

MANAGER'S BUSINESS REPORT™

# MBR

Radio Business Report, Inc.

47 Years

February 2008

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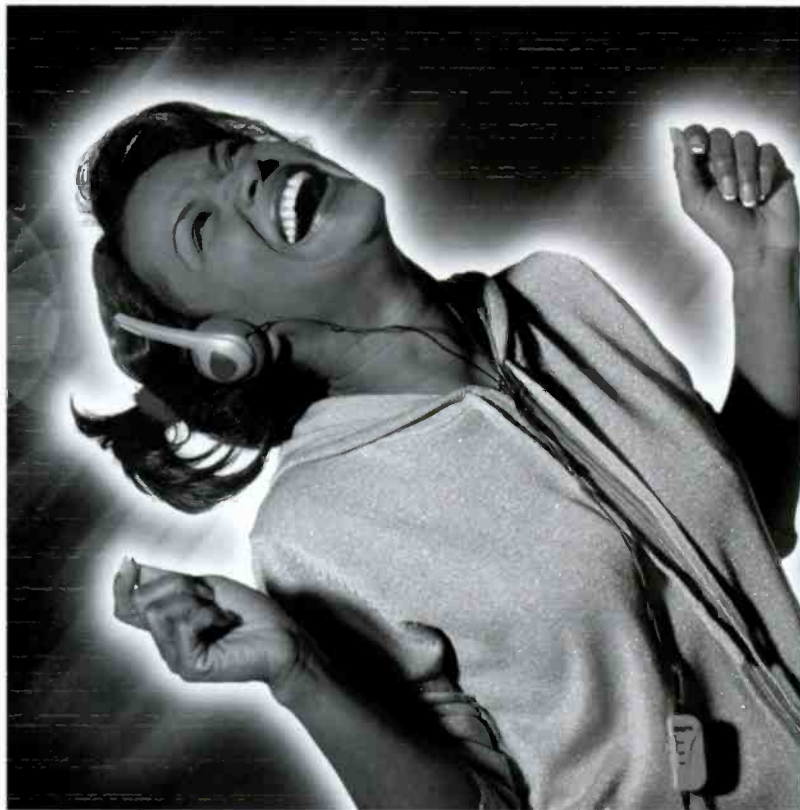
KIIS-FMi isn't your grandfather's radio station. It doesn't even have a transmitter.

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# Does John McCain have what it takes to be president?

**MBR gets the Senator's views on campaign finance reform, deregulation and The Kingston Trio**

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# MBR Stats

## Radio begins the new millennium on an upbeat

Radio is heading for a new revenue record as it gets set to close the books on 1999. A 16% gain in November, which helped radio achieve a 14% overall gain YTD, has all but assured that feat. In fact, all five of RAB's regions are going to end the year with double-digit gains in both local and national business, with the exception of the Southeast, which though tied for the lead in local gains at 15%, has seen its national business rise only 8%. Forward pacing at the start of the new century is strong.

Industry consolidation has had a modest increase over the past month. Superduopolies now claim 54% of all stations in Arbitron-rated markets, and 75.2% of all stations are in some form of consolidated operation. We are still waiting to see if the Clear Channel-AMFM spinoff derby will have a measurable impact on these numbers.

We took a look at format trends over the last five years, which encompass the whole of the superduopoly era. We conclude that formatic diversity has increased and that niche formats are already in place. See our study on the next page.—Dave Seyler

## Radio Revenue Index

### Radio revenue double digit gains continue into November

It was double-digits all the way around for radio in November 1999 over the same month in 1998. All five national regions enjoyed double digit gains in both local and national business, resulting in an overall gain of 16% for the month. That total was the result of a 15% gain in local business coupled with a 17% gain in national.

The West and Southwest led the way in both categories. The Southwest was up 20% local/24% national, with the West close behind at 19%/23%. Results elsewhere were none too shabby, falling in the 13%-15% range in all categories with the lone exception of an 11% gain in national business in the Southeast. It's good news when the best we can come up with for bad news is an 11% gain. YTD gains stand at 14%.

Nov 1999	Local	National
All markets	15%	17%
East	13%	14%
Southeast	14%	11%
Midwest	14%	15%
Southwest	20%	24%
West	19%	23%

Jan-Nov 1999	Local	National
All markets	13%	15%
East	13%	20%
Southeast	15%	8%
Midwest	11%	13%
Southwest	13%	17%
West	15%	16%

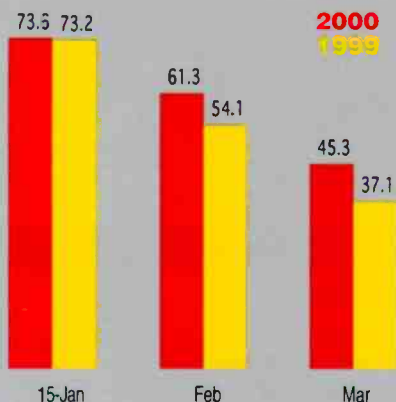
**Local & Nat'l revenue Nov 1999**  
All markets **16%**

