other media forces — whether "new" or otherwise.

Fortunately, many of us who are entrusted with station management have seen the light and have already begun to embrace the former position. Any broadcast station or station group that wants to continue to succeed and be relevant with both consumers and advertisers during the next decade and beyond must see our industry through non-linear eyes. Those who do not will be doomed to being significantly marginalized in the new broadband world.

While the main focus of local television stations will more than likely remain that of a broadcaster providing entertainment and relevant information that seeks to reach a mass audience, we must look to find ways to satisfy the appetite of the broadband consumer. This new consumer is all about choice. While content continues to be an important driver for this consumption of our product, consumers are becoming less willing to wait for news, sports or weather just because "NewsWatch at 5:00" is three hours away.

Thanks to the Internet, SMS services, VOD, SVOD and the like, consumers are enjoying more and more freedom as to how and when they consume media. They relish their newfound freedom as well as the choice it provides. So to remain relevant, local broadcasters need to capitalize on the inherent value of their existing content by finding new ways to allow consumers to interact with it.

Localism will remain the ace in hand for these broadcasters. They are still the main source for local news, weather, sports, school information and updates on other events taking place in the community.

That being said, the stations in the Young Broadcasting group are involved in a number of new platforms and pursuits that were just a blip on the horizon only a couple of years earlier. By creatively using our digital spectrum, some of our stations have created brand extensions and expanded market share through the launch of new digital stations. Listening to the needs of our loyal viewers, we're airing a 24-hour weather channel in some markets like Sioux Falls, SD. The model is a very efficient one. With an existing single facility operating separate but complimentary broadcast content options we are able to increase value with both viewers and advertisers alike.

Looking beyond the traditional local broadcast television model, the Internet has also gained importance in our evolving broadband approach. WKRN-TV, our station serving Nashville, TN has multiple offerings via its website that appeal to a variety of consumer needs and lifestyles. For example, in addition to the more traditional web features, the station's site features different personalized news services including "News 2 eNews," an RSS news service which *pushes* stories to users, "News 2 StormTracker" video forecasts, a live "City Cam" option, and 24/7 video news from "ABC World Now."

With RSS, or Real Simple Syndication, site visitors who sign up for the service are sent updates throughout the day that let's them know a story of interest is available. The news aggregating software behind RSS provides updates on the variety of subjects that the user said they were interested in hearing more about. When new updates are sent, a brief is delivered which allows the user the option to click and read more, or to take a pass this go-round.

There is no question local broadcasters are facing increased competition on a regular basis. Cable is constantly looking to raise the stakes with increased content and interactive offerings, and even newspapers are exploring the possibilities of turning reporters into video-journalists who also post video version of their stories for web transmission.

Of course, we may need to learn a few new tricks going forward. However, when I consider the solid base that broadcasters have developed in their local communities over the decades, it is going to take a lot more than a new media delivery platform or two to undermine the importance of television stations in these cities, towns and villages. I see broadband as a euphemism as a battle for market share. Well, there's one thing that I believe traditionally brings out the best in a local broadcaster — and that's a fight for eyeballs and advertising dollars.

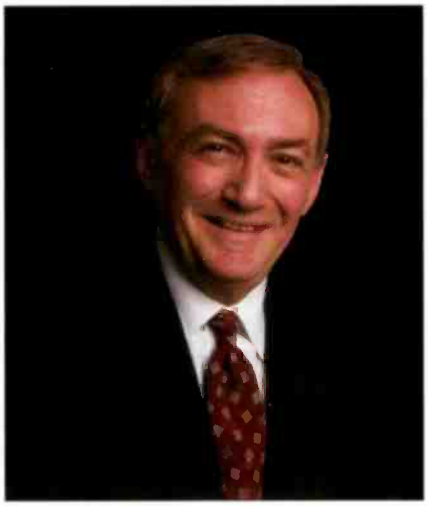
Deborah McDermott is President of Young Broadcasting Inc. (O:YBTVA). In addition to the national television representation firm, Adam Young Inc., the Young Broadcasting station group consists of ABC, CBS and NBC affiliates, as well as the nation's largest independent station — KRON-TV in San Francisco.

Marc Goldstein:
mining and prospecting for top ROI

MindShare

By Carl Marcucci / cmarcucci@rbr.com

With a top-notch skill set and tools of the trade in hand, Marc Goldstein joined MindShare North America as President/National Broadcasting and Programming in November 2000. In April 2002, he was named President and CEO, MindShare NA, with responsibility for all MindShare activities in the 10 U.S. cities and Canada. Marc now oversees more than 800 people, managing over $9 billion in media investments. MindShare NA clients include Unilever, IBM, Gillette, Bristol-Myers Squibb, American Express, Mattel, 20th Century Fox and Sears.



Prior to joining MindShare, Marc was EVP/Managing Director at GM Mediaworks, where he managed the global car company's $1 billion national broadcast media account. Marc was the division's first EVP and was instrumental in forming the organization now headed by **Rick Sirvaitis**. He held that position for more than seven years, coming on board from LINTAS, where he had been EVP/National Broadcast since 1988.

Marc's position at MindShare is a kind of homecoming, as he was SVP/Director of National Broadcast at Ogilvy & Mather from 1983-1988. Previous to O&M, Marc worked at Benton & Bowles (now Mediavest) in National Broadcast, and at Screen Gems Television (now part of Columbia Pictures Television), as Director of Research. Here, Marc gives us his take on what's next for media.

What is it like to be handling that kind of spend?

It's quite a responsibility alright, and I don't mean that lightly. And it's also something that, because of our size, really requires a very strong, calm and very dedicated management team. And we're very fortunate to have that because it's not, you know, no one person can do this. It takes a team effort and we're very lucky. Not only do we have some extraordinary people who are bright, and intelligent and creative, but they are very dedicated to what they do and we've also been very fortunate—we have a very, very good retention record in our senior staff.

Is there anything about your career and how it lead in your current role that you'd like to say?

I think what served me in good stead was the fact I didn't wind up in the agency side of the business until I had spent about six or seven years in research. And I have found that that research grounding and foundation has served me well throughout my entire career.

What are some of your clients' biggest concerns these days?

Well, apart from general economic issues etc., clearly the look and the view toward branded content and how we can do that in an intelligent way. Certainly the whole issue of ROI and measuring that investment which we are making in media and communication. And perhaps that is the number one issue that is on everybody's mind. When you think of what media and advertising expenditures are for most clients it is a very significant amount of money within their corporate financial picture and there is an increasing concern about determining whether or not it's paying for itself.

Talking ROI, what are the latest cutting edge ways of measuring it and do you think the tools available out there are good enough to measure it? What ways are you're doing it, proprietarily speaking, on your own?

There are multiple answers to that; number one different clients measure ROI in different ways. There is no one gold standard that says "this is the definitive measurement technique that you can establish an ROI equation." So that's number one. Number two yes, very definitely we are doing proprietary work for our clients. We are consistently trying to improve our capability in the ROI measurement arena. We have not found the holy grail at this point in time but we are certainly doing very well in the systems that we are developing. We have a dedicated group of people called our Advanced Techniques Group that does econometric modeling, marketplace modeling, category definitions, etc., and they are working very hard on a variety of proprietary methodologies to enhance our understanding of Return On Investment on a client by client basis, tailored to the specific parameters that each client is looking to address.

