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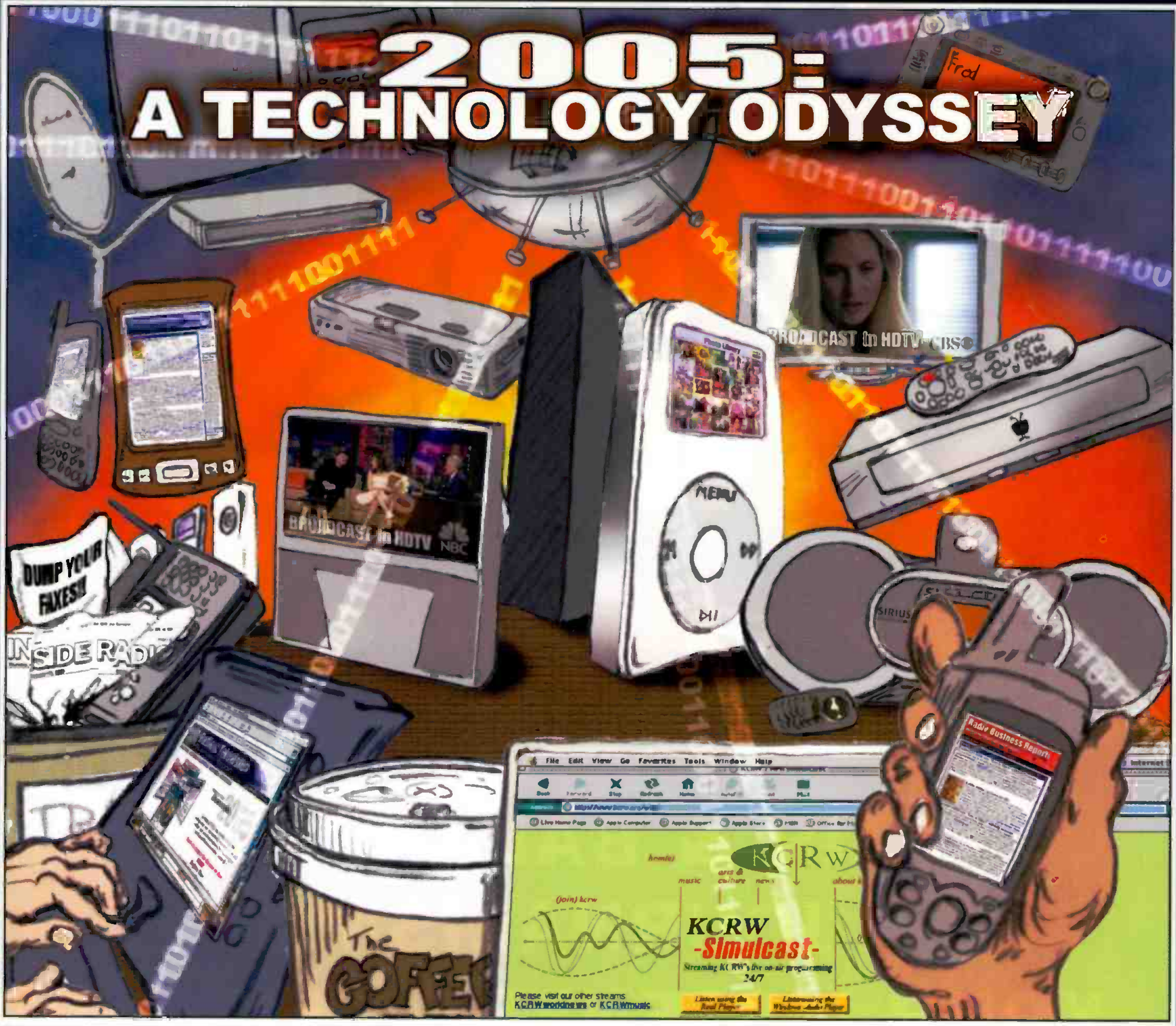

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Eddie Fritts

Who'll head the FCC and NAB?

In a way, the timing is good. Not much is likely to happen at the FCC while it's without a Chairman, following **Michael Powell**'s departure this month. And with **Eddie Fritts** preparing to exit his post as NAB President & CEO, sooner not later, his successor will be able to have a fresh start with a new FCC Chairman. But with the search for a new NAB chief just now beginning in earnest, it's likely that the new FCC boss will be in place first.

There was immediate speculation that Commissioner **Kevin Martin** was the favorite to succeed Powell, but he's not seen as a shoo-in. Other names in the running are believed to include **Earl Comstock**, a former aide to Sen. **Ted Stevens** (R-AK), who now heads the committee which oversees the FCC; **Rebecca Klein**, former head of the Texas Public Utilities Commission; **Patrick Wood**, Chairman of the Federal Energy Regulatory Commission and also a former head of the Texas PUC; and **Michael Gallagher**, Director of NTIA.

Only one name has been bandied about in Washington for the NAB post—**Marty Franks**, who is Viacom's chief lobbyist. He served on the NAB board back when CBS and the other big networks were members and could conceivably be the right guy to heal the rift between the nets and their affiliates and bring the big guys back into the NAB. But having his name tossed about so early in the game may make him less likely to be chosen for the job.

There's no doubt that RBR/TVBR readers don't want a Washington insider to be the new NAB chief. Our poll found that 77.97% wanted Fritts' successor to come from outside the Beltway.

What issues are facing the next heads of the FCC and NAB? And what type of person is needed for each post? We examine those questions in depth in the April issue of *Radio & Television Business Report*.

Indecency update

By the time you read this the House of Representatives will have overwhelmingly seconded its Energy and Commerce Committee by giving thumbs up to the Broadcast Decency Enforcement Act, raising fines to a maximum $500K per incident, applying them to individual performers and installing a three strike rule which would automatically initiate license revocation proceedings.

Broadcasters are preparing to stand and fight. We were surprised that Viacom entered into a consent decree with the FCC last year worth $3.5M to clear most of its indecency vulnerabilities. **Mel Karmazin**, before he left the company, said "We'll conform and we'll fight 'em" (4/23/04 RBR #80), and made it clear he was ready to go to court. Would Viacom have caved with Mel at the helm?

Still, you can't blame Viacom. It's not Viacom's job to fight the industry's battles single-handed—especially when their opponent, the government, holds a major trump card. It's called a license, and it can be used to put Viacom out of business. So it's not a fair fight.

And to its credit, Viacom pointedly refused to include Nipplegate in the settlement with the FCC. If Michael Powell wants Viacom to pay for **Janet Jackson**'s little indiscretion, he'll have to go to court to get it. Of course, he won't be around if and when that happens.

That's why it was so heartening to hear a call to arms from NAB Joint Board Chairman **Philip Lombardo**, CEO of Citadel Communications Co., who stood before a session sponsored by the Media Institute 2/3/05 and laid it on the line. He made a strong case for sanity. We don't have ink room, so we suggest you follow the link and read it for yourself here (2/4/05 RBR #25).

Suffice it to say that NAB and others are prepared to go to court if and when it becomes necessary.

John McCain

Hill set for another round on LPFM

The first generation of Low Power FMs is up and running, and its being toasted both at the FCC and on Capitol Hill. "I'm really, really excited to have all of you here so that we can go through the exercise of celebrating our accomplishments," said FCC Chairman Michael Powell at the LPFM Forum the FCC held 2/8/05.

Senators **John McCain** (R-AZ), **Maria Cantwell** (D-WA) and **Patrick Leahy** (D-VT) are teaming up to introduce the "Local Community Radio Act of 2005." It'll rid LPFM once and for all of the need to protect 3rd adjacent channels (2/9/05 RBR #28), based on a study accepted as fact at the FCC and on the Hill, but considered to be seriously flawed by the NAB, NPR and Reading Services for the Blind.

NAB/NPR are not trying to squelch LPFM, despite accusations to the contrary. It is simply that efforts to kill off 3rd-channel protections are ill-timed, considering that radio is in the process of executing the transition to high-definition IBOC radio broadcast. This process may cause problems with existing allocations, without adding short-spaced LPFMs to a potentially noxious audio brew.

Michael Powell

A singular ruling on must carry

Michael Powell's signature lame duck act as outgoing FCC Chairman was his success in producing an extremely cable-friendly decision on the DTV transition issue of multicast must carry. By a 4-1 vote, the FCC ruled that cable systems were responsible for one primary program stream, and could not be compelled to carry additional streams when broadcast television stations were doing split-stream programming of four-to-six programs in lieu of high-definition programming (2/11/05 RBR #30).

The ruling came despite bipartisan support on Capitol Hill for compelling full carriage of broadcast signals, or at the very least, for delaying the ruling on the topic.

Powell was lucky to get this vote. It was really a 2-2-1 vote.

Republicans Powell and **Kathleen Abernathy** sided with cable for what were basically technical reasons. They said that close reading of the applicable statutes did not support forcing must carry on cable operators, which could be an abridgement of their First Amendment Rights. Powell and Abernathy felt a multicast must carry rule would wither under court challenge (2/14/05 RBR #31).

Democrats **Michael Copps** and **Jonathan Adelstein** thought that forcing multicast must carry would be perfectly justifiable, if only there were public interest requirements attached. They saw it as an excellent opportunity to compel broadcasters to provide more local public affairs, minority-oriented, children's and other niche programming designed to serve the local population. Failing to deal with that first—"Ready, fire, aim," as Copps put it—led them to vote against multicast carriage, since they feared it could conceivably be used as a vehicle to launch six home shopping channels (2/14/05 RBR #31).

Republican **Kevin Martin**, the lone dissenter, felt that niche broadcasters needed the multicast option to survive in the highly competitive multichannel environment of broadcast, cable and satellite.

It may take an act of Congress to make multicast must carry a reality, and NAB promises to continue the battle there. NAB will go in knowing it has some level of bipartisan support already in place—but with strings already in place.

Broadcasters, newspapers carry own fight to the Supreme Court

In a move that disappointed broadcasters and left several newspaper-TV combo owners twisting in the wind, the Bush Administration decided not to stand up for Michael Powell's FCC and appeal to the US Supreme Court to uphold the media ownership rules that the Commission passed in June 2003. Although the Department of Justice declined to file an appeal on behalf of the government, that didn't stop a number of media companies and the NAB from filing their own appeals, as did the Newspaper Association of America, which wants to strike down the crossownership rule. But without the DOJ asking it to intervene, the Supreme Court is seen as less likely to take up the case, leaving it to the FCC to write new rules, as ordered by the Third Circuit Court of Appeals in Philadelphia.

The move emboldened Commissioners Michael Copps and Jonathan Adelstein, who had opposed the mostly deregulatory ownership rules. "We need to go back to the drawing board and get it right. I hope we learned our lesson that public anger flares quickly when the government sides with media conglomerates. We ought to listen to the public this time," Adelstein said.

Michael Copps and Jonathan Adelstein

In appealing the Third Circuit's ruling, the NAB took the opposite view. It said the FCC had violated the 1996 Telecommunication Act by not going far enough to deregulate in 2003. It charged that the FCC blatantly defied Congress by re-regulating radio ownership and retained prohibitions on medium and small market TV duopolies in the face of "overwhelming evidence" that such duopolies would serve the public interest.

RBR/TVBR observation: We found it interesting that while the NAB made the re-regulation of radio a cornerstone of its claim that the FCC violated the 1996 Telecom Act, not a single radio group has filed an appeal to the Supreme Court. Perhaps Clear Channel and Cumulus really are content to go forward with the entrenched advantage they have in so many markets.