Local & Nat'l revenue Jan-Nov 1999  
All markets **14%** Source: RAB

## Forward Pacing Report

### Demand heating up

January is pacing only slightly ahead of last year, but demand for February and March is already far ahead of last year's torrid pace, according to George Nadel Rivin of Miller, Kaplan, Arase & Co.—JM



## Superduopoly Dimensions

### Industry Consolidation (as of January 17, 2000)

**Superduopoly: 54.0%**

Market	# of stns	percent
1 to 50	880	56.7
51 to 100	653	57.7
101 to 150	408	49.5
151 to 200	415	49.5
201 to 261	457	52.8
All markets	2,813	54.0

Total Industry: 75.2%

Market	# of stns	percent
1 to 50	1,218	78.5
51 to 100	859	75.9
101 to 150	594	72.1
151 to 200	615	73.4
201 to 261	636	73.4
All markets	3,922	75.2

Note: The "# of stns" shows the total count for stations in either a superduopoly or, in the case of total industry consolidation, in an LMA, duopoly or superduopoly. The "percent" column shows the extent of consolidation for each market segment.

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## 1999 Stock Price Performance

Radio stocks finished 1999 in fine fashion, with many issues soaring to record highs as the year ended. The Radio Index™ closed New Year's Eve at an all-time high and far outperformed broad market indices for the year.—JM

Company	12/31/99 Close	1999 Net Chg	1999 Pct Chg
Ackerley	18.125	-0.125	-0.68%
Alliance Bcg.	0.250	-0.750	-75.00%
Am. Tower	30.375	0.813	2.75%
Am. Comm. Ent.	1.875	1.625	650.00%
AMFM Inc.	78.250	30.375	63.45%
Belo Corp.	19.063	-0.875	-4.39%
Big City Radio	4.750	0.688	16.92%
CBS Corp.	63.938	31.125	94.86%
Ceridian	21.563	-13.344	-38.23%
Citadel	64.875	39.000	150.72%
Clear Channel	89.250	34.750	63.76%
Cox Radio	99.750	57.500	136.09%
Crown Castle	32.125	8.625	36.70%
Cumulus	50.750	34.125	205.26%
DG Systems	7.125	1.563	28.09%
Disney	29.250	-0.750	-2.50%
Emmis	124.641	81.266	187.36%
Entercom	66.250	43.750	194.44%
Fisher	61.750	-4.250	-6.44%
FTM Media	12.750	7.250	131.82%
Gaylord	29.938	-0.188	-0.62%
Harris Corp.	26.688	-9.938	-27.13%
Hearst-Argyle	26.625	-6.375	-19.32%
Hispanic Bcg.	92.219	42.969	87.25%
Infinity	36.188	8.813	32.19%
Interep	13.375	1.375	11.46%
Jeff-Pilot	68.250	-6.750	-9.00%
Launch Media	18.938	-3.063	-13.92%
NBG Radio Networks	3.094	0.969	45.59%
New York Times	49.125	14.438	41.62%
Pinnacle Holdings	42.375	28.375	202.68%
Radio One	92.000	68.000	283.33%
Radio Unica	28.875	12.875	80.47%
RealNetworks	120.313	84.438	235.37%
Regent Pfd.	12.500	5.500	78.57%
Saga Commun.	20.250	3.850	23.48%
Salem Comm.	22.625	0.125	0.56%
Sinclair	12.203	-7.359	-37.62%
Sirius Sat. Radio	44.500	10.250	29.93%
Spanish Bcg.	40.250	20.250	101.25%
SpectraSite Hldgs.	10.875	-18.690	-63.22%
SportsLine USA	50.125	34.563	222.09%
TM Century	0.625	0.313	100.00%
Triangle	0.020	-0.012	-37.50%
Tribune	55.063	22.063	66.86%
WarpRadio.com	4.625	1.750	60.87%
Westwood One	76.000	45.500	149.18%
WinStar Comm.	75.250	36.250	92.95%
XM Satellite Radio	38.125	26.125	217.71%

**Major stock market indices**

Index	12/31/99	1999	1999 Pct Chg
The Radio Index™	256.060	135.400	112.22%
Dow Industrials	11497.120	2315.690	25.22%
Nasdaq comp.	4069.310	1876.620	85.59%
S&P 500	1469.250	240.020	19.53%

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## RBR Family of Products



**RADIO BUSINESS REPORT**  
 Mid-Week News Brief  
**Source Guide**  
 and Directory  
 The All-Radio Yearbook

## Programming: Y2K Radio formats

We thought it would be interesting to take MBR's sister publication, the *RBR Source Guide and Directory*, and count formats for that past five years. The 1996 edition of the Source Guide was based on information gathered during 1995, the last year before the Telecom Act loosened up radio ownership regulation and ushered in the superduopoly era. Here are some of our conclusions.

