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THE MEDIA

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DEAN GOODMAN

"BYE, Hello Naples!"

POWELL & FRITTS

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SQUARES

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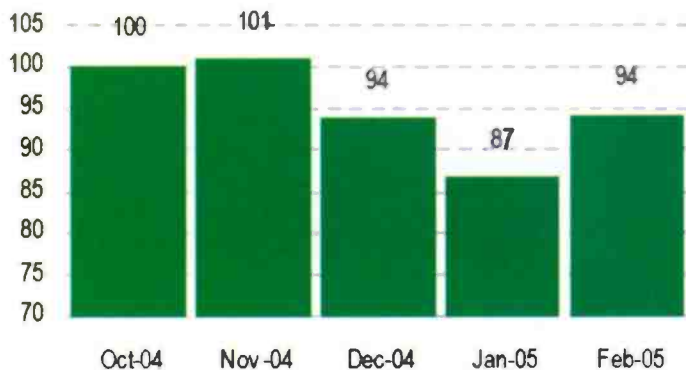
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Analysts say LIM is working and rates are rising

In his second monthly report on radio spot loads, Harris Nesbitt analyst **Lee Westerfield** says Clear Channel's "Less Is More" (LIM) initiative appears to be holding. Spot levels in February held below pre-LIM levels, although not as low as in January. More importantly, unit rates are rising.

"For the first time in three quarters, the latest evidence from media buyers suggests unit ad prices are up 4-6%, rather than down 1-3% as in the recent past," Westerfield said. "But current pricing gains reflect cuts in spot loads and a shift to :30s rather than increasing demand, so pricing gains are not a clear-cut positive new trend," he added.



Based on data from Media Monitors, Harris Nesbitt's Radio Airtime Index was at 94 in February, 6% below the October baseline of 100, but up from 87 in January. In Westerfield's view, though, the February rise was a seasonal norm that was to be expected.

What he didn't expect was that there's been so little reaction from other groups—neither adding inventory to grab market share, nor cutting inventories radically as Clear Channel had done. In his view, that may be because other groups are feeling the beneficial effect of better prices, so they don't have a need to make changes.

Wachovia Securities analyst **Jim Boyle** has also found evidence that the radio industry, and Clear Channel in particular, really is holding the line on inventory. But Boyle says it may take another two to three months before ad buyers are convinced that radio is going to stick to its "diet."

Boyle admits that he is surprised. "We had thought Clear Channel's initiative would take considerable time to work, as we did not feel there would be strict adherence to its promised 'diet.' So far, we have been quite wrong," the analyst said in a note to clients. Although February is not a heavy revenue month, he says it is the first "demand month" due to two holidays and a seasonally active, top five ad category, media. So, he says it is encouraging that radio has passed its first test and is "growing a backbone."

Boyle says, however, it may take another two to three months before the ad community is convinced that the new discipline is sustainable. Still, that's three months earlier than he had been projecting.

Having cut its commercial loads significantly, Clear Channel

now makes Boyle's list of the radio groups with the lightest spot loads, along with Cox Radio, Entercom and Radio One.

RBR observation: There's been a lot of discussion from readers in our Bounceback section about whether or not :30s can be as effective as :60s and whether or not stations should be backing Clear Channel in its effort to move advertisers to 30-second spots. Our view is that the focus should be on the content. Good creative is good creative—and bad is bad, regardless of length. So, let's cut the clutter, but also encourage advertisers to come up with spots that will actually make listeners want to buy their product. Then radio listeners will be happier, advertisers will be happier and radio stations will make more money. Everybody wins.

FCC: Multichannel HD licenses still experimental-only

The FCC released a clarification on multi-channel HD Radio/IBOC digital broadcasting, reaffirming that stations may apply for experimental authorization to split their digital signals, as some NPR stations do now with "Tomorrow Radio," but for now those licenses will still be experimental-only.

"Multicast operations do not fall within the scope of the notification procedures authorized by the IBOC Order. Thus, until the Commission modifies these procedures, licensees will be required under the rules to obtain experimental authorizations."

The commission also encouraged stations to apply for experimental licenses that chose to test the concept to send their results to the agency. Following up on NPR's previous request, new, expanded notification procedures for multichannel IBOC broadcasting will be addressed in the next Report and Order in this proceeding.

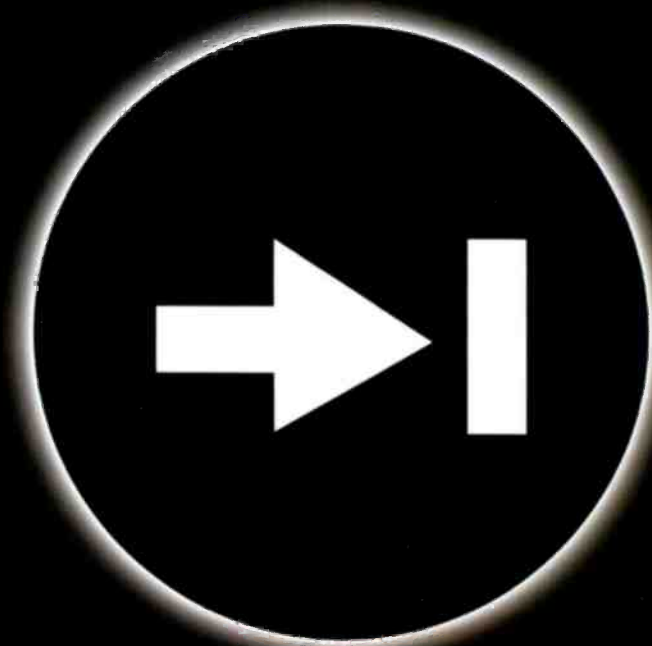


iBiquity Digital CEO **Bob Struble** tells RBR/TVBR this is good news in that the process is moving forward. "We were happy that they highlighted the...their words were 'very encouraging results' from the NPR tests. And I think what they're doing is telling the radio broadcasters that if you guys want to start rolling this out, we will very expeditiously and easily get you authorization to do that."

Most current HD Radio receivers don't allow multi-channel reception. Which ones do? Says Struble: "There are several models coming out. Probably the most prominent is the Boston Acoustics tabletop radio. Kenwood has a product coming out, they're also offering software upgrades on their older radios so that you can have supplemental audio in those as well. So clearly, the receiver manufacturers are moving to offer the service."

How would a receiver tune to a supplemental audio station? Struble says if you keep tuning down the dial, it will tune to the second or third digital channel before it goes to the next frequency—similar to TiVo receivers or HDTV tuners.

Shift Happens.



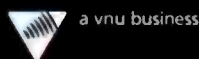
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Disney gives CEO nod to Iger

The board of directors at the Walt Disney Company announced that it had unanimously chosen Eisner's chief lieutenant, President **Bob Iger** to move up to CEO. Having succeeded in winning the day for his hand-picked successor, Eisner announced that he is speeding up his retirement timetable and will step down on September 30th of this year.

Iger had been the only remaining candidate for the job after EBay CEO **Meg Whitman** withdrew from consideration. Some other potential candidates had reportedly refused to be interviewed because Eisner, who had already indicated his support for Iger, was participating in the interviews to pick his successor.

TVBR observation: If you've been reading "DisneyWar" by **James Stewart**, get ready for the sequel—Disney War II. Dissident ex-directors **Roy Disney** and **Stan Gold**, who led the effort that led to a 47% shareholder vote against Eisner in 2004, are now talking of trying to unseat the entire Disney board to keep Iger from becoming CEO.

Nexstar hangs tough and advertisers hang on



Nexstar Broadcasting CEO **Perry Sook** told Wall Street analysts that advertising declines have been only about a third of what was expected in the four markets where cable MSOs have pulled Nexstar's network affiliate TV signals rather than pay for retransmission consent. From where he stands, it appears that the cable companies are paying a higher toll in lost subscribers than any ad losses for his

company, but the cable MSOs aren't yielding. In fact, Sook says, one of the cable companies is giving away HBO or another premium channel to keep customers from canceling their service—something that's costing them far more than the 30 cents a month per subscriber that Nexstar wants for retransmission consent.

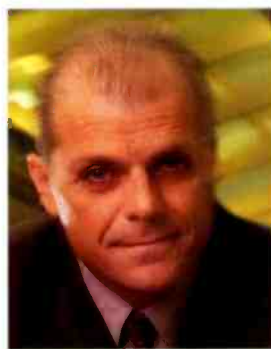
Nexstar has been standing firm after refusing to enter new retransmission agreements in four markets unless the cable operators agreed to pay cash—just as they do for most of the other content that they carry. Sook explained his company's strategy and commitment to stay the course in the March issue of *Radio & Television Business Report*.

Just what is it costing Nexstar? One analyst offered his own calculation of \$100,000 per month, but Sook said the actual number was a little higher than that. However, if Nexstar succeeds in getting cable systems to pay for retransmission in all of its markets, he says that will add \$20 million per year to the company's EBITDA.

Sook says many broadcasters have called him with support and some are preparing for their own showdowns with cable. He notes that so far Nexstar is standing alone in its battle with the

cable companies, but he's expecting other broadcasters to also demand payment from the MSOs when their retransmission agreements come up around the first of next year.

TVBR observation: Sook had to defend his position at the Bear Stearns investor conference in Palm Beach when an angry shareholder accused him of endangering the company's financial future because of his fight with cable. Sook wasn't phased, because he is convinced that making cable pay for local TV retransmission, just like the satellite TV companies and other cable competitors do—and indeed, the cable companies do for all other content sources—is vital to the long-term survival of the local television business.



GM puts \$3B account up for grabs

Vice President of Vehicle Sales, Service and Marketing for GM North America **Mark LaNeve** is wasting no time shaking things up after being but in charge of all domestic sales and marketing at General Motors last month (3/3/05 TVBR #44). He's put

the company's entire US media buying account up for review. The GM account, which totaled nearly three billion bucks in ad buying last year, is apparently the largest ad contract ever put up for bid. It covers buying for both General Motors and its regional dealer groups. LaNeve is looking for new ways to boost sales for GM, whose US market share has fallen to a historic low. GM's domestic sales were down 13% in February. GM sent out a letter saying it had begun reviewing operations with its current media buyer, General Motors Mediaworks is owned by Interpublic Group. Rival Starcom Mediavest, which is owned by Publicis Group, was one of those invited to bid on the account. Starcom currently handles GM's media planning.

As LaNeve told us in our exclusive interview (8/24/04 TVBR #165), regarding any changes in store for GM Planworks and Mediaworks: "Any experience I've had with them where I've looked at their work and what they've done for us and the services they've delivered have been pretty good. Obviously, I'll be a lot closer to them now in my new role than I ever was, but as I speak to you now, they've always performed very well."