While it's now a longshot for the Supreme Court to pick up this case in the absence of a DOJ appeal, there's another case lurking on the horizon which could help force the issue. Sinclair Broadcast Group CEO **David Smith** is just waiting for the FCC to reject his last appeal of its denial of Sinclair's applications to acquire five TV stations owned by Cunningham Broadcasting. Smith, who is not one to back down from a fight, told analysts in his quarterly conference call that he's anxious to take the Commission to court. That case would be heard in the federal appeals court in Washington, DC, which has a history of favoring deregulation. Smith believes the court will strike down the FCC's ownership rules altogether. If that happens, it seems to us that the Supreme Court would have no choice but to resolve the conflict between the legal interpretations of the two appellate courts.

By the way, the Cunningham deal isn't likely to fall by the wayside, no matter how long the FCC delays. We're pretty sure that Smith's mother isn't going to sell her stations to someone else.

GM TALKBACK

By Carl Marcucci / cmarcucci@rbr.com

TV GM Talk: The issue of MSOs paying local broadcasters for their retransmission consent. Nexstar's Perry Sook has started the fight. Where do others stand?

John Dittmeier, Mission Broadcasting EVP, COO and GM, WBRE-TV Scranton, PA (NBC)
With cable operators continuing to increase their basic service fees, receiving 20-25 cents per subscriber for these premium services, and then tacking on a bit for profit to pass onto the subscriber, it makes no sense for me to be sitting here and having to incur all of the associated expenses in building our future into the digital era and yet not receiving one red cent from cable operators. I think we provide a heck of a lot more service than any other channel on the tier, certainly any other channel outside of the broadcast stations, for what we serve in entertainment, news programming and obviously a community service for all that we do and are active in throughout our broadcast day in serving our community.

Cable operators have always made their wealth on the backs of broadcasters. And I think in this market, it's certainly no exception. Our traditional streams of revenue that have built our success continue to dwindle, but the days of the network paying us is no longer there. Well, wait a minute, what about the service you, much like a network, are providing to other operators that make a pretty good chunk of change off of your signal, and yet you're sitting there, continuing to not ask for any payment. Yet, they're willing to pay 25-30 cents a month to people that offer nothing more than a fragmented audience, at best.

I think most other broadcasters are in the cheerleading section for us on this battle. Some are saying Good Luck and others are saying this is where it has to start. I think this will end the way we want it to end, but regardless, I think there will be a heck of a lot of respect not only directed at Nexstar but I think at the broadcast industry that know we're having to change our way of thinking here to continue the revenue stream and to meet the challenges of the future.

Scott Thomas, Nexstar's KTAL-TV Shreveport (NBC)
I'm a young GM and am absolutely not afraid of taking action. That is exactly what Perry and Dwayne are doing—they are taking action. And they're putting the destiny of their company and television stations in their hands, instead of someone else's.

As far as the effect on the television station as far as revenue, the national and regional advertisers that we do business with have been completely supportive of our station. Once we explained how all this would effect them, they were fine. We have had a minimal number of cancellations. Any trouble we have had, has been caused by our competitors distributing incorrect information. And those have been mostly small Mom and Pops. Our large advertisers have stayed steady. I also think they understand what's at stake—the success of the broadcast TV stations that are in the news business in the small to medium markets around the country.

As far as feedback from viewers, it has been mostly supportive of the television station. Obviously, when you do something of this magnitude and you interrupt the service of your television station, some viewers are upset. But anybody that I've talked to that's been willing to take the time to visit with me has understood what it is we're doing and then supports the station. Which has been an incredible experience for me, to find out how attached to the local news affiliate the viewers are and how much they want you to be there and how much they love your anchors and your news reporters.

For our viewers, we've been as informative as we can be, driving them to our website www.newschannel6.tv for details on all this. We also have an infoline interactive phone system and we've transcribed all of that information. The thing we're encouraging our past cable viewers to do is move to one of the satellite products—DirecTV or Dish Network. Obviously one of the things that's enabling us to fight this fight is the fact that we have satellite local to local in this market—we're carried locally by the satellite TV providers. Our market is also one of the highest satellite penetration in the country—34%. My view is that's going to be closer to 40% here in the coming months.

Radio GM Talk: Emmis CEO Jeff Smulyan recently said it: Are iPods indeed more of a threat than satellite radio? How do broadcasters deal with these new technologies that take listeners' attention away, on a local basis?

Joel Oxley, Bonneville/DC Market Manager (on WWZZ-FM):
The big advantage for us is we're so easy—and even though iPods are getting easier and easier, we're still perfect for people who don't have the time to go through all of that. So for us, we're going to try and beat them to the punch, to try to make it just more simple. We even run promos that say, "We're your iPods without all the work. So absolutely, we try to take the "don't try to beat them, join them" philosophy. Just try to make it simpler for people. "You want to hear what the best new music is in the area is? We're going to let you hear it."

And yes, iPods are more of a threat than satellite radio. The iPods are really hitting hard and growing at an incredible rate for the younger, affluent, educated audience for the most part. And XM is generally for people who are going to have new cars. Those are going to be older people with more money, so it's going to take a lot of time for XM, whereas iPod, you can almost go out and buy one for $29 now. Most people with older cars aren't going to go through the trouble of putting XM in it.

ARBITRON

The PPM: Bringing Value to Radio

Arbitron is developing the Portable People Meter (PPM℠) to provide the new and improved audience measurement that broadcasters, agencies and advertisers need in today's more complex media environment. Our 21st-century technology can bring electronic measurement to radio and provide significant business benefits for the industry.

More Credible Ratings

Electronic measurement strengthens radio's accountability with advertisers and agencies.

More Actionable Data

The PPM's higher resolution data are available sooner, allowing quicker evaluations of programming changes and schedule effectiveness.

Better Data for Better Decisions

PPM panels deliver more stable ratings, allowing broadcasters and advertisers to use the results with more confidence.

More Complete Data

The PPM captures more of radio's audience, demonstrating the increased importance of radio to advertisers.

Ready for Radio's Future

Today, the PPM measures Internet, digital and time-shifted broadcasts, and has the flexibility to evolve with the radio of tomorrow.

For a more detailed look at the value PPM delivers to radio, go to http://ppm.arbitron.com or contact your Arbitron account manager.

By Carl Marcucci / cmarcucci@rbr.com

2005: A new technology odyssey

The fast-changing consumer electronics landscape

Coming off the heels of the recent CES2005 and NATPE2005 in Las Vegas, one can only marvel at how fast technology is pumping out new devices for consumers to access media and entertainment—and in places that used to be reserved for the home or car. We now listen to satellite radio while jogging; access a playlist full of songs on an iPod the size of a keychain; watch satellite TV live in the car or just walking around; and stream live audio and video over a cellphone. With the explosion of all the new consumer gear, media companies are trying to grasp it, compete with it and/or own it; agencies and advertisers are trying to measure it and find new ways to advertise in it. Here, we talk about what's out there, and what's coming. Here are some of the bigger trends:

The iPod may be more of a threat to traditional radio than satellite radio

Emmis CEO **Jeff Smulyan** recently summed up what many broadcasters are thinking: "The best case scenario for satellite is 20 million people... Despite the buzz surrounding satellite radio, I believe iPods are a bigger threat, because you have a larger number of people with an alternative source of music."

CES2005 in Las Vegas drew the cream of the crop in consumer electronics manufacturers

Thanks to podcasting, many are turning their iPods into a personalized radio station, loading it with talk shows and music that for the most part aren't available on traditional radio. Enlightened consumers are creating shows and sending them out to the masses every day via the 'net. Listeners download these shows to their iPods and other digital music players. With a simple RF transmitter adapter, the iPod broadcasts to a spot on the FM dial and allows crystal-clear amplification of the content via the car's speakers. Podcasting enables anyone with a PC to become a broadcaster.

The number of regular podcasts is around 850 and growing daily. Unlike radio, there's no time limit, deadlines or government oversight of what's said. With podcasting, end users program their podcast software (ie. PlayPod) with a list of shows they want to subscribe to. The software does the rest—from finding and downloading the shows onto a PC, to copying them into an iTunes library. Synch the iPod with the computer, and you're ready to rock.

All MSOs will offer DVR service; TiVo may disappear

Cable and satellite TV providers and manufacturers are making hostile seizures in the Digital Video Recorder (DVR) market. DVRs are expected to be in half of all U.S. homes within four years. Cable companies are already offering set-top DVR boxes and several tech manufacturers are preparing all-in-one boxes, which will bundle DVR technology with DVD recording and the Internet. DirecTV plans to market their own DVR service this year that's supposed to duplicate virtually every feature available from TiVO. DirecTV and TiVO have partnered for last couple of years, but that relationship soured when TiVO refused to be bought out by **Rupert Murdoch**. There are 2 million subscribers to TiVO, but that's as high as it may ever get. Ipsos surveyed 1,000 adults over the telephone between 1/5 and 1/9, 2005 and compared the results to a survey of the same amount of people conducted between 1/9 and 1/11, 2004. The surveys determined that people are increasingly turning to service providers for DVR purchase, and moving away from traditional electronics stores. The number of people who said they purchased their DVR from an electronics store declined by 6 percentage points between 2004 and 2005, whereas the number of people who bought through their satellite and cable TV service provider grew over the past year.

The threat of broadband to traditional TV

Broadband may make the clutter of cable networks pale in comparison to the threat from Internet broadband broadcasters. **Jack Myers** of The Myers Report, moderated a panel examining digital, DBS, PVRs and VOD at TVB 2004: "...with broadband projected to be at 70% penetration by 2010 there's no doubt they'll go after the television programming business. Have any of you seen the new **Jerry Seinfeld** Superman movies, mini-films online? It's available online only, promoted on television. So online with broadband is going after traditional types, non-traditional types of television content."

Added **Gary Chapman**, LIN TV CEO, who was on that panel: "Broadband is a destructive technology as it related to television. If television isn't smart in being able to utilize it to integrate with our existing business, it's true we're not only being cannibalized by a hundred other channels on the TV station, on the cable rather, but we also are having threat from the Internet. There's no doubt about that."

Mobile wireless and WiMax expansion

3G cellular technology now allows wireless Internet streaming over laptops, some smartphones, pocket PCs and PDAs. Like with the iPod (and some of the satellite radio products), a simple RF transmitter provides the fidelity of your car stereo for mobile enjoyment.

3G/EV-DO is currently becoming a big force in the wireless access arena by upping the broadband and data rate. However, using these devices via 3G to stream audio in a way that aims to rival traditional radio (read: in a moving car) can be subject to buffering, dropouts and the like. What may change that are technologies like FLASH-OFDM and especially WiMAX (802.16—still in the testing phase). WiFi (802.11), of course, is already significant, but still limited to "hot spots" for the most part (although the City of Philadelphia is gearing to roll out nation's largest municipal free Wi-Fi cloud in summer '06). When WiMax, offering by far both the highest range, stability and data rate, rolls out in city after city with stable, mobile broadband Internet access, terrestrial and satellite radio should be especially concerned. Why? Because when an OEM or aftermarket in-dash car receiver can stream thousands of Internet audio sites seamlessly as part of a monthly overall wireless package, many consumers will see the endless choices as too hard to pass up. And yes, a traditional radio station in Los Angeles that streams audio may add thousands of listeners in assorted markets across the nation and world. So it may actually be a boon for some traditional radio stations when ad buys reflect that added audience.