Format diversity has increased. The 2000 Source Guide lists significant increases in several specific format categories over 1996 totals. These include Sports, Children, Modern AC, Rhythmic Oldies, Adult Alternative and Classic Country. Just about the only category which has declined significantly is Easy Listening. Add to this that the AM-FM simulcast has all but disappeared, adding significant listener options on the AM dial.

There is no shortage of specialty programming. In particular, the dial is disproportionately saturated with Religious stations compared to the actual listening which they attract. 13.2% of all stations in the 2000 Source Guide are have some form of Religious format. Compare that to our most recent study of format listening (based on the Fall 1998 Arbitron survey), which showed that Religious stations attracted only 2.4% of all listeners. In other words, there are already in existence far more Religious stations than there are people to listen to them. This is also true for the Spanish/Ethnic group, though to a far lesser extent. The format group accounts for 8.7% of all stations, but garnered only 6.1% of all Arbitron-measured listenership.

LPFM is a bad idea. Neither of the two oft-stated reasons for initiating this service (lack of programming diversity, lack of niche outlets) hold water. Add in the inherent interference problems and the highly questionable financial prospects of the proposed LPFM service and it is clear that it is an idea worth forgetting about.

Format groups	1996	2000	Gospel	3.3	4.5
Format	17.2	16.1	Classic Rock	3.0	4.0
News-Talk-Sports group	11.0	13.2	Rock	5.0	3.9
Religion group	14.9	13.0	Sports	2.9	3.7
Country group	11.0	11.3	Hot AC	2.1	2.8
AC group	5.8	8.7	Talk	3.2	2.7
Spanish/Ethnic group	6.9	6.8	Soft AC	2.5	2.4
Oldies group	5.9	5.8	Urban	2.3	2.2
Standards group	4.9	5.4	Urban AC	2.0	1.5
Classic Rock group	4.9	5.4	Alternative	2.4	1.4
CHR group	4.8	4.4	Classic Hits	1.9	1.3
Urban group	5.0	3.9	Classic Country	0.4	1.2
Rock group	4.0	2.9	Smooth Jazz	1.2	1.2
Alternative group	1.0	1.3	Ethnic	0.9	1.0
Var/Child/Other group	1.2	1.2	Rhythmic Oldies	0.0	0.9
Smooth Jazz group	0.6	0.7	Modern AC	0.0	0.9
Classical group			Adult Alternative	0.0	0.8
			Children's	0.6	0.8
			News	1.3	0.8
			Modern Rock	1.6	0.7
			Classical	0.6	0.7
			Hot Country	2.3	0.7
			Urban Old	0.5	0.7
			Full Service	0.9	0.5
			Variety	0.4	0.5
			Easy	1.2	0.4
			Business	0.2	0.2
			Classic Alternative	0.0	0.1
			MOR	0.3	0.0

## Specific Formats

Format	1996	2000
Country	12.3	11.1
Religion	7.8	8.7
News-Talk-Sports	8.6	8.2
Spanish	4.9	7.6
Oldies	6.9	5.9
CHR	4.9	5.4
Standards	4.5	5.3
AC	7.3	5.3

## Non-Traditional Revenue Track

### Automotive strong for September

New car model introductions meant lots of NTR opportunities in the Automotive category for September. Leisure, always a strong category, was even stronger. Since any percentage chart has to add up to 100, other categories were pushed down proportionately for the month.—JM

### Non-Traditional Revenue Track % of Vendor/New Business by Category (September 1999)

	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD
Automotive	12.16	9.42	16.01	4.29	16.09	6.76	19.67	11.15
Food/Grocery	21.06	18.83	23.20	49.33	25.44	30.62	13.31	28.71
Leisure	34.46	40.67	30.43	25.73	26.66	26.69	35.69	30.83
H&B C	9.37	6.94	9.26	2.67	10.60	3.31	11.53	6.53
Home Improv	8.02	9.08	3.57	5.50	5.58	5.58	6.41	6.06
Office	4.49	0.07	2.02	2.75	0.26	17.15	2.13	3.86
Clothing	1.41	12.35	2.75	6.38	7.62	2.88	2.24	4.53
Recruiting	9.03	2.65	12.78	3.36	7.74	6.99	9.03	8.33

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## FCC approves LPFM

Turning aside broadcasters' objections to creating interference to existing stations, the FCC (1/20) voted four-to-one to allow low-power FM stations throughout the band, 88-108 MHz. However, only non-commercial LPFMs will be allowed, in two classes: LP 100, with power of 50-100 watts, and LP 10, with power of 1-10 watts. The LP 100 licenses will be awarded first, then applications will be accepted for LP 10. For the first two years of LPFM, only locally-based groups will be allowed to apply for licenses. LPFM stations will not be subject to the 3rd adjacent channel interference protection rule which applies to all current FM stations and translators.

The only no vote came from Commissioner Harold Furchtgott-Roth, who decried the action as "entirely irresponsible" for creating interference which will make it more difficult for some listeners to hear existing stations. Commissioner Michael Powell voted yes, but dissented in part, arguing that LPFM should first be authorized only in a few test markets to study the impact the stations would have on existing broadcasters.