I think too that the one thing they're going to have to lead us with is the emergence of new technologies. I think they've tried to and we really haven't listened. So I think we'll probably be listening a little better. And also too, I think the media needs to match the message in the brand. We're going to work on that and I'm sure they can accommodate that. I mean, Cadillac—we went to them three years ago and said, "We really want to be involved in the best of the best media properties from a television standpoint—the Super Bowl, the Academy Awards and the Ryder Cup."

I've been pleased with my experiences with them so far, and like all organizations that we deal with—we've got a very competitive marketplace out there—they're going to have to continue to perform."

And now he's putting them to the ultimate test...

By Carl Marcucci / cmarcucci@rbr.com

Who do GMs think should be running the NAB after Eddie Fritts leaves and why? (or) What kind of person would you like to see/or what industry issues would you like to see solved?

John Beck,

Vice President/Market Manager, Emmis/St. Louis:

I would recommend **Jim May**, the former head of the NAB Legislative affairs div. He left 2 years ago to head up the Air Transport Association. He was powerful and got things done in Washington. He would be great. I saw him at work.

Another person to look at to replace **Eddie Fritts** is **John David**. John is currently VP of Radio for the NAB. He is a former radio station owner from Missouri. John is a very entertaining speaker and liked by all. John knows close up the issues the broadcasters face and can perhaps bring the FCC into the local broadcasters world as it really exists.



William O'Shaughnessy,

Whitney Radio's WVOX-AM, WRTN-FM Westchester, NY:

A daunting task awaits our new leader. The animus against broadcasting is growing each day. It knows no ideological bounds. The Religious Right and the Intellectual Left are on the march against our most basic freedoms. And the single-issue "values" zealots are in full-throated control of the assault.

"Feel good" campaigns, puffing ourselves up and bragging about the timely information we provide during hurricanes, while important, will no longer carry the day for our national association.

Clearly we require a diplomat who can still the partisan bickering, bind up our wounds, heal our division and restore harmony among all the disparate elements of our profession—networks, independents, group owners, and local community broadcasters.

As we confront the future we will also need a potent lobbyist and shrewd strategist, but also a leader with enough confidence to reach out to academics, scholars, liberals and conservatives ... and those entities, individuals and organizations with which we have a community of interest on matters like government intrusion and censorship. And we must treat with our critics and detractors. We should re-establish a public affairs department at NAB and create an in-house "think tank" to deal with societal issues.

It is also way past time to re-examine the construction, composition and make-up of the NAB board. The "district" method is ineffective and obsolete.

The battle must be joined in the Congress, at the Commission, with the Copyright Tribunal and with the "culture zealots." But the most urgent order of business is to remain relevant in the face of technological change.

It's O.K. for your candidate to be technologically astute and know how to handle a palm pilot and a PC in an airport lounge.

But send us someone who can write a letter like **Frank Boyle**. And, for God's sake, send us a leader who does not harbor a suspicion of the trade press.

We need to bring sunshine, candor and open discussion to NAB's budget process and someone strong enough and wise enough to rein in and control the fiefdoms and archdukes of the NAB senior staff.



Otis Pickett,

Media General Broadcast Group's WRBL-TV Columbus, GA (CBS):

I'm a broadcaster who believes he's done an extraordinary job in leading television through some very, very important and complex issues. And I think the new person, and I know they're going through an exhaustive search process, has to have extremely strong

contacts on the Hill; has to be a person that's a consummate lobbyist with a clear understanding of the issues that we're facing coming through the next part of this millennium and beyond. A lot of those are technical, and I think the person has to have all of these attributes.

Dominic Mancuso,

Station Manager, Tribune's WGN-TV Chicago (WB):

I'm not high enough on the food chain to comment on Eddie (who I think is great) or his replacement, especially since our President is on the NAB board. I will comment on the biggest issue I would like to see addressed: The digital conversion. Most stations have spent millions in equipment, are broadcasting in digital and analog with the attendant double costs, and as yet are reaping no financial gain. The consumer is not ready yet. To wit, millions of analog sets are still being sold by the set manufacturers to unsuspecting consumers. The cheapest digital sets out there, around \$600, are still out of the affordability range of many consumers for one set, let alone the impact on multiple set households. Any analog shut-off date before the viewers are ready will make two sets of phones ring off the hook: the broadcasters and the congressmen.



Scottie Earls,

GM, Turtle Broadcasting's KOMC AM & FM and KRZK FM, Branson, MO:

I think John David would be an excellent replacement for Eddie Fritts because he is a broadcaster of many years. And a good one. He has been very active in the Missouri Broadcast Association of which I have been for years and he is a very knowledgeable

person about our industry. He also has been so close to Eddie it would seem to me that we wouldn't miss a beat between leaders. I think he is a very capable person, and would make us proud.

A close-up portrait of Alice Cooper. He has long, dark, wavy hair and is wearing a white shirt that is heavily splattered with red blood. He is looking directly at the camera with a serious expression. He is wearing black leather gloves and a silver chain bracelet on his left wrist.

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FCC in flux

The FCC is in the midst of two massive and far reaching proceedings affecting broadcasters—media ownership rules and the transition to digital television—and a third issue has been at a boiling point for well over a year and is only getting hotter. Although we are not willing to suggest that they can't stand the

heat, the fact remains that for whatever reason, a number of key FCC people are leaving the kitchen.

As we write this, Media Bureau Chief **Ken Ferree** is already out the door. He was the point man in both the ownership and the DTV proceeding. By the time this makes it to your mailbox, FCC Chairman **Michael Powell** will be out the door. Another key staffer has announced his imminent exit—**David Solomon**, Chief of the Enforcement Bureau and point man in the seething cauldron of broadcast indecency.

There figure to be further changes on the 8th Floor. It has been widely reported that Republican **Kathleen Abernathy** is ready to return to the private sector, and though at this writing she has offered not a single verbal clue, we can't help but notice the beginnings of an exodus amongst the members of her personal staff. The rumors, plus the exits, point to another imminent opening on for a commissioner. Check your want ad pages.

At least one key decision concerning the Commission's immediate future has been made, right at our press deadline. Sitting Republican Commissioner **Kevin Martin** has gotten the nod from President **George W. Bush** to replace Powell as FCC Chairman. He had one intangible you just can't buy from even the world's greatest resume-writing service: He and his wife are confidants of VP **Dick Cheney**, and Martin's service with the Bush administration goes back to Florida during the height of Bush v. Gore before the 2000 presidential election was decided. Martin has stood shoulder to shoulder with Democrat **Michael Copps** in the battle against broadcast indecency, making him the darling of activist groups such as the Parents Television Council, which has urged his nomination to replace Powell.

However, Martin is in despite the reputed lack of support from Powell himself. Powell and Martin occasionally failed to see eye to eye, especially in the case of a telecommunications vote in which Martin sided with Democratic commissioners Copps and **Jonathan Adelstein** against Powell and Abernathy. Martin was also played the role of Lone Ranger in the FCC's recent decision to require only single stream broadcast DTV carriage of MVPD services, a ruling Martin felt could be damaging to niche television operators.

The other prime candidate who Martin edged out is thought to

have been **Michael Gallagher**, head of NTIA at the Commerce Department. His experience is on the telecommunications side of the FCC (he's a former Washington lobbyist for Verizon Wireless and Airtouch Communications), and according to the New York Times has not staked out a particular position on any broadcast issues. However, he is said to have been endorsed by Powell (3/11/05 RBR #50). That may still carry some weight, too, since Martin leaves one Republican chair on the 8th Floor unoccupied.

However, Gallagher may already be in line behind yet another candidate, former aide to Senate Commerce Committee Chairman **Ted Stevens** (R-AK) **Earl Comstock**. Stevens has already urged the White House to give Comstock the nod. Of course, they may yet both get in, given the favorable odds on Abernathy's exit. Other names in the mix have included former Texas Public Utility Commission Chair **Becky Klein** and FERC head **Pat Wood**.

On the Democratic side, Adelstein has been granted a full term after finishing out that of **Gloria Tristani**, an action that occurred seemingly against all odds. Adelstein has widespread bipartisan backing in the Senate Commerce Committee, which repeatedly urged Bush to renominate him during the summer of 2004. However, the fact that Adelstein was a former aide to and protege of Senate Minority Leader **Tom Daschle** (D-SD) proved to be too tempting a bargaining chip for the Bush administration to discard. It was not until Daschle was defeated by Republican **John Thune** that the Bush administration, to the surprise of many, acquiesced to the Commerce Committee and saw to it Adelstein would have a seat on the 8th Floor until the summer of 2008. (Even then, he was widely perceived as a bargaining chip, put in as a deal sweetener for Democrats as Republicans tried to get a slate of bench appointees confirmed.)

It appears that Copps will get a chance to serve a second term on the 8th Floor. Although he has been an active and vocal critic of the FCC's attempt to modify media ownership rules, he has, like Martin, made many friends for his firm stance against broadcast indecency. That means he would not be a total wash for social conservatives.