As well, the greatest opportunity for broadband wireless technologies lies in offering integrated voice, video and data services over both fixed and mobile networks, according to WiMax Trends: "The 3G networks are, by the admission of their own supporters such as Qualcomm, inadequate for the task, and operators will be looking to invest in parallel networks to work alongside their cellular, DSL or cable systems. These are almost certain to be based on OFDM technology, the likely basis of 4G and the foundation of WiMAX."

TelecomView said in a report that WiMax will capture more than 40% of the wireless broadband market. In addition to stealing market share from 3G, the report suggests that WiMax will also be a threat to fixed-line high-speed broadband services. It is expected that WiMAX technology will be incorporated in notebook computers and PDAs in 2006, allowing for urban areas and cities to become "MetroZones" for portable broadband wireless access. WiMax is currently available only in proprietary formats but a common standard is set to be ratified. WiMax in its full-format won't be available for between 24-36 months, and likely first in Europe and Asia. Once a common standard is introduced we'll likely see a situation similar to the introduction of a Wi-Fi standard in that there will be wide adoption. The introduction of a standard, together with the fact that WiMax has a far wider reach than 3G will make it increasingly popular.

Meanwhile, Verizon, via 3G/EV-DO technology, is currently offering its wireless BroadbandAccess service to 30 markets, at $80 a month (a pricey wireless card is needed as well for laptops). Nextel offers its FLASH-OFDM wireless broadband service to the Raleigh-Durham market that includes Research Triangle Park and Chapel Hill. All in all, the service is available across 1,300 square miles.

Wireless TV, radio webcasting to become mainstream

With the increased mobility of the Internet, one technology that's most recently getting the agencies' attention is video cell phone content, via providers monetizing the technology like Verizon's V Cast service, Smart Video or Vizgo. They stream video content snippets from local TV stations to national nets such as Fox Sports, MSNBC, ABC News and The Weather Channel.

Indeed, at a panel session at NATPE2005, most agreed consumers would be most entertained by highlights and previews of programs, rather than whole programs. **Jon Mandel**, Chairman/MediaCom US and Chief Global Buying Officer MediaCom Worldwide, stressed that now is the time to advertise on such a medium before the users get used to seeing the content without ad mentions.

Added **Charlie Rutman**, Carat NA President (now MPG CEO): "I personally feel that is the next big thing in wireless...right now, I think the cell phone is considered the 'third screen,' to the TV and computer screen. And I wouldn't be surprised if it became the second screen in the next 36 months."

Samsung i730 smart phone.

Izzy Abbass, President, Vizgo, tells RBR/TVBR about his service: "We enable other media companies to put their content on mobile phones. We don't want to create our own brand that customers see—we could never build a brand as powerful as a station has in its market, or CNN has nationally. Many people don't want to wait until :20 after the hour to get their weather, for example on their local station. They want to get it whenever they choose. We offer broadcasters anywhere from :30 seconds to two minutes worth of content. We're going after local TV stations in the US, which I think have been ignored so far in this space."

A good example monetizing via a major content portal is Verizon Wireless' Verizon's V Cast service, the company's new multimedia service. It recently launched the wireless version of Fox's TV show 24 on wireless handsets. The "mobisode" is the latest service offering wireless carriers are marketing to mobile Americans looking to stay in touch and entertained while on-the-go. Analysts at The Yankee Group estimate there are 280,000 subscribers to wireless TV in the U.S. and predict 1.3 million subscribers by the end of 2005 and 10.8 million by 2008.

CNet recently detailed one hot item from CES—the Samsung i730 Windows Mobile smart phone: "[It's] packed with so many goodies that we don't know where to start, but we'll try: a hidden, sliding keyboard; 65,000-color, 2.8-inch display; loads of memory; Bluetooth wireless; stereo speakers; and EVDO (3G) for faster data speeds."

Further features include: Windows Media Player 10.0, WMA ring tones, IM, e-mail, web browser, and text messaging Portrait and Landscape modes. The i730 will be available in Q1.

Also from CNet's coverage of the show is the Slingbox personal broadcaster: "The innovative Slingbox from Sling Media lets TV addicts access both live TV programming and programs on digital video recorders (DVRs) from anywhere, anytime, using a box that connects a cable box, a satellite receiver, or a PVR with a home network. Pair the $250 Slingbox with a Wi-Fi-enabled laptop, and you can watch your local television content from the other side of the house or the other side of the world."

HD Radio may finally take off

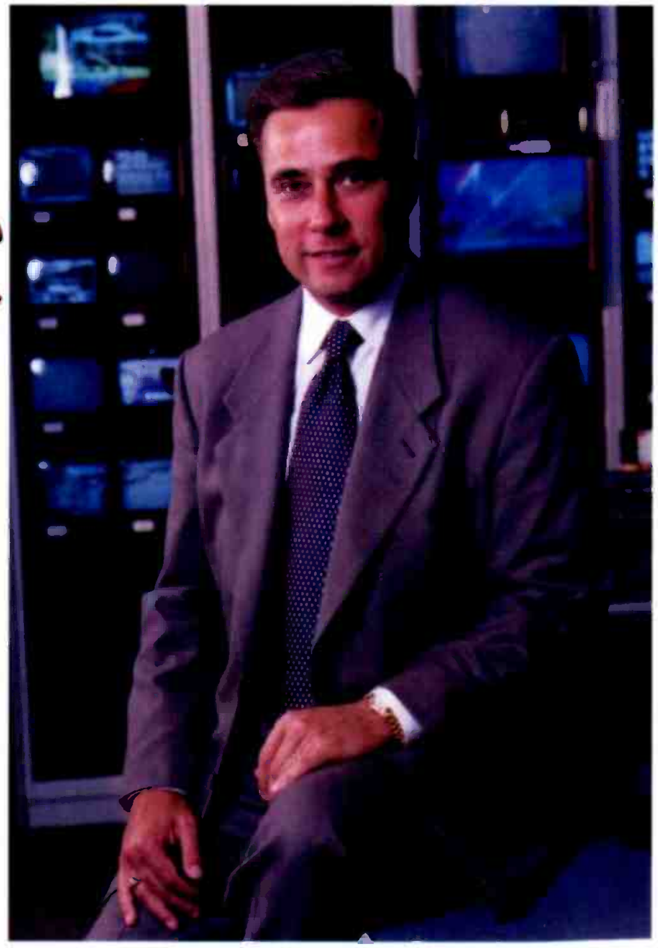
iBiquity began its digital terrestrial radio technology rollout in 2004. This year, it is becoming real. Close to 250 radio stations are now broadcasting digital, manufacturers are onboard, and cars with OEM digital radios will begin rolling onto the lots this fall for 2006 models. The equipment is still expensive, but unlike satellite radio, there's no monthly fee, and listeners get much-improved sound quality (especially for AM) and the bells and whistles of a separate data channel—text display for sports, weather, traffic and song and artist info. Another strong selling point is the ability to broadcast multiple programs (Tomorrow Radio" has already been launched with NPR stations).

Says **Dan Mason**, a consultant to the radio broadcasting business, including iBiquity Digital: "Our HD Radio technology is exploding. More and more products are coming on line and ready to go. Most broadcasters don't realize that surround sound is not a 2010 event. Surround sound is here now. With a $1,000 box in the audio chain, you can do it tomorrow. Datacasting is ready, on-demand audio/store and replay is nearly ready, supplemental audio, a second format on the same frequency is ready! These are all products available with digital in 2005 and 2006. You will see many significant products announced in 2005 and 2006 that will be using this high-speed cell service. Your telephone basically will become a full mobile entertainment center. Here's where digital radio comes in. The partnership between HD Radio and 3G creates a talk-to/talk-back platform. The HD Radio station broadcasts to the listener/or cell-phone user, and then the listener/or cell phone user communicates back to the HD Radio station. Potentially, this is the final step to make radio a fully interactive medium. All it takes is an HD Radio chip in the 3G cell phone and we're in business. The practical applications of 3G technologies may include on-demand material from the morning show that the listener missed, polling, music research, music sales, and just about any form of mobile commerce. The on-demand world may change the fundamentals of radio programming forever. For starters, battling three or four other technology platforms isn't like battling your competitor across the street at station WXXX. The technology platforms (satellite, cell, MP3, iPod) will be on-demand specialists. Our future is bright but we have to re-invent ourselves. That is the struggle."

One on One

By Jim Carnegie & Carl Marcucci

Nexstar CEO Perry Sook's battle against cable MSOs



Nexstar Broadcasting CEO Perry Sook made a stand in December, telling Cable ONE and Cox Communications that they can't carry their signals in certain markets unless they come up with some cash going forward. Both cable companies have so far refused. Nexstar Broadcasting stations that were pulled include KRBC (Ch. 9, NBC) Abilene, KLST (Ch. 8, CBS) San Angelo, KTAL-TV (Ch. 6, NBC) Texarkana and KSNF (Ch. 16, NBC) and KODE (Ch. 12, ABC) Joplin, MO.

Sook, 47, picked this particular fight very carefully, opting for two-year retransmission contracts with Cox and Cable One in these four markets (but not in others) when the industry standard was three years. Nexstar's other retransmission contracts, and those for many other broadcasters, are due for renewal in 2006.

Nexstar owns and operates 30 stations and provides services to another 16 that are owned by Mission Broadcasting and other entities. Nexstar gets 35% of its revenue from NBC stations; about 30% CBS, 20% FOX and 15% ABC.

Radio and Television Business Report stands with Nexstar in this fight, and invites fellow broadcasters to stand with Perry. Only critical mass will facilitate the sea change small and medium market broadcasters need to succeed going forward.

What kind of feedback have you gotten so far since you pulled the stations?

It's been unanimously positive from the broadcasters, they're behind us all the way. I'd love to have some right alongside us right now. I wasn't at the FOX meeting at NATPE, but I understand that this discussion came up and our company got a standing ovation from all the broadcasters that were there. My view is business as usual is not an option anymore. If we've got a forced migration to digital, that's going to be tremendously expensive. If we've got declining network comp and advertising revenue that's growing in the low single digits, the economic model for television broadcasting is flawed in that we are the only video provider of entertainment or news content that doesn't have a dual revenue stream. The cable MSOs have a subscription relationship with their consumers and they also sell advertising. Every cable channel out there subsists on both advertising and sub. fees. I think it's ironic that we garner the bulk of the viewing in most cable households and yet we're being paid nothing for the content that we provide.

And I don't think what we're asking is unreasonable—a penny a day, \$.30 a month per sub. If people don't feel our local content is worth a penny a day then they're not going to get that, and they can make that decision. The cable companies have never given the consumer that choice. The satellite companies have and DirecTV tells us that 90% of their customers pay the extra five or six bucks and sign up for the local to local package if it's offered at the time they sign up. And the DBS companies are paying us for the right to distribute our content.

Can you cover the major points of this fight?

Well I think bullet point number one is that the economic model for broadcast television stations is disadvantaged because we do not have a second revenue stream. Every other video service provider has a second revenue stream whether it's a local cable operator with subscriber fees and selling advertising in direct competition with us or the national cable networks that have both ad revenue and they have subscription fees. So we think that there's a fundamental flaw and if you look out five to ten years it's not a petty picture of what this business will look like from a profitability standpoint if there isn't a second revenue stream. So I think it's imperative if we want to prosper and maybe even if we want to survive. I would say the largest companies in our business are already hedged—they own cable networks or they have interest in cable networks, they're getting subscriber fees that way. And I would argue that they have leveraged their broadcast portfolio to get to those positions. For companies like ours, we're in 27 markets that reach about 7% of the US. We're not big enough to start a national cable network, so our only option is to be paid cash by the cable operators.