"The FCC has turned its back on spectrum integrity," said NAB CEO Eddie Fritts. He said the NAB will "review every option to undo the damage caused by low-power radio."—JM,TS

## New EEO rules adopted

The FCC also adopted new EEO rules to replace those struck down by a federal court in 1998. The new rules require broadcasters to keep race-related statistics about recruitment and hiring, but won't make it a factor in license renewals. The vote was four-to-one, with Furchtgott-Roth saying the new rules are too much like those already struck down as unconstitutional. However, Commissioner Gloria Tristani dissented from part of the order because she did not think it required enough recordkeeping by broadcasters.

Stations will be required to have minority recruitment programs, but may choose from two options:

- 1) Send job vacancies announcements to recruitment organizations that request them and select from a menu of non-vacancy-specific outreach approaches, such as job fairs, internships and interaction with local community groups.
- 2) Design their own outreach program and must maintain records concerning the recruitment sources, race, ethnicity and gender of applicants so they can monitor the effectiveness of the outreach efforts.

NAB said it will review the EEO order to determine whether it will dramatically increase the paperwork burden on broadcasters.—JM,TS

## Lawsuits fly over St. Louis stations

Despite completing an appraisal process that set the price at \$366.5M, Emmis Communications (O:EMMS) has been unable to come to terms with Sinclair Broadcast Group (O:SBGI) on a final contract to buy Sinclair's St. Louis radio and TV stations. Now Sinclair has sued Emmis in a Baltimore court (1/18), calling the lawsuit "an attempt to bring finality to lengthy negotiations between the parties. Sinclair is also claiming that former CEO Barry Baker's sale of his option to buy the stations was invalid and that Baker's option itself is "unenforceable due to vagueness."

Meanwhile in Indianapolis, Emmis was preparing to file a counter-claim by the end of January in an attempt to force Sinclair to go through with the station sale.

"Sinclair's complaint is without merit and Emmis will vigorously prosecute its claims and enforce our rights," said CEO Jeff Smulyan.

Although Sinclair sold the rest of its radio group to Entercom for \$824.5M, Sinclair Chairman David Smith never wanted to sell the St. Louis TV station and resented being forced to sell to Emmis.

According to Emmis, it proposed to Sinclair that "all unresolved issues be settled by arbitration." Emmis claims that Sinclair agreed to respond in writing the next day, but instead filed its lawsuit.—JM

## FCC draws line between religious and educational

"The FCC has no business—no business whatsoever—singling out religious programming for special scrutiny," four members of Congress recently wrote to Chairman Bill Kennard.

The trio is warning Kennard that his agency's 12/29/99 decision to require non-commercial broadcasters operating with educational licenses to devote 50% of their programming to educational topics is "an assault on religious broadcasters...this decision sets a dangerous precedent for regulating the content of non-commercial programming." Reps. Cliff Stearns (R-FL), Mike Oxley (R-OH), Chip Pickering (R-MS) and Steve Largent (R-OK) wrote in their letter. According to the Congressmen, more than 125 non-commercial TV broadcasters (and possible radio stations as well) may be forced to drop some religious programming (such as church services) because the content may not qualify as educational.

But Kennard, responding to the Congressmen's letter, denies singling out religious broadcasters, saying that his agency merely "clarified standards applicable to all NCE broadcasters." Further, he says, most broadcasters that offer religious programs operate on commercial channels and are not subject to the NCE requirements.

National Religious Broadcasters (NRB) has also voiced its concern for the Order and is promising to exercise its legal options, claiming that the FCC is constraining only certain aspects of religious speech that have "emotional expressions of faith."

The FCC's Order stems from a recent Pittsburgh TV transfer in which WQEX (Ch. 16), a non-commercial TV station, was approved for purchase by Cornerstone Television, a Religious broadcaster, which in turn is selling WPCB (Ch. 40), operating on a commercial channel, to Paxson Communications (A:PAX). But, because of the FCC's new restriction, Cornerstone called off the deal.—TS

## 1999 deals totaled \$43.55B

MBR's final tally shows that 1999 station trading totaled \$43.55B—nearly three times the old record of \$15.29B set in 1997. In all, station trading since the 1996 Telecommunications Act adds up to \$86.65B.

1999 station trading had been well off the record pace until late in Q3, when CBS (N:CBS) announced that it had agreed to merge with Viacom (N:VIA). That deal totaled \$34.45B, but MBR valued the radio portion, Infinity Broadcasting (N:INF), at \$14.945B.

That stood as the all-time record radio deal for about a month, until Clear Channel (N:CCU) announced a \$23.5B stock-swap deal to acquire AMFM Inc. (N:AFM). That deal alone eclipsed any previous year of station trading.