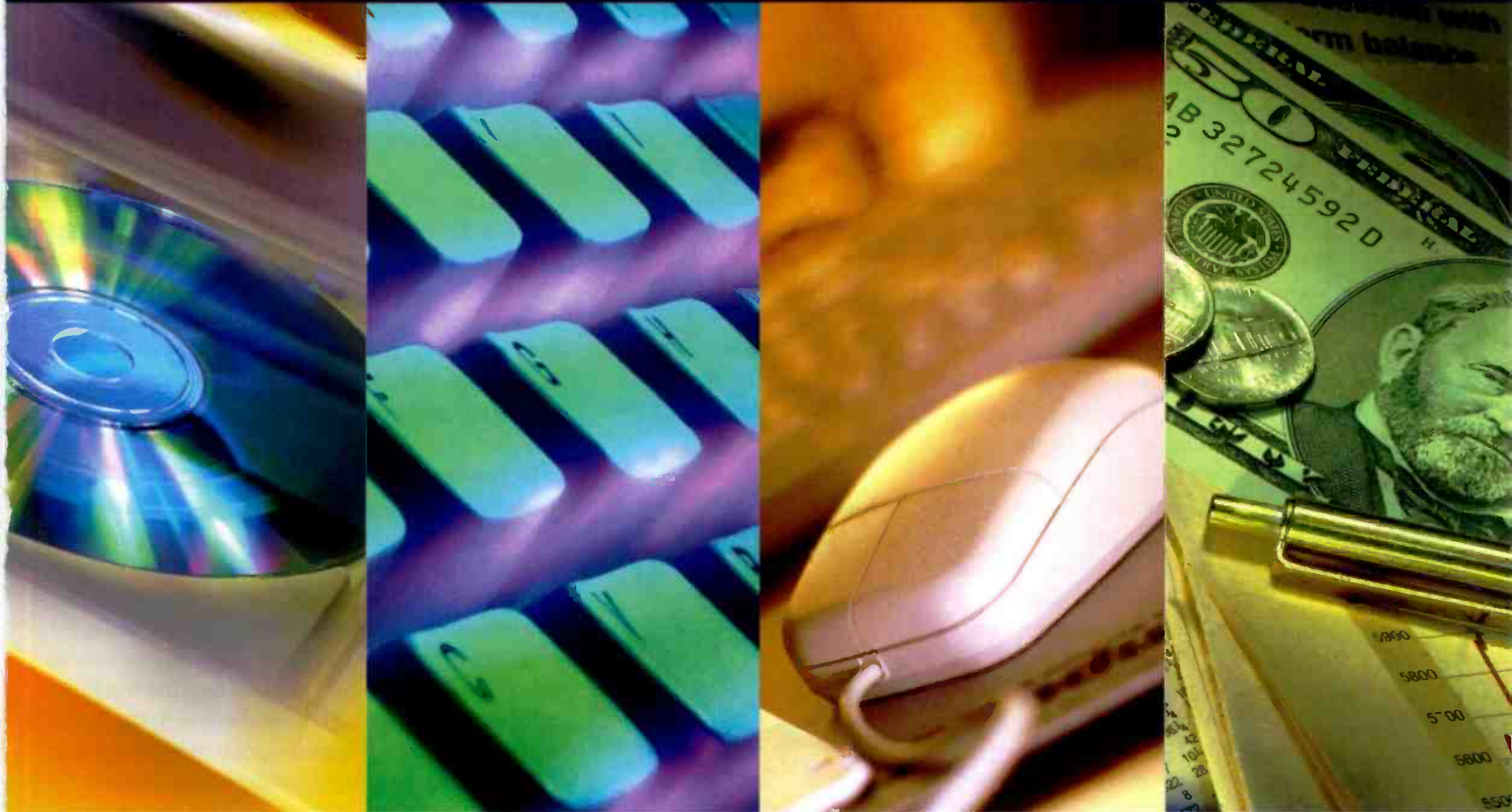
Ownership rules in flux

The most problematic of the issues facing whoever will be holding down key FCC positions in the coming months will be the situation with the 6/2/03 ownership rulemaking attempt. Most but not all of that attempt has been remanded to the commission by the Third Circuit Court in Philadelphia. The ruling for the most part has been on ice since the day it was announced.

The FCC (though the DOJ) mulled a Supreme Court challenge to the Third Circuit action, and ultimately decided against it. However, a Supreme Court case may be in the cards anyway, thanks to challenges by the National Association and numerous broadcast companies. At this writing, the Supreme Court has not said whether or not it would hear the case.

By not going to the Supreme Court, the FCC was signalling that it would comply with the Third Circuit's order, which was to modify or better justify the rulemaking.

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Read those words carefully. The Third Circuit ruling was widely hailed as a victory for those opposed to broadcast ownership consolidation and a stinging defeat for Powell and the FCC. But the fact of the matter is that the Commission doesn't have to change a thing in the new rules, if it can bolster them with a better underpinning.

For example, Third Circuit did not come out against local broadcast/newspaper combinations. To the contrary, it noted that oftentimes such combinations appear to provide the best news in the market.

What the third circuit did not get was how the FCC arrived at the local cap numbers it came up with and unveiled on that summer day almost two years ago.

Likewise, how did the FCC arrive at the decision that it was OK for one company to own three TV stations in the largest markets? How did the FCC figure out what the acceptable numbers were in general?

The biggest problem with the ruling seems to have been the diversity index devised by the Commission. The Court ruled that the numerical restrictions proposed for varying market sizes were based on flawed statistics. It particularly noted overweight consideration given to the Internet as source of local competition, and also said it was unproven and dubious to count newspapers, television stations and radio stations as equals. The allowable combo rules are remanded for justification or modification.

In its ruling, the court did allow certain changes to the radio rules, and later allowed those changes to be put into effect apart from the rest of the 6/2/03 rulemaking. As such, radio consolidation deals must now pass a cluster test determined by Arbitron market as reported by Broadcast Investment Analysts. This replaces the old method of counting overlapping station contours, a method which is still in place for markets not rated by Arbitron. It also counts noncommercial stations toward the market total, and makes stations with which an owner has a joint sales agreement (JSA) attributable to the total number of stations in a local cluster.

Although these changes are now functioning as the law of the land, they too are under challenge. The NAB in particular feels that they were put in place contrary to the deregulatory bent of the Telecom Act of 1996, and that the FCC overstepped its authority when it added a new layer of restriction on owners.

Also under attack at the Supreme Court is a provision prohibiting local co-ownership of any of the top four television stations in a market. This often has the effect of limiting smaller TV markets, where many say the efficiencies of duopoly are most needed, to one or none.

One hotly disputed aspect of the 6/2/03 ruling was resolved, literally, by an act of Congress. The ruling called for an increase of a television group's national potential audience cap from 35% to 45%. This proposal not only generate howls of protest from numerous quarters, it also led both the Senate and the House of Representatives to pass legislation returning the cap to 35%. How-

ever, Republicans used a conference committee session involving a major, must-pass appropriations bill to set the cap at 39%, thus eliminating a cap problem for both Viacom/CBS and News Corp./Fox, which had been operating over 35% under waiver pending action on the FCC's rulemaking.

As it stands now, numerous TV/newspaper combinations are in limbo, with expiring waivers and no regulatory relief or even regulatory certainty that they'll be illegal. One owner, Media General, is having television renewals attacked as they arise—a decision will have to be made: Should the waivers be extended or should the combinations be busted up?

Meanwhile, underneath it all is the simmering pot being tended by Sen. **Byron Dorgan** (D-ND), who successfully pushed a bill through the Senate repudiating the 6/2/03 ruling in its entirety. That measure stalled in the House, but it is believed that, as in the Senate, there may be enough Republican support for the measure in the House to put it into effect, should it ever get past gatekeepers who include Speaker **Denis Hastert** (R-IL) and Majority Leader **Tom Delay** (R-TX).

Bottom line: It is quite possible that the FCC staff will be cooking up one recipe for ownership regulation in the USA while the justices of the Supreme Court cook up an entirely different one, which would have the potential to upend what little of the 6/2/03 rulemaking that has been adopted. The new top brass coming to the Commission will be dropped unceremoniously into this seething and highly-charged cauldron.



Kevin Martin



Kathleen Abernathy



Michael Capps

TV in flux

Many in Congress want the DTV conversion to be a done deal 12/31/06. It is supposed to be triggered when 85% of all households in a given market are capable of receiving a digital signal. MB Chief Ferree left behind the legacy which bears his name, the Ferree Plan, which would count all receivers capable of receiving a digital transmission regardless of whether they had a digital set or not, by counting those analog sets for which down-converted digital signals were provided, either

by an MVPD or via a set-top converter box.

This has broadcasters scratching their heads, who rightly wonder why we are having a much ballyhooed, extremely expensive 21st Century technological revolution, only to slam dunk it back into old 20th Century tech.

Also disturbing to broadcasters was Powell's regulatory swan song—a 4-1 8th Floor decision which required MVPD operators to carry only one program stream from each broadcast station, even though it may be possible to carry six or more channels in the same bandwidth. Broadcasters, naturally, want whatever mode they are in to be fully supported by the MVPDs.

They may eventually get there way with an assist from Congress, but there's a good chance that it'll come with major strings attached.

Powell and Abernathy voted for one-stream carriage because

they felt requiring multicast carriage may not be constitutionally supportable. However, the Democrats would almost certainly have joined dissident Kevin Martin if multistream language included a toothy mouthful of public interest requirements, particularly in the areas of local political and public affairs programming.

Powerful House member **Fred Upton** (R-MI) has said that would prefer that the broadcast and MVPD communities work out their own agreement, as has already happened in the case of cable and public TV stations. However, he hinted that the Congress may step in if that does not happen.

Other key issues remain to be settled, including Hill pressure for a hard date to turn off analog, what to do with the 15% of households expected to be unready for digital, and continuing problems in the digital copyright area.

Indecency in flux

Issues don't come any more superheated than this one, and it's only going to get worse. It appears likely that Congress is going to take the current maximum fine of \$32.5K and balloon it to as much as \$500K per egregious offense, with a three strike dictating automatic license revocation proceedings.

This comes after the FCC has already found its way to funnel millions of dollars into the nation treasury over indecency matter. Chiefly, it has been done through a vehicle known as a consent decree. Both Clear Channel and Viacom have used this bureaucratic maneuver, in which they avoided a complete admission of guilt, cleared the docket of pending complaints and made substantial donations to the US Treasury of \$1.75M and \$3.5M respectively. Another way it has upped the ante is by hitting every affiliate carrying a particular network program with a fine, as in the case of Fox's "Married by America."

The unsolvable problem of defining indecency is going to make this a particularly trying area for the new FCC brass. The FCC can't even agree with itself. For example, the EB said the inadvertent f-word uttered by **Bono** at the Golden Globes was fleeting and unintentional and not actionable; the 8th Floor reversed that, saying the f-word was always actionably indecent; then the 8th floor said the f-word was OK in "Saving Private Ryan," owing to context. Confused? You ought to be.