Perhaps the ability to deliver ROI measurement might be a big criteria these days on whether or not a client chooses a specific buying or media agency, right?

Well, simply looking at media efficiencies, while it's part of the criteria process, I think we're all being evaluated on a much broader number of yardsticks when an evaluation takes place. It's not only planning capability. It's not only buying efficiency—its strategic thinking, its ROI techniques, it's content and programming and branded entertainment capabilities. It's, I think, the diversity of our thinking. It's not just the traditional media, it's how do you use the full palate of communications vehicles within the construct of your media planning process and within the delivery and planning for each of the brands.

What issues do you see with research tools currently available and do you think the research methodologies and reliability need to be improved in some areas?

In terms of research we've done some very good things. We've worked with some of the suppliers in syndicated research. We've developed some of our own tools and techniques. You know what's interesting out there, is there's an enormous amount of data and everywhere one turns there are numbers and charts and tables from which you can hopefully draw information.

I think the thing that we've done quite well, and again, this is an ongoing effort here, is turn data into information and information into understanding. Again, there's more and more data out there and the trick is to be able to make it and turn it into usable and constructive information that's applicable to our clients and our brands. Does it need to get better? Absolutely. Does it need to be refined? Absolutely. Are we talking about just Nielsen? No, we're talking about all phases of audience measurement and audience research.

What do you think about Arbitron's PPM and Nielsen's LPM for radio and television?

We're very supportive of LPM. We wish they had done LPM earlier. We think that people meters is a vastly superior technology to the old diary methodology and we've been supporters of LPM from day one and we're delighted that they are actually rolling that out.

As far as PPM is concerned, that's got a ways to go. The test in Philadelphia had some interesting flaws to it, I think, and created some reservations about reliability. And of course, tied to that, it requires coding and if broadcasters are unwilling to code, then there's an issue there. What's important is that we're trying to move the ball ahead. Whether PPM is the solution or not, the fact that we are trying new technologies and trying new techniques to better deliver on the research needs in terms of accuracy and reliability, we're going to be supportive of things that we believe can move that ball ahead.

Do you think if a reliable PPM were put into play could it help radio's chances for getting on buys?

I think it's going to depend to some extent on usage and it's going to depend to some extent on individual brand needs. Look, radio was perhaps the first media to have to deal with fragmentation in the sense that there are probably more channels in radio and radio proliferated in terms of channel capacity faster than most other media. We talk about audience fragmentation with network and cable, but I think audience fragmentation, or at least that concept, needs to be expanded to all media. Why are we surprised, for example, to see network usage go down and perhaps not radio usage given the fact that the same factors that impact declining network usage—video games, internet usage all sorts of things—can just as easily have an impact on other media as they can on television. We all suffer time constraints. There are just so many hours in the day to do some of the things that we want to do. Consuming media is part of that and we probably don't spend as many hours in the day with things as we used to because new things have taken their place or we're doing more multitasking. The TV's on and we're looking at the computer instead of perhaps reading the newspaper, which we once did.

We interviewed Mark LaNeve, GM's VP/ Marketing and Advertising and Mark-Hans Richer, Pontiac Director of Marketing, about product placement. What do you think about the future of Oprah-G6 types of product integration?

Mark LaNeve did a heck of a job at Cadillac. I really didn't know Mark very well when I was there [at GM Mediaworks], but I certainly follow what the company is doing and he did a heck of a job at Cadillac. I understand why he's been moved up the corporate ladder to take on a broader role that impacts all of the divisions.

"A," we're supporters of the concept. We believe it works and we believe that it represents another communications channel for our clients. We also think that it works best when it's done organically—when there is a real linkage between the environment in which it airs or is being used, and the product itself. And that is very difficult to do because that organic part of our equation is harder to achieve than simply putting a product or a package integrated into a program.

Absolutely, it can't appear to be contrived.

I certainly believe that we don't want to insult the viewer and I think that the viewer is a very smart consumer and I think that we want to relate to them on an intelligent level. Doing things that are not consistent with the brand positioning, brand messaging, the brand DNA, is not necessarily going to be a long term positive. By the way, there are not very many companies that can give away seven million dollars worth of product.

Do you see any problems or challenges with TiVo and the advent of PVR? Do you think it's a problem or more of an opportunity?

We like to look at things from the optimistic point of view, so in this case we look at it as an opportunity. We fully understand that PVR technology is going to grow, it's going to grow quickly—particularly as set top boxes become the device of PVR as opposed to the standalone box which will probably (as a percentage) be less important compared to the set top box. I think as consumers use it and get to know it and understand it and as the penetration deepens I think we need to find ways (and we're looking at testing different ways) to really make use of it on behalf of our clients. Some clients or some companies have already tested TiVo in various forms.

I don't know, nor frankly do I believe, that the early adopters of TiVo—and I don't know what TiVo is now, two some odd million homes I think—are necessarily representative of the general population. I think they probably are more the early adopters, the people who are into technology and leading edge technology. They want to be the first kids on their block to do something or to have something and their usage and their viewing patterns may not be

representative as we start to roll out PVR technology to the general public and as penetration really begins to ramp up. That doesn't mean to say there aren't things we can't learn, but I'm not sure we should necessarily take that as the definitive example of what future viewing and future usage will be.

What about other new technologies and services—anything on your radar screen that has caught your interest lately?
VOD is certainly on our radar screen. In fact we're talking to somebody now about doing some VOD testing with something that has recently gone on the air. There are cable companies that are actively engaged in VOD and trying to bring advertisers and media companies on board in some VOD experiments.

For the brands that you decide to opt and recommend a much broader media mix, what sort of anomalies or interesting characteristics have you discovered about using broader media mixes than what was available in the past?
Here's something that we can do in that environment—you can go talk to a multimedia owner and create something for a brand that may be using (we'll use Viacom as an example) radio and television and do something that is unique across a variety of channels that they control as a media owner. When you look at it, you're not just buying spots—you're now creating a marketing package that may have something tangible to ground itself in, whether it's a promotion or something tied to a launch of a new program or a special or whatever, that becomes the core of an idea that crosses channels.

"We wish they had done LPM earlier. We think that people meters is a vastly superior technology to the old diary methodology and we've been supporters of LPM from day one and we're delighted that they are actually rolling that out."

Analysts have been pounding radio stocks lately. What would you suggest traditional radio do to keep its audience from rushing to XM and Sirius and the Internet? Is Clear Channel's "Less is More" clutter-reducing strategy a start? Any advice for radio to score more client dollars?
Less is More does wonders for the supply and demand equation and may do a lot for pricing by reducing the amount of inventory that's out there. I'm not sure that it does more for the listenership, if you will. That remains to be seen. I think if you look at where television is headed and if you look at the increase of client involvement in programming (granted it's largely reality programming, although we're seeing inroads into scripted programming as well in terms of this branded content or branded entertainment) I think opportunities in lots of media are going to be very interesting and radio is no exception. And the more that they can meet the desires of clients as clients look to enhance their exposure and enhance their communication, I think that will be viewed as a positive. They need to look at where clients are going and maybe have greater dialog if they're not with clients, to see what they're goals and objectives are.