We think that for mid-sized television groups out there, even some of the larger ones, cash-for-carriage is the only option. That's why we've chosen to enjoin this. I'm not trying to be a poster boy for changing the industry, but I am trying to look out for the best interest of our shareholders. If compensation from the networks continues to dwindle; ad revenues grow low single digits; continued fragmentation; if forced digital migration and all the expense with that; expenses going up, what are we going to do? We're going to have to cut back on the local service we provide, which means cutting people, to stay economically viable— which starts a vicious cycle of pushing you further down.

Network feed and that will be it?

Yes, and I've made this case that the current regulatory scheme really favors the large companies. I have nothing against Viacom that they can own two networks, two TV stations in markets reaching 20% of the US, which they do today. They own TV stations reaching 40% of the US in total. They have King World and Paramount, two of the largest most prolific programs indicators that we do business with. And I have no problem with anything that Viacom has—they are a very successful company. But in the same vein, why in the world can't Nexstar own two UHF TV stations in Erie, PA? Or Rockford, IL? You know, and in Erie that second TV station, the FOX affiliate, probably would not be on the air and certainly would not have a ten o'clock news without the benefit of our sharing arrangement. But those arrangements are not 100% efficient economically because we can't own the second station outright. So we think that the current regulatory landscape favors the big companies at the expense of the little companies because we're quickly becoming a business of haves and have not's. The huge vertically integrated companies that have multiple networks, multiple stations, duopolies in their markets and then the companies that have to do business with them and the companies that have to compete with them. So we think that needs to be changed on the regulatory front.

Do you think network O&O's are going to jump on the bandwagon?

Well all of the big network-owning companies have substantial interest in cable, so for them it may be a different fight. Although I think that if FOX really looked at it and said, "Gee do I want to launch one more regional network or one more cable channel or what if I got 35 or 40 cents per month for my distribution that reaches 40% of the US?" That would be hundreds of millions of dollars to them and I don't think any additional cable network would impact their bottom line to the extent that cash payments for retransmission would.

How many other markets are you thinking of doing this in?

Well we chose this fight pretty carefully in that two years ago when everyone was doing three-year deals we did with Cable One and with Cox in these markets two-year deals. So that we would have a chance to address this before the bulk of our and the industry's retransmission consent agreements come up for renewal every three years and 2006 is the end of the three year cycle. So we wanted to learn how to navigate through these waters in a select couple of markets here before we enlarge the theater of battle.

We are not going to back down in this fight. We must have a second revenue stream if this business is going to prosper and maybe even survive. It's that important and it's only rational. I mean Cox in Abilene, TX just passed through a $1.25 monthly increase to the subscriber for the basic tier and they're currently not offering our station now. So their argument that "we're trying to keep the cost down to the consumer" is to me fictitious because I think the cable companies will charge what the markets will bear for their services.

What about ad dollars— has this affected anything?

We have fully briefed our board on what we expect to be ad losses as a result of not being distributed on cable and quite frankly in the first month of this dispute those ad losses have been less than a third of what had we expected.

People are finding a way to get the signal. In Joplin, MO Dish Network had 1,100 signups in the first week. The Cable One system there is about 25,000 subscribers and we think that they've lost somewhere between 3 and 4,000 subscribers already. People that have gone to Dish or disconnected their service because they're not offering our service. And if you're moving to Joplin, MO today and you've got Dish Network and Cable One for about the same amount of money but Dish Network offers the ABC and the NBC affiliate where Cable One doesn't, I think I know where my dollars are going to go.

Cable penetration today is at 1994 levels in terms of actual wired homes. The cable business is under siege from DirecTV and Dish Network that are taking away their subscribers and for the life of me I don't understand cable's position on this. I think if my business was under siege I would want to have as many partners and relationships with my contact providers as opposed to this adversarial relationship. In Springfield, MO, for example the non-over the air reception is almost a 50/50 split between the satellite providers and cable.

What about getting other broadcasters on board?

You would need a collective body. You'd need the antitrust exemption probably to negotiate as an ABC affiliate's organization or as Emmis, LIN, Gray, Nexstar all together. But why not spend a year or two trying to get antitrust exemption? We're negotiating with a monopoly—I mean a cable company MSO in a market is a municipally granted monopoly, basically. So we ought to be able to create a mechanism where we can negotiate collectively.

We're going to have a new FCC Commissioner and now Mr. Fritts is going to be departing the NAB. What kind of individual would you like to see running the NAB?

My perspective of the NAB is that over the last couple of years all the decisions have been made by committee as opposed to supporting the leader. Look at how cable has come together as an industry—now they speak with one voice. Well right now we don't. You've got the networks over here, you've got the stations over here and then even in the group of the station members, it isn't unanimous. But it seems to me like the NAB is being run by a committee right now and I think Eddie has done a very good job at trying to navigate through that but he basically has had to represent the majority opinion of his board and everyone of those board members may have their own agenda.

It would seem to me that you would need a leader that can then step in and run the organization with the support of the board rather than taking all direction from the board. I mean the board should be there to advise, to support, as a sounding board. But you've got to have one person speaking with one voice laying out a clear direction here so they will follow. And we have, unfortunately, over the last couple of years, have maybe picked some of the wrong fights.

Perry welcomes your comments and assistance in his fight. Email him at psook@nexstar.tv

Using business intelligence tools to increase sales

Today, broadcasters operate in a challenging environment and face increasing pressures from such factors as the economy, deregulation and competition. Many innovative managers are already using business intelligence (BI) or Analytics to gain sustained competitive advantage. Managers have the tools to make better decisions when they work with information interactively. Broadcast and cable managers make decisions in their businesses primarily based on information from their operational systems. They view information online and also run a variety of reports that are available with their sales and traffic systems. These systems provide information that is valuable in reaching conclusions and taking action.

Business intelligence applications include Decision Support Systems, Query & Reporting tools, Online Analytical Processing, statistical analysis, forecasting and data warehousing. An effective business intelligence solution must have a user-friendly interface, must offer out-of box analysis, and intuitively allow sharing of data. The human interface to the BI or analytics must be simple, visually intuitive and point-and-click. It should not require any technical background and a manager, executive, or analyst should be able to use the system and derive real value from it immediately.

Analysis and alerts can be sent automatically to managers so they can take the necessary action. These alerts may be via e-mail or ticker-like applications. The primary benefit of any Analytics system is its ability to distill vast quantities of data into usable information. It is clear that a credible Analytics system must have information that anyone can use immediately.

Examples of BI tools useful for broadcasters

Below are a few examples, courtesy of Video Communications, Inc. (VCI), of business intelligence or Analysis Tools that have been designed for broadcasters and cable nets. The overarching goal is to help managers make business decisions that will optimize revenue.

Activity Ticker: This is analogous to tickers that show changes in activity, including new orders and changes to existing orders, or activity for the month including booked, billed and unresolved makegoods.

Inventory Explorer: This presents a view of current inventory and allows drill down through a daypart or a program to the spot level for further analysis.

Base Rate: Determines the potential revenue from the remaining inventory for different base rates and sellout levels.

Revenue Trend Analyzer: By analyzing historical information, the Revenue Trend Analyzer reveals patterns for incoming orders for an advertiser, product, daypart or group of dayparts.

Pricing Template: A Pricing Template can assist managers in achieving a desired revenue goal by determining the pricing or rate structure that should be implemented. With the template, managers can perform "What If?" analysis by varying the rates and sellout levels while determining cost per point at the same time.

Multidimensional Analysis and Cubes: Managers think in multiple dimensions – program revenue for each station per program per advertiser per account executive; Accounts Receivable for each channel per Advertiser by aging bucket by business category, etc. This mental process is best supported by the exploration of data in a business context. To meet this need, the data can be arranged in multidimensional structures and presented to the user through tools which allow exploration of different relationships. Users have the ability tointeractively look at the data in different ways, for example, by daypart, by advertiser, by salesperson etc. This process of multidimensional analysis is also called OLAP or Online Analytical Processing.

By Dave Seyler / dseyler@rbr.com

Hey CBS, it's the message, not the messenger

When CBS Evening News anchor **Dan Rather** unplugs his mic this month, Viacom/CBS will be facing a vacuum they've had to deal only once since 1962, when **Walter Cronkite** began his tenure in the anchor chair. That was 3/9/81, when he passed the baton to Rather.

At this writing, it looks like CBS is going to pull back from tradition. It may have an anchor, but it may not have an ANCHOR. Is this a good decision? Just for fun, let's examine how a fairly heavy news consumer gets the news. The consumer is: Me.

Most of the time I'm in my car alone, the radio is tuned to WTOP. Although the station famously fires off 50 kW from 1500 kHz, I'm well within range of the 107.7 mHz version out of Warrenton VA, which is where I pick it up. That's usually my first burst of news each day, unless the weather may be a factor in closing or delaying schools. We tend to go to News Channel 8, a local cable outlet affiliated with Allbritton's Channel 7 ABC affiliate WJLA-TV ABC.

Newspapers on paper are not on my average weekly agenda, unless I'm on the train or subway on my way to cover an event, in which case I will absolutely pick up a copy of the *Washington Post*. I always get a copy of the Saturday and Sunday editions, and usually on Friday as well. If I'm in the office, I check the *Post* online, along with the *New York Times*.

Industry-specific information is delivered to my email address every morning from a wide variety of sources. In my case much of it is coming from the competition. E-tailored news is a huge new player in the Information Age.

I'm a regular reader of the now-standard on-line news compilations. I use Yahoo the most, and also MSNBC. I also run through a checklist of industry-specific websites for associations, watchdogs, Congress and government agencies. Sometimes I tune into C-SPAN, or webcasts of FCC or Hill hearings of interest.

At the end of the day, I still have my car radio tuned to WTOP, but once in the door, I'm usually somewhat "newsed" out. Depending on a number of variables, I may or may watch some—but almost never all—of the news on Channel 4 NBC affiliate WRC-TV. We almost always catch it at 11:00 PM.

We do not happen to be big consumers of the cable news nets, although I will stop at any one of them while idly channel surfing, if they happen to have something on that catches my attention.

Saturdays are completely unpredictable other than getting a copy of the Post. Sundays, my wife is a big fan of the talking head shows. She'll start with WRC's local news, and move on to **Chris Matthews** and Meet the Press. I listen in while reading the paper. (We used to watch ABC's show with **George Stephanopolous** until they moved it to 9AM.)

We get three magazines: *Newsweek*, *People* and *Sports Weekly*. You can't help but notice that no mention is made of the network evening news programs from ABC, CBS, or NBC. We just don't need them, and I'll bet a lot of other people are in the same boat. Part of this may be an effect of living in the Washington market. National and world stories have a local angle here, so we get a much bigger dose of such stories from our local TV stations than that I've seen from stations in Columbus OH, Salisbury MD or Greenville NC, to name just a few. Maybe if we lived in those places, we'd put more of a premium on the network evening shows. But maybe not—we would still get much of this information from newspapers or the Internet, and there are alternatives on TV as well if you subscribe to cable or DBS, as most do.