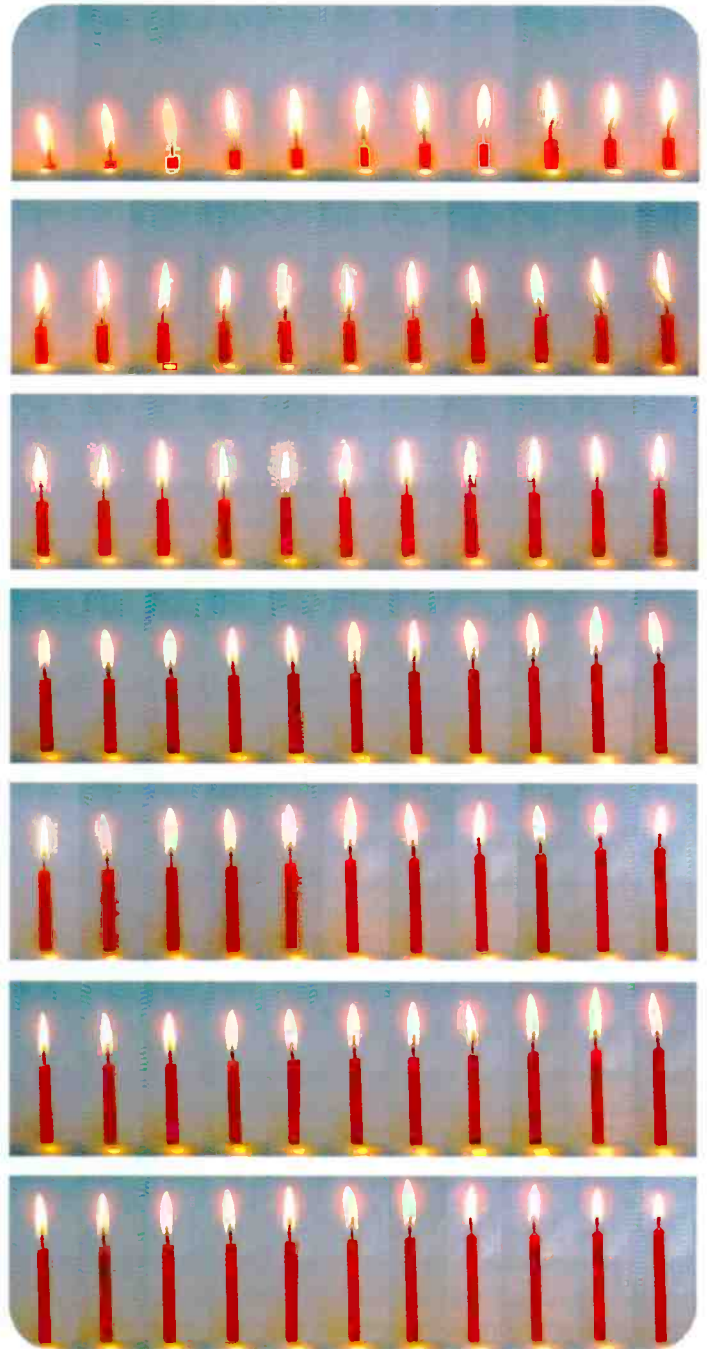
The upshot is that Michael Powell is seen by one side as the outgoing national nanny, and by the other as an enabler of broadcast pornography.

If Congress gets its act together and passes the new super-charged fine package, which Sen. **Ted Stevens** (R-AK) seems to think is all but a done deal, Stevens may even try to extend indecency rules to MVPD operators. In either case, no seat in Washington is going to be hotter than those in the corner office of the Enforcement Bureau and the FCC 8th Floor the next time a nipple or an f-word slips out.

Although the Viacom/FCC consent decree largely washed out the group's plans to fight the FCC on indecency, as articulated by **Mel Karmazin** before he left for satellite land, Viacom did make sure that the infamous **Janet Jackson** Super Bowl incident was not part of the deal. That means if the FCC wants to collect, it may have to go to court. Also, the NAB has strongly indicated that it plans to dig in its heels and fight for broadcasters' First Amendment rights. Either of these will take the issue even higher than its already lofty position on the controversy thermometer.

So, for those of you new to the FCC big desks: Have fun, rookies! And be sure to strap on those helmets. Could be a rough ride ahead.

RBR & TVBR April 2005



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But will they buy it?

We're asking agencies and the industry about support for new, unproven formats. Most of us have heard the complaints and criticisms of terrestrial radio's format quagmires: Cookie-cutter formats that sound the same from market to market, across the nation. Certainly there are exceptions, but not on a grand group-wide scale. Much of a new format's success—be it at a single station or at many, as with the rollout of "Jammin' Oldies" a few years back—rests on the backs of the buying community. Do they have faith in a new, untested format's success? Will they get behind it with their clients' dollars?

Sometimes the push for new formats comes from the buying community as well. Here, we ask what they think, along with input from the broadcaster side. Have you ever taken a chance with a new format?

"Of course, I live for that," says **Rich Russo**, JL Media's SVP/Director of Broadcast Services. "Hopefully you sense the format fits a niche lacking in the market and ride it up. Every market is different, you have to determine if this new station is going to do damage to existing stations, or if it is just a flank to protect another station or hopefully but rarely is it something the market needs and is a good for clients."

"Occasionally, attests **Matt Feinberg**, SVP/National Radio, Zenith Media Services. "Essentially I look at the market's history and the new format the station is planning. If I think the format might work in the market, then I look for a price point that minimizes the down side should the format fail."

Irene Katsnelson, Universal McCann VP, Director of National Broadcast, attests buyers are sometimes pretty hungry for new formats, just to reach the demos they need better—especially female demos. And there are examples out there that skew heavily female, including Infinity's WNEW-FM NYC (Mix 102.7: "New York's Classic Dance Mix") and Citadel's Rhythmic AC Diva 92.3 (WDVW-FM) New Orleans. But not necessarily enough for network buyers, says Katsnelson. "I will say that more formats targeted to females are desperately needed in network. Female is needed due to high client focus against that target. Many packaged goods, pharmaceutical, retail and tune-in are seeking the female target due to high concentration within their domains. While it's somewhat available in network via Premiere and due to WWI reconfigurations, there's a need for targeted programming and other networks."

Have you ever asked broadcasters to create a format, based on client needs and issues? "Not at the station level as an entire format," says Feinberg. "We have addressed custom programming with segments within a station's existing format. We have had discussions with satellite radio about this on a dedicated channel level."

Some new formats out there today are a broad mix of well-known popular music, spanning decades. "Jack" and "Bob" "Dave" are good examples with Bob-FM leaning AAA. Examples include KJAC-FM

Denver, KJJK-FM Dallas (Jack FMs), WZGC-FM Atlanta (Dave FM) and WPYA-FM (Bob FM) Norfolk (Jack FM also just launched in Indy on WGLD-FM).

Emmis Radio President **Rick Cummings** says the company has a rich history of trying new formats, dating back to the original all-sports format at WFAN and the original rhythmic CHR format at Power 106. As well, "The Hip-Hop format at Hot 97 in the early 90's and, lately, female-based Classic Hits at the Peak in Phoenix (now #1 25-54 and a station we traded to Bonneville). The Bob format in Austin is newly #1 25-54—an Austin-unique version of the Jack formats in Canada. Red in St. Louis is a contemporary version of standards and swing music (sort of a Starbuck's view of the music, if you will)...to Real 97-1 in Indy, which is a heavy personality take on Hot AC."



Rick Cummings

Infinity's new President of Programming **Rob Barnett** gives RBR/TVBR a bit of background behind their Jack and Bob in Atlanta and Dallas: "In the past year we have experimented with a variety of new Rock formats and the process begins with smart programmers pitching big new ideas. We add solid research with a market study to determine opportunities and holes where we can grab enough audience share to do damage. In Dallas [Jack FM], Atlanta [Dave FM] and Philadelphia, we have taken a hard look at rock opportunities and put some of our best programmers on the job of creating radio stations that open the aperture to grow new cume and TSL."

Are there any new formats Cummings would like to see rolled out? "We're intrigued about Classic Hip-Hop. Some of the Spanglish formats that are being rolled out across the country, and certainly what we're doing in New York with Chill. We are always looking at such possibilities and, on occasion, we go into the field and research the appetite for ideas we might have. It's difficult

to research something that is truly unique and not being done, however. I'm not certain the Bob format in Austin would have tested as strongly as it is currently performing."

Speaking of "Chill," it's what Emmis is interjecting to its Smooth Jazz format in NYC on WQCD-FM. Here's how pure Chill KLBV-FM Santa Fe describes the format: "Originating on the beaches in Cafe del Mar on the Spanish island of Ibiza, the musical genre we call "Blu," sometimes referred to as Chill, has been a European phenomenon in the adult club scene. Blu has its roots in pop, dance, electronica, smooth jazz and world music. Artists such as Moby, Zero Seven, Praful, **Chris Coco** and **Bebel Gilberto** all have elements of the Chill vibe, which has been termed by listeners as cool, sexy, hypnotic and less formulated. This station has been designed and built specifically for the Santa Fe listener who is dissatisfied with radio stations that all sound the same and are programmed by the big media conglomerates with pre-packaged playlists."

"The Chill is interesting," says Russo, who can hear it in NYC. "Not sure if the marketing is hip enough for supposedly as hip the for-

mat is supposed to be. I mean those stations still run commercials that don't fit the format, listeners pick up on that and lose trust. Hurban [a mix of Urban and Hispanic] will and continue to evolve, so it's viable as long as the ethnic group is oversampled."

Does Cummings have any opinions on "Chill," "Hurban," "Indie Rock" and "Underground Classic Rock?" Sure: "If Chill will work anywhere, it's in New York. It's what you hear in the bars at the W Hotels there at night. It's pretty European in its roots and flavor. We are very encouraged by early results (station leapt from 13th to 6th in Fall, though we migrated to the format adjustment throughout the Fall book so it's still early to be predicting success). Smooth Jazz formats are highly reliant on Black composition and 50+ listening. The Chill brings in more non ethnic audience and it's certainly younger...so we're doing a real balancing act. But it sounds great. It's different, it's definitely younger and melodic. We'll see. We're interested in the Hurban thing as observers. It defies what tests and it defies how people behave in terms of choice. To us, it seems contradictory that bilingual audiences would choose a mixture if they had strictly defined choices. However, that may just be the magic...the mixture of the two. We are watching with interest. Same goes for Indie Rock and, have to admit, the Underground Classic Rock is a new one...had not heard that one before!"

Underground Classic Rock gets its roots from the 60's Psychedelic Rock era—Big Brother & The Holding Company, Buffalo Springfield, Captain Beefheart, Country Joe & The Fish, Procol Harum, 13th Floor Elevators, Electric Flag, The Great Society, H.P. Lovecraft and Moby Grape. Also, many of the lesser-known tunes from the masters, like Pink Floyd, **Jimi Hendrix**, Cream, Donovan and The Rolling Stones. It's already streaming all over the Internet and Sirius and XM have channels somewhat devoted to the genre. A great site to hear the mix: www.techwebsound.com (Technicolor Web of Sound). This Internet broadcaster also mixes in hundreds of actual mid-late 60s/early 70s local and national spots—great for imaging on Classic Rock stations in general, and to re-sell to current advertisers that ran back then too, like Coke and Pepsi. Point being that Classic Rock, with its oh-so-predictable 300 songs in market after market, can expand its horizons (read: playlist) without changing its format or demo appeal. Also see www.3wk.com's Underground Classic Underground Radio channel.

[Editor's note: Get rocker **Alice Cooper**'s take on adding some of these songs to the Classic Rock format on page 21].

While it is on the radar screens of buyers, the likelihood of Classic Underground Rock being bought and sold under its own format isn't likely around the corner, but around the bend. Says **Matthew Warnecke**, VP Mgr Network & Local Radio, MediaCom: "Indie and Underground are variants of Alternative and therefore won't be a large part of

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an advertiser's buy, but they will factor into the marketplace long-term."