Here's how the four years of post-Telecommunications Act trading stack up:—JM

1.	1999:	\$43.55B
2.	1997:	\$15.29B
3.	1996:	\$14.40B
4.	1998:	\$13.41B

## AMFM allies with Traffic.com; may strike new deal with Westwood

Potentially a 440-station loss for Westwood One's (N:WON) Metro and Shadow traffic services, as AMFM Inc. (N:AFM) announced a non-exclusive alliance (1/24) with Traffic.com to make traffic information available to all of its Philadelphia stations and associated Websites through AMFMI beginning in April. Clear Channel (N:CCU) has granted pre-approval of the deal, a source said, in consideration of the upcoming merger with AMFM.

While the relationship of Metro/Shadow Traffic with AMFM—and possibly Clear Channel down the road—is looking threatened, industry sources tell RBR negotiations for an AMFM groupwide deal are going on with Westwood regarding Metro Source (Westwood's digital news and show prep source).

Westwood One CEO Joel Hollander has been dealing directly with AMFM Inc. Radio President and Vice Chairman Jimmy de Castro on the deal, along with extending and realigning the Metro/Shadow Traffic relationship that includes "continuing to provide their stations with over-the-air broadcast traffic because [Traffic.com] can't do it [see below]," a source close to the situation explained. "Getting Metro Source into the AMFM group is a great deal—it's a lot more inventory for [Westwood]."

Traffic.com's technology uses an advanced network of radar sensors that provide real time personalized commute estimates (map, text, camera images) through the stations' Web sites and a variety of incident and "flow data" for stations to report on-air—the company has no immediate plans for offering an audio feed. Traffic.com will also act as AMFM's national rep for a portion of the stations' active 10-second sponsorship inventory, and will get spot and promotional time on the stations and AMFM gets a minority stake in the company.—CM

**Westwood One about to announce streaming deal**

The first sign of Mel Karmazin easing the no-streaming edict? Industry sources close to Westwood One (N:WON) have confirmed that a streaming partnership for "some" of the network's programming has been shopped around and is close to being signed. "[They] don't have anything done yet. It could be Q1, it could be two weeks, it could be six months," the source said. WebRadio.com was named as one of the potential contractors.—CM

**McCain tax plan targets ads**

A little-noticed provision of GOP Presidential hopeful Sen. John McCain's (R-AZ) tax reform plan would re-ignite a battle over tax deductibility of advertising expenses. Under current law, ad spending is deductible as a business expense for the year in which the spending occurred. Under McCain's plan (page 32 of his 33-page "21st Century Family Security Plan"), advertisers would be required to depreciate the cost of advertising over an unspecified number of years. That same idea was floated several years ago by the Clinton White House, but died under a heavy barrage of criticism from advertisers, ad agencies and ad-supported media.

The reduction in ad deductibility is included in a section in which McCain vows to "eliminate the numerous inequitable and unnecessary corporate and special interest loopholes, subsidies and set-asides that make the tax code a 44,000-page catalogue of favors for special interests and a chamber of horrors for the rest of America."—JM

**Belo files against Viacom/CBS merger; CBS to return the volley**

Brought up at the latest NAB board meeting in Palm Springs earlier this month, Belo Corp. (N:BLC) has filed a letter 1/6 with the FCC against the CBS-Viacom divestiture period. "We filed an informal letter objecting to the breadth of the divestiture period that CBS-Viacom has asked for—a two year period to meet the dual network and national ownership cap rules," Michael McCarthy, Belo's EVP/General Counsel, tells MBR.

The CBS-Viacom merger needs to bring the 41% market ownership that would occur down to 35%, and the combined company could only own one national network. "It's our belief that it is overly long period and the Commission should not wait the two years," added McCarthy. "It's beyond what the Commission has granted in these sort of situations. Our lawyers couldn't find any precedent in support of this and in our view, the Commission should not create any groundbreaking precedents."

McCarthy speculates that the two years was asked for in order for a change in the rules or waiver to be issued: "We've specifically said they shouldn't allow them to seek a change in the rules, probably with Congress [i.e. The McCain Bill]—RBR 9/20/99, p.2). Our view is this is a job for the Commission to do and if the rules are going to be changed, it should be done by rulemaking, not by permitting waivers that gut the rules."

Belo CEO Robert Decherd personally signed the letter.

CBS will soon be issuing its own filing that "will be responsive to some of the issues...raised," an industry source told MBR. Stay tuned.—CM

**Dot-com lifts radio's September share**

By Jack Messmer

If you needed any more proof that the Internet is a hot category for radio, we have it in the September Total Media Index. In the 15 markets measured by Miller, Kaplan, Arase & Company's Media Market X-Ray, radio claimed just under half of the ad spending by dot-com companies.

Television, always a strong category, was especially strong for radio, which claimed over 52% of spending in September. Entertainment-Other/Lottery was also even a bit stronger than usual.

In all, radio's share of ad spending grew to 17.19% from 17.09% a year ago. That's not a tremendously bigger slice of the pie, but then the pie was substantially larger, which made it a good month for all media.

