Radio Business Report™

Voice Of The Radio Broadcasting Industry®

May 20, 2002 — Volume 19, Issue 19

AFTRA says "No" to CCU

AFTRA members at three Clear Channel NY stations have petitioned the company to drop voice tracking there, claiming voice tracking is a "disservice" to listeners. WKTU-FM, WLTW-FM and the new WWPR-FM all have expired AFTRA contracts and the union is negotiating new deals.

Retail sales up 1.2%

Broadcasters and advertisers should get a psychological boost from a 5/14 government report which showed April retail sales up 1.2%—the biggest one-month jump in six months. That was about double what economists had been expecting and far more than the meager 0.1% rise in March. Higher gasoline prices were a factor, but even with pump sales excluded, retail sales were up a full 1%.

IBiquity to build experimental AM

Ibiquity Digital has applied to the FCC for an experimental station on 640 AM in Frederick. If approved, the station will operate with 4000-watts during daytime hours.

Warnecke upped at MediaCom

Matthew Warnecke, Director, Network Radio Services, National Broadcast, was upped to Director, Network and Spot Radio Services, National Broadcast at MediaCom 5/1.

PPM to add 6-11 demo

Arbitron's Personal People Meter (PPM) system will add a children's demo to radio ratings—the 6-11 year old category will be measured because that demo is already measured for TV, which is measured as part of the meter service.

Wimmer's heart surgery a success

"I visited with Roger Wimmer yesterday, a day after his open-heart surgery. The miracles of modern medicine!" stated Matt Hudson. Wimmer is recovering at Porter Hospital in Denver (Englewood), CO.

Tim Spengler upped at Initiative

Tim Spengler, EVP/Director of National Broadcast Initiative Media, N.A. in LA, is taking over all of the agency's national broadcast business. The duties had been split with Arthur Schriebman, EVP EVP/Director of National Broadcast for Initiative Media N.A. in NY. Spengler is moving to NYC in the promotion.

Hiwire signs WarpRadio.com

Hiwire announced 5/14 it will provide audio ad insertion, ad tracking and ad sales for all of WarpRadio.com's 200+ streaming radio stations.

Revenues were back up in March

Gary Fries

After a dip in February, radio revenues rebounded in March with a 1% gain over the previous year, according to monthly figures from the Radio Advertising Board. That 1% gain was across the board—local, national and combined.

Through the first quarter of 2002, radio revenues were down 1%. Local sales were off 1%, but national spot was up 1%. Total radio revenues had been up 1% in January, but down 5% in February (due primarily to TV stations not advertising during the Winter Olympics).

"History has shown that Radio is the most resilent of all advertising media and the first medium to post positive growth following a downturn," declared RAB President & CEO **Gary Fries**. "Radio's cross-section of advertising categories makes it less vulnerable to unexpected fallouts from one or two advertising sectors. Radio is positioned for steady recovery as we approach the end of 2nd Quarter and move into 3rd Quarter."—JM

Sirius has 100 channels, 412 subscribers

Sirius Satellite Radio (O:SIRI) finally launched on Valentine's Day and last week (5/14) reported results for its first quarter with real, paying subscribers—412 of them. CEO **Joe Clayton** told Wall Street analysts he expects that to grow to "several thousand" in Q2 and assured them that Sirius is on track to meet expectations of 100-150K subscribers by year end. He announced that Sirius would begin marketing its service last Wednesday (5/15) in 10 more states—Alabama, Indiana, Kentucky, Michigan, Mississippi, Ohio, Tennessee, Texas, West Virginia and Wisconsin—brining the total to 28 states.

"The clock really starts ticking for us on July first—with national service availability, with the commencement of our advertising program and with improved equipment availability. Then it's a whole new ballgame for Sirius Satellite Radio," Clayton declared.

With its 412 paying subscribers, Sirius booked its first-ever revenues in Q1—$4K in subscriber payments and $34K (minus $5K in agency fees) from advertising.

RBR observation: There's no way to calculate the CPM on those ad sales, but the advertisers as a group paid $84 per subscriber over that month and a half period that Sirius was in operation. Wouldn't it be cheaper to send each a bouquet of flowers and a talking card?—JM

Jury orders ABC to pay Radio Aahs $9.5M

A jury has awarded Children's Broadcasting Corp., (CBC) the parent of the old "Radio Aahs" kids net $9.5M. The whole drama began in '96 when ABC backed out of its deal with Radio Aahs and then launched "Radio Disney." CBC sued, and in '98 a jury awarded Radio Aahs principal Chris Dahl a $20M verdict that never went into force because the judge rejected the verdict. That decision was reversed last year in appeals. The Star-Tribune says the recent $9.5M award was based on a narrower range of allegations—breach of contract and misappropriation of trade secrets. ABC may appeal. —CM

Jack Myers turns bullish

The most bearish of *RBR's* panel of forecasters (*RBR* 1/14, p. 8) is now predicting a growth year for radio and even slightly positive results for TV. **Jack Myers** is now predicting that radio revenues will grow 4% this year, after previously forecasting a 4% decline. For TV he's still expecting the big four networks to be down 2%—half of the 4% loss he'd previously been looking for. He expects national and local spot TV to be up 4%, rather than down about 9.5%. And although the dollars are much smaller, Myers is expecting a dramatic improvement for TV syndication—up 5% instead of down 12%. All in all, that would give the broadcast TV industry a gain of 1.5% for 2002.

Myers released his revised outlook for all media (5/13) as he issued a projection that the TV, cable and syndication upfront will finish with a gain of 3.8%. He expects the TV networks to gain 1% (but with CBS the only one of the big four to post a gain), cable to rise 5% and syndication to jump 11.8%.

The former bear says his conversion is based on continuing evidence of improving ad market conditions. "However, we remain cautious based on indications that the stock market and general economy are not sufficiently recovered, and marketers remain reluctant to commit to significant increases in ad spending. Consumer spending remains strong even in the face of declining consumer confidence, escalating war in the Mideast, continued threats of terrorist actions, degenerating confidence in corporate accounting and reporting, and advancing actions by New York State Attorney General Elliot Spitzer against research analysts for major investment firms," Myers said in his new analysis. "Unless these negative forces, and unforeseen future events, ultimately cause the economy to reverse itself and tail back into a recession, marketers can be expected to equal their 2001 advertising investments in 2002, slightly increase their commitments in the Upfront market, and plan for 2 to 4 percent spending increases overall in 2003."

Myers noted that radio is looking particularly strong. "Among all media, radio has shown the most impressive resiliency, and is forecast to recover from a nearly 4% loss in revenues last year to a gain of 4% in 2002." (Note: Myers' final estimate of last year's decline, -3.6%, is much less than that of RAB, -7.4%.)—JM

Jack Myers' new forecast

	Yr. 2002 forecast on 12/01	Yr. 2002 forecast on 5/02	Projected 2002 revs. on 5/02	Yr. 2003 forecast on 5/02
Newspapers	-2.0%	-5.0%	$42.1B	-1.0%
Broadcast TV Networks	-4.0%	-2.0%	$15.8B	2.5%
National/Local Spot TV	-9.5%	4%	$19.8B	1.0%
Broadcast TV Syndication	-12.0%	5.0%	$2.7B	3.0%
Radio	**-4.0%**	**4.0%**	**$19.1B**	3.0%
Yellow Pages	-3.0%	3.0%	$14.0B	-1.0%
Consumer Magazines	-7.0%	-6.0%	$15.2B	2.0%
Network Cable TV	-6.0%	4.0%	$12.6B	9.0%
Local/Regional Cable TV	5.0%	3.0%	$4.0B	12.0%
Online	10.0%	4.0%	$4.5B	15.0%
Outdoor	-1.0%	1.0%	$5.2B	2.0%
Total US Media	**-5.7%**	**-0.4%**	**$155.0B**	2.2%

Source: Jack Myers LLC

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RADIO NEWS®

S&P still concerned about Interep

Despite Interep's (O:IREP) sale of $5M in new securities (5/13, p. 2), Standard & Poor's is keeping the rep company on it CreditWatch list with negative implications.