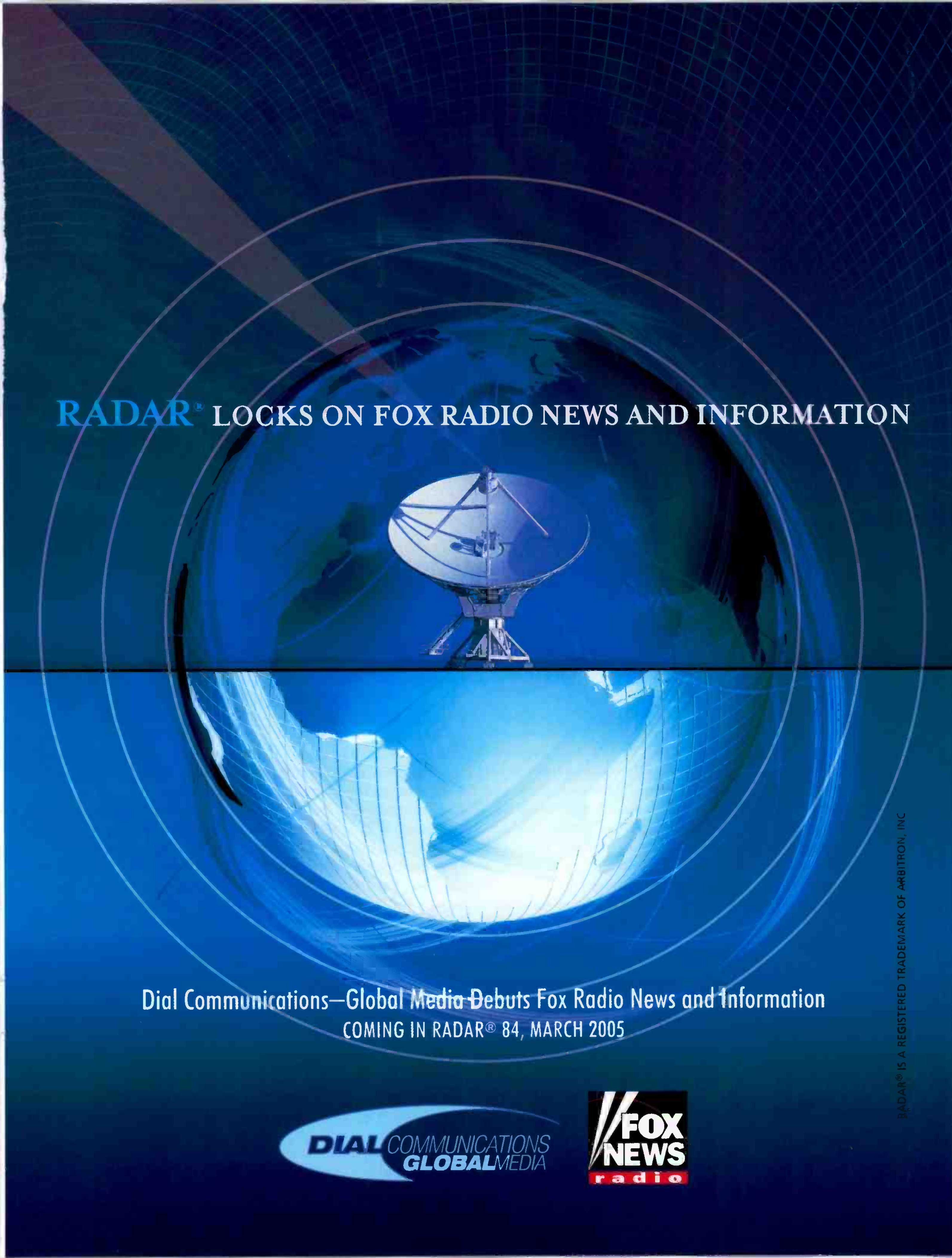
What do you think about the advent of spot monitoring services like Mediaguide, Media Monitors and Verance, especially for radio? Do you think that's a valuable tool for helping radio's reliability and accountability?
If we go back to the whole subject of what's on clients' minds, I cited ROI. And ROI relates to things like this: Am I getting the exposure? Are my commercials running where I expected them to? Am I getting what I pay for, so to speak? So I think the fact that there are ultimately tools like Verance and Mediaguide that are going to provide the kind of support and verification process that reassures us as media companies and clients that the schedules that are being purchased are running and if they're not that there is a recourse to find out that they're not, are very valuable and very much an area that we're going to be all moving into, and I think it's an area that's unavoidable.

And it should help radio eventually.
I believe it will help radio. You know there are always perceptions about things that may or not be reality. And sometimes (and I'm not necessarily going to say this in radio) there may be a perception that what I'm buying isn't running and if it can be demonstrated, in fact that it is, I think that's an argument and a sales tool for the channel in coming to us and in coming to our clients.

We've seen such a huge influx of immigration over the last two, three, four years. Is it becoming hard to put an accurate measure on it? Is it becoming an issue for measurement and strategy?
I don't think it's an issue for strategy because I think strategically we're aware of it and we're trying to address some of those issues in terms of the different groups that have immigrated into the country. I think it's a real issue in measurement and we can go back to the African-American audience, we can go back to Hispanic audience and have learnings that pretty much demonstrate that it is in fact difficult to measure those particular segments. If we recognize that we had difficulties and we found ways around it in the early days, that we need to apply those problems and solutions into these new measurement techniques of immigrant population. One of the questions is are these populations defused across the country making them more, perhaps, difficult to measure or are they consolidated in large groups, ala the Hispanic audience for example? We know that there are huge segments of the Hispanic population in New York, Miami, San Antonio, California, LA etc. And what I don't know is if you picked a group, do they have those same characteristics where they're at least geographically consolidated, as opposed to being defused across the country?

Has the network television upfront peaked? Why? What about cable's continued growth and strength?
The network upfront marketplace is largely a business and financial decision, and if the price of upfront inventory is attractive than I think it will continue to be very, very strong in the sense of the demand side of the equation. If the network's position is aggressive on pricing, then I think they will drive money away to other alternatives. I think that therefore the market will vary on a year-to-year basis, in part based on price and obviously in part on the overall economy and the need for network television.

As far as cable is concerned, there is no doubt in anybody's mind that cable will continue to grow. I think the one difference in cable, and everybody tends to look at the cume delivery of cable, is it's not bought that way, It's bought on a network by network basis and we're still looking, in the main, on a network by network basis at ratings that are generally significantly lower than network television.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Taking a look at Digital TV

By Chris Rohrs,
Television Bureau of Advertising CEO

Hold the presses! This can't be! In September, Jupiter Research scaled back its forecast for digital cable penetration, noting that disconnect rates are higher for digital cable subscribers than for analog subscribers. What's going on here?

In a word: disappointment. By one recent estimate there are approximately 49 million U.S. TV households receiving digital TV services. Here's the problem...only 6 million homes have a digital TV set, and, of these, less than 20% are watching high-def content.

The consumer still doesn't really understand how all this works. They upgrade to digital cable expecting a greatly enriched viewing experience, including the high definition pictures they've been hearing about, only to discover the picture ain't great and the additional channels are mostly dopey. They don't want to hear that they have to buy a new TV when they just bought a 50-inch beauty three years ago.

I'm one of those million or so digital cable customers who are able to watch HD. Our cable provider, Comcast, offers 12 high definition channels and we get nine. I'd seen a lot of HD demonstrations over the past years but, even so, I was unprepared for how impactful it has been on our viewing. We'll do just about anything to avoid the non-HD channels. How come? The picture is just not acceptable. And it's unacceptable not just in comparison to high def, it's unacceptable compared to the picture quality we used to get when we were just analog cable subscribers. More on this later.