Our anchors, though, have never been Rather, **Peter Jennings** or **Tom Brokaw**—rather, they are really **Jim Vance** and **Doreen Gentzler** from WRC—as such, when a large story breaks, we are conditioned to go the NBC. Our local anchors are the reason we see Brokaw more than the other two.

However, when there is breaking news we're interested in, it's not always big enough to cause a disruption of the big nets' entertainment programming. That's when we use CNN, Fox News, MSNBC, or—usually, CNN Headline, since that's the only one of the group pretty much guaranteed to be doing actual news.

Then there's the **John Madden** factor to consider. Remember what a big deal it was when he was lured away from Fox Sports to go on ABC's Monday Night Football? Remember how much wind has been expelled discussing who should be in the MNF booth? They paid Madden big bucks, but he really has had no effect on ratings. I like Madden, but I only watch MNF when I'm interested in the game they have on that night. Similarly, I did not care for **Howard Cosell**, but I always watched if I was interested in the football game.

The substance, not the commentator, is what drives viewers to tune in.

For all these reasons, I think CBS is absolutely correct if it decides to emphasize the content itself, and place less emphasis on the person delivering it.

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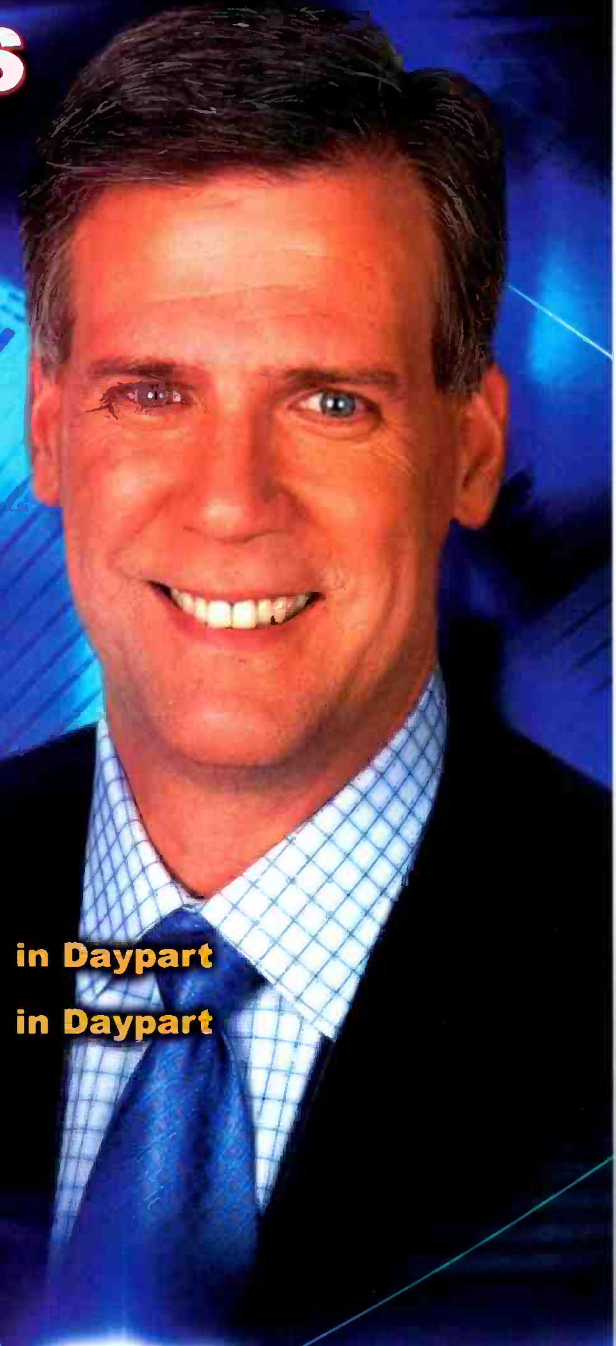


P 25-54 Ratings Surge

		Summer 2004	Fall 2004		
WLS-AM	Chicago	0.9	1.5	+67%	
KLIF-AM	Dallas	1.1	1.8	+64%	
KPRC-AM	Houston	2.3	3.1	+35%	
KVI-AM	Seattle	0.9	2.3	+156%	
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%	
KFAQ-AM	Tulsa	2.7	4.3	+59%	
KWKY-AM	Des Moines	0.2	1.1	+450%	

The Tony Snow Show

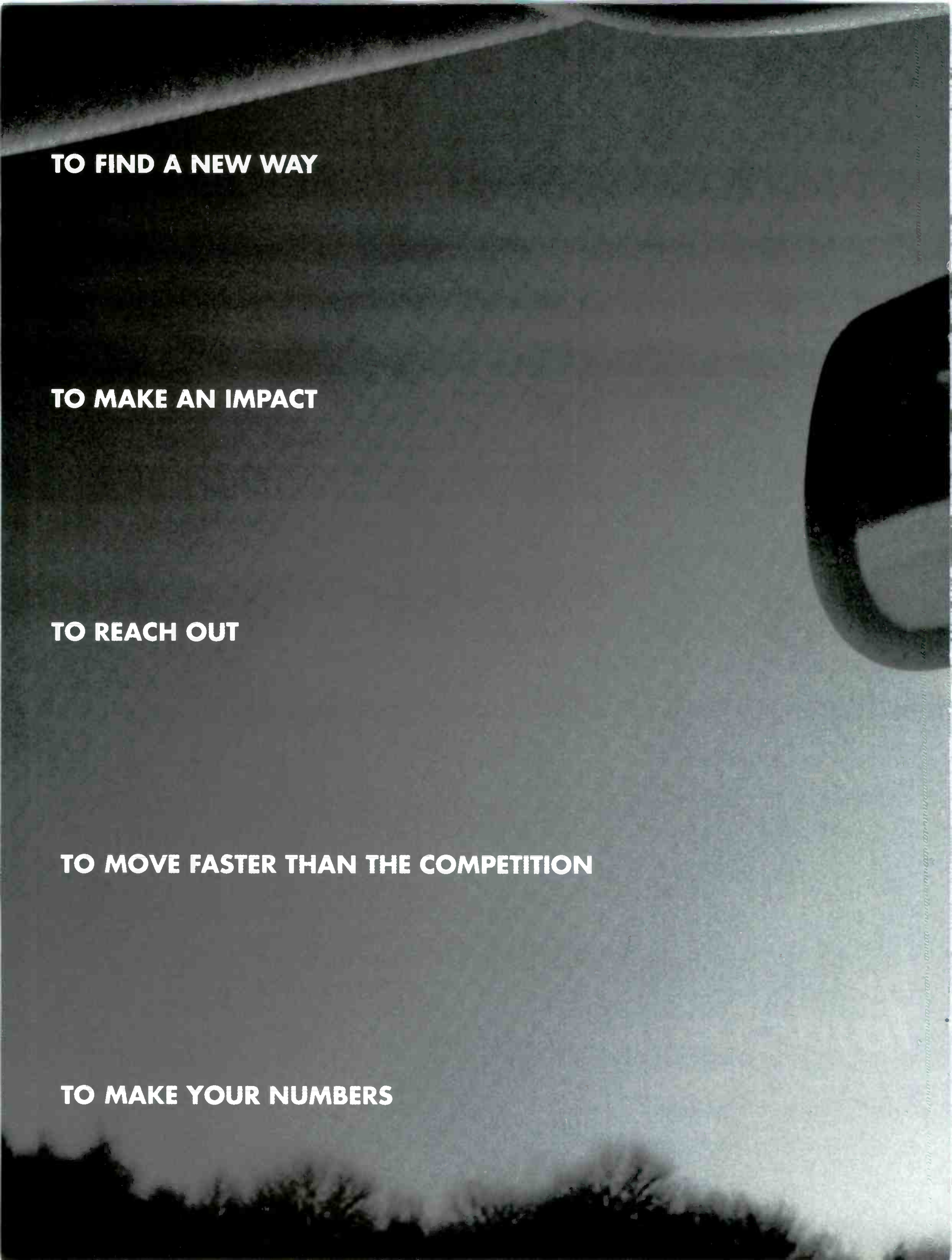
9am-12pm ET Weekdays

Affiliate Sales: 212-301-5439

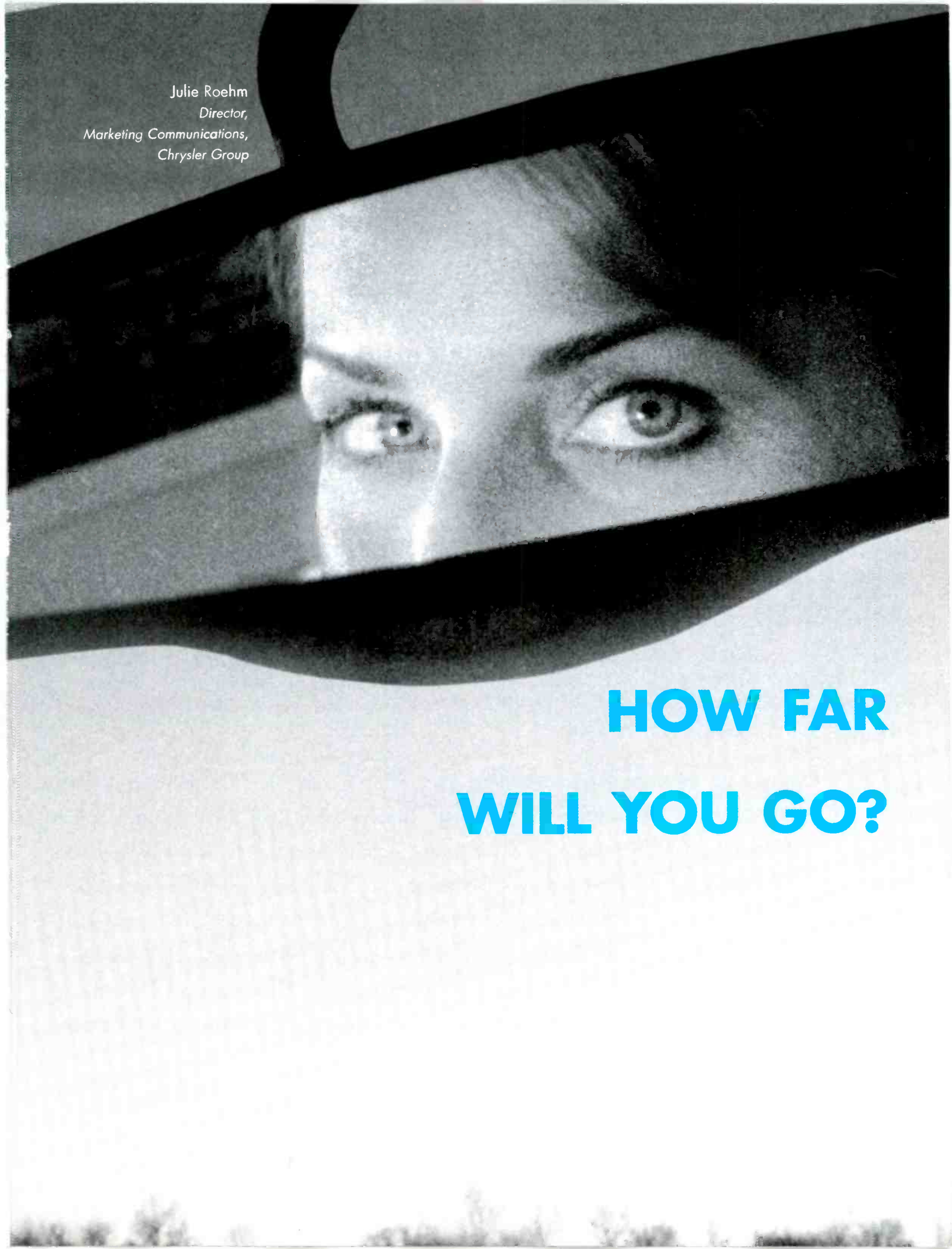
FOX NEWS radio

YOU CAN HEAR THE DIFFERENCE

Source: Arbitron AQH Share, Persons 25-54, Summer to Fall 2004



TO FIND A NEW WAY
TO MAKE AN IMPACT
TO REACH OUT
TO MOVE FASTER THAN THE COMPETITION
TO MAKE YOUR NUMBERS


Julie Roehm
Director,
Marketing Communications,
Chrysler Group
HOW FAR
WILL YOU GO?