**MBR/Miller Kaplan Total Media Index - September 1999  
(Expenditures in 000)**

Category	Radio	TV	Newspaper	Total Media	Radio % of Total
Automotive	38,482	172,591	189,064	400,137	9.62%
Restaurants	11,075	59,155	4,326	74,556	14.85%
Department Stores	9,585	22,172	84,778	116,535	8.22%
Foods	8,052	39,998	1,793	49,843	16.15%
Communications/Cellular	17,840	30,854	45,117	93,811	19.02%
Furniture	11,742	21,688	32,727	66,157	17.75%
Financial Services	17,829	25,778	42,703	86,310	20.66%
Movies/Theater/Concerts	7,529	23,502	23,431	54,462	13.82%
Grocery Stores	8,035	12,856	16,531	37,422	21.47%
Appliances & Electronics	3,159	12,604	31,861	47,624	6.63%
Hotel/Resorts/Tours	3,610	7,730	29,385	40,725	8.86%
Drug Stores/Products	5,439	11,253	9,141	25,833	21.05%
Computers/Office Equipment	6,637	7,514	20,999	35,150	18.88%
Specialty Retail	12,603	24,651	34,978	72,232	17.45%
Health Care	9,573	20,561	13,581	43,715	21.90%
Auto Parts/Service	4,744	6,785	5,437	16,966	27.96%
Music Stores/CDs/Videos	3,058	8,546	2,427	14,031	21.79%
Transportation	3,681	5,565	13,496	22,742	16.19%
Entertainment-Other/Lottery	7,588	7,685	4,944	20,217	37.53%
Home Improvement	5,625	12,157	12,157	29,939	18.79%
Professional Services	8,266	9,978	10,659	28,903	28.60%
Beverages	12,713	17,354	3,063	33,130	38.37%
Television	19,845	4,517	13,592	37,954	52.29%
Personal Fitness&Weight Ctrs.	952	5,559	1,598	8,109	11.74%
Publications	4,060	4,493	29,927	38,480	10.55%
Internet/E-Commerce	24,025	16,893	10,238	51,156	46.96%
<b>TOTAL</b>	<b>265,747</b>	<b>592,439</b>	<b>687,953</b>	<b>1,546,139</b>	<b>17.19%</b>

\*Based on Media Market X-Ray composite data for 15 markets (Atlanta, Charlotte, Cleveland, Dallas, Houston, Minneapolis-St. Paul, New York, Philadelphia, Pittsburgh, Portland, OR, Providence, Sacramento, San Diego, San Francisco, Seattle). Newspaper and television data compiled by Competitive Media Reporting and radio data compiled by Miller, Kaplan, Arase & Co., CPAs. For further information contact George Nadel Rivin at (818) 769-2010.

**"The FCC has turned its back on spectrum integrity. Every legitimate scientific study validates that additional interference will result from LPFM. The FCC has chosen advancement of social engineering over spectrum integrity. It's a sad day for radio listener."**

*NAB's CEO, Eddie Fritts, angered over the FCC's vote 1/20, approving the new 10- and 100-watt LPFM service.*



**"The fact is, there is more room at the table; there is spectrum available for [LPFM] and other uses."**

*Chairman Bill Kennard, during the open meeting, answering cries that the FM band is already too congested to hold LPFM stations.*



**"On balance, I would have taken a different approach to introducing LPFM service... It might [have begun] with some experimental licensing in certain communities to assess the real world impact of signal interferences."**

*Commissioner Michael Powell, before he voted yes to the plan but dissented in part.*



**"In no way is this a miniaturized replica of a full-powered station."**

*Commissioner Susan Ness, referring to LPFM's special characteristics of non-commercial and 1-100 watt status.*



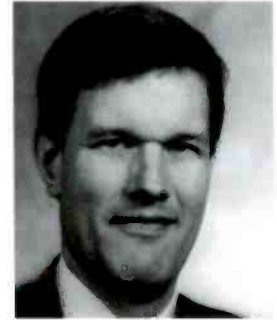
**"Under the First Amendment, this is the best kind of response—the answer is more speech, not less."**

*Commissioner Gloria Tristani, on why she voted to adopt LPFM.*

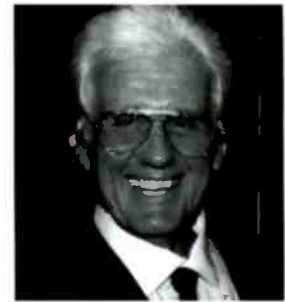


**"[T]his entire proceeding has been marked by a rush to judgment... There are real costs to existing stations, their listeners and to public perception of the quality of FM radio as a media service here that the Commission has not even attempted to quantify."**

*Commissioner Harold Furchtgott-Roth, the only no-voter on the panel.*



The most recent NAB board meeting was held in Palm Springs next to the closed Smith, Barney Media Conference. Ivan Seidenberg, Chairman of Bell Atlantic (N:BEL), Viacom (N:VIA) Chairman Sumner Redstone, Clear Channel CFO Randall Mays, Tom Rogers, Chairman of Primedia were among those present. "This conference was being held in cheek by jowl with the NAB's high council, so people [were intermingling]," Whitney Radio President and NAB Director Bill O'Shaughnessy tells MBR. "Ivan asked me what we were talking about at the NAB conference. 'I said we are talking about you...they're afraid of you [telcos] coming after us.'" And Seidenberg said, "They're right."