Adds Russo: "Indie and Underground require patience and balls on the owner's side, so it won't happen all though if done right could pop and change the music tide."

What formats does Russo think will succeed in the future? "Classic Alternative, hybrid Hip-Hop stations, I think a Country/Rock thing is ready to work. You have to be impressed with the praise type stations (ie. WOPR-FM New Orleans). They have pounced on a niche and really delivered to their target."

"Hurban seem to be the natural progression for urban stations as they have always had a strong Hispanic comp in the younger demos," answers Feinberg. "Indie Rock, I don't know what that means anymore. Major market commercial radio doesn't play anything outside of the mainstream anymore so Indie to me is just a label for new young rock bands (maybe I'm wrong). Underground Classic Rock, I haven't come across the term, but any station looking to do that should contact me as a source of material."

He adds, "Years ago AAA caught my ear. I was hoping it would take off in the major markets (unfortunately did not), but it is still a great format. Lately the Chill format is interesting, but it's really the next step in the evolution of Smooth Jazz so it's not a big risk to buy into. Progressive Talk is something I have been watching with mixed feelings. It has potential but it will take time to grow under the proper guidance."

Are there any new formats Feinberg would like to see rolled out? "All propaganda all the time—actually that's been covered already by the one of the big news outlets."

Barnett attests they have not made any moves with Chill, but are keeping their eye on it to see if the format can do significant major market numbers. As well, "We have recently announced a deal with SBS which marks a significant move by Infinity into Spanish programming. Our launch of El Zol in DC is gaining immediate response from listeners and advertisers and we are now studying the Hurban format to access market opportunities. Love the underground energy, but doubt the idea can gain enough ground in markets where stations like KROQ-FM LA remains an unbeatable brand."

Indeed, market-coverage-handicapped competitor to KROQ, Indie 103.1 (KDLE/KDLD simulcast) still hasn't made huge ratings numbers, although it has huge respect in the local press. We wonder what the ratings would be if it had the wattage/power of KBIG-FM or KRTH-FM there.

Says Indie 103.1 PD **Michael Steele**: "We aren't competing with KROQ, their audience is now 12-24 year olds. I think there's been so much crap on the radio that I think the answer is just as simple as playing really good music. Most of our audience wasn't listening to radio anymore at all. Most of this stuff hasn't been played on commercial radio. What has been was 20 years ago, with the punk scene that came out of LA—the Whisky, and the Roxy, Sunset Blvd., and the surf punk scene that came out of Orange County. That affected a lot of people's lives, and now we're in a state where all those kids that were 14-15 years old in 1978 are now 40 years old, have wives and daughters and driving a Mercedes to work. It doesn't mean they don't like the Ramones anymore."

We've also have noticed the word "Indie" cropping up in Phoenix on KEDJ-FM "Edge 103.9—Independent Radio." They appeal directly

to listeners to vote on new music.

If every "Alternative" station surfed Internet radio sites, Sirius and XM for great Indie song adds and did something like the above, the predictability and blandness of many of these stations would be gone. **EXPAND THE PLAYLIST.**

Meanwhile, some AAA commercial stations that seem to get the idea that broader playlists with unpredictability is a good thing include KBCO-FM Boulder-Denver; KPIG-FM Freedom, CA; WMMM-FM Madison, WI; WOCM-FM Bethany Beach, DE; KGSR-FM Austin, TX and WXRT-FM Chicago. For Indie Rock check KEXP.org 9A-Noon M-F.

What about Reggae?

On the Spanish side, new Spanish formats are cropping up as well, but that needs to be addressed in another feature altogether. However, turn on a handful of Urban ratings leaders in city after city these days and you will hear Reggae mixes (mostly Dance Hall Reggae and/or Reggaeton) thrown in (especially) drive times. Why not make it a full-time format, or at least mix Reggae in to a sizable degree 24/7?

"We are not looking at any Reggae launches but continue to use Reggaeton on some of our stations," admits Barnett.

Reggaeton is very similar to Jamaican Ragga. The genre's most notably unique feature is a driving drum-machine track derived from Puerto Rican genres Bomba and Plena.

Says Cummings: "We are toying with Reggaeton as a specialty show. As a fulltime format? I have reservations. Tough sell, I would think. No question the music has appeal and fosters Latino cultural pride. But I have not seen enough information to make me think this is a full blown format, any more than Reggae would have been a number of years ago."

What do the buyers say? "I think Reggae is influencing R&B and some major Reggae artists are appearing on mainstream R&B artists' songs—beyonce, et, al," observes Warnecke.

"I love the music but it is a very repetitive sound—so I don't think 24 hours of it could work, just like the Techno and Party stations, etc., seem to die out, the music can't sustain 24/7," adds Russo.

Says Feinberg: "Interesting. I always thought real hardcore Reggae was the domain of a select few small Urban stations/College Radio. The more commercial Dance/Reggae works—like Shaggy and Sean Paul work well on Dance/Top 40 formats. As a singular format, it (traditional Reggae) would depend on client and brand. Does Zig-Zag advertise?"

Solutions to predictability

While the above is a great way to improve Classic Rock without necessarily changing the name of the format, **Natalie Swed Stone**, US Director, National Radio Investment, OMD, sums up what needs to be done industry-wide quite well. And remember, she's a buyer, not a programmer: "Of course, we all want to be programmers—not understanding how difficult it must be, with that caveat. I think we are evolving to a new era in radio and while we are at the reinvention, it should include new ways of thinking about programming—if a listener listens to 3-5 stations, that tells us something—maybe the music should be more diverse—maybe the stations can include more of what the listener is tuning out for—maybe the programmers should be aiming to maximize time on their station—bringing the number



Rob Barnett

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of stations tuned down to two.

I think listener tastes are more eclectic—even among young people—I think the music should be mixed up—how? I don't know—that's where the programmers and research comes in—but mixed up in a way that targets certain groups of people—today's 12 year old is already exposed to different genres thru American Idol, etc—and are more sophisticated than top 40. Today's 20 year old is exposed to different genres thru friends, discovery, etc—not just rock—can include reggae, blues, etc—there has to be another way to define music—rather than by what we currently call “format” such as country, rock, CHR.

Also, I think DJs need to behave/speak differently on some FM stations—the chatter is old, irrelevant to the listener—sometimes sounds as if they are serving themselves only/excluding the audience—a new more sophisticated, personal connection is needed between the DJ and listener—and a style that reflects the music and station—I think not only should the music be reinvented but the DJs as well and information disseminated—maybe the DJs can be music experts—talking about new music/CDs, sharing their knowledge—instead of attempting to entertain which may or may not be effective.”

She has nailed it—and getting that more personal connection between DJ and audience achieves another objective that radio needs so badly to compete with satellite—more localism. The good news for broadcasters is the advent of HD Radio may be able to provide stations with a secondary format channel. The FCC may soon authorize it officially (also see “Engineered for Profit,” page 24).

Says Swed Stone: “With the advent of HD, broadcasters will be able to try niche formats—and this will help because the idea of mass appeal in a format is too difficult to pull off these days.”

Arbitron doesn't print non-comm station ratings. But non-comm stations are often the ones in a market that are first to introduce new music, genres and formats—often via block programming. And their ratings are actually significant, especially with full-power NPR affiliates: a 1.5 Fall book 12+ share in New York for WNYC-FM; a 1.5 in Los Angeles for KCRW; a 2.6 in Dallas for KERA-FM; a 5.2 share in San Francisco for KQED. KCRW-FM, while block programmed with a lot of NPR News and Talk, has quite a following in the city for its unique, cutting-edge eclectic music programming. We wonder what kind of ratings the station would have if it employed music 24/7. **Ruth Seymore**, KCRW GM, tells RBR/TVBR her stations' success is a bit of a “High wire act. I would say it's instinctive, not based on research or focus groups. It's based on intuition and sensibility—attitude. And a real commitment to change. A lot of it depends on the DJ's ability to be inspired by what he or she is playing now, to go to the next cut. They have to earn it, and they're committed to it. The record library is right next to master control, so the DJ can dash out and pick up something he or she wants to play on the spur of the moment. And there's a lot of spur-of-the moment stuff going on at KCRW. The only thing that's predictable about the music is that it's unpredictable. You have to be able to live in a rather existential way if you want to work at this station. Because what's true today may not be true tomorrow.”

In other words, “It's not formatted tightly. It leaves a lot of room,” she says. “It used to be a very popular way to program back in the 60s, when DJs were personalities, and this was considered an art. And now it's become a business, rather than an art. I wouldn't even call it a science. But there are all kinds of people in remote places like Colorado who are programming stations across the country. And they're all playing the same songs. And when you drove across

the country, you used to have a real regional sensibility. But no more—now you have the same kind of thing being broadcast because it's all being programmed by one person—maybe in a cave in one of the Western states—having nothing to do with the urban metropolis where most of the audience is listening.”

Pros and cons

What are the pros and cons of launching a new format? Barnett says new format launches always have the ability to ignite a market if the programming and promotion are well planned. “The key to new launches is linked to an assessment of whether or not the new station has legs. We are interested in launching new formats that are good for Infinity and good for radio to empower our ability to capture the imagination of listeners with killer content.”

Says Warnecke: “Pros are that you can get (hopefully) a rate advantage. On the ‘con’ side, new formats are uncertain and advertisers want the certainty of audiences.”

“The pros are that it pops and you have a low rate and the client moves product. The cons are the egos of the PDs who get cocky and move off their game and allow competitors to muscle in,” adds Russo.

And Feinberg: “You can be ahead of the curve, and be the hero. Or, be the goat. To me the key is make well thought-out decisions, take calculated risks, protect your down side, and learn from the past.”

However, from the broadcasters' perspective, it isn't that easy. “The cons are easy,” explains Cummings. “It takes 18 months, generally, to see what you have, and a full couple of years to maximize the performance from a revenue standpoint. So it becomes very difficult to flip even a moderately successful radio station in pursuit of a hot idea—especially in an environment where quarterly performance is so critical.”

He adds, “We are in the business of delivering mass appeal audiences, even with niche programming. The game is always to deliver as much audience, as efficiently as possible, to advertisers and for investors. A lot of the ideas our programmers (and I for that matter) have, never see the light of day because we become convinced they simply cannot deliver enough mass audience to be successful in Arbitron. At the end of the day, that is still a primary consideration. If the idea can't translate to a reasonable performance in Arbitron, then why do it? Without ratings, it's very tough to make money.”

So, as par, it's hard on the bottom line to try new formats, especially with the kind of budgetary pressures radio is experiencing today. If a VP or GM authorizes a major format gamble and it fails, he or she will likely be looking for another job. Some buyers realize it takes time for new formats to take off with ratings. Some have the intuition to realize the station will help their clients, given enough time, and are willing to give it a chance. But to compete with Internet and satellite broadcasters more effectively, more needs to be done.