"Although this issue very modestly improves Interep's cash balances, it is not clear that the company's existing liquidity will be sufficient to meet all of its operating and financial needs while cash flow remains depressed," said S&P analyst Steve Wilkinson. "Near term liquidity continues to be the overriding credit concern in light of the soft advertising environment and Interep's high level of financial obligations."

S&P said whether Interep can move off of the CreditWatch list "will be resolved based on Interep's ability to secure additional capital to meet its near-term obligations and improve its EBITDA exclusive of contract termination revenue."—JM

Cumulus raising cash on Wall Street

Cumulus Media (O:CMLS) is selling more stock to re-stoke its coffers. Deutsche Bank Securities is currently pricing an offering of 8.6M shares. That would total around $163M. More than 830K of the shares being sold are coming from two selling shareholders. A concurrent SEC filing by Cumulus indicated that three shareholders might be selling part of their stakes—BA Capital, the State of Wisconsin Investment Board and ING Capital.—JM

Non-competes on way out in Arizona

The Arizona House of Representatives approved a bill which will add Arizona to the growing list of states banning non-compete clauses in broadcast employment contracts. The measure had already passed the state Senate, but goes back for a final vote by the upper body of the Arizona legislature before going to the desk of Gov. **Jane Hull**. Broadcasters had lobbied against the measure, while labor unions had pushed it.—JM

Disney under IRS audit

The Walt Disney Co. (N:DIS) revealed 5/15 in an SEC filing that its tax filings are being audited by the IRS for three years of the past decade and that the auditors are challenging some of Disney's tax accounting practices.

"The Internal Revenue Service (IRS) is currently examining the Company's federal income tax returns for 1993 through 1995. While the audit is not complete, the IRS has recently indicated its intention to challenge certain of the Company's tax positions. We believe that the Company's tax positions comply with applicable tax law and intend to defend the Company's positions vigorously. The ultimate disposition of these matters could require the Company to make additional payments to the IRS. Nonetheless, we believe that the Company has adequately provided for any foreseeable payments related to these matters and consequently do not anticipate any material earnings impact from the ultimate resolution of these matters," Disney said in its SEC 10-Q.

Wire service reports of the IRS action had little impact on Disney's stock price, which closed up 10 cents for the day (5/15) at $24.50.—JM

DOJ says "No" to CCU's plan to buy House of Blues

The *Rocky Mountain News* reports (5/14) the plan to merge Clear Channel and HOB Concerts, the two largest concert companies in the nation, didn't pass muster with federal antitrust laws, according to the Department of Justice. With potential antitrust investigations and a federal lawsuit filed by Denver promoter Nobody in Particular Presents, the proposal was dismissed, sources told the paper.

The proposed deal involved selling off assets in certain markets to help pass DOJ scrutiny. Clear Channel would buy a few select HOB venues and properties in certain markets and leave the bulk of the company to Concerts West. The deal was deemed inadequate, and CCU would have had to sell off nearly as many assets as it was acquiring in order to go through, sources said.

So what now? HOB's assets may be divided up between CCU and **Phil Anschutz**'s Concerts West. Anschutz would end up owning most of HOB, including its concert division and its line of nightclubs. HOB's board of directors requested more time in a conference call 5/13 to discuss a tentative offer from Entercom, which has proposed to buy HOB in conjunction with LA music mogul **Howard Kaufmann**. His clients include The Backstreet Boys, **Jimmy Buffett**, **Lenny Kravitz** and Aerosmith. They would become co-owners of the HOB chain.

According to Amusement Business, Clear Channel Entertainment grossed $1.226B; HOB $173.8M and Concerts West $30.555M in the period from 12/11/00-12/3/01. —CM

OMD in talks with Disney, Viacom for $1B cross-platform deals

The *Wall Street Journal* reports OMD USA, the media-buying arm of Omnicom Group, is in discussions with Disney for a deal that calls for OMD to place more than $1B ad dollars across Disney's ABC-TV stations, ESPN, A&E Networks, Lifetime Television, Buena Vista Television, ABC Radio and Disney's print publications and Internet properties. OMD clients include advertisers Pepsi and Gillette. ABC is overseeing the negotiations. If the Disney deal is completed, it will be the largest cross-platform deal to date, besting Viacom's deals with Procter & Gamble ($300M), Snapple ($15M), *The Wall Street Journal* and most recently, Monster.com ($15M) (RBR.com 4/30).

However, OMD is reportedly also working on another $1B cross-platform Viacom deal that would include CBS, UPN, MTV Networks, BET, CBS and UPN TV stations, syndicator CBS Enterprises, Infinity Radio, Viacom Outdoor and Internet properties. —CM

RBR News Briefs

Mays, Karmazin, Dickey added to FCC council

Clear Channel Chairman/CEO **Lowry Mays**, Viacom President **Mel Karmazin** and Cumulus Chairman/CEO **Lew Dickey** are among the 41 newest members of the FCC's "Media Security and Reliability Council." The Commission created the council as a forum to develop and ensure "the robustness and security of the broadcast and multi-channel video programming distribution industries."

The council is chaired by Tribune President/COO **Dennis Fitzsimons** and will hold its first meeting 5/17. Other members include **Eddie Fritts**, Susquehanna Radio President/CEO **Peter Brubaker**, Radio One Chair/founder **Cathy Hughes**, Emmis Chairman **Jeff Smulyan**, NPR President/CEO **Kevin Klose**, Hispanic Broadcasting President/CEO **Mac Tichenor** and XM President/CEO **Hugh Panero**. —CM

Homeland Security chief to keynote NABEF confab

President **George W. Bush**'s Director of Homeland Security, **Tom Ridge**, will be the keynote speaker for the 2002 Service to America Symposium next month (6/10) in Washington, DC. The annual symposium sponsored by the National Association of Broadcasters Education Foundations (NABEF) will focus this year on how broadcasters, government agencies and nonprofit organizations can work together in the face of tragedy. WNBC-TV New York President and GM **Dennis Swanson** will join representatives of the Salvation Army, American Red Cross and the Pentagon on one panel looking at the aftermath of 9/11.

Former NYC Mayor **Rudolph Giuliani** will also be on hand when local broadcasters are recognized for community service at an evening banquet sponsored by NABEF and Bonneville International.—JM

Radio-Mercury awards finalists named

The RAB's 11th annual Radio-Mercury Awards finalists were announced 5/10. A total of fifty-nine finalists from the General, Hispanic and Station-produced categories will compete for the $100K Grand Prize. Cliff Freeman and Partners has six entries in the General category final round, with Arnold Worldwide next at five and DDB Chicago and Goodby, Silverstein and Partners at four each. The five Radio-Station Produced Category finalists include Entercom-Portland, Talk KLSX-FM LA, Rose City Radio-Portland, Next Media's WZSR-FM Crystal Lake, IL and Zimmer Radio Group, Carterville, IL. —CM

RBR Stats

2002 Radio Revenues

Month	Local	Natl.	Total
January	+1%	+1%	+1%
February	-6%	+1%	-5%
March	+1%	+1%	+1%
Q1	-1%	+1%	-1%