**"I drove every weekend from Chapel Hill to Winston-Salem to do a six-hour shift on Saturday and six-hour shift on Sunday for \$2.50 an hour. The gasoline that it cost to get there and back erased all of my earnings on the air. So I basically did it for free and really, really enjoyed it."**

*Rick Dees, of his early days in radio.*



**"This is the first time since the advent of TV that radio will cross 8% of total ad dollars. That is a landmark development."**

*Jeff Smulyan, CEO, Emmis Communications (O:EMMS) and Chairman, RAB Board of Directors, on RAB tracking which indicated that radio's share of US advertising would break the 8% barrier in 1999.*



**"The Internet/new media is lifting all boats. It's helping all advertising."**

*Bob Coen, Sr. VP, Director of Forecasting, Universal-McCann, explaining why he and other forecasters underestimated 1999 ad spending.*



**TAKING A CHANCE ON AN UNAUDITED  
MEDIA BUY IS AS RISKY AS A  
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**The Measure of Success**

Each month we ask a few general managers from around the country to share with us, and you, their views of the industry. This month we quizzed: Rubber City Radio Group's Thom Mandel of WONE-FM, WAKR-AM, WQMX-FM Akron, OH; and Amaturio Group's Catherine Moreau of KMLT-FM Oxnard-Ventura, CA.

1

**Did your stations incur any problems from the Y2K computer bug? If not, how did your stations celebrate the New Year on air?**

Thom Mandel:

All of our problems occurred prior to the big event. Some of our software vendors came back to us [a few days before Dec. 31] with last minute software patches after they had certified that all was Y2K ready. One of those patches required us to take all three stations down from the file servers at the same time. For two hours during afternoon drive we ran our stations the "old fashion" way—playing music from CDs and commercials from tape. At midnight on Friday, everything ran like normal. The MIS guys who were standing by got bored and went home.

Catherine Moreau:

Just the Y2K flu virus that was going around the station the week before. No, no problems at all so we celebrated by being on the air with our consistent format.

2

**What station changes or improvements are you planning for 2000?**

Thom Mandel:

Our technical facilities are all set for a while. We're looking at digital processing upgrades, but in the studios we're already there. We have special "Year 2000" promotional activities planned for our three stations and we have several new non-traditional revenue events ready to go. Our community, Akron, is celebrating its 175th year in 2000. We are looking at ways to wrap our stations around the events which will mark the occasion.

Catherine Moreau:

We're going back to the future. The future is more emphasis on locality. We had been combining the signal from three transmitters for a huge regional signal, but it was difficult serving two distinct and unique local areas. So we have "split" and now we can better super-serve our local people in each community [with KELT-FM and KLIT-FM].

3

**How did you get into radio and why did you stay?**

Thom Mandel:

I became involved with radio while in high school at the station operated by a local university. I started working as a professional DJ while in college and stayed with it afterward. I moved into the business side of things in the mid-80s. I have been fortunate enough to be able to surround myself with very good and intelligent people who love working for one of the last independent operators in the Top 100 markets. Those folks are what has kept me in the business for so many years.

Catherine Moreau:

I was selling corporate memberships to a health club and called on a radio station. In the middle of my presentation the GM asked if I'd ever thought about getting into radio. Later that week I called back and said I was interested to learn more about it. I saw that I would make more money and have more fun so, I went for it. I've stayed because every day is a chance to learn more and better ways to get the job done. I enjoy helping people succeed and magnituding enthusiasm for what they do.

Catherine Moreau

GM TALKBACK

Thom Mandel

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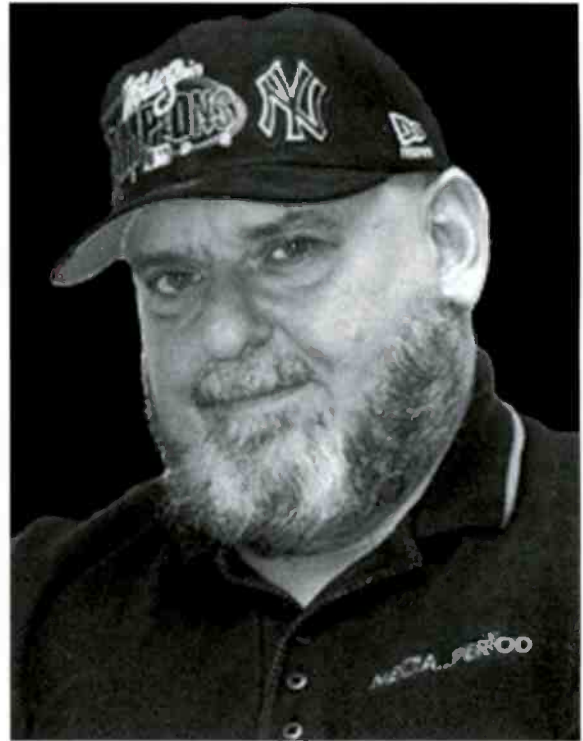
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**PREMIERE**  
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# Media...Period's Harvey Rabinowitz: Rethinking the Internet hype



After three and a half years in the Detroit area, Media...Period is already a media buying giant. Owner Harvey Rabinowitz looks back on 1999 and says the explosion in radio was largely a national phenomenon. Local markets with smaller populations did not necessarily mirror the larger market's robust activity.