We have to remove the stigma that radio is uninventive with predictable music and personalities—before the younger generations forget about it completely. Some broadcasters can see that short term risk is sometimes worth long-term gain. Wall Street should realize it too. Public radio groups have been so horrified that revenues and stock prices might slide that they've been risk averse with programming. Unfortunately, that fear has helped turn the stations into homogenized clones of each other and listeners have been leaving because of it. Talk about a vicious cycle...



Ruth Seymore

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One on One

As Eddie Fritts prepares to exit he looks back at his NAB legacy

By Jack Messmer / jmessmer@rbr.com



After more than two decades as head of the National Association of Broadcasters, President and CEO **Eddie Fritts** announced in late February that he was accelerating his retirement plans, confirming a report published weeks earlier in RBR and TVBR (2/1/05 RBR # 22). Rather than staying through to the end of his current contract, which runs through April 2006, Fritts has told the NAB Board of Directors that he will leave just as soon as his successor as President and CEO is selected—allowing the formal search to begin in earnest. The NAB's search committee will be co-chaired by Joint Board Chairman **Phil Lombardo**, CEO of Citadel Communications, and Immediate Past Joint Board Chairman **David Kennedy**, President and CEO of Susquehanna Media.

Don't look for Eddie to fade away. He told us he'll likely start his own firm in Washington to do some consulting (translation: lobbying), but he also confirmed our earlier report that he's looking at opportunities to return to broadcast station ownership. So, you could well see him at NAB events even after he steps down from running the organization. In the meantime, he's still running the show—and it may take quite a few months for the board to settle on a new person to head the NAB.

RBR/TVBR spoke with Eddie Fritts shortly after he announced his plans to retire just as soon as his successor is chosen.

Now that you're retiring, what does NAB need to look for as the person to succeed you?

Well I think one they will have a wide choice of people who will be, one, extremely qualified and, two, very interested in moving into this job. So I don't think there will be any shortage of applicants and there are certainly a number of high profile people who are in Washington who would find this job a real challenge.

Do you think it has to be a Washington insider?

Do I think it has to be a Washington insider? It depends if you want to be successful or not. If you want to be successful you've got to have somebody who can play the game in Washington.

Of course, at the time you took the job you were coming from outside.

Yeah, they made a bad hire back then. (Laugh)

What's surprised you most about the job over these 23 years? What did you not expect when you started out?

My dad said, "How do you keep 60 board members happy?" and I said I try to keep 31 of them happy and that seemed to work for my term here. What were the surprises? I guess the first surprise I got was I found out they were using live ammunition and you had to keep your head down, point one. Point two, you have to be, in order to be successful in Washington, you have to be a straight shooter in my view and you that you have to tell those whom you're working with both sides of each story—who is supporting an issue and who is opposing an issue. I'm proud that we built a grass roots network all across this great land which interacts quite well with Members of Congress. They have been able to make the value of free over-the-air broadcasting known to Members of Congress and their constituents over the years.

What do you most want to be remembered for?

What do I most want to be remembered for? That's one I haven't thought about. I'd say, you know, I'm an effective leader who helped guide the industry to an advanced level of community service.

Do you want to say anything yet about your future plans?

Well, obviously my first responsibility is to make sure this succession process takes place smoothly and seamlessly. And then I have done only two things in my career: One is built a broadcast company and one is running NAB. I think the third phase will probably be using the experiences I've gained here at NAB to probably set up a firm of my own at some point in time to do some private consulting. Maybe do some private investing in broadcasting along the way.



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Do you have a desired timetable?

Do you have a target of when you would be able to go on to the next phase?

I think one of the reasons I'm announcing now is that I have viewed the selection process at the MPAA [Motion Picture Association of America] and the NCTA [National Cable & Telecommunications Association] that have occurred—and even at RIAA [Recording Industry Association of America]—that seem to take longer than one would have normally expected. Therefore, I wanted to give our executive committee and board as much advanced notice so this could be done, the transition could be handled smoothly. So I can't really speculate as to how long it will take to find somebody. I'm sure they'll do a thorough search and probably will announce an executive search firm to make sure they have reviewed every possible candidate. I'm here and I'll be on the job everyday making sure NAB continues to be as effective in the future as it has in the past until the new person takes over.

Is it going to be difficult in this transition period, with you leaving the NAB and a new chairman taking over at the FCC? Is everything kind of in limbo for a while?

Well, it's nothing more than the secular things that happen in Washington. It's not the first time we've had a new Chairman at the FCC and obviously that takes time for a new chair and new commissioners to come in and get their feet on the ground. I think it's an evolutionary rather than a revolutionary cycle.

Anything you weren't able to accomplish that you regret is still hanging fire as you're leaving?

I guess to the extent that the industry speaks with one voice we found we've been more successful than when we can't speak with one voice and that really varies from issue to issues more so than the structural issue, if you really think about it. To the extent that we've had division and not been able to speak clearly and loudly with one voice I think that has taken away from the prestige and the effectiveness of the organization.

Do you think it should be a priority for your successor to try to mend fences with Viacom, Fox, NBC and Disney?

Well I think that will be up to the executive committee and to the

new CEO as to how they strategize that. I'm not sure what priority will be placed on that, I guess what I'm saying.

Certainly we've made it clear the door is open under this administration for them to rejoin the association and I'm not sure what more can be done. But there is a sentiment across the industry that it would be helpful if the networks were back in membership.

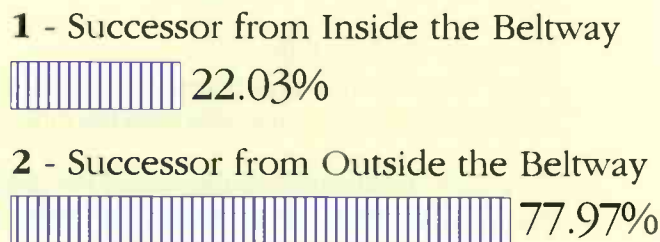
How do you term your relationship with the current board? Is it a little more stressed than some of the past?

I think my relationship with the board is quite frankly good. We've had good relationships, been able to work together effectively. I think our level of communication is better now than it was in times in the past, so I'm leaving as a happy camper. This organization started under my regime back when [then-Senator] **Bob Packwood** said you can't lobby your way out of a paper bag in 1982 when I first got here. We've had a long string of accomplishments and I'm very proud of the successes that have been earned by our members and by this organization.

RBR/TVBR Poll results

It appears that broadcasters are just as distrustful of Washington insiders as the rest of the population. With Eddie Fritts preparing to leave after heading the NAB for over two decades, we asked whether his successor should be from DC or elsewhere—and the vote wasn't even close.

Edward O. Fritts, President/CEO of NAB has served the radio and television business for over two decades with admirable distinction. The question to all broadcasters was—"Should the successor to Fritts come from Inside the Beltway with political clout or Outside the Beltway with fuller knowledge of today's total media business issues?"



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Alice Cooper on taking Classic Rock up a notch

Alice Cooper, dubbed the King of Shock Rock in the 70s, has settled down quite a bit since those early days of debauchery. Today, a family man who loves golf, Alice hosts a very successful five-hour M-F nightly show, "Nights with Alice Cooper," targeting Classic Rock audiences. Produced, distributed and represented by United Stations Radio Networks, the show, now in its 15th month, can already be heard in some 50 markets. Alice has cultivated a great rapport with his audience, as you'll read. We're hearing some stations began marketing the show locally by offering bonus spots for daytime advertisers. Soon after, the show was pulling its own weight, chock full of advertisers paying top dollar. Here, Alice talks about his show, and how its music may help shape the future of the Classic Rock format. Rock On!

How do you entertain and inform your listeners? What elements are there to the show?

Before I got on this radio show, I did a thing where I was giving something away every half hour. I gave away an ice pick by **Sharon Stone**, who used it in *Basic Instinct*. Madonna sent us a bra. We gave that away too. We have things on our show like "Cooper's Closet Classics," where I'll play something you're basically never going to hear on the radio. I'll find a deep cut from, say, The Electric Prunes or The Count Five. Just because it wasn't a hit doesn't mean it's not a great song! And then we have "Cooper's Covers," where I find bands that have covered other bands. We find some really unique ones, like Rush covering The Yardbirds. And people love these tracks because they're so unique. I do one thing that's really self-indulgent, called "Songs of Mine that Weren't Hip, But we Can't Figure Out Why." People will email or call me and tell me why, or why they thought it should have been a hit. We read it over the air.

What's the unique relationship you share with them? We hear a bit of advice-giving, but certainly nothing that could be called similar to "Delilah."

I treat the audience as if I know every one of them. I talk to them as if I were talking to my band, so I expect them to be drunk most of the time! First of all, I can only tell my opinion—I mean I'm not **Dr. Phil**. When people ask me what I think about this or that, I immediately tell them I hate politics. I'm not going to go into politics. Religion—I have my own thoughts on Christianity. I mean I am Christian, but I'm not beating you over the head with a bible.

Your show may fool some who are expecting a headbanger with indecent language. Your show has never been considered indecent.

I may shock you more with the fact that I don't go with the flow when it comes to my views on things. Maybe I want to see more of a defined morality line, and that shocks people. But, at the same time, I never have worked blue. In my stage show I've never used bad language. I've never had to depend on nudity, I've never had to depend on going for that. I've always thought that you can be satirical and cynical—really go after the public on a cynical level without going there. You just have to be more clever, that's all. Most of your great comedians never had to work blue. But at the same time, I understand who my audience is and we laugh about each other.



What are some of the bands, artists and personalities you've had on the show so far?

We've had everybody on—everybody from **Nicky Sixx** to **George Thorogood**. We just had **Sugar Ray Leonard** and **Tommy Ramone**. That the nice thing about this show—I can call just about anybody to come on the show—**Tommy Shaw**, we've had **Bill Wyman** from the Stones, **Andy Summers** from the Police on the other night. We're getting **Robert Plant** on. The guys from Deep Purple, Mountain, you name it.

I think the thing about it is I know every single band that I play on my show—I have some sort of relationship with. I can end up saying the

most ridiculous things about Rush or Journey or Foreigner, but I know these guys. I see them all the time, so they don't mind. Hopefully—I mean nobody has come after me yet.

And at the same time, there are certain people that DJs will just not go after, because they're holy. Bands like Pink Floyd or Led Zeppelin. Well, I knew these guys when they weren't big. We were all starving bands—Pink Floyd used to live with us, I've seen **Syd Barrett** in his underwear, just sitting there staring at Corn Flakes. I was going, "He's crazy!"