Source: RAB

Canada to charge royalties for streaming

The Canadian Federal Court of Appeals has ruled that Canadian copyright law applies to Internet audio transmissions even if they originate from outside the country. The ruling paves the way for Canada to charge royalties to webcasters that are not based in the country but can be accessed therein. The RIAA counterpart organization in Canada is "CRIA," The Canadian Recording Industry Association. CRIA has won the appeal after a lower court had ruled against it. In the appeal, the CRIA argued that Internet transmissions of music to end users in Canada qualify as "communications to the public" and are covered by Canadian copyright law even if they originate outside Canada: "The case sets an important precedent for the international recording industry in three main ways: It supports the licensing of internet transmissions of music in each country to which they are transmitted; It helps local record companies, artists and authors, in all countries where the transmissions are received, to get paid; and it discourages the development of offshore piracy havens, whereby internet services could evade copyright licensing in a country by moving outside of its borders." —CM

Webcasters, labels speak to Senate Judiciary Committee

The Senate Judiciary Committee met 5/15 with both sides of the webcaster royalty debate to discuss rates for Internet radio. The hearing came a week before the US Copyright Office is expected to decide (5/21) on the rates, proposed by the CARP panel (*RBR* 2/25, p.2): 0.14 cents per listener per song for Internet-only webcasters and 0.07 cents per song for simulcast streaming of terrestrial signals. The webcaster side thinks a fair deal would be 3%-4% of revenues for royalty fees.

Some of the comments from the 5/15 meetings:

Frank Schliemann of OnionRiverRadio.com: "We will be bankrupted by royalties...Please help these calamitous rates from being implemented...The suggested rate would require a small webcaster like Onion River Radio to pay out 78% of its total revenues for royalties...[I] would be forced to pay more royalties as I gained more listeners...A better model would be the arrangement worked out with songwriters, where radio stations pay 3.5% of revenues."

Arbitron Webcast Services VP/GM **Bill Rose** mentioned Arbitron-Edison's Internet studies that show webcasting is growing rapidly but still in its infancy compared to other media. He said if broadcast radio had had to face fees similar to the CARP royalties when it began, it's highly unlikely it would have grown into the industry it is today.

Hilary Rosen

RIAA Chairman/CEO **Hilary Rosen**: "The arbitrators had access to a huge amount of confidential financial data about the webcasting and recording businesses. They did their homework. They looked at large and small companies, their costs, their financial projections, their forecasting statements, their IPO offerings, etc. In other words, the CARP had a lot more information about the webcasters' ability to pay than this hearing could ever unveil...In the end, if Congress believes a subsidy for webcasters is appropriate, it should not come on the backs of the individual creators and companies who provide the webcasters with the key component of their business. Perhaps other subsidies, such as tax breaks, would be more appropriate...It was the webcasters who insisted upon a per use fee (except at the very end of the process after final rates were proposed), and several webcaster witnesses, including their principal economic expert, testified against the adoption of a percentage of revenue rate. In the end, the CARP (relying in large part on the webcasters' expert witness) concluded that a percentage of revenue metric was inappropriate for several reasons."

Meanwhile, **Orrin Hatch** (R-UT), the top Republican on the committee, told Committee Chairman **Patrick Leahy** (D-VT) he was preparing legislation that would not address the royalty issue but would encourage online music services by giving them access to out-of-print music, among other things. Leahy said he would work to develop Hatch's proposal but had not reached any conclusions about the royalty rate.

Patrick Leahy

Said Leahy: "Now that the finding has been reached, and is being reviewed by the Librarian of Congress, the industry is in an uproar. Nobody seems happy with the outcome of the arbitration and all the parties have appealed. The recording industry and artist representatives feel that the royalty rate...is too low to adequately compensate the creative efforts of the artists and the financial investments of the labels. Many of the webcasters have declared that this per-performance approach, and the rate attached to it, will bankrupt the small operations and drain the large ones. Such an outcome would be highly unfortunate not only for them but also for the artists, the labels and the consumers, who all would lose important legitimate channels to connect music and music lovers online...Moreover, independent of the substantive outcome, I have heard complaints from all sides about the fairness and completeness of processes and procedures employed in the arbitration. Indeed, the concerns of many small webcasters were never heard, since the cost of participating in the proceedings was prohibitively expensive and their ability to participate for free was barred by procedural rules...All of which brings me to the question I want each of our witnesses today to consider: Why can't everyone, Congress and artists and labels and webcasters alike, take the CARP as a genuine learning experience, and sit down to determine what is the next best step? If the parties can avoid more expense and time and reach a negotiated outcome more satisfactory to all participants, that would surely be preferable to rampant dissatisfaction."—CM

Broadcasters tell FCC to leave radio limits alone

As the FCC wrapped up the comment period for its review of local radio ownership limits, several broadcasters joined the NAB (*RBR* 5/13, p. 1) in suggesting that the FCC should keep its hands off the limits that Congress set in 1996.

Echoing NAB's stance that the FCC has no legal power to change the limits set in the 1996 Telecommunications Act, Cumulus Media (O:CMLS) insisted that the evidence presented to the FCC demonstrated that consolidation had had "no adverse effects on competition or diversity in local radio markets."

Cumulus said that the FCC would be ill-advised to accept the proposal of the National Association of Black Owned Broadcasters (NABOB) that it change its method of defining local markets from contour overlaps to the markets used by Arbitron. Cumulus noted that Arbitron changes market boundaries from time to time and that the list of stations reported for each market changes frequently.

In its reply comments, NABOB insisted that the NAB and various broadcasters were wrong—that the FCC does indeed have the authority to change the local radio limits. NABOB insisted that the FCC and federal courts have historically interpreted the "public interest" provisions of the 1934 Communications Act as giving the FCC broad powers and that nothing in the 1996 Telecommunications Act changed that.

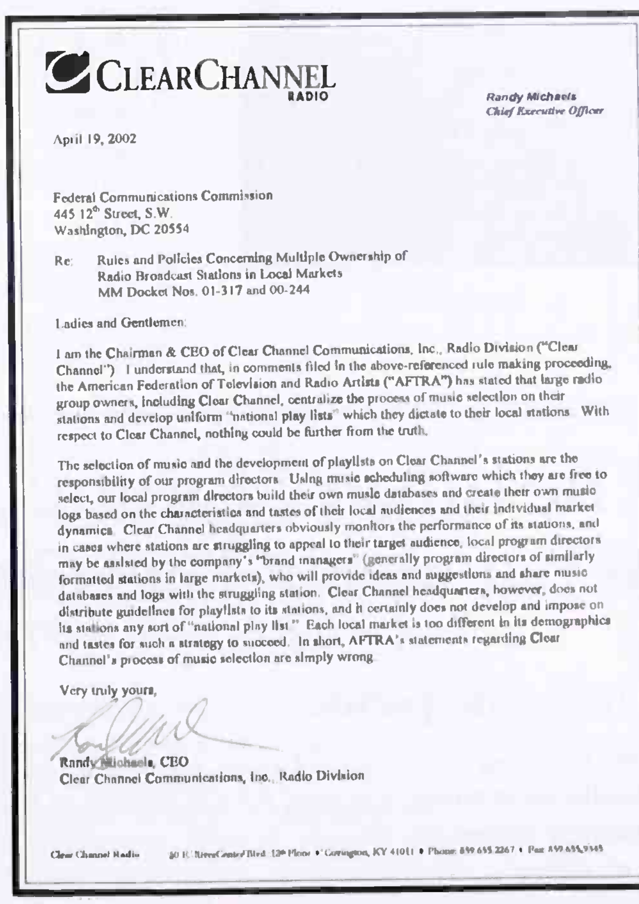
While broadcasters presented evidence that consolidation has increased programming diversity by increasing the number of different formats available in most markets, NABOB said that missed the point. "The First Amendment requires that the American public receive its news and information from a variety of antagonistic sources. This can only come from broadcast voices controlled by diverse competing owners," NABOB said.