By Carl Marcucci / cmarcucci@rbr.com

Irwin Gotlieb revisits AAAAs speech

Irwin Gotlieb, Group M CEO, gave an impressive, almost infamous keynote speech last year at the 4A's media conference in Orlando. In that address, he identified 10 challenges for the industry that still ring true a year later:

1. Strive to be on the leading edge, just make sure you don't go over it. As is often the case in life this stuff is all about finding the right balance.

2. Talent, what about development and recruitment of talent? As a business we've done a really poor job of creating awareness and a profile. I mean we're in the communications business, we know how to do this and we haven't done it for ourselves. We might as well be a secret society. This is a business that's going to need the best quantitative and creative skill sets that exist. And we've got to get proactive about creating it and attracting it. Remember one thing, the oldest rule around, revenue follows talent and if we don't get the best talent, we won't get the revenue.

3. Targeting and even more important than targeting what I'll refer to as aggregation and segmentation. The more fragmentation we have the greater the opportunity to segment, refine our targets and our prospects. But here's the paradox. While we're getting better at micro targeting, our clients are sitting there building larger and larger mega brands. And those mega brands require mass targeting, mass audience, mass reach. In fact, I predict that we'll be spending more of our time aggregating multiple channels and outlets in order to achieve reach necessary to support those mega brands. And when I say channels I don't just mean television, I mean all media types and all communications channels.

4. Research, we have to get more robust research. We've had problems with research in the last decade as things frankly are going from bad to worse. In television we still talk about sample size as though we only have a handful of channels. We've made slow progress and painful progress of people meters, local people meters, but in most markets we're still using diaries. A majority of markets are using diaries. In some we operate with a diary panel of 120 homes per week. 120 homes per week, less than 500 per a sweep. Do the math. How do you measure 200 channels with a hundred diaries? Who's kidding who here? There is a tremendous opportunity here—digital set top boxes are enabling technology.

5. Communicate with our prospects in new ways beyond paid media. You know word of the death of the 30-second commercial is really greatly exaggerated. Not only will it survive but it will have significantly enhanced capabilities. We won't be relying just on paid media but on content development, brand integration and not just in television, in all media. Media content must, first and foremost, be compelling. If nobody shows up to watch it doesn't matter how elegantly you integrate the brand, nobody's seen it. We need to exercise our financial leverage but we also need to simultaneously exercise our creative leverage to preserve the long-term integrity of the media.

6. Redefining our scope of work and maybe even getting paid for it? You know the more complex the environment in which we operate the larger our scope of work will ultimately have to be. But flip it; if media is in fact more valuable and more effective there are more reasons to expend precious resources to manage it. The problem is we're not really well prepared for that. Media agencies staff is going to have interact with a huge roster of vendors. We're going to have ROI and accountability to deal with and that takes work too. And don't forget as we developed enhanced capabilities and content development and brand integration those areas too are going to require time and talent. Bad news for those of you who are clients in this room is you're going to have to pay us more to deliver the broader scope.

7. Intellectual property. Want a little controversy? How about we need to retain the rights to our own intellectual property? You know we operate today on a very dated model. Used to provide generous commission structures and in return we operated on a work for hire basis. The client owned all of our output. We're probably one of the few remaining businesses in the world where the idea, the creative concept, the strategy, the deal, the deal structure all of it belongs fully to the client. And you know what? They can and have transferred it from one agency to another. Does that sound like indentured servitude to you? Intellectual property is already being divided and shared and the guy who won't survive is the one who doesn't participate and we have our rights there too.

8. Creative - agencies must keep up with evolving media capabilities. We need to make certain as we go forward that as our sophistication level increases we are able to promote and encourage the need for the creative agencies to retain sufficient capabilities in this area so that we can interact as partners for the benefit of our clients. If they don't have anybody there who can understand what we're doing, we're not serving our client's interests.

9. Consider the long term. The agencies, the media vendors, the clients, we're all under tremendous pressure to get past short-term issues. Sure we all know what our long term strategic objectives are, it's just that for some reason the short term ones always seem to get in the way and preclude us doing anything about it.

10. Let me be blunt. If you are afraid of change this might be a good time to leave the business. If you chose to hang on and pursue opportunity buckle up because it's going to be a terrific ride.

RBR/TVBR spoke with Mr. Gotlieb recently as we prepare for this year's conference, asking what progress he sees has been made in the industry since last year: "We have made some progress. Particularly so in learning to communicate beyond the :30 second commercial. Branded content and integration have evolved considerably. At the same time, we have gone backwards in a few key areas. We have slid back on the research front. We used to be dissatisfied with the results of diaries and peoplemeters. Now we are dissatisfied with diaries, peoplemeters, local peoplemeters, and personal peoplemeters[!]"

By Carl Marcucci / cmarcucci@rbr.com

Battle of the new spot and airplay monitoring services

One of the biggest pieces to solving the radio accountability puzzle rests with the newest spot/airplay monitoring services from Media Monitors' AirCheck service and Mediaguide, a joint venture of ASCAP and ConneXus Corp. There are others out there, such as Verance with its ConfirMedia monitoring and airplay verification system and Nielsen Monitor-Plus, now covering 26 radio markets (ironically using Media Monitors' data), but here we compare the two with the largest infrastructures in place that use the newest audio fingerprinting technology. Verance's use of watermarking for content recognition requires the active cooperation of agencies, advertisers and/or broadcasters to place an inaudible code in the content.

While airplay monitoring has been around for quite a while, adding spot monitoring allows agencies and advertisers to gain a whole new level of trust in the radio medium—"did my ad run as planned and bought?" And that trust may well lead to increased spend. As well, these services provide a whole new level of business intelligence at the station level—for sales, for competitive, corporate and creative monitoring.

We spoke with **Philippe Generali**, President, RCS/Media Monitors and **George Searle**, CEO/Mediaguide. Because of limited space, we focus more on the spot monitoring side (Mediaguide officially launched that side of its product at RAB2005; Media Monitors in April 2003).

Top: Philippe Generali
Bottom: George Searle

Some initial details, as claimed by Searle: "Mediaguide's patent-pending monitoring technology uses a network of computers to electronically "listen" to nearly 2,500 radio stations across the country and automatically identifies programming as it plays — independently, quickly, accurately and definitively (We also currently monitor about 50 select TV stations in a dozen or so markets). The service tracks airplay in real-time in more markets, in more formats and for more stations than any other — providing the most complete, unbiased and timely picture of radio."

That's done by audio "fingerprinting," where each piece of content is digitized by both companies and parceled into hundreds of short audio segments. The technology analyses the sound spectrum of each segment and creates a unique digital fingerprint that contains the important characteristics needed to make a unique identification of the content...even when the broadcast is noisy or altered. The complete set is stored in a central library and uploaded to a vast network of remote workstations for comparisons against thousands of broadcasts.

The second step happens in the field, monitoring 2,500 (as Searle mentioned) radio stations in some 200 markets with Mediaguide and just under 500 radio stations in about 30 markets with Media Monitors.

"As a piece of music, programming or advertising airs, our technology fingerprints it and goes to work comparing and matching it against the millions of fingerprints that reside in its memory—identifying it within seconds of its play," Searle details. "The system logs the exact time, date, and station for that play. Detections from all monitors are sent to the central processing system where they are aggregated, processed and available for viewing in real time."

Operating under US patent 5,437,050 for the process of identifying audio, "Our monitoring philosophy is to do 'Passive Fingerprinting,'" explains Generali. "We pride ourselves in producing the most spot and song detections per station per hour than any other service. So we cannot rely on record labels, ad agencies or any third party to send us the material to identify in advance. We lift our fingerprints from the broadcast signature of the stations themselves, and new songs and spots are identified immediately by our team of experts. Another unique approach Media Monitors takes is to supply the actual broadcast audio of each play for every spot and song detected in the AirCheck service for in-context verification."

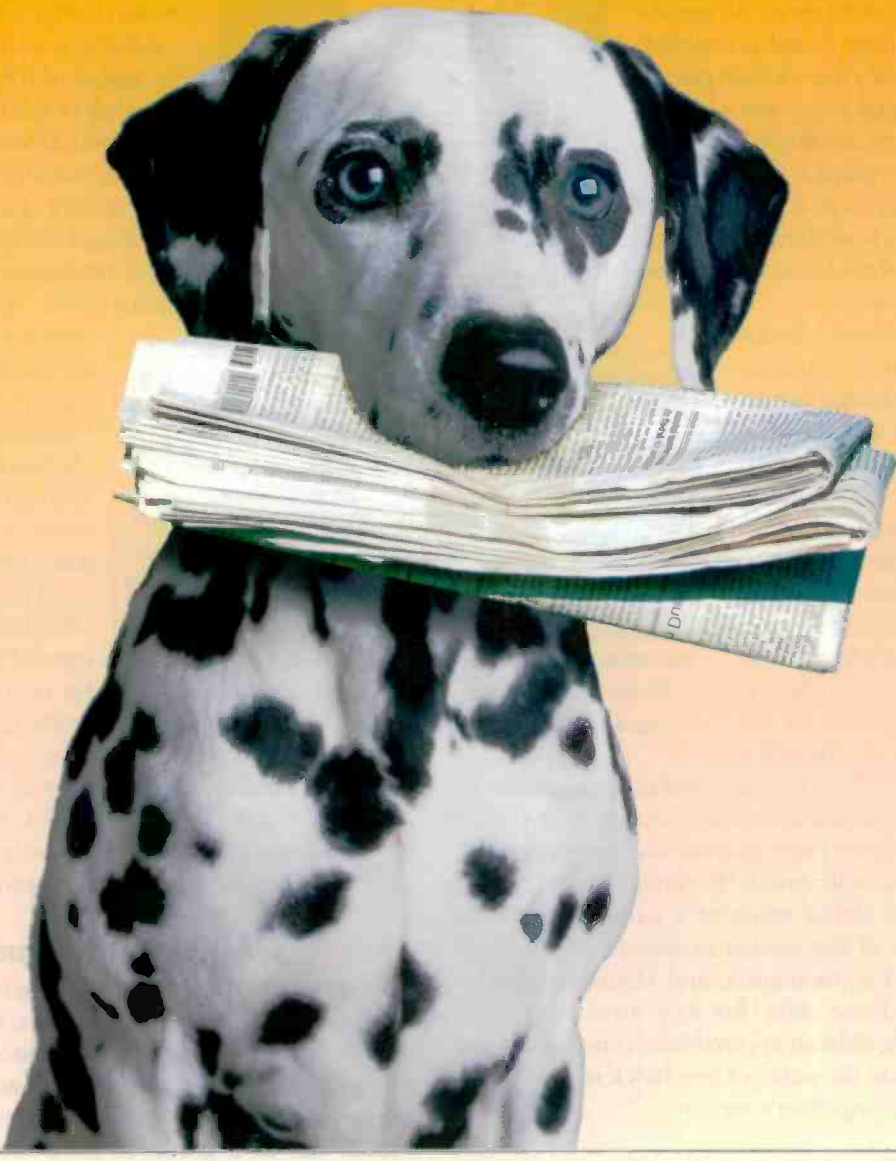
Both services can monitor all national and local spots. They also track spots provided in advance by a station, advertiser and agency. However, "Nobody monitors local commercials like we do," Generali says. "That's the main reason so many stations are using our service. In fact, if you give us your audio, we will be happy to tell you where it played, even in the past! We all know that local spots which are the lifeblood of every station. By the way, we are always surprised to see a large number of faux "live" spots, recorded in advance, using a more casual, ad libbed script to sound live."