But we love the HD experience. The broadcast network primetime programming in high def is fabulous. Football is beyond belief. If you don't believe HD is a consumer home run, I'm guessing you don't have it yet. In particular, HD is a grand slam for broadcasters. The best programs and the best picture quality is an unbeatable combination.

What remains unclear is how the consumer will choose to obtain digital television service in the future, as the penetration level of digital sets grows from today's 6%. Will wired cable win out or will satellite continue to poach cable subs? And what about over-the-air subscription TV from the broadcasters, does that have a chance to make it? Let's focus on today's digital cable subscriber (me) as we try to answer those questions.

Our monthly bill from Comcast is $145. Take out $46 for the high-speed cable modem and we're paying $99 per month for our TV package. The chart shows what we get for that.

The 21 Basic channels include eleven broadcast offerings. Expanded Basic includes 46 cable networks. There are six premium channels of which I take just one, HBO. All 73 of these channels are listed on the side of the Comcast channel card labeled "Analog Channel Line Up." Analog? What's up with that? I'm a digital cable subscriber. Aren't I?

You have to flip the channel card over to the other side to see the "Digital Channel Line-Up." There are 47 Digital Plus channels (we rarely look at these niche nets) and fourteen Digital Premier Pack channels (we take none of these, resisting the urge to pay extra for the likes of Wisdom, Tech TV, Fuse and FXM).

The digital line-up also offers 34 Digital Premium Channels (we get nine renditions of HBO and pass on the multiple versions of Showtime, Starz, etc.). Finally there are Digital Music channels, Pay-Per-View and twelve channels of High-Definition Programming.

When we upgraded to digital cable and invested in a high-end digital TV set we were thrilled with the HD channels but very disappointed with the picture quality on the Basic and Expanded Basic channels. After some detective work I made the discovery that these were all analog channels. My first clue was that when I watched the broadcast channels on the HD tier, even programs not done in high def (like local newscasts) looked much better than those same channels did on the Basic tier. That, plus the wording on the two sides of the line-up card, made me realize that the broadcast signals were digital on the HD tier but analog on the Basic tier channels.

The vast majority of U.S. homes receiving digital TV service are not yet high-def-capable. For them, almost everything they watch is analog, not digital. No wonder they're disappointed.

Presumably, the cable MSOs will begin to deliver more of the Basic and Expanded Basic channels in digital. They'll need to because reception quality is one of the key reasons satellite is winning over so many wired cable subscribers. Price and the NFL Sunday Ticket are other key advantages for DBS.

Can the over-the-air subscription concept succeed in the marketplace? I believe it can. First of all there's a market segment that would be happy to receive the broadcast channels and a shorter list of cable offerings (15 or so) for a price point under $25 per month. Comcast charges $43 per month for what they call "Standard Cable" (Basic plus Expanded Basic). For a lot of people it's too much money and too many channels.

Then there's the picture quality issue. The over-the-air subscription service would deliver the Broadcasters in HD, and everything digitally. And, oh by the way, high def picture quality over the air is superior to high def via cable. It's a pure, undiminished signal.

I haven't talked about VOD or the DVR issue yet but both are important elements of digital and, of course, they are related. Comcast offers some free VOD content as well as pay-for-play options like movies. We recently watched "Mystic River" for $3.99. We don't go to Blockbuster as much anymore. As the VOD content menu expands, I think it will become an important part of the wired cable business model, perhaps the centerpiece. Without a highly compelling VOD component, it's almost impossible to see cable surviving in a world racing toward wireless in all ways.

The integrated DVR set-top cable box has had its roll-out to my area delayed several times and we still do not have one. I'm anxious to expand my personal learning about the impacts of time-shifting and commercial skipping. I've had some experience with a stand-alone TiVo box and I know that it's easier to record programming than it is with a VCR. As such, more programming will be recorded in DVR homes. But here's the rub: when you get your DVR they do not issue you any more time. So what we'll need to watch unfold is how people allocate their available viewing time between live and recorded material.

It's the commercial-skipping question that wakes up television and advertising executives at 3AM. I'm less panicky than most about how this will play out, though I'm certainly cautious and anxious to know more about viewing behavior beyond the early-adapter stage. I'm not panicky because DVR penetration won't reach 25% of U.S. homes for at least three years, giving us time to evolve and adapt our business model, and because we've already had the greatest commercial-avoidance device ever invented (the remote control) in our hand for more than 25 years.

Early DVR adapters love their digital recorders, and they also report very high levels of TV viewing and satisfaction. This is an important finding and one that suggests that the DVR could be a net-positive technology for the industry.

High def is surely a positive force for broadcast TV, and the multi-cast opportunity is expected to produce important new services and revenues as business models emerge.

The digital era impacts our business process issues too, areas like audience measurement, verification, accountability, and ROI. Audience fragmentation is one by-product of digital and it adds complexity to each of these areas. At the same time, advertisers are seeking more certainty, more definition of results. In truth, digital technology is both the problem and the solution to this challenge. There is no shortage of data in the digital environment; what we have to develop are the tools, systems, and analytic processes that will enable us to navigate all the data and cope with it. There is much work to be done.

With more than 1,400 television stations now broadcasting digital signals, the revolution has begun. When we look back, we will see that it was a defining, uplifting and critical period for broadcast TV. And we will see it as a period that established the foundation for the next great era of local television.

Consumers cast their vote for syndication

By Michael Teicher, EVP/Media Sales, Warner Bros. Domestic TV

If you believe, as I do, that consumers view programs and not networks, then it stands to reason that consumers have cast a resounding vote for syndication to truly make it the powerful and popular genre that it is today. As a result of syndication's distribution method over local broadcast stations, viewers search for, and find, the programs they are most interested in watching, whether the show runs on a network affiliate or an independent station.

Think about it. If viewers weren't loyal to programs in first-run syndication, how then could Oprah, Extra, Regis & Kelly, ET, Wheel of Fortune, The People's Court and Jeopardy stay on the air year after year and capture the type of impressive ratings they achieve? Despite the dramatic increase in programming choices available in the average home, viewers have made the clear and conscious choice to select programs with which they feel a strong connection in some way. This sense of loyalty and connectivity provides and environment rich with opportunity for advertisers to align their brands with programs that attract their key customers.

From an off-network standpoint, only the highest rated shows on network television with at least four seasons of episodes produced even make it into syndication, and they do so with a viewer support base that is extremely loyal. Once in syndication, viewers can watch their favorite weekly comedies five days a week for 52 weeks per year...guaranteed! Today's best performers in syndication are among television's most popular shows of all-time including Friends, Seinfeld and ER, as well as "new classics" such as Everybody Loves Raymond, The West Wing, Will & Grace and That 70's Show.

In a world of fragmentation and chasing an ever-elusive consumer who is on the move, advertisers should consider the merits of syndication and capitalize on the loyalty that viewers demonstrate for their favorite programs. Syndicated programming, which can be seen nearly each and every day all year, delivers consistent ratings which are younger by genre than that of the broadcast networks and dwarf those of most cable series.

Some of the most recognizable and well-liked TV personalities reside in syndication, including **Ellen, Oprah, Dr Phil, Jerry Seinfeld, Ray Romano, Jennifer Anniston, Martin Sheen, Regis Philbin** and several others.