While opposing any numerical decrease in local ownership limits, Radio One (O:ROIA) did agree with NABOB's call for the FCC to take action to promote minority ownership. Radio One backed NABOB in calling for the FCC to stop granting waivers that allow groups to exceed ownership limits for months and sometimes years while seeking spin-off buyers. And the nation's largest Black-owned radio group broke ranks with other large broadcasters in backing the FCC's red-flagging of deals for consolidation scrutiny. Radio One even suggested that the flagging be tightened from the current standard of one owner with 50% of revenues or two with 70% to 40% and 60%, respectively.

Viacom (N:VIA) said that a study submitted by the Minority Media and Telecommunications Council proved the opposite of what MMTC said it did. Rather than demonstrating that minority ownership has suffered since 1996, Viacom said the study demonstrated that the number of minority-owned stations has risen more than 50% since 1997. And while the number of minority owners has decreased somewhat, Viacom said consolidation has had less of an impact on minority owners than on the radio industry as a whole. Specifically, it noted that while the total number of radio owners has dropped 25% since 1996, the number of minority owners has only declined 17%.

Although the FCC's comment cycle is officially closed, the Future of Music Coalition told the Commission that it had gotten a grant from the Rockefeller Foundation to study the impact of radio consolidation on playlist rotations and survey the general public about the state of US radio. The Coalition said the results would be available late this year.

Clear Channel (N:CCU) denied allegations by AFTRA that consolidation has led to major broadcast groups dictating music playlists. In addition to its formal comments, the nation's largest radio group included a letter (right) signed by Clear Channel Radio CEO Randy Michaels insisting that "our local program directors build their own music databases and create their own music logs based on the characteristics and tastes of their local audiences and their individual market dynamics."



CLEARCHANNEL RADIO

Randy Michaels
Chief Executive Officer

April 19, 2002

Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Rules and Policies Concerning Multiple Ownership of
Radio Broadcast Stations in Local Markets
MM Docket Nos. 01-317 and 00-244

Ladies and Gentlemen:

I am the Chairman & CEO of Clear Channel Communications, Inc., Radio Division ("Clear Channel"). I understand that, in comments filed in the above-referenced rule making proceeding, the American Federation of Television and Radio Artists ("AFTRA") has stated that large radio group owners, including Clear Channel, centralize the process of music selection on their stations and develop uniform "national play lists" which they dictate to their local stations. With respect to Clear Channel, nothing could be further from the truth.

The selection of music and the development of playlists on Clear Channel's stations are the responsibility of our program directors. Using music scheduling software which they are free to select, our local program directors build their own music databases and create their own music logs based on the characteristics and tastes of their local audiences and their individual market dynamics. Clear Channel headquarters obviously monitors the performance of its stations, and in cases where stations are struggling to appeal to their target audience, local program directors may be assisted by the company's "brand managers" (generally program directors of similarly formatted stations in large markets), who will provide ideas and suggestions and share music databases and logs with the struggling station. Clear Channel headquarters, however, does not distribute guidelines for playlists to its stations, and it certainly does not develop and impose on its stations any sort of "national play list." Each local market is too different in its demographics and tastes for such a strategy to succeed. In short, AFTRA's statements regarding Clear Channel's process of music selection are simply wrong.

Very truly yours,

Randy Michaels, CEO
Clear Channel Communications, Inc., Radio Division

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***RBR* observation:** Does that also apply to Talk programming, Randy? To date, not one of Clear Channel's stations has signed on for Westwood One's (N:WON) new Talk show featuring **Bill O'Reilly**. One *RBR* source says some of CCU's GMs are not happy that they're not being allowed to take the hottest new Talk product in years. "O'Reilly is up to like 230 stations now, so how could there be 230 stations that want the show and not one is airing with a company that owns 1,200 stations? It just doesn't make sense," the source noted.—JM, CM

By Carl Marcucci

The Dial-Global merger: New grown-up on the block

Several well-known names in radio are now under one umbrella, changing the landscape for media buyers. Excelsior Radio Networks acquired Dial Communications and merged Dial with its Global Media Division in early April (*RBR* 4/8, p.12). The new national sales rep. division, Dial Communications-Global Media (Dial-Global) is headed up by principals/co-Presidents **David Landau**, **Jeffrey Gasman** and **Ken Williams**. Dial-Global is a $50M (est. 2002 revs.) company with a combined client roster of 40 radio programs/production companies.

David Landau

Excelsior is a subsidiary of Franklin Capital (A:FKL) and was formed last summer by Franklin, Sunshine Wireless and Change Technology Partners from the purchase of Winstar Radio Networks, Winstar Global Media and Winstar Radio Productions. "The investor group that put the companies together had experience in the radio industry," said **Spencer L. Brown**, Excelsior's VP and an SVP at Franklin Capital. "We both owned stations and were a happy victim of consolidation. And we see the same potential, both on the station side of things, which won't affect us, but also on the network side where we could be the consolidating industry. We really wanted to be the consolidator, rather than have the industry consolidate around us. So we saw this as a time where we could acquire, particularly Global Media and what was the Winstar Radio Networks, at a very advantageous price. That would allow us to basically get in the game at a good entry point. And I think what Dial does is put a little meat on the bones, and also we're bringing on a very strong management team."

Excelsior/Dial-Global reps over 25 clients, including Jefferson-Pilot Radio Network ("**Bob & Sheri**"), Mann Group, **Dave Koz**, The PGA, Waitt Media, "The Countdown" and "Gospel Traxx" hosted by **Walt "Baby" Love**, Stephan Productions and Wall Street Journal Reports. Excelsior's production division produces/distributes 50 programs and services. Dial has 20+ clients, including 60 Second Inc., WOR Radio Network, Multi-Net Marketing, TM Century, NBG Radio Networks and TRN's **Michael Savage** Show.

So what's on tap for Dial-Global? *RBR* interviewed David Landau and a few key industry buyers for their take on the new combined entity going forward. The company recently finished a two-day national sales meeting. "We had people from all over the country fly in to NYC. We all came away really excited here," says Landau. "The thing that made it attractive for us is that Dial was strictly a national representation firm and this provided us with a programming and affiliate arm. The partners and myself have a lot of contacts all throughout the radio business and we get a lot of calls. However, we didn't have the programming or production expertise and we didn't have the affiliate expertise. And now, by combining with Excelsior, with **Larry Kahn** and his group, it really gives us a lot of clout in the marketplace."

Jeffrey Gasman

He adds, "We're all very sales and marketing driven. Kenny is out of the West Coast. He's really an expert at systems and organizing the company, and he's very involved with the talent. Jeffrey is very involved in talent and operations and I'm involved in marketing strategies and sales. We all work together as a team."

Indeed, Dial-Global is steeped in marketing and sales expertise. Landau was President of Unistar; Williams and Landau were involved in Multiverse, as original investors in Dr. **Laura**; and Gasman formed Dial in '89. In 11/00, Landau and Williams became partners in the company after leaving EVP/Sales slots at Premiere.

Ken Williams

Global was a heritage syndication company that was set back a bit after its parent, Winstar, declared bankruptcy (*RBR* 4/23/01, p.16). Says Landau: "There was really nothing wrong with Global as an organization. The problem with Global is the parent company Winstar, which went from $6B market cap a year ago to $40M. They've got great systems and we're keeping them intact. We're going to keep the sales and traffic staffs intact. Their clearance department is the best in the business, and we're keeping that intact. It's a very significant group of people. We have six full-time people in the clearance-affidavit department, and there's affidavit research. We feel that there are synergies involved with the two companies and we're going to be able to bring our marketing and our systems expertise with the combination and create a lot more value."