Putting it to work

How can a SM or GSM use the service data to learn about the competing stations in their market? What kinds of analysis can be done with the data? There are an infinite number of reports the user can create by sorting the criteria, for example, "You can get a list of advertisers NOT airing on your station, or sort on any heading, of course: advertiser, parent company, category, plays per day, time aired, etc," Generali explains. "Create panels of stations and compare by format, market or other parameters. With one click you can print your findings or export your data directly into an Excel spreadsheet. Within AirCheck, a salesperson can see the log of competing radio stations, let's say for all of last week."

AirCheck can also compare this list of one station with another, as well as numerous search capabilities, to find a specific advertiser. "And, of course, at any point, the user can hear the commercial, in-context with the surrounding audio," adds Generali. "They can see a competing station's program log. They can see all the spots in the order they occurred with time stamps for the time each one began. In addition, they can also see the songs the station played and the times they played them, also in order."

What filtering/breakout options does Mediaguide provide users?



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"Advertising execution at the advertiser, brand, or brand category level—including this period and last period rank, number of plays (with daypart breakout), play trend, and share," Searle attests. "Also, number of markets, number of stations, number of plays, date range, station, station format, market and custom panel. All reports provide a station panel filter, based on market, format, ownership group, or a user-defined panel."

A custom or user-defined panel lets a station evaluate its market share by advertiser, brand and brand category. "Market playlist reports show exactly who is advertising in your market, what products, on what stations, how many and at what times; what your market share is, and where you have zero share," adds Searle.

For both services, national playlist reports show top advertisers, brands and brand categories. National advertiser reports can be run at the advertiser, brand, or brand category level with market breakout, and show airplay and share of voice within category.

On the competing media intelligence side, Media Monitors offers PaperVue, a new newspaper ad tracking service. Says Generali: "Users will be able to see which ads ran in specific newspapers, where the ad appeared on the page and the size of the ad. Then the user can even combine both radio spots and newspaper ads on a single list to analyze a specific advertiser campaign or for comparative advertising between radio stations and newspapers."

In Q2, MediaMonitors will unveil "RevenuEstimator," an optional tool to derive the dollar value of a campaign. The user supplies the AQH share of the market in specific demographics plus the cost per point for the market, and MediaMonitors supplies selected target demo data for key advertisers. The RevenuEstimator will calculate an approximate comparative value of a campaign, or estimate the value of any block of commercials on a client station or a competitor's station.

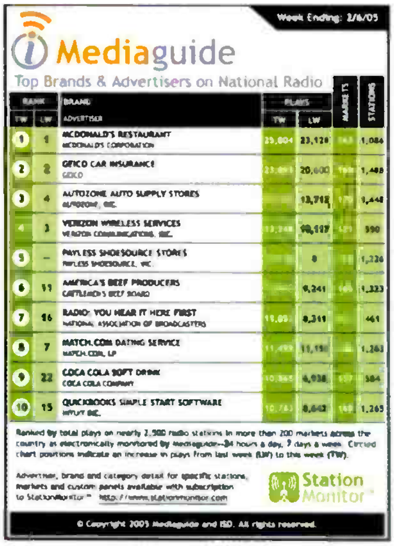
How much does it cost?

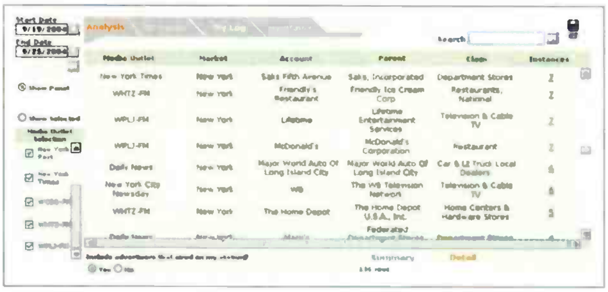
What's the revenue model? How much inventory do stations give up? Is there a cash option? Generali didn't give specific details, but did offer this: "We sell our data primarily to individual radio stations or radio groups on either a barter or cash basis. Some stations or groups, as you might expect, are interested in more data than others. Our music service is offered free to spot monitor customers."

Searle says for Mediaguide, both spot and music monitoring are offered on a barter basis, five minutes per week for either music or spot and seven minutes for both services. Currently, there is no cash option.

Clients

Media Monitors currently has more than 300 radio stations using its service, as well as newspapers and a number of key radio industry investment firms. As far as users, they may have "literally thousands of users when you consider just Clear Channel alone signed last year for 130 of their stations to use our service, and they probably have at least a dozen salespeople in each market using it as well," explains Generali.





Top: MediaGuide's top 10 Brands & Advertisers on National Radio. Bottom: Media Monitors tracks radio spots and newspaper ads with its new PaperVue monitoring service.

Besides Nielsen Monitor-Plus, "We also have agreements with ABC Radio Group, Bonneville, Buckley, Clear Channel, Cox, Emmis, Greater Media, Infinity, Inner City, Radio One, SBS, Susquehanna and Univision. Media Monitors is also the standard for radio airplay reporting to Wall Street."

Arbitron is using Mediaguide technology to verify the airplay of commercials that radio stations run on behalf of RADAR networks. Using Mediaguide has helped Arbitron enhance the accountability of network radio by tripling the number of programming hours it checks. Mediaguide recently began providing broadcast verification services for TNS Media Intelligence on behalf of its advertiser and agency clients. It also provides real-time measurement and reporting of broadcast advertising execution to ISD, Inc., a media auditing and analysis firm. On the music industry side, and in addition to ASCAP, Mediaguide currently has as customers about 80 labels, 25 artists/managers, 15 promotion companies, a few charts/publications, and a few A&R partners.

As mentioned earlier, Mediaguide officially launched its spot monitoring capability at RAB, so there is no client list yet to speak of. For music, they're working with 25+ stations in 15 markets, including ABC Radio's (ironically they're a Media Monitors client as well) KSCS-FM Dallas, WRQX-FM and WJZW-FM in DC, and CC Radio's KRFX-FM Kansas City.

ABC Radio Networks reps Mediaguide to all domestic stations; Jones MediaAmerica reps MediaMonitors.

What about Hispanic advertising?

Both services track Spanish-language songs and spots as well. Generali says there is one or more Hispanic station in most of the markets they are currently monitoring today, broken down by five music and talk formats. Searle says Mediaguide monitors nearly 200 Spanish-language stations, "not as a format in and of itself, but as a group of programming and musical formats as diverse as the Hispanic market itself."

Testing and confirming for accuracy

How do they check the preciseness of the data? For Mediaguide, it's market testing: format specialists continually test six-hour blocks on all stations in their format, covering each station at least one time per quarter. And precision & recall testing: They design and execute tests that cover a statistically significant sample of stations across formats, bands, markets, etc. As well, daily reports for are issued to their data quality analyst and music format specialists to use to identify data trends, detection density and anomalies.

"Accurate data is our obsession at MediaMonitors, says Generali, "We have a team of what we call Discovery people who handle basic data entry—that is when a spot is identified for the first time. We have another team of quality assurance people which verify the all data that's been entered, and a level of supervisors which literally verify the verifiers. It's this triple layer process of verification which insures our data has a high level of accuracy."

By Carl Marcucci / cmarcucci@rbr.com

NAB2005: A quick guide to new products

NAB2005 promises to live up to its tagline: The World's Largest Electronic Media Show." On display will be everything from the latest in wireless streaming technology to HD Radio equipment to satellite gear. Here, we provide a Pre-NAB glimpse of what you can expect to peruse.

Comrex to debut product with BRIC technology

Comrex will be introducing a product using the new BRIC technology. Anyone who is currently depending on ISDN or POTS to deliver broadcast needs to know the information that will be given during a talk. Further information will be available at the Comrex booth, N2118. Tom Hartnett of Comrex will be delivering an important paper at NAB2005 entitled: "BRIC Technology - Responding to the Changing Telecom Industry with Reliable, Real-Time, Broadcast Audio Delivery on the Public Internet."

BRIC is an important new approach that will revolutionize the way live audio is delivered. Due to changes in the existing telephone infrastructure, this technology is likely to replace current ISDN and POTS audio codec transmission methods within the next 3 to 5 years.

Continental Electronics to unveil new HD Radio exciters

We assume for FM, but can't be completely sure. "As all of the answers to your questions are top secret, I can only divulge our booth number and confirm that we will be there—Booth N2302," cryptically commented Continental marketing guru Bret Brewer.

Enco to show off latest DADpro32 version

At NAB2005 this year, ENCO Systems will be showing the latest version of DADpro32 with features including support for linear 5.1 and 7.1 surround sound. ENCO will also be showing new user interface enhancements, enhanced CD ripper and converter, SQL support and more. As in the past several years, ENCO Systems will also be providing in-booth massages for key clients and prospects, providing some stress relief during this busy show. ENCO Systems is in the North Hall at N2826 and in the Surround Pavilion in the Central Hall.

Wheatstone will add the Generation Six to its roster

Wheatstone will add the Generation Six to the Generation family of router-based control surfaces. The Gen 6 embodies the feature set of the series' larger surfaces into a studio-friendly footprint, which provides seamless integration with the Bridge Digital Audio Router and allows system-wide access to a station's on-air and off-air audio resources via interlinked CAT-5 or fiber optic cable. In addition to standard features such as Ethernet protocol, VDIP configuration, X-Y controllers and 8 character controller displays, the Gen 6 offers an expanded number of AUX sends and increased PRESET options to boost save-recall capability.

Moseley showing HD Radio STL systems

Moseley Associates will show its lineup of digital STL solutions for HD Radio™ at NAB 05. They feature AES digital audio and Ethernet data transport required for HD Radio broadcasting. For the traditional 950MHz STL band, the Starlink SL9003Q-2SLAN is the first digital STL to provide an Ethernet data channel. Lanlink 900D LAN Extender / Data Link is a perfect companion to a new or existing STL system creating a bi-directional Ethernet and serial data link in the license-free 900 MHz band. The Starlink SL9003T1 STL/TSL for T1 circuits transports digital program audio, Ethernet and control data and telephone voice channels, over bi-directional T1 lines or license-free 5.8 GHz links. Moseley will be located at booth # N2306.

the Starlink SL9003Q

Staco Energy to show latest in power protection

Staco Energy Products will be presenting their line of power protection products for transmitters, mobile trucks and studio/tech center use. They are debuting a new UPS designed specifically for broadcasters in the Latin American region, called the UniStar IIILA. This is a single-phase, on-line UPS available in sizes from 1 through 6 kVA, and can provide complete protection from blackouts, brownouts, sags, surges, and line noise. They are also hosting an in-booth promotion where you can win one of 5 single phase UPS to be given away during the show. Booth # C1207

Shively to show HD Radio gear

The Shively Labs Model 2600 Series Interdigital Bandpass Filters offer virtually the same performance as the popular 2500 Series Resonant Cavity designs, but at a fraction of the size. Ideal for HD Radio applications.