In syndication our brands are our shows. We build them, protect them and covet them much like our advertising partners do with their brands. We strive to create an environment that inspires viewer loyalty. Given the way syndication is sold to advertisers, on a program-by-program basis, this concept should be very appealing to marketers who care so deeply about their brand's essence with programming and environments that are consistent with each other.

Syndication offers great programs, terrific demos, consistently solid ratings, top personalities and some of the most recognized brands in all of television with loyal viewers...the ones our top marketing partners want to speak to everyday with their key messages.

If you are an advertiser that utilizes syndication, congratulations on your wise choice and for those who haven't made the leap, join the legions of loyal consumers who have cast their vote, with winning results, over and over again.

Not-to-be-missed panel sessions at NATPE

1/25 Noon Age-nineteen forever: Maturing cable nets shoot for the hip

Many of the well known cable networks are now 20 years old. Having achieved "maturity" they need to remain hip and must grow their audience while keeping their base. How will they do that?

Panelists include:

Bonnie Hammer, President, SCI FI/USA Networks
Ted Harbert, President/CEO, E! Networks
Debra Lee, President/COO, BET
Peter Ligouri, President/CEO, FX
Henry Schleiff, Chairman/CEO, Court TV

1/25 1:30 Branded Entertainment: The 411 on ROI

New advertising models are being invented every week. Are all deals unique? Can empirical formulas be devised to guide advertisers to make fair comparisons? How should product placement be evaluated?

Mark Goldstein, President/CEO, Mindshare (see our interview, page 14)
Stacey Lynne Koerner, EVP/Initiative Media
Tom Mazza, President, Madison Road Entertainment
Robert Reisenberg, President/CEO, Full Circle Entertainment

1/25 3PM Follow the money! Ad strategies in the digital world

Agency heavyweights explore the confluence of content and technology. What models going forward will offer the best opportunities and value for their clients?

Panelists:

Peggy Green, President, Broadcast, Zenith Media USA
Jon Mandel, Chairman, MediaCom U.S.
Charlie Rutman, CEO, Carat North America
Rino Scanzoni, CIO, Mediaedge: CIA

1/25 4:30 PM Is over the air over?

Broadcasting group heads discuss the challenges and opportunities for free over the air television. Will greater digitization prove to be a boom or bust? How does local programming fit into the future?

Panelists:
Dave Barrett, President/CEO, Hearst TV
Deb McDermott, President, Young Broadcasting (see her column, page 27)
Jim McNamara, President/CEO, Telemundo Network
Patrick J. Mullen, President, Tribune Broadcasting
Dennis Swanson, Executive Vice President/COO, CBS/Viacom

1/26 9AM The regulatory landscape
Introduction: **Mickey Gardner**, Law Offices of Michael R. Gardner
Remarks: **Michael J. Copps**, FCC Commissioner
Follow-up: Moderator: **Jeff Cole**, Director, UCLA Center for Communication Policy
Dennis FitzSimons, Chairman, Tribune Company
Victor Miller, Senior Managing Director, Bear, Stearns & Co.
Andrew J. Schwartzman, Media Access Project

1/26 Noon The reality of "reality"
Okay. So how much can really be new here? Lots! We've got the people who can shed light on the format wars, costs of production, product integration, backend potential and more.
Panelists:
Tom Gutteridge, CEO, Fremantle North America
Steve Lambert, Director of Programs, RDF Int'l
Gregory Lipstone, Senior Vice President, William Morris Agency
Bertram van Munster, Executive Producer/Co-Creator, *The Amazing Race*
Andrea Wong, Senior Vice President, Alternative Series & Specials, ABC

1/26 1:30 TV's next top model: Business paradigms for the new bottom line
The business is changing. The bottom line IS the bottom line. Which models will thrive, which ones will die?
Moderator: **Jessica Reif Cohen**, Managing Director, Merrill Lynch
Bill Cella, Chairman, Magna Global U.S.
Bruce Rosenblum, Executive Vice President, Warner Bros. Television Group
Nancy Tellem, President, CBS Entertainment
Anthony Vinciquerra, President/CEO, Fox Networks Group
Jim Wiatt, COO, William Morris Agency

1/27 10:30 FUTURE The Next Big Thing
You have to be there to find out what it's going to be!
Sponsored by: Alix Partners
Moderator: **Larry Gerbrandt**, Alix Partners
Mark Cuban, Owner, HDNet
Blair Westlake, Corporate Vice President, Microsoft
Marty Yudkovitz, President, TiVo

BRANDING

Rich Media

"American Dreams" Mustang film a home run in branded entertainment

Zinio Users can view it here

Our congratulations to NBC, Dick Clark Productions, Ford and J. Walter Thompson on working together on a branded entertainment piece that will surely stay with viewers for a long time to come. Bottom line: it was entertaining, powerful, timely, and effective. This sort of opportunity doesn't come along every day, but when it is planned and worked this well, we all can learn a bit from it because this is the future of product placement and how the clients like Ford will get their ROI.

"American Dreams" 11/21/04 episode, aired without commercial interruption by Ford, featured the homecoming of JJ Pryor — a lead character in the show who has been away at war — and concluded with a nearly five-minute short film titled, "Homecoming."

The short film, from Ford's AOR JWT Detroit, captures the anticipation of a young serviceman's return home from war — and the parallel experiences of his father who had undergone a similar series of events in Vietnam. It mirrors the storyline in "American Dreams" but brings the events into the modern day to communicate the continued importance of celebrating today's homecoming experiences for our servicemen and servicewomen.

Rich Stoddart, Ford Division marketing communications manager, tells RBR/TVBR a bit about how this all came together: "American Dreams developed on multiple fronts. It began with a media discussion in the upfront television season with the network to say: **1.** 'What can we do that's different, that's interesting? The world of media is changing'. **2.** And they brought us this idea of sponsoring the fall season finale-commercial-free, brought to you by Ford. Of course, at that point, it's really a concept and we didn't at that point really know what the episode was about or how we would work together. And that really is what makes this Branded Entertainment area powerful. I think the reason that we've had the response we've had to this is because we and the creative people at J. Walter Thompson were working with **Jonathan Prince**, the American Dreams producer and his writers over the past 60-90 days."

J. Walter Thompson/Detroit Executive Creative Director/Co-President **Tom Cordner** told us how this got done: "We have a great relationship with Ford, whereby they encourage us to look for properties where we can have a dominant presence, where we can run our commercials, sometimes influence the content of a show (which we did) and pursue the opportunity of non-traditional media, which that film was, to reach consumers in a powerful way. Mostly, consumers are very jaded about advertising. They don't sit in front of a television waiting for the next commercial to come on—nobody does that. We're these unwelcome guests in people's homes, and Ford recognizes that. And to find non-traditional ways to have them experience the Ford brand and some values that may be associated with that is an enormous opportunity—in a way that isn't in a traditional ad format.

So, when our brand entertainment group every once-in-a-while comes up with these opportunities, they are presented to Ford. They decide whether it has the right credentials and the right scope of demographics to meet their objectives, and is it a good value. Once we determine that we then find out how far we can influence, or what impact can we have to make people look at Ford or even consider spending more time with the brand."

RBR & TVBR Observation: Home run and the shock still hasn't worn off. Now where will future dollars come from to continue with marketing realities of this quality and style? It does take money.