With that added value and critical mass, Dial-Global has already become the focus of radio groups looking to launch their talent nationwide. "I also think there's opportunity for the remaining syndication to get involved with the groups, because they're looking to roll out their talent on a national level," Landau says. "We've received a lot of calls, and I think there's an opportunity there for us to get involved in that."

To RADAR or not to RADAR...

In a recent interview (*RBR* 4/22, p.4), MindShare USA SVP, Director of Radio Negotiations **Reyn Leutz** lobbied for Dial-Global to have its products RADAR-rated.

"You know the cost prohibitions regarding RADAR," responds Landau. "RADAR is a very expensive and very technical business to get involved in. The companies that are involved in it are Clear Channel, Westwood and ABC. These are multi-billion dollar organizations. We're still an entrepreneurial company."

Nevertheless, Landau is going to look into it: "It's a very expensive situation, but I do think there's an opportunity. I'd like to talk to Arbitron about it—It's no longer RADAR, it's now Arbitron involved—and see if there's some way for us to take a look at it."

Sponsorships

Previous to the merger, Global didn't have a sponsorship merchandising person that just sold sponsorship packages. That's all about to change in a big way. "I think there are some great sponsorship opportunities. We're going to roll out a person to sell sponsorships with merchandising packages to clients," Landau explains. "We're going to get people more involved with our clients in terms of getting more person-to-person and added value opportunities. There's a lot of room for that. That's been truly a hallmark of Dial more than a lot of other companies—to get involved with the talent on a one-on-one situation and see how we can get involved in other projects that the talent is involved in."

The buyers' forum: What about Dial-Global?

The participants:

Matt Feinberg VP/Manager of Radio, National Broadcast, Zenith Media
Natalie Swed Stone, Managing Partner/Director of National Radio Services, OMD USA
Matthew Warnecke, Director, Network and Spot Radio Services, MediaCom
Jeni Cramer, Media Manager, Advertising Services Department, Warner-Lambert Consumer Group, Division of Pfizer Pharmaceuticals

What do you think of the Dial-Global merger?

Feinberg I think it makes sense for Dial and Global to keep alive in the radio marketplace. They both have an array of properties of varying strengths and by bringing them together they get to weed out the weaker properties and strengthen the strong properties and compete in a marketplace that's getting increasingly competitive and increasingly smaller. There are bigger players but fewer of them.

They've both been around a long time. With David Landau and Ken Williams, they bring a lot of experience and a success record. And Dial has been around a long time. I knew **Sandy Gasman**, who started the company years ago.

Swed Stone I think it's better for them, obviously. There's less competition in the marketplace—they don't have to compete against each other. From their vantage point, it's positive. From our vantage point, I think we'll have to wait and see. Will they do anything differently? Will they allocate more resources to systems or research or upgrades?

Warnecke I think that mergers are always neither 100% of the best or 100% of the worst. It's up to this new entity to put together good looking, efficient, strong station lineup networks, which is, of course what will get us to purchase them. It remains to be seen how they can leverage the economies of scale to the audience that we as media buyers try to deliver. The proof is in the pudding. I'm actually hoping that this makes for a stronger overall network. I hope they succeed like gangbusters.

Cramer: These are companies we have done business with for a long time. I think it's a good move on the investment company's part, and I think it's going to be a stronger company in the end. If they already have networks that are 600-800 stations, that's pretty significant. So is it going to make them bigger or better? It all depends on how they reconfigure themselves in the end.

What do you think of the packages they're offering?

Feinberg I think the strength of them being able to do this is they will be able to customize, if you will, networks to different advertisers' needs, which I think is the strength of some of the non-RADAR rated properties. Hopefully, they will be able to package networks together that fit our needs. They will have more resources.

I think this will put them more in the lines of the MediaAmericas, who do a very, very good job of addressing advertisers' needs. Whereas sometimes if you're with the other old line networks, they're locked into their lineup. They can't change, so if it doesn't meet your clients' criteria, nobody can do anything about it. Our buys are so complex nowadays, and I think the industry is going towards this, it has become much more sophisticated. The planning process is a much more intense process, where all of the brand people—buying and planning—are all involved in it. So I think this will help, once Dial-Global truly merges organically, it will be good.

Dial-Global is going to offer creative sponsorship opportunities. Do you think the combined entity could offer worthwhile options for your clients?

Swed Stone I have encouraged them to allocate some resources behind promotion, to have a promotional department. I have tried to encourage them, now that they may have a little more depth in the company, to do some different kinds of things—be more creative: look at offering sponsorships/tie-ins with venues; come to us with creative ideas, (which is a big thing for us). There is room for them to upgrade in that area as well. Research is one issue, creativity, ideas and promotions are another issue.

I think that syndicators have certainly benefited from a lack of inventory in the network radio marketplace generally. Buyers have money to spend, larger networks run out of inventory, and everybody gets bought eventually. But, the question is: do you want to risk getting bought later, or do you want to secure your place early? Getting bought first necessitates some creative ideas, some leadership. They've let the networks lead, with research, with ideas, with everything—and that has worked for them. But if they ever want to compete with the networks on a different level, then they certainly have to step up in all areas. Billings is one measure of acceptability in the marketplace; there are other yardsticks by which to be measured.

Warnecke I think that is a good idea. For all of the purported strength in this returning economy, advertisers are still apprehensive about departing from an all-television mix. Anything that we as an industry can do to help show the strength of radio, it's consistency and its ability to deliver an audience time and time again, will be a great thing for Landau and all of our agencies to do.

Should Dial-Global and Excelsior become RADAR rated? Would it change the way you buy them?

Feinberg If they became RADAR-rated properties, then they definitely gain a little more credibility in the marketplace. It's hard to say if we would buy "more" of them, because every buy is different. I'm not one to say unilaterally that a network is going to get our business. It just depends on if they fit whatever the strategy of the particular campaign we're involved in. When nets join RADAR, often their numbers go down. We just put it in perspective. We are pretty much in agreement that the Arbitron Nationwide ratings that are used by non-RADAR-rated properties are pretty much inflated. That's generally reflected in the cost.

Swed Stone As I've suggested, the networks tend to lead, and if you want to be in that league, then there are certain things that you do in order to be there. It's not just about the billings that you generate, it's about the quality and services that are delivered such as research, systems, accountability and added value. It's up to them to determine what level they choose to achieve.

Unfortunately, sometimes what happens is companies wait and are not motivated to change things until they see a decline in business. We saw that two years ago. Business was great, but it didn't stay great and because some companies were complacent, they weren't able to stay ahead of the curve. I think that one should prepare. It may not always remain a saturated marketplace. What if there are new competitors tomorrow, like an AOL or somebody else? Then what happens to those who are not as creative, let's say, or whose systems aren't indeed advanced, research isn't as strong as it should be? Then an AOL could come in and take advantage of that. It's important for serious, long-term suppliers to ensure they're as strong as they can be, because things can and will change.

And so the message to Dial-Global is: 1+1 should equal 3 or higher. We need to see how Dial-Global gets to 3 from here and if they want to. When two companies merge and have a vision, the result should be a totally different company—not two companies glued together. We need to see if Excelsior has a vision. Certainly, the buyers need to help raise the bar for our clients' sake, and we will continue to do that.