We hear you bend over backwards sometimes for your advertisers. Tell us about how you helped a car dealer in Alabama close a deal.

Well, you know, if somebody gets on the radio and wants me to do something like that, I think that's good radio theater. If I can help sell a car to a guy on the radio, sight unseen, that says something about my selling ability! Or the fact that the guy bought a car just because I told him to. I think that's funny.

How have you evolved as a person, since your shock rock heyday? We know you love to golf!

Well, like anything else—a lot of my shock rock was fueled by alcoholism. Alcohol never really affected my game, my musical game. I never missed a show, never slurred a word. I never missed a cue on stage. I was just one of those very functional alcoholics. But, at that time Alice Cooper was a victim. When I look at videos of Alice back in the drinking days, during *The Nightmare show*, during the *Billion Dollar Baby Show* and *School's Out*, Alice was a slumped over, sort of whipping boy for the public. And that was his charm, that was who he was. Everything was always happening to Alice. When Alice became sober and came out then with albums like *From the Inside* and *Trash*, all of a sudden Alice was not a whipping boy. Alice was straight up human, and aggressive, arrogant villain. And I much prefer that.

Tell us about the music on the show. We know much of it is Classic Rock tunes. What influences some of your own picks?

When I took this radio show, I said, "Look, I'm not going to actually go to a studio and sit there, because I don't need another job." I said I'll take this out of the interest of the fact that I would really like to play songs that I would like to hear on the radio. Yeah, I'll play Van Halen, I'll play AC/DC, I'll play The Scorpions. But I also want to play **Frank Zappa**, *Zodiac Mindwarp*, *The Daily Flash*; I want to be able to play *The Pretty Things* and *13th Floor Elevators*. I want to play anything from that era that was good. We've seemed to have put ourselves into a position where Classic Rock has to be these 20 bands. Well, there were 100 more bands out there that were every bit as good, if not better, than those bands. They just weren't as popular. And I said, "If you give me that kind of leeway, to play some of that stuff, we've got a deal."

And most of my emails are, "Thank you for playing **Frank Zappa**; Thank you for playing *Iggy & The Stooges*; Thank You for playing *MC5*. We never thought we'd ever hear *King Crimson* on the radio."

I'm almost trying to take it back to the FM days of radio.

If FM radio just took some of these songs and mixed them into their current playlist, it could revitalize the format, right?

Absolutely, and you know what, it's 90% of what my emails are about—saying Thank you for doing that. I don't understand why the corporate thing is so intent on playing just these artists, and the same few songs from them. I mean it's nice to be one of those artists—I hear my stuff all the time on Classic Rock and that's terrific, but when I turned on the radio back in the 60s I could hear anything. It was one of those things where FM radio was allowed to play anything they wanted to play. I'm not talking about playing songs with vile lyrics, I'm just talking about getting a variety of great acts.

[Editor's note: Be sure to read more on the need for expanding formats and new formats in *AdBiz*, page 12].

Where do you think FM radio is going today?

I think you're going to see it go the way that I'm going with this radio show. I think you're going to find more things like **Little Steve** and **Dee Snider** being specific about, "This is the kind of music that you're not going to hear on your everyday radio. For this hour, you're going to get to hear *this*."

I think more people are interested in variety of this music. I mean really, I can only hear "Pretty Woman" by Van Halen one or two more times in my life; "Dirty Deeds Done Dirt Cheap" is at the end of the line for me.

Look, I play *Procol Harum* all the time, and not "Whiter Shade of Pale." I want to go back in and find some of those great tracks that *Procol Harum* did—"Shine on Brightly" and stuff like that. We play the band *Love*. We play *Doors*, but not just "Love Her Madly." We'll go in play "Horse Latitudes." And people call in and say, "What is that new song by the *Doors*?" It's 28-35 years old!

If you can mix it up with playing the classic stuff—sure, we're going to play "Brown Sugar," of course we are. Of course we're going to play *Guns and Roses* and all these things that the average guy wants to hear every hour. But why not salt & pepper that with deeper cuts and other Classic Rock bands?

And then on top of it, Alice has stories about these people. That's what makes it even more interesting. Alice can tell you an *MC5* story or an *Iggy/Stooge* story or a **Ted Nugent** story. I grew up with these guys. We played with *Led Zeppelin* at the *Whisky* when nobody had ever heard of either one of us. 300 people and we couldn't sell

it out: Alice Cooper and *Led Zeppelin*.

We started out with about 10 stations a year ago. We've got about 50 stations now, and out of those 50, there are about eight or nine of them that went from #6 in their time slot to #1. And that proves right there that people are hungry for different things on Rock. People are listening now on purpose just because they're going to hear new stuff. With iPods and MP3s everywhere now, people are just hungry for music in general. And when you can discover a song that was so great, maybe a song from *Spirit's* first album like "Uncle Jack" or "Fresh Garbage," and they go, "What was that? That's the greatest thing I've ever heard!" You go, "that song is 35 years old and it still works. It's like they're discovering a brand new band."

I think you're going to see in the next five years—radio is going to open up. I think it's really the only way it can go. It's either going to close down or open up. And I think it's going to open up.

The great thing about it is that it's successful. And I think that's what is going to get corporate America's attention. It's not like an experiment that's failing—it's an experiment that working! And I'm not trying to force it. It's just coming naturally.

We talk about living in this past, sort of ocean of music that we're still starting to discover, and I just finished my 29th album, called "Dirty Diamonds," which is a very modern rock album, even though it sort of feasts on the 70s sound. It's maybe one of the best albums I've made—and it's still a very guitar-driven rock & roll album. I am still very, very much into competing with everybody out there.



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KFTK-FM	St. Louis	2.0	4.4	+120%	
KXL-AM	Portland	2.7	6.0	+122%	#1 in Daypart
KFMB-AM	San Diego	2.6	3.4	+34%	#1 in Daypart
KCMO-AM	Kansas City	3.0	3.6	+20%	
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Source: Arbitron AQH Share, Persons 25-54, Summer to Fall 2004

Capitalizing on HD Radio: Mining digital radio's wealth of new opportunities

By David Salemi

The recent announcement that 21 of the nation's top radio broadcasting groups are accelerating the deployment of HD Radio technology across an additional 2,000 stations throughout the country electrified the radio industry. Coupled with earlier commitments and strong support from the Corporation for Public Broadcasting and National Public Radio, over 2,500 stations are now on the road to digital broadcasting.

Leaders of the consumer electronics industry are making HD Radio receivers available to the public: from relatively inexpensive units to customized home installations, tabletop radios to aftermarket and OEM automotive receivers. Companies beginning to design and build HD Radio receivers include ADA, Alpine, Boston Acoustics, Clarion, DaySequerra, Delphi, D&M Holdings (Denon, Marantz), Fujitsu, hamman kardon, Hyundai Autonet, JVC, Kenwood, Mitsubishi, Onkyo, Oritron, Panasonic, Polk, RIVERadio, Visteon and Yamaha.

It is unequivocally clear that HD Radio is the future of radio. This is an opportune time to address one of the central questions raised by HD Radio. How can broadcasters fully leverage this exciting technology to maximize the new economic opportunities offered by digital capabilities?

Without a doubt, most of the new consumer benefits offered by HD Radio technology are also the best revenue opportunities for broadcasters: drastically higher quality sound, significantly more programming choices, and innovative interactivity (surround sound, scrolling text, real-time traffic overlays for GPS systems, on-demand access, and time-shifting/store-and-replay). All of which provides fertile ground for greatly expanding radio's existing business model.

Drastically improved sound quality

You have read about and, in many cases, have heard the remarkable improvement in sound quality made possible by today HD Radio technology. Pops and hisses are annoyances of the past. This improvement is especially dramatic on the AM band, which is comparable to traditional FM (analog) stereo, while FM HD Radio stations offer CD-quality, digital audio. Listeners will hear the huge difference in quality when they scroll from a digital to an analog station and will migrate to the HD Radio broadcasters, ultimately increasing ratings.

Vastly enhanced programming variety

With the AM audio quality issues resolved, AM station managers now have the opportunity to revitalize the band and explore options for niche music programming formats such as classical, blues, techno, ethnic and more.

Since the essence of advertising is matching products and services with audiences perceived to be the most receptive to those offerings, the improved sound quality on the AM band gives stations the ability to program unique music content and attract the lucrative advertising dollars that often follow fans of these formats.

FM stations have similar opportunities to attract new audiences with the introduction of multicasting. HD Radio broadcasters can split their signal into multiple program streams of different content (e.g. 106.5-1, 106.5-2, etc.), effectively doubling (or even tripling) inventory. This ability to program different content allows stations to court audiences (and advertisers) who may not be interested in the programming offered on the main channel, as well as enhance the choices of its current listeners.

[Editor's note: see our AdBiz feature on support for new formats, page 12]

Potential content for supplemental channels could include: (1) complementary music programming – for a station that plays today's country hits, perhaps the 'B' channel would play classic country from artists like **George Jones** and **Hank Williams, Jr.**; (2) continuous weather and/or traffic information streamed 24 hours a day; and (3) the introduction of subscription-based services (e.g. pay-per-view concerts) that offer unique, high-value programming at a fraction of the cost of satellite radio.

With new audiences, the ability to attract new advertisers increases significantly. While today's 30- and 60-second spots will certainly work on a secondary channel, broadcasters will experiment. It would be to have one advertiser serve as the exclusive sponsor of an entire program or channel (similar to what's been done in television). In many ways, the revenue opportunities are as varied as the programming options.

Beyond sound

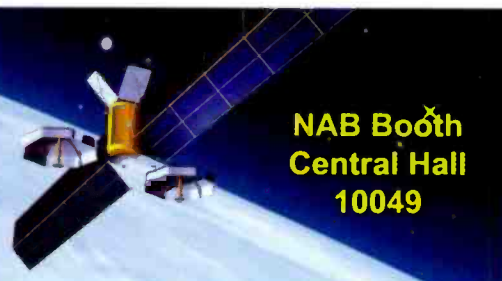
One of the most fundamental but powerful features of HD Radio broadcasting is its ability to scroll text messages across the receiver display. Programming can now be enhanced with information ranging from artist name and song title to weather alerts to community events listings to commercial text – without adding to perceived audio "clutter." While this feature will obviously benefit listeners greatly, advertisers win too, as their message

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becomes significantly more powerful and effective due to the availability of visual prompts.

With the ability to synchronize text with on-air programming, the technology will help foster new partnerships with retailers, concert venues, and music labels surrounding the sale of concert tickets or new music from the artist currently being heard on the radio. For example, advertisers can flash information like web addresses, phone numbers, and locations to further aid listener recall. Or, they may want to highlight specific promotions—such as a one-day sale.