Is your transmitter site ready for winter?

By Al Kenyon

This issue should land on your desk right in the middle of the holiday rush. By this time of year most of us residing in the northern climes have prepared our homes for winter doing such things as covering the grill, putting away the deck furniture, draining and putting up the garden hose…those kinds of things. What have you done for your broadcast facility to prepare it for winter? I encourage you to read on even if you are located in San Diego where the weather is (almost) always perfect.

When was the last time someone had the time to perform a complete, detailed inspection of your transmitter plant? There are a number of individual building blocks comprising a broadcast facility that don't demand or receive much attention but are still subject to deterioration in a variety of ways. In an environment where there always seems to be some more urgent need demanding technical insight in and around the offices and studios, it is difficult to take time for a close inspection of those things at the transmitter site that never seem to change.

Station engineers and contract engineers alike are under constant pressure to make the most efficient use of their time and to keep expenses in line. Contract engineers are often instructed to just perform whatever task is approved and assigned by station management. Station engineers, in an effort to control expenses, will often put off a minor task or two at the transmitter site, ultimately losing track of those items on their mental to-do list in their day-to-day hustle dealing with remote broadcasts, studio operations and the ever-present computer questions. In some cases, items needing attention seem to blend into the background, only warranting a passing glance during a brief weekly site visit. To avoid this situation, some stations will contract with an outside service for a regular inspections while others make use of engineering managers within the same company.

Oh, you say your station participates in a State Broadcast Association inspection program? Good for you! You should be aware that SBA inspectors typically limit their comments to FCC rules compliance issues and do not necessarily inform station owners of non-rules related situations they encounter. You should also be aware that a SBA inspection certificate does not preclude a visit by an FCC field inspector to check on items which the Commission views as being related to public safety. They inspect your station despite the presence of an SBA inspection certificate in the event that a complaint has been filed relating to a compliance issue at your facility.

By now, your engineer should have made whatever adjustments may be necessary to prepare the transmitter site for cold or cooler weather. Surprisingly, there seems to be an increasing amount of electronic equipment that doesn't function well when it gets too cold. Low ambient temperature will also degrade the performance of any back-up batteries powering or internal to digital equipment.

In certain areas of the country and where so equipped, the station engineer should have made sure that the FM antenna and satellite antenna de-icing system is ready to go. Did they actually turn the deicers on and measure the current demand to confirm that all of the heating elements still work?

An AM site normally has a small building or equipment enclosure housing the Antenna Tuning Unit (ATU) near the base of each tower. This building or enclosure should be weather tight and dry. It is not uncommon to find a socket for a 60-100 watt light bulb inside the ATU; it could be time for a replacement bulb, especially if that lamp is normally used to keep the ATU warm enough to keep the pattern change relays from sticking. It's also not a bad idea to check the contacts and action of those relays. This would be a good time to knock the dormant wasp nests down, evict any varmints that may have set up housekeeping and seal any holes.

Items to check at an AM site include the tower base fencing. Remember that this fence is most likely the barrier that separates the public from the high level exposure area. The fence should be of sufficient size and construction to reasonably prevent a member of the general public from gaining access to the areas where the RF field exposure exceeds the FCC's general population exposure guidelines. The FCC considers proper fencing to be a safety concern. While checking the tower base fence, it is a good time to make sure that the tower registration numbers are still legible and properly displayed; these numbers are often posted at the tower base in addition to a location easily visible from the property lines.

Access to the ATUs and the tower bases and anchor points should be clear of trees and tall weeds. There are a lot of positive things to be said about the benefits of scorched earth or an equally barren condition in this area. If your site has problems with vegetation, do what you can now and make a note to return in the spring armed with the appropriate tools and weed killer. I am told that Roundup ™ or a similar selective herbicide will work well leaving your site only susceptible to an attack by wild corn. Careful selection of herbicide should avoid any negative chemical effects on the copper components of buried ground systems.

What does the tower base look like? Is the concrete still smooth and relatively fresh in appearance or is it chipping? Small cracks allow ice to form inside the concrete and will eventually break it down bit by bit. Repair methods are determined by the extent of the damage and should be scheduled for the earliest suitable weather. Check those ground straps at the tower base and guy anchors for physical integrity as well.

Check the tower paint. Recent actions by the FCC allowed an operator found to have a tower in violation of painting requirements to reduce the amount of their fine by $2,000 since the operator was able to produce a painting contract which was signed prior to the FCC inspection. Faded tower paint color is not just a matter of opinion; you can purchase an aviation orange color tolerance chart from Hale Color Charts, Inc. www.halecolorcharts.com for about $60.00. Get one; use it this winter and you will have a better understanding of your exposure to a fine. If it looks bad, you may get a better rate on a paint job by booking it during the off season.

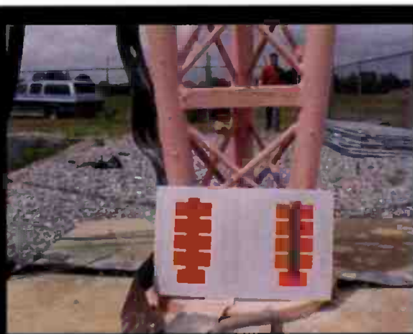
If you have a painted tower you most likely also have tower lights. The next time you lose a lamp and need to call in a tower climber for re-lamping you might want to consider alternatives to the traffic/obstruction lamps we have been using for years. If you're not ready to spend big bucks on LED lamps, you really should take a look at the 10 year incandescent lamps from OTL. These lamps are manufactured under a patented design and have an outstanding record for service life in the harsh climate of Canada. For just a bit more material expense than traditional lamps you stand a fair chance of having lamps which last as long as a paint job! Most people recognize that the primary expense of re-lamping is not in the lamps themselves; it is the cost of sending a climber up the tower to change them.

If keeping up with the tower obstruction marking and lighting standards seems to be a bother, consider this recent comment by FCC Enforcement Bureau Chief **David A. Solomon:** "This year we have inspected over 1300 broadcast towers and issued 18 Notices of Apparent Violation representing possible forfeitures of approximately $100,000." Tower painting and lighting are FCC public safety concerns and subject to inspection at any time.

Tower systems themselves should be checked annually for guy tension and plumb. A tower crew should have the necessary equipment to make these checks. Unless they can demonstrate a discovered problem, a second opinion and independent repair estimate are usually in order. Guy wires should appear clean and rust free. A broken or collapsed guy insulator can cause a pressure point leading to failure of a guy wire.

Look up the tower, preferably with a good pair of binoculars, and carefully examine the way the transmission line is fastened to the tower. Do all the cable clamps still have a firm grip on both the line and the tower? A transmission line rubbing against a structural member may eventually wear through the outer jacket and conductor creating a hole and causing leakage. If a sufficiently long piece of flexible transmission line separates from the tower, wind action will eventually cause the outer conductor to crack leading to all of the problems associated with a poor match between the transmitter and antenna.

Co-axial transmission lines and FM antenna systems often use nitrogen or dried air under modest pressure to keep moisture out. If your plant uses air dielectric transmission line, you should have a nitrogen tank with appropriate fittings and pressure regulator or a dehydrator available even if you haven't lost line pressure for years. Hauling a nitrogen cylinder over mud and snow is no fun at all when you need one in an emergency.