MEDIA MARKETS AND MONEY™

By Jack Messmer

Big City reducing red ink, but problems continue

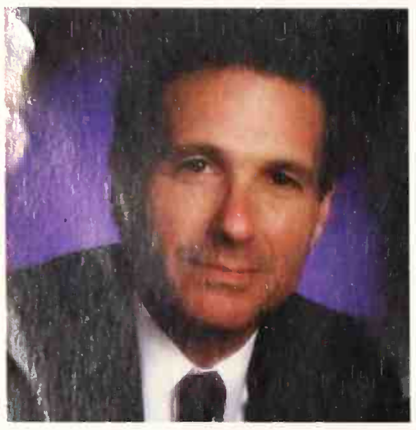
Big City Radio (A:YFM) used less red ink in writing its Q1 financial report. Net revenues were $3.4M—down 19.2% from a year ago. However, if you exclude the $1.1M contributed the previous year by the company's Phoenix stations, which were sold to Hispanic Broadcasting (N:HSP) last fall, same-station revenues were up 9.5%. Although broadcast cash flow remained negative, that negative number improved from $1.44M last year ($1.38M without Phoenix) to $844K in the first quarter of this year.

But while Big City's operating results are improving, it still faces a cash crunch. A semi-annual $9.8M cash interest payment on its bonds will be due 9/15, but the company had only $6.6M in cash on hand on 3/31—the remaining proceeds from its $34M Phoenix sale. As Big City has noted repeatedly in its SEC filings, its financial problems "raise substantial doubt about the Company's ability to continue as a going concern."

Meanwhile, Big City faces yet another problem. The rules of the American Stock Exchange require listed companies to have an audit committee with at least three members—all outside directors. But Big City's seven-member Board of Directors has only two members who aren't officers of the company—**Michael Boyer** (CFO of American Saw and Manufacturing Co.) and **Leonard White** (CEO of Rigel Enterprises and former head of Orion Pictures). Executive VP **Sylvia Kessel** had previously served as the third member, although last year's proxy statement acknowledged that she wasn't eligible under the AMEX's rules. The other four directors are Chairman **Stuart Subotnick**, his wife **Anita** (the co-founders and principal owners), President and CEO **Charles Fernandez** and Executive VP and General Counsel **David Pershing**. This year's proxy states that Big City is trying to find a third independent director to serve on its board and audit committee. It has until 6/30 to come into compliance with the exchange's listing rules.

The audit committee shortcoming isn't the only problem, though. Big City noted that its reduced shareholders' equity, losses from continuing operations and net losses also put it in jeopardy of losing its AMEX listing.

***RBR* observation:** Unless he wants to sell off more stations, it appears that Stuart Subotnick will have to put more of his own money into Big City to make that September bond interest payment. That might not be easy to do though, since Subotnick's other companies aren't doing well either.



David Benjamin

Triad expands Fargo cluster

David Benjamin is expanding Triad Broadcasting's superduopoly in Fargo, ND with a deal to buy an AM and JSA its FM sister. Under terms of the contracts with **Thomas Vertin** and **Robert Comstock**, Triad will pay $1.2M to acquire KBMW-AM, licensed to Breckenridge, MN, from WB Broadcasting. That will expand Triad's cluster to two AMs and four FMs in the Fargo market.

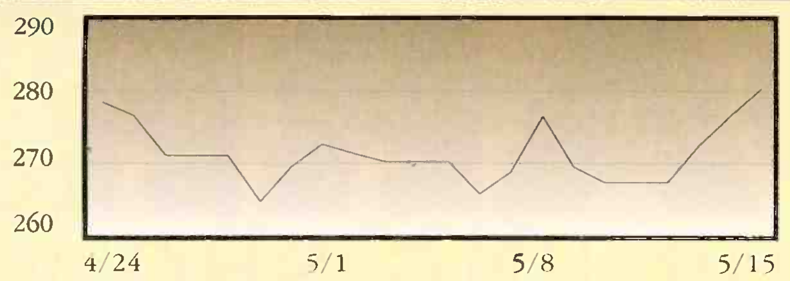
At the same time, Vertin and Comstock are buying out the interests of **Dean Aamodt** and **Jay Schuler** in Guderin Broadcasting, the licensee of KGWB-FM, Wahpeton, ND—just across the Red River from Breckenridge, MN. They have applied to the FCC to relocate KGWB to Triad's Wolverton, MN tower that's currently used by KLTA-FM & KPFX-FM, move from 107.1 mHz to 106.9 mHz and upgrade from Class A to Class C2. They're also entering the station into a JSA with Triad. If, within the next three years, FCC rules are changed to allow Triad to acquire a fifth FM in the Fargo market, it will have an option to buy KGWB, with the price set by a formula that's not being disclosed at this time. Broker: Johnson Communications Properties

***RBR* observation:** It's a stretch to say that KBMW-AM is in the Fargo market, but it will expand Triad's coverage to the south and should continue to do well serving the Breckenridge-Wahpeton area. KGWB-FM should be a fully viable Fargo station after its signal upgrade.

Radio Business Report
Voice Of The Radio Broadcasting Industry™

The Radio Index™

Radio stocks are moving slowly higher with the broader market. The Index closed 5/15 at 280.265, up 3.814 from a week earlier.



CCU to pay $12.5M in Big Easy swap

We now know the financial terms of Clear Channel's (N:CCU) deal to swap to a better signal in New Orleans. CCU will pay **Jeff Wilks'** Wilks Broadcasting $12.5M as the cash kicker in a swap of CCU's current KKND-FM (106.7 mHz) for Wilks' WRNO-FM (99.5 mHz). Wilks bought WRNO and KMEZ-FM last year for $23M.

***RBR* observation:** Although both stations in this swap are 100kw, the 99.5 facility is a full Class C licensed to New Orleans, while the 106.7 signal is a Class C1 licensed to Port Sulphur. As a result of the swap, CCU will get a signal that covers more land (and people) and less water. Wilks will still have four stations in the New Orleans market and CCU seven.

Wichita price tag is $2M; Sacramento on hold

Entercom's (N:ETM) latest SEC filing has put a price tag on its pending sale of KQAM-AM Wichita, KS to Disney's (N:DIS) ABC Radio to become a Radio Disney O&O. Entercom will receive $2M for the station, still leaving it with six stations in the market.

Entercom's SEC filing also revealed that **Ed Stolz**, as expected, has appealed a state court order to sell KWOD-FM Sacramento to Entercom for $25M under a 1996 letter of intent and that the appeals court has issued a temporary stay of the lower court order. An appeals court hearing is set for this week (5/21).

New St. Louis AM brings $1.625M

A move-in AM in the St. Louis market has sold for $1.625M. KRFT-AM, licensed to De Soto, MO, had been a 5kw daytimer on 1190 kHz, with its transmitter well south of St. Louis. It's still a daytimer and still on 1190, but it now has a new 10kw, four-tower array just across the river from St. Louis in Illinois.

The buyer is All Sports Radio LLC, headed by Gregory Marecek, which already owns KFNS-AM & FM. Seller The Rafti Corp. is headed by Jerome Friemel. Broker: **John Saunders** (seller); **Bill Cate,** Sunbelt Media (buyer)

Small Town on air in second market

Small Town Radio (O:MOLY) has LMA'd WSBI-AM Static, TN, giving it a second station on the air and broadcasting its programming. The first was WDGR-AM Dahlonega, GA. The company said WSBI already gets into the Cookville, TN Arbitron market and, once a 10kw upgrade is built, will hit eastern portions of the Nashville metro as well. WDGR is heard in the Northern suburbs of Atlanta.

The suburban-Atlanta-based company has deals pending to buy both stations and several others, but has yet to close any of those purchases. As of 5/14 it withdrew a financing plan that it had been pending SEC approval since last September, citing "unfavorable market conditions." That financing plan would have had Small Town Radio exchange new stock for cash from a Bermuda company to close each purchase—with the Bermuda company then selling the stock in the public market (RBR.com 10/9/01).

Meanwhile, the company is going ahead with a shareholder vote on a proposed one-for-18 reverse stock split and reincorporation in Nevada (from Colorado), although the annual meeting has been rescheduled to 5/28 from the original date of 5/3.