Once advertisers realize the potential of text to support their on-air advertising efforts, they will actively look to secure these value-added opportunities, creating entirely new revenue sources for broadcasters.

Digital technology opens the door to many other audio and text options. For example, stations can broadcast traffic data that can be downloaded to a vehicle's navigation system, instantly showing drivers traffic "hot spots" and offering alternative routes around the problem. This is a service that is difficult for satellite to match—especially in smaller and mid-size markets. And these enhanced traffic services will ring the cash register as well, either through sponsorship dollars or subscription revenue from listeners.

With significantly enhanced sound quality, the availability of text-based services, support for additional programming options, and a host of new interactive features, AM and FM HD Radio are poised to positively transform many aspects of the radio listening experience. It's little wonder that ad agencies expressed excitement about the potential of HD Radio at the recent broadcaster forum hosted by Interep.

The opportunities could hardly be more clear-cut, but it's important to keep in mind that transitioning an entire industry and its audience of nearly 300 million Americans to a new digital platform isn't an overnight proposition. While stations are aggressively moving forward to deploy this technology, broadcasters need to move with equal vigor to drive demand for HD Radio receivers at retail and with automakers to ensure a successful rollout of the technology.

Despite the hype engulfing iPod, satellite radio, and music sharing services, AM and FM radio remain the overwhelmingly preferred source of audio news and entertainment for most Americans. HD Radio technology helps ensure that radio will continue to play a vital role in our lives through its ability to level the digital playing field. The long-term impact will be quickly evident as broadcasters are freed to more fully tap into the innovation that this industry is known for, and deliver a wealth of new, value-added services for both listeners and advertisers that can be easily monetized.

David Salemi is VP/Marketing, iBiquity Digital Corp.



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by Dave Seyler / dseyler@rbr.com

Station buyers spend \$4.76B in 2004

Station trading in 2004 ended on a high note, approaching \$1.5B in total trading activity. It represented about a \$340M increase over dealing during the Q4 2003. What's really interesting comparing the two periods is that the higher 2004 dollar total was the result of about 90 less deals, and almost 200 less stations, meaning sellers were getting much more bang for their contract this time around. The Q4 bottom line benefitted from deals forced out of Q3 by an FCC deal freeze while it switched paperwork to accommodate the new Arbitron market definitions. If you toss a \$750M restructuring at Freedom Broadcasting which occurred Q1, then Q4 was the year's most lucrative month.

Station trading 2004

Quarter	Deals	AMs	FMs	TVs	Value
Q1 2004	157	111	145	30	\$1,722,661,542
Q2 2004	152	81	146	21	\$871,000,951
Q3 2004	128	79	110	18	\$702,216,273
Q4 2004	135	98	113	12	\$1,463,560,802
Total	572	369	514	81	\$4,759,439,568

Steady as she goes in the big markets

The pace of station trading in the larger rated markets has remained relatively stable throughout the year. For the most part, deals in the upper echelon are for niche radio stations, or involve cluster fill-ins or spin-offs. The exception has been on the TV side, where companies are starting to spin out of large markets where they see no opportunity to double up. Trading was very hot outside the boundaries of Arbitron as 2004 opened, but it cooled off considerably by the time Q4 rolled around. In general, the action is in rated territory in markets #100 or smaller.

Quarterly station trading by market size

Quarter	Total Stns	Mkts 1-50	Mkts 51-100	Mkts >100	Unrated Mkts
Q1 2004	286	50	19	114	104
Q2 2004	248	40	26	55	127
Q3 2004	207	30	14	80	83
Q4 2004	223	43	23	96	60
Total	964	163	82	345	374

Price tags jump in Q4

A big trade between Emmis and Bonneville, involving the Chicago and Phoenix markets, highlighted a quarter of trading on the radio side—\$350M in station value changed hands in that one.

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There were a number of other high ticket deals as well, and—along with the freeze-displaced Q3 business—the result was a quarter which more than doubled the cash value traded in Q3 and wasn't too far from producing that ratio with the other two quarters. Note that in terms of inventory traded, the quarter was in the middle of the pack—in fact, it was slightly below average for the year in terms of total deals and total stations traded. What made the quarter was the fact that the stickers on the sticks tended to be much higher than those posted earlier.

Radio only transactions

Quarter	Deals	Stns	Value
Q1 2004	146	256	\$543,789,543
Q2 2004	131	227	\$577,437,979
Q3 2004	115	189	\$511,266,273
Q4 2004	124	211	\$1,028,360,802
Total	516	883	\$2,660,854,597

One dominant deal highlights Q4

Sinclair's agreement to make KOVR-TV part of a Viacom duopoly in Sacramento provided almost two-thirds of the trading value for television in Q4 2004, tipping the scales at \$285M. A number of other deals carried healthy dollar amounts, providing a marked upsurge in value over the previous two quarters despite a decrease in both deals and total stations traded. If you throw out the Freedom restructuring which occurred at the beginning of the year, Q4 results were comparable to Q1.

TV only transactions

Quarter	Deals	Stns	Value
Q1 2004	11	30	\$1,182,672,000
Q2 2004	21	22	\$331,062,972
Q3 2004	13	18	\$190,950,000
Q4 2004	10	12	\$435,200,000
Total	55	82	\$2,139,884,972

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MEDIA MARKETS & MONEY

By Jack Messmer / jmessmer@rbr.com

Need financing? Go for the gold

Interest rates may be on the rise, but lenders say the climate is still good for broadcasters seeking loans for acquisitions or refinancing. In fact, there's growing competition for the business, which is always good news from the borrower's perspective.

From the lender's perspective the climate is also "excellent," said **Jim Downey**, Vice President of Media Originations at Wells Fargo Foothill. "We've always been focused, as an asset-based lender, looking at the underlying value of the business. And while the public multiples have dropped considerably recently, the values that we put on broadcast assets haven't changed significantly." So with market demand still strong for broadcast assets, lenders are comfortable that stations have value to protect them in the worst case scenario—a loan default.

Indeed, the underlying value of radio and TV licenses appears to be what has attracted some new players to the broadcast lending field in the past year or so. Some of the big hedge funds—and we're talking about folks with billions of dollars to invest—have dis-



Jim Downey

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covered that they can get better returns on broadcast lending than many other investments, with pretty good security against default.

One of the newer players in broadcast financing is LLJ Capital, which is backed by hedge fund money (although just which one is a closely guarded secret). "We like radio and television and we like to provide capital in the amounts of roughly \$5-50 million per transaction," said **David Lee**, Senior Managing Director. Although LLJ has only been around for 16 months, he's a media funding veteran from Sandler Capital, Lazard Freres and Toronto Dominion Bank. He's also an independent director of Young Broadcasting, which owns 10 television stations.

"What we've found is that FCC licenses serve as very good asset collateral, even if various circumstances result in below expected cash flow," Lee said.



David Lee

The good news for broadcasters is that if you need financing, now is a good time to get it. "I would say it is substantially more available," Lee said when we asked whether there was more financing available now than a year ago. "Although some of your readers may find it hard to believe, it is one of the most liquid debt financing markets for broadcasters in the last five years. The perception may be different because the asset value multiples are probably lower than they were five years ago, in terms of multiples of cash



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flow—during the consolidation phase, especially in radio—but as a percentage of fair market value, debt financing, and the cost of that debt financing, is much better than it has been,” he said.

Yes, interest rates have been going up, but conditions are still pretty good. “On a relative basis, yes. Even though short-term rates have been going up, on a historical comparative basis, they’re very low—especially long-term fixed rates. The 10-year Treasury hasn’t moved in a year,” Lee noted.

He told us that most private broadcasters tend to seek financing only when they need it, because of an acquisition or the expiration of an existing loan. “Certainly for the larger, public broadcasters we’re seeing issuers taking advantage today of the favorable debt issuing climate,” he noted. Indeed, RBR/TVBR has reported frequently on radio and TV companies cashing out high interest rate public bonds to replace them with new, lower-rate bonds.

At Capital Source, Managing Director **Jeff Kilrea** is also of the opinion that

this is a good time for broadcast borrowers to be seeking money. “There seem to be more active participants in the traditional media space, and coupled with fewer deals, which makes it kind of a target-rich environment, if you will, for people looking for financing,” he said.

So, we asked, does that mean that borrowers get a better deal—or just stand a better chance of finding financing?

“I think they get a better deal,” Kilrea said. “The cost of capital has definitely come down a click or two and the leverage multiples they’re able to attract have probably gone up.” So while

interest rates have been creeping up, the spreads for borrowers have been improving—and virtually all business loans are floating rates anyway, based on LIBOR, the prime rate or some other benchmark.

It’s a combination of traditional broadcast lenders and “new guys,” Kilrea says, who are increasing the competition for loan business. Some of the banks which a couple of years ago wouldn’t look at a loan below \$20 million have now lowered their threshold to keep their money working.

Our sources tell us that the heavy competition and the activity of the hedge funds has virtually wiped out the mezzanine financing business. Few borrowers need that expensive tranch of money because they can find senior lenders who will take the entire package. To be sure, that will change again some day, but for now the borrowers are in the driver’s seat.

RBR/TVBR has frequently reported on the difficulties that small broadcasters face in finding loans. The market below the \$5 million level continues to be difficult, but this

appears to be a time of increasing competition for business in the \$5-20 million region. The lenders interviewed for this story are all after that business—and pushing hard. Capital Source can handle anything from \$15 million to \$150 million-plus (in syndication), but its sweet spot is \$5-12.5 million. Well Fargo Foothill acquired Westburg Media Capital a few months ago to target loans as small as \$1 million, but with parent Wells Fargo in the picture it can handle loans well into nine figures. As previously noted, LLJ Capital is targeting the \$5-50 million range—and some of the hedge funds will go even



Jeff Kilrea



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higher than that.

"Right now, we're willing to entertain smaller," Kilrea said of his firm and the general climate in broadcast financing. Definitely good news for broadcasters who aren't able to tap into Wall Street money—and may have no desire to do so.

So, who's borrowing?

"We agree with several of the industry analysts that the most competitive niches of a continuing basis are probably going to be ethnic or other small group, not as well served by the mainstream media. The new entrants, satellite and other alternatives, such as in-vehicle iPod use will probably take more share from the mainstream broadcasters," said Downey. "I would say at least half of our current deal flow has some ethnic component to it—either by ownership or by format," he noted.

On the TV side, Downey says the big trend currently is toward virtual duopolies, with TV groups working with partners to acquire stations that the groups can't own directly—at least under current FCC rules.

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In order to implement this system upgrade - we need you to take a few moments to fill out the new form on our website to ensure the delivery of your favorite Morning and Afternoon E-paper(s) and Monthly RBR/TVBR Magazine.

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