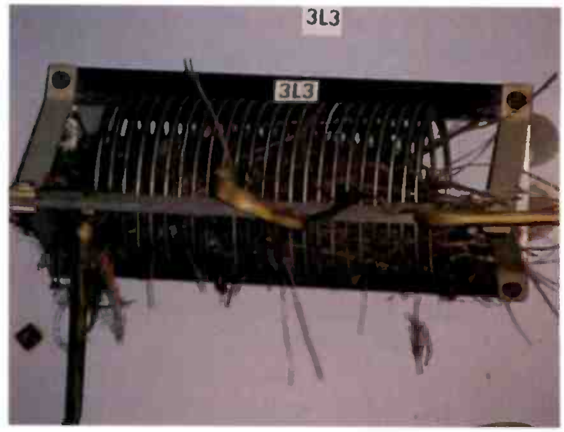


Yes, that is a pink tower behind the aviation orange color tolerance chart. In-service aviation orange color tolerance charts: FCC Rules and Regulations, Part 17, as well as a corresponding FAA rule, require that communications towers be painted a specific orange color to insure that they be sufficiently conspicuous so that aircraft crews will have no difficulty in seeing and therefore avoiding them. To assist with compliance of these regulations, a chart was conceived which displays the permissible color range (saturation, lightness, darkness, redness and yellowness) of the orange standard. The charts can be purchased from Hale Color Charts, Inc. (www.halecolorcharts.com).

An extreme case of poorly dressed and secured transmission line

Here is a case of a missing terminal cover leaving tower lighting connections exposed

Finally, in light of events this fall in Texas and California, station owners should re-examine security arrangement for both their transmission equipment and the people that service the equipment. Items that should be considered include motion sensor controlled exterior lighting, secure windows and doors along with a review of other possible methods of entry including through the walls or the roof. I have never been a fan of a lone engineer working at a transmitter site. In the past my primary concern was



If an equipment enclosure is not properly sealed you don't know what will set up housekeeping

possible accidental contact with high voltage. We must now consider the possibility that an engineer may encounter a vandal or other miscreant when the engineer responds too quickly to an off-air situation. Transmitter sites are often located in isolated or run-down areas where late night service calls have progressed from discovering an occasional teenage romance in progress or happening upon a sale of controlled substance to possibly becoming a target of violence.

Al is the new head of the Broadcast Technical Services Division at Denny & Associates. Kenyon, former Clear Channel SVP/Technology, is involved in client technical projects, right down to the nut and bolt level. Denny & Associates is located just outside DC in Oxon Hill, MD. The firm provides a broad range of professional engineering, technical and management services to the telecommunications industry. For more info see www.denny.com or call 301-686-1800. Al may be contacted directly at 301-686-1802 or akenyon@denny.com.

2005:

Shaping up to be a tough year

By Jack Messmer / jmessmer@rbr.com

Remember the good old days? Yes, back in the 20th century, radio could be counted on to grow revenues around 7% each year. That was considered normal—and for the past couple of years we've heard a lot of talk from radio people about getting back to "normal" growth. But it hasn't happened. And from where analysts on Wall Street see things, it's not likely to happen in 2005.

It's not all the fault of the radio industry. We asked analyst Jim Boyle at Wachovia Securities just why radio is in the doldrums.

"That would be a combination of macro-economic and geopolitical events, largely outside the control of radio, along with some sector-specific situations that the industry hasn't done a terribly good job with," he said. "On the macro side, certainly the last four years have seen an unusual run of events—between the dot-com bust, 9/11, invading Afghanistan, invading Iraq, coming out of a recession, having a significant stock market correction—and typically radio has always been the first to go into a recession and typically the first to come out of it. If you consider that one long situation that has recession-like qualities, then it wasn't surprising there was going to be a very rough patch there—and it was going to last longer than usual. What was unusual is the recovery has taken much longer and therefore the second half of that phrase—'first out'—has not occurred."

So, what's actually going to happen this year?

"Right now we've got plus 4% for the radio industry and we've got minus 4% for the television business," said analyst Victor Miller at Bear Stearn. "That just shows the agitation of about $1.2 billion in political that we think probably won't be around," he said of the TV figure. Boyle's view is also bearish. He's looking for 3.5% growth for radio and a flat year for TV. Boyle is in line with and Miller a bit more pessimistic than the Television Bureau of Advertising, which is predicting that spot TV sales in 2005 will be flat with 2004 (9/9/04 TVBR Daily Epaper #176), with a push in local sales pretty much covering the lost political spending.

For radio, 2005 may well be a landmark year, due to industry giant Clear Channel rolling out its "Less is More" initiative (which was actually accelerated to begin last month). The move to cut clutter is being welcomed by analysts, at least in the long run.

First, some historical perspective. "You probably know that there's been about $126 billion of acquisition activity in the radio business since the Telecom Act of 1996 was signed. Almost 50% of that business was announced in the fourth quarter of 1999 and the first two quarters of 2000. Which means that those deals, when they finally cleared Justice or FCC approval, whatever they needed, probably closed in late 2000 or early 2001, just before we got into an advertising recession and then, of course, 9/11. In that year, 2001, we were down about 7.5% in terms of ad revenues for the year. So, I think what's happened literally is that when you look at the radio business then, after coming off a couple of years of double digit growth, and then going into high single digit down growth, I think what you had by the end of 2001 is that you had a Clear Channel that was levered over five times, you had Cumulus that was levered over 14 times, so I imagine most of these companies were shocked by the change in tone of the business. They were looking more at trying to get the balance sheet in line and save the company from what would have been very difficult times," said Miller. In his view, the highly leveraged radio companies lost sight of what was best for the advertiser and listener.

"Now fast-forward to where Clear Channel is under three times levered and Cumulus is now 4.7 times, so it's 10 turns less leverage. For most of these companies that we've covered—like Citadel's at 1.6 times, Westwood One at 1.8—leverage is not an issue now, like it was, and surviving is not really an issue, like it was maybe three years ago. So I think finally the companies can say, what is the best for the listener, the best for the advertiser—and if we make those two happy, it'll wind up being the best for us as well," the Bear Stearns analyst explained.

That's where "Less is More" (LIM) comes in. Clear Channel has ordered all of its stations to adhere to strict commercial/promotional limits each hour, based on format. And it is encouraging advertisers to use more :30 spots in place of the traditional :60s by offering prime placement. Both moves have been warmly welcomed by competing radio groups, who see clutter reduction as a positive for the entire industry.

But transition isn't easy. Boyle is expecting that LIM will disrupt the radio ad marketplace for the first half of 2005. "And if it works well, then in the second half of the year you should get an offsetting beneficial impact from that if radio can revive its pricing power," he adds.

Despite the disruption, the Wachovia Securities analyst is bullish on how LIM will play out in the long run.