The company, headed by President **Donald Boyd**, also announced that **Michael Cobb** has been named CFO.

***RBR* observation:** Wasn't Small Town launched with a business plan to serve markets *outside* the Arbitron-rated markets? So why is the company bragging about what Arbitron markets its signals are penetrating? Besides, that Nashville claim is a bit of a stretch, anyway.

Sale bill in Billings is $125K

A construction permit for a new 1kw AM in the Billings, MT market has been sold for $125K. The buyer is not one of the market's current owners, but a newcomer, Hi-Line Radio Fellowship Inc., headed by **Roger Lonnquist**. The seller was Palmetto Radio Group. The new station will be licensed to Lockwood, MT and operate on 1450 kHz. Broker: American Media Services

Revenues up double digits for Unica

Q1 revenues shot up 45% to $8.2M at Radio Unica (O:UNCA). That big jump includes MASS Promotions, which the company acquired in Q2 of last year—but even without MASS Radio Unica's radio revenues were up 18% to $6.7M. Cash flow, however, remains negative. EBITDA for

Q1 was $2.7M, a 45% reduction in red ink from a year earlier.

In his 5/13 conference call, CEO **Joaquin Blaya** noted proudly that radio revenues beat even the high end of the 15-17% guidance that he had previously given Wall Street. He added that same station radio revenues were up 20%.

"Following the difficult year that we had in 2001, and particularly the final six months, we were quite pleased with this performance. When compared to the low to middle single digits revenue growth of most of our competitors, and the radio industry, we are proud of what we accomplished."

Blaya said he remains optimistic about 2002 and noted that advertiser interest in Radio Unica's national Spanish Talk network continues to grow. He assured analysts that the company is continuing to work on raising revenues and reducing costs to go cash flow positive and he noted that the company is working on something to improve its balance sheet.

For Q2, Radio Unica is expecting radio revenue growth of 5-7% and total revenue growth of 8-10%.

Newly-public LIN up for Q1


Gary Chapman

In its first quarterly report since its second IPO (5/3), LIN Television Corp. (N:TVL) reported pro forma Q1 revenues up 5.8% to $76.4M and broadcast cash flow up 19.7% to $24.9M. That includes results for the Sunrise group, which was actually acquired in conjunction with the IPO.

Actual revenues were up 7.7% to $58M and BCF gained 25.1% to $22M.

Since the company is still in its post-IPO "quiet period," CEO **Gary Chapman** was reserved in his 5/14 conference call. Nevertheless, he did indicate that things are looking up.

"We're optimistic that there will be a rebound in the overall advertising market during the remainder of 2002," he said. Chapman also expressed hopes that expected relaxation of ownership limits will accelerate station trading activity. "We hope to be an active participant in industry consolidation," he noted.

Having just rung the opening bell at the New York Stock Exchange to celebrate the company's week-and-a-half-old IPO, Chapman noted that the stock sale had put LIN in a strong financial position. The company received gross proceeds of $430M from the public stock sale. $320M of that was used to reduce the company's debt, leaving $881.5M in debt outstanding. He also noted that LIN's public stock should be "very useful" as a currency to offer potential sellers as the company seeks acquisitions. LIN now has $129M in cash and an undrawn revolving credit of $192M for making acquisitions.

Chapman told analysts that Q2 pacings are ahead of last year. "Combined with Sunrise we're close to a double-digit growth. We're please to see the momentum building throughout the quarter—that is, each subsequent month—which is indicative of an advertising recovery. With the ongoing cost controls, we expect to achieve double-digit growth in EBITDA."

Double-digit gains for Entravision

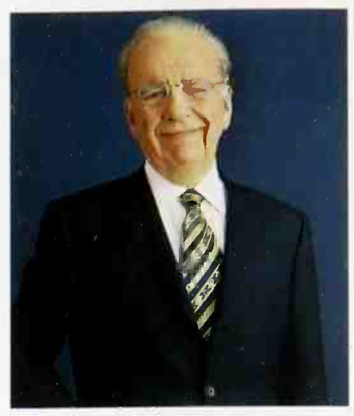
Radio has joined television is posting revenue and cash flow gains at Entravision (N:EVC). For Q1, the Spanish media group saw net revenues rise 12% to $49.1M, pushing up broadcast cash flow by 13% to $12.2M.

"Entravision's first quarter results were highlighted by the performance of our television and radio groups," said CEO **Walter Ulloa**. "In television we recorded an industry leading 21% increase in revenues and a 23% increase in broadcast cash flow, fueled by continued ratings strength at our Univision stations. At our radio group we have clearly turned the corner, capitalizing on the significant ratings gains from 2001 and a strong sales effort. For the quarter radio revenues increased 17% and broadcast cash flow was up 28%, well ahead of our expectations."

While radio revenues rose 17% to $14.8M and TV 21% to $24M, outdoor revenues were down 12% to $5.7M and publishing slipped 2% to $4.6M. Similarly, cash flow was up 28% for radio to $4M and up 23% for TV to $7.9M, but outdoor dropped 89% to $95K and publishing cash flow was off 27% to $231K.

For Q2, Entravision is expecting radio revenues to be up 12-14%, TV 15-18% and publishing flat to up 5%. Outdoor, however, is expected to see revenues decline 18-20%.

Fox net down, O&O group up


Rupert Murdoch

Improved cash flow (EBITDA) at Fox Television's (N:FOX) O&O station group more than counteracted a decline for the Fox Network in the company's fiscal Q3, which ended 3/31.

In his 5/14 conference call with analysts, Fox and parent company News Corp. (N:NWS) CEO **Rupert Murdoch** expressed frustration about his companies' stock prices and declared that things are looking up.

"Not only is the company's balance sheet extremely strong, but the economy. It finally seems the advertising market is showing signs of return to health. I'm not yet prepared to declare a permanent end to the ad recession, but certainly a much stronger market than we were experiencing even six months ago. It is visible at our television stations—the pacings will be up in the low single digits—I think if you take out the Super Bowl that [Pres.] **Peter [Chernin]** mentioned, it's very low single digits—but we have been up every month this year and are staying that way this quarter. It's the second consecutive quarter of positive pacings in nearly a year and a half of negative growth. With six straight months of positive pacings, all I can say is that everything is looking pretty good in June and July. It's too early to say much more than that, but it is also visible at the Fox Network. Scatter pricing today is running about 15% above upfront levels and cancellations are running 3-4% below the customary rate. To be a little more specific, we're seeing real increases in some of our major advertising categories—automobiles, fast food, movies and certainly a strong return in wireless and retail. That, of course, doesn't cover all categories, but it does give us real hope for the upfront campaign, which will be starting and selling over the next several weeks," Murdoch said.

Station revenues rose 35.9% to $435M and EBITDA gained 41.8% to $173M. Even without the recently acquired Chris-Craft stations, the company said pro forma revenues for the station group rose 27%.

While network revenues were up 29.8% to $553M, EBITDA turned negative by $45M, compared to a positive $1M a year earlier. The company blamed the drop on lower ratings and increased programming costs.

Fox Entertainment's best results came from its movie studio, with revenues up only 21% to $1.07B, but EBITDA up 200% to $180M, and cable TV, with revenues up 37.2% to $435M and EBITDA up 137.1% to $83M. In all, the company saw revenues rise 28% to $2.49B and EBITDA up 79.4% to $391M.

Fox handily beat the Thompson Financial/First Call consensus of net income of four cents per share. The actual number was 13 cents. Its controlling parent company, News Corp., had earnings of 18 cents per share, also beating the consensus of 15 cents. CFO **David DeVoe** also advised analysts to adjust their full-year earnings expectations upward. He's now expecting bottom-line growth of 8-10% for News Corp. and 13-15% for Fox Entertainment.