The Model 2630 Interdigital Branched Combiner provides all the performance of its resonant cavity style equivalent, but taking up less than one third the space. Ideal for broadcasters with space restrictions and for combining HD Radio signals.

Model 2640 Interdigital Balanced Modules provide the industry's best performance in its smallest package. Compatible with all HD Radio combining techniques, these combiner modules are ideal for broadcasters with low power requirements and space limitations. Booth #N2007.

By Jack Messmer / jmessmer@rbr.com

Deal outlook: 2005

After yet another year of lackluster station trading in 2004, both in radio and television, we asked a few of the folks whose livelihood depends on stations changing hands what the outlook is for this year. None of the brokers we spoke to are expecting anything like the go-go days that followed radio deregulation in 2006, nor are they expecting anything like that for television until duopolies are loosened up and the crossownership rule become history—but they do think some deals will get done this year...maybe even a few sizeable ones.

Glenn Serafin, Serafin Bros.

What sort of deals are going to get done in 2005, given the remaining uncertainty over the FCC's ownership rules?
No one I'm dealing with is wringing their hands about the rules. The change in ownership limits from signal definition to market definition is a sword that cuts both ways. It both restrains and enables. Some operators who were prohibited from owning stations in adjacent markets can now do so. None are being forced to divest stations in markets where they are 'over subscribed,' so to speak. So, what's the problem? No one with a dog in this fight is complaining, at least to me.

Who's looking to buy and who's on the sidelines?
I'll take the last question first. On the sidelines are companies that have not performed. They are both public and private companies whose growths in revenues and cash flows are pitiful. These companies have lost the faith of their stockholders and investors, so they effectively are prohibited from expanding until they get their houses in order. In the meantime, capital sources are throwing cash at companies that have scored huge gains and created value in what others erroneously believe is a bad economic environment.

Is financing still readily available as rates rise?
Absolutely. Tons of it. And it's even coming back for smaller deals. And by 'smaller deals' I mean about $5 million or so because even a duopoly in a decent small market will cost that. The public equity markets are still unsteady and there is little yield in the bond markets, so smart money is still searching for above average yields in private equity placements. Prospective owners who are new to the market or those who are reentering the market have to make an attitude adjustment. No one in their right mind wants to finance an acquisition that doesn't have some promise of parity or near parity when all is said and done, and by that I mean the ability to effectively compete with the spectrum you have. So, buying a stand alone anything to compete with two clusters is (and should be) a non-starter if you expect someone else to finance the deal.

Brian Cobb, CobbCorp

What kind of deal environment are you looking for this year?
I'd like to think it's going to be better than the last four years, but I think that may be optimistic unless we can get some kind of clarity or waivers from the FCC on some of the issues that are in front of us. Number one—I still think that small markets in some situations need to be allowed to have duopolies and if they're not going to deal with it legislatively, I think they need to deal with it on a case-by-case basis, and maybe they'll do that.

What would happen if the Supreme Court did get involved and at some point and the FCC's original rules were instituted? Would that start an avalanche of deal making?
I think it would. I don't know if it's an avalanche but it would create more deal making because we've got to have some kind of clarity here and I think owners, perspective buyers and sellers both, need to have some understanding of what the playing rules are going to be and right now we're just kind of in limbo. FCC Chairman Powell has kind of indicated he may not deal with it in a timely fashion. (Editor's note: Cobb spoke just hours before Powell announced that he is resigning.)

Baring any real clarity on the ownership issue, is there still activity with groups buying either stand-alone stations or buying them through related entities so they could have shared services agreements in markets?
"Well, lately no one's really tried to push the envelope, because Congress raised the profile of this whole issue and everyone's kind of sitting quietly right now, but I think they'll have to go back and try to get some of these done. So, there's still plenty of equity out there to do deals. I don't think there's a lack of money

and some of the cash flow numbers have improved at the stations, so maybe the gap between expectations between sellers and buyers will close a little, but I expect there will be more deals this year then the last few years—but I don't know if it will be easier or not.

We saw the one big TV deal with Viacom buying in Sacramento. Is there much opportunity for the really big companies like that to do much buying?
Not really, when you look at the rules and look at the availabilities in the big markets there are just not a whole lot of opportunities out there. There's, you know, three or four, but there's not like ten or twelve—unless they decide to go further and deeper into markets, but I don't think they want to until they understand what the rules are going to be.

Eddie Esserman, Media Services Group

What kind of deal making is going to go on this year?
You said when we spoke earlier that there was uncertainty about the FCC ownership rules, but I think they're pretty clear for radio, until they go back and rework or redefine the unrated markets. I think you'll see some, perhaps some house-cleaning from some of the larger companies to bring their clusters into the current rated market size definitions, so that if they ever decide to exit, they'll be able to do that and probably not flood the market. So I think you'll begin to see some of that. I think you'll probably see some groups beef up in areas to be new definition compliant to maximum size in markets where they're not—probably not a lot of those. The remaining individual owners I know will continue to be bombarded. Inventories have been tight for a long time; some of those deals will get done. On pricing, I think multiples are high. I'm not sure that they're going to go down—I don't see much out there that's going to drive them higher this year, but conversely, I've not seen them back up a whole lot.

Has that kept buyers and sellers apart?
It has. There's still the spread between the bid and the ask which is contributing to the tight inventory and the relatively low deal volumes for the past three years.

Is there anything in sight to change that?
If there is, I don't have good visibility on what that is. We were talking about that in our company and sometimes that's just the day that something pops in that changes the landscape of things. I don't know what that is, though. If I did, I'd be doing it. And so would a lot of other people who are either prospective buyers, sellers, brokers or bankers—if we knew what it was, we'd be jumping all over it and heading toward it, but whatever it is hasn't raised it's hat across the hill yet.

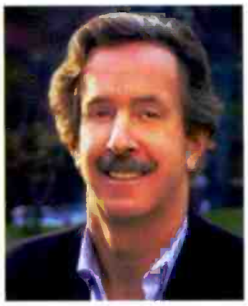
John Pierce, John Pierce & Co.

What kind of deals are going to get done in 2005 while the ownership rules are still somewhat in flux?
I believe the deals that will get done are specialized operators, first of all. That may be specialized operators in sports—there's been a growth of some companies going to market single-handed mainly in full-time, now also some day-timers doing sports. Also ethnic and religious, as you just saw recently with Salem buying KCRO-AM in Omaha. Such companies will still look into markets for size, definitely good facilities and look at buying stand-alone AMs or another big AM in a market that they might already have a presence in. I believe you'll see some activity this year, without a doubt, in non-commercial FMs.

Are we talking about religious to religious or educational to religious?
We're talking in some cases educational to religious—probably at least two of those. We'll see two or three of religious to religious and we'll see some situations happen this year which may not be acquisitions, but rather some LMAs this year by a major public broadcaster, meaning a non-commercial. Now those aren't transactions, but you'll probably will see some of that where the entry price is prohibitive for an AM or an FM in the top 25 market. But if they have the time to operate and develop the format and raise money as they go along with an LMA, you'll see that. You'll see some LMAs that could be with an option to purchase down the road.

Elliot Evers, Media Venture Partners

What kind of deals are going to get done this year with rules up in the air?
We are assessing markets based on the Arbitron rules, rather than the contour rules, so that much we know. The government decided not to take



the ownership rules to the Supreme Court; that was not good. So what's 2005 going to be like? I think there will be more radio inventory than there has been. We're already seeing more, for different reasons, people bringing things to market whether because of a little bit of top line softness they can't quite hit their target numbers, or regulatory dispositions, or people have excessive costs.

So, is that increased inventory going to be across all markets or only certain sectors?
I think there will continue to be the odd, you know, top 25 or top 10 deals. We've got a couple that we're talking to clients about, but I don't know whether they'll come to pass. I suspect they will, but that kind of inventory is so exceptional, such beach front property that may be the exception that proves the rule about public companies not showing up. In other words, public company probably will show up for something that they have to have

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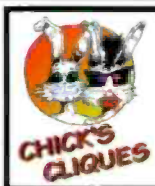

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in a top 25 market. I think the bulk of the trading will be in, let's say, markets 25 to 250. Then there's always the small unrated market deals that trade traditionally. Often those are lifestyle changes—divorce, death or a son who doesn't want the business.

What's television trading going to be like this year?
A lot more unsettled situation. I think there could be as much television inventory as one could imagine. There are dozen and dozens of stations that kind of want to be sold, but the buyer appetite there is a lot more limited. It's just a tough, tough television environment. I'd say that the sellers kind of want 12 times the '04 political boosted cash flow and the market kind of wants to pay 10 or 10 and a half. It's tough to get deals done on television now. I think you'll see deals in all market sizes. The lack of clarity on the ownership rules, particularly with regards to small or even mid-market duopoly is critical, it's just crippling. There are so many markets where we have the television station billing, let's say two to three million dollars a year, that is limping by—doing okay in a political year and doing not so okay in a non-political year. You know that station should really be combined with a companion station.

Larry Patrick, Patrick Communications

What kind of deal making are we going to see this year since we still don't have definitive ownership rules?
I think obviously the lack of rules, clear rules, one way or the other does inhibit deal making. There are deals that people would like to do. They don't know what the rules of the game are ultimately going to be and now with Chairman Powell and Commissioner Abernathy apparently leaving, it could be a whole different game starting up again. Obviously, the biggest impact I think is in television, where people would like to be able to own two stations in smaller markets to accomplish some efficiencies and to continue the program they are committed to. I'm unclear whether that can happen, the whole issue of radio JSA's and television JSA's are an issue. The fact that there is no definitive rule yet in small markets, when you don't have Arbitron to go by. Now that doesn't mean there aren't going to be deals done, there are deals that are out there that are happening. Obviously you've seen Sinclair sell in Kansas City and Sacramento, so there are some big TV deals happening, but not the types of deals that I think a lot of the broadcasters were hoping for when they first thought of the Powell Administration and what deregulation would bring them.

Are they still going forward with virtual duopolies, even though they can't do real ones?
That's interesting. Some companies have. Some companies apparently are not terribly worried about those rules, thinking the worse case is that those JSA's could be converted into shared services agreements and so there would be separate programming and separate sales, but there would still be great efficiencies for combining some of the backroom, the administrative and the engineering and so forth. But there are a lot of broadcasters, a lot of television broadcasters who we know would like to do duopoly deals of some form and they are paralyzed right now because they are scared to do them in the event that they have to unravel them down the road.

What about radio? Is the big impediment there still the multiples, the pricing?
I think the problem in radio that we're seeing right now is that there's still a pretty big gap between the bid and the ask. A year or two ago you were seeing stations, a lot of the stations, selling for 15, 16, 17 times. Today it's more back to the traditional 10 to 12 times. Sellers want to get 15 times and then in some cases they're sitting on their hands right now waiting for the market to recover, the economy to get better and for the public stocks to go back up. When the public stocks go up, then the private guys go up too. Right now it's very hard for the public companies to buy very much at all—that's why you see a lot of stock repurchase plans, because that's better use of their money.

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