"The phrase from the Clear Channel conference call that we were most encouraged by was likely the softest, most subjective throwaway comment by John Hogan. You know Wall Street loves numbers it can measure—it can add, subtract, divide, multiply, we can extrapolate a discount. But the Philadelphia station, WSHI or 'Sunny,' even if it's just a single data point in a not very representative market—Philadelphia has grown much faster—John said something interesting. He said that Sunny, after it dropped from 13 units an hour to eight units, that it sounded—quote—better. Better to the audience, better to advertisers, better to its radio peers. And although that sounds so simple, and so un-Wall Street-like, that's what the audience wants, that's what advertisers desire, that's what radio needs. Because when you think back to one of Lowry Mays' favorite expressions, he would frequently proclaim that Clear Channel had two primary constituents that they had to super-serve—their audience and their advertisers. You look at the LIM initiative and it really benefits both of them. And that's so critical to radio's success—not only for their internal advertising revenue growth, but also if they're going to start to poach again from newspapers. It's an increasingly uncertain economic time in some ways, but it's this increasingly competitive landscape. Radio has always faced competition and David Field of Entercom talked about that on his conference call, and how he believes the LIM should benefit everyone if properly executed," Boyle noted. "But you wonder is the radio sector going to realize that, for instance, a deeply penetrated, heavily used cell phone in a car is just a newer version of the old CB radio. I would suggest that the radio industry might want to realize that a skinny, stylish iPod with 10,000+ songs that fits into a pocket is not the old 8-track cartridge boom-box that with a case of Cat Stevens and Iron Butterfly might give you a hundred songs. It's a very different time. I think radio can certainly still thrive amid tremendous competition, but it may want to start adapting faster and pro-actively—not just react to a crisis. And going back to your question on 'Less is More,' we've published a note that suggests if history is any guide, typically it takes 3-6 months to retrain advertisers to a new rate card. This is certainly going to be a very different and new rate card. And last I looked the major ad agency buying services are not charitable organizations. There is certainly going to be some give-and-take in the first half of next year. It's up to radio and it's incumbent upon radio to get through that tough time, get through that disruption and get back that pricing power."

Merger-mania hits the midwest

Two groups will become on in the merger of Norman Waitt's Waitt Media with Mary Quass and her NewRadio Group (NRG). The two groups share a common MO—running combos and clusters in small midwestern markets. The group will be anchored by Waitt's Omaha, NE cluster.

The combined group will have 89 stations. Waitt, who will be chairman of the combined entity, brings 24 Nebraska stations, 15 from Iowa, 14 from Kansas, six from South Dakota and three from Minnesota. President/CEO-to-be Quass's NRG will contribute 20 Wisconsin stations and seven from Illinois. Principal shareholders will be Waitt Media and private equity firm Alta Communications.

Waitt's Steve Seline told *RBR* that as yet, the new merged entity has not decided on a moniker. He said the group will be looking for expansion opportunities in small to middling midwestern markets, but will do so in a disciplined fashion.

No pricetag is associated with the stock merger. However, if you look at this as being essentially a merger of NRG into Waitt, we can make a guess. NRG, which was formed largely but not exclusively via acquisitions from Marathon Media, cut different deals totaling about $27.84 million dollars. Add a little for inflation, and give Quass credit for building the business, and you could put an *RBR* estimate of about $30M on this one.

CBS gets Sacto-monious

Viacom/CBS is doubling up in Ahhhnoldville—that'd be Sacramento—getting one of its own non-O&O affiliates for $285 million from Sinclair Broadcast Group, which is continuing its "asset rationalization program." Viacom already has UPN KMAX-TV in the California capital.

Viacom can acquire the station despite the fact that it has famously bumped into the national ownership ceiling, a ceiling that was increased by a Republican-dominated Congressional appropriations conference committee specifically to protect the portfolios of Viacom/CBS and News Corp./Fox. That's because the market's TV households already count toward the group's total reach—you can't count them twice.

The far flung DMA includes Stockton and Modesto, both of which are separate markets in the radio ratings universe. The 2004 BIA Television Yearbook lists 16 broadcast TV stations under that heading. After this deal is consummated, there will still be eleven distinct television ownership groups operating there. BIA's 2004 Radio Yearbook shows Viacom's Infinity radio group with an AM and five FMs in Sacramento.

"Sacramento is one of the fastest-growing areas in the country, and the acquisition of this CBS station will significantly enhance our presence in this very attractive market," said Viacom Television Station Group President/CEO Fred Reynolds. "We've already established a wonderful station in the market with KMAX, which continues to be a strong competitor in the local news race, and the addition of KOVR will make us even stronger."

David Smith, President/CEO at Sinclair, said the station was sold in the face of the company's inability to grow in the market."Since we launched

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Publisher & Editor........................Jim Carnegie
Managing Director ....Carl Marcucci

RBR/TVBR Staff

Executive Editor ....Jack Messmer
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Production Manager.......................................Michael Whalen
VP Administration ....Cathy Carnegie
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Corporate Office
Radio & Television Business Report
2050 Old Bridge Rd., Suite B-01
Lake Ridge, VA 22192

Main Phone: 703/492-8191
Editorial Fax: 703/997-8601
Subscription Phone: 703/492-8191
Subscription Fax: 703/492-8491

Email Addresses

Publisher:..................JCarnegie@rbr.com
Editorial:..................RadioNews@rbr.com
.....................................TVNews@rbr.com
Sales:...........................JBarnes@rbr.com

Bradenton, FL Office
Jack Messmer

Phone: 941/792-1631
Fax: 253/541-0070
Email: ....JMessmer@rbr.com

Columbia, SC Sales Office
June Barnes

Phone: 803/731-5951
Fax: 803/731-5982
Email: ....JBarnes@rbr.com

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Cover Art Credit:
Chick Alcorn
9630 Mistletoe Rd.
Tujunga, CA 91042
818-951-5908
chickalcorn@aol.com

CHICK'S CLIQUES

our asset rationalization program three years ago, we have sold $443.5 million of assets that were either at a competitive disadvantage or where we were not able to create a duopoly. In the case of KOVR, one of our most successful stations, Viacom's recognition of the station's value to their television group is an endorsement of the long term value of broadcast television and, since Viacom also owns the UPN affiliate in Sacramento, it also signifies the importance of building a market franchise to effectively compete alongside the cable and satellite giants."

BTRN says give me Liberty

Just a little over a month after IDT Corp. indicated that it wanted to sell most of Liberty Broadcasting Network (10/22/04 RBR #207), a deal was announced with Business TalkRadio Network (BTRN). IDT will also become a minority shareholder in BTRN, which will launch a new 24/7 network, the Lifestyle TalkRadio Network, featuring the programming being acquired. The list of talent includes such hosts as Bruce Williams, Heloise, Doug Stephan and Mort Crim. Not included are the more political hosts currently at Liberty, such as Linda Chaves and William Kristol.

BTRN, along with the new network, will continue to be run by President & CEO Michael Metter and Exec. VP Jeff Weber. Although the programming being acquired from Liberty won't constitute a full 24/7 schedule, "we'll be supplementing that with some new shows," Weber told RBR. He said the company is already talking with additional talent for the Lifestyle TalkRadio Network.

"This agreement is a win for both companies. IDT gains an interest in the Business TalkRadio Network as well as their new Lifestyle TalkRadio Network subsidiary and BTRN gains quality programming, featuring some of the top names in radio," said Jerrold Rapaport, CEO of Liberty Broadcasting.

All affiliate contracts are included in the transaction and BTRN says affiliates of the Liberty shows will continue to receive the programs as in the past. Operations and studios will be moved to BTRN's broadcast facility and corporate offices in Greenwich, CT.


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Barbara Chisholm
Business Development
PHONE 509-839-0123 • FAX 509-838-0124
bchisholm@wffoothill.com
John Hansen
Senior Vice President • Business Development
PHONE 208-665-9115 • FAX 208-664-8837
jhansen@wffoothill.com