Television Business Report™
Voice Of The Television Broadcasting Industry®
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Handicapping the upfront from Wall Street

As the TV networks—and then cable and syndicators—sell their next season to advertisers, investors are watching. *TVBR* asked a couple of veteran Wall Street analysts for their comments on what The Street is looking for this upfront.

Cheen: A more normal upfront

Wachovia Securities bond analyst **Bishop Cheen** has been crunching broadcast numbers for the better part of two decades. From where he sits, this upfront season should bring a return to more normal negotiations between buyers and sellers.

"CBS played tough last time. The conventional wisdom is that they will not play tough this time, although **Mel [Karmazin]** tells anyone who wants to listen that it all worked out fine—he did not have to severely discount his scatter," Cheen told *TVBR*. But while the scatter market has been strong lately, Cheen notes that many observers think CBS had to do some deep discounting to move its unsold inventory in the weeks following 9/11. "While it came back, we don't know how much was sold at the discounted rate," he noted.

"The other wildcard to watch is the backlash. If you raise rates too much, there is speculation that you will drive a significant amount of the budget into cable, which has—just by its inherent nature—a much smaller rate structure compared to broadcast TV. CPMs are much smaller on cable. It's going to be very dramatic to see, if the networks demand too much of a rate increase, how the advertisers will respond," Cheen said. "My guess is that the rates will go up some single-digit number. Demand will be high. And both sides will claim victory."

What about ABC?

"God help ABC. Every year or two or three there's always a network adrift. You and I have been talking to each other for a long time and over the course of that we have talked about beleaguered NBC, beleaguered CBS and this year it's beleaguered ABC," Cheen noted.

"Clearly CBS' demographics are going younger. Fox has got more sports to talk about. NBC has got all of its high-end Emmy shows to talk about and its incredible success—the afterglow of the Olympics...Poor ABC—you get the feeling that whatever they throw on the wall is the program of the week." Gone are the glory days of just three years ago, when ABC was the "Millionaire" network, he noted. "But this too shall pass. The press is going to make it sound like ABC is going out of business—and it is not."

The Wachovia analyst predicts that demand will be good for both network TV and cable in this upfront—that advertisers are more confident about the economy and ready to make commitments. "It feels different to me than it felt in early May of 2001," Cheen said. "It just feels different."—JM

Marcus: Expect a bullish swing


Drew Marcus

At Deutsche Bank Securities, **Drew Marcus** has been valuing broadcasting stocks longer than most of the broadcasting companies have had public stock (and through several mergers and name changes by his employer).

"We're looking for the total upfront—including everything, including the cable networks and everything—to be up 5% this year, versus being down 14% last year—so, it will be an impressive, bullish swing," Marcus said. "We're looking for the big four to be flat, the big six to be up 3%, cable to be up 7% and Univision to be up 18%—so the whole thing total is up 5%."

Of course, within that "flat" forecast for the big four networks, where will be winners—and there will be losers. "We're looking for the biggest winner to be CBS, up over 20%. NBC to be up over 10%. And then Fox and ABC each to be down 15-20%," Marcus said.

ABC's current troubles are well known, so we decided to play devil's advocate and ask Marcus what his pitch would be if he were the one trying to sell ABC's ad inventory to advertisers.

"I would assure them that we're spending a lot of money to develop lots of pilots and thus hope to have above-average success in our new shows. And I would pray to the TV viewing gods," he replied.

Is that prayer likely to work?

"TV programming is a tricky science, so it might work well as other things," Marcus chuckled.

Marcus is expecting advertisers to pay higher prices this year.

"We see pricing, on average, up about 4-5%," he said. "The advertisers realize it's not a buyers' market like it was last year. Certainly the scatter, where all of the networks are having very healthy scatter prices above last year, foreshadow a strong upfront. But I don't think the advertisers have conceded that it's a sellers' market yet. That is what the networks are claiming."—JM

FCC getting tough on DTV laggards

The Federal Communications Commission began a Notice of Proposed Rulemaking 5/16 to set penalties for TV stations that miss digital conversion deadlines. The proposed penalties would begin with a letter of admonishment and gradually escalate to revocation of the station's DTV construction permit. In such an extreme case, the station might also have to face competing applications if it eventually wants to switch to DTV on its original analog channel.

"It demonstrates that while there are opportunities for waivers, that the leash is short, as it must be," said FCC Chairman **Michael Powell**. "We're not going to be unreasonable about it. The transition is complicated. There are bumps on the road that are beyond people's control." The Chairman added that the FCC's intention is that the transition continue "quickly but prudently."

The FCC's Media Bureau staff had praise for big four network affiliates in the top 30 markets for generally meeting the first DTV deadlines in 1999, with only nine exceptions remaining today—a 92% completion rate. In each of those nine cases, the licensees were unable to begin digital transmissions due to circumstances beyond their control, such as local zoning hang-ups. An order approved 5/16 by the Commission grants each of the nine an additional six-month extension. Five other top-30 market stations were chastised, however, for firing up only low-power DTV transmitters. Those minimal facilities were OK'd by the FCC for smaller markets and stations last November, but today's order spells out that they are not permitted for big-four network affiliates in the top 30 markets.—JM

Second station signs for Boston People Meters

Nielsen Media Research has finally signed a second commercial TV station for its local People Meter service in Boston, although all of the big four network affiliates are still holdouts. Entravision's (N:EVC) WUNI-TV (Ch. 27), a Univision affiliate, has joined independent WNDS-TV (Ch. 50) as a subscriber to the metered ratings service. Most Boston TV stations have been boycotting the switch from diaries to Nielsen's electronic set-top boxes, which took place nearly a month ago. Besides the two stations who have now signed up, Nielsen is selling its Boston ratings service to three cable channels—plus hundreds of ad agencies and advertisers who pay considerably less than station subscribers.—JM

Clinton downplays TV talk show idea

Former President **Bill Clinton** has told NPR's "The **Tavis Smiley** Show" that while the idea had some appeal, it's unlikely he'll do a TV talk show. Clinton told Smiley the idea didn't originate with either NBC or his own associates, but rather an outside group of potential investors whom he didn't identify. He did acknowledge having talks with NBC, but said no deal is emminent.

"I don't know if it's going to happen or not, but I'd be kind of surprised if it is, because I just sort of think that it may be hard to make it work commercially, either for a network or private syndicators or anybody else," Clinton said.

The former President did, however, seem intrigued by the idea of having his own TV show. "The appeal of it is that I could speak about the things I care about in an environment where people would be free to listen in larger numbers than I could speak to [in person]," he told Smiley.—JM

TVBR News Briefs

Univision claims bragging honors in big three markets

Univision (N:UVN) says its O&Os beat all comers, English and Spanish, to be number one among Adults 18-34 in New York, Los Angeles and Chicago in the March Nielsen Sweep. That's for the entire broadcast day (and Chicago was a tie). In prime time, Univision said, each was number two (also a tie in Chicago).—JM

NBC offers to buy out Telemundo bondholders

In accordance with "change of control" provisions in the terms of the 10.5% Senior Notes issued by Telemundo, General Electric's (N:GE) NBC has offered to buy back those $305M in outstanding bonds of its new subsidiary, which otherwise won't mature until 2006. Under the tender offer, Telemundo is offering to pay $1,010 per $1000 face value. The offer will expire 6/10.—JM

Viacom closes on second LA TV

Viacom (N:VIA) closed 5/15 on its $650M purchase of KCAL-TV Los Angeles from Young Broadcasting (O:YBTVK), giving Viacom a second station in the nation's second-largest market. That sets a six-month clock ticking for Viacom to divest one radio station in the LA market.—JM

Rupert Murdoch, Gary Chapman and others. TV groups report Q1 results. Pages 6-7.