With over 30 years of experience in media, Rabinowitz rose through the ranks, eventually holding the title of Senior VP, Media Director at W.B. Doner. He had held a variety of positions except that of "Owner." Since starting Media...Period, and finally being the boss, Rabinowitz says they have no official titles in the company. Perhaps it is a good idea; after all, titles may inspire, but they can also limit.

Local clients of Media...Period include Belle Tire, Capstone Mortgage, Wallside Windows and The Detroit Lions. The company also places national buys on a project basis for large agencies in Detroit. Rabinowitz considers his company to be among the top five broadcast spenders in Detroit.

## What did you think about '99?

'99 was a good year for radio in general; good year for advertising in general. Some categories flourished, some categories went away. That happens every year; something comes up and something goes away. The explosive stuff for 1999 was the dot-com category for radio because of its affordability and frequency. Radio builds frequency because you are really just spitting out a name so that people can remember.

## Do you consider 1999 to be the most memorable and robust year yet?

I don't think so. Not locally. New York, Chicago and LA from what I understand were very, very tight for a combination of reasons. A lot of other markets were not tight and were very pliable as a buyer.

## What is the reason for tightness in these larger markets?

I think it is really two-pronged. The mega mergers and the dot-com businesses concentrating in a couple of markets at the spot level.

## What would you say is the single factor that most influenced radio's hot demand last year?

It would be the Internet.

## Did you place a lot of buys for the dot-com businesses last year?

Just a few; not much.

## Do you think the dot-coms will continue to be a growing source of revenue?

I don't think it will be a growing source. I think it's going to be a flame; a burning source. It will get very hot but then it'll fizzle out.

### **Do you anticipate it trickling down to the smaller markets?**

I think ultimately it will, but my personal belief is that there will be a lot of drop-outs. With all the hype about Internet shopping—they didn't pass the test and the test is only half done. So far, they're not passing. Right now, I am trying to buy a car or lease a car. I'm talking to local dealers and going over the Internet and so far, I can do better by myself just talking to the local dealer than all this hype I'm hearing about buying a new car over the Internet. Everytime I try to do something on the Internet, I say, "why bother?" Unless I want to buy somebody's collection or something I can't get anywhere.

### **Do you see a lot more mega mergers to come?**

What it is is bigger fish swallowing bigger fish. There isn't all that more to go. I'm sure somebody else will come up with some other cock-eyed idea. But I don't know if that will impact all the way down.

### **What did you think about the Prism Fund?**

I think it's great; it's a tax write-off. We welcome diversity and all of that. But the bottom line is that the big boys probably still have some control over this.

### **Do you think radio is still a good buy with the recent run-up of rates?**

We have a feeling here in Detroit that sometimes radio winds up costing more than television. There are some clients here who have to spend more money on radio to get the same thing that they get on television. So they look at you like you're crazy and say, "why would I even consider radio?" And stations have to be aware of that. All too often they just go for the dollar. There's also polarization between stations and the marketplace. Some guys get incredible deals and some guys pay through the nose. And as a guy that generally gets incredible deals, I love it. But sometimes I'm the guy that has to pay through the nose. Then I say, you know what, I'm just not going to do it.

### **Why do you tell clients to use radio?**

Radio is primarily a frequency medium. If we have a fairly simple story to tell, it's a great place to tell it. If we have a targeted story to tell, it's a great place to tell it. And you can tell it a lot.

### **Do you think 2000 will continue to be as strong or stronger than 1999?**

I think the dot-coms will start to slow. But the political business will be immense.

### **Do you see other factors influencing business next year?**

I don't think anybody knows where the phone companies are right now with their mergers. They're not done merging. Right now, they've slowed down their spending. If something happens, they could heat up again. They were the hot category in '98. They copped out in '99 and the dot-coms came on. If I had a crystal ball, I'd be able to see what other categories apart from the politicians will be for 2000. But that's life. I would think the phone companies are certainly in wait to see what happens next. I think the deregulation of the utilities could mean something by way of advertising as that becomes more widespread. Right now, it's only in a couple of states. All of a sudden it becomes an open market where before it was a monopoly.

Regarding mergers—there are fewer entities to buy from. We're having serious, serious problems with that, but we're stubborn enough to say don't do it. It is very frustrating when we ask for information about something and 11 other people call up and say, "we heard you're looking for information." They've got

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**We try to evaluate everything as it stands alone. We're also not afraid to go to a client if something doesn't make sense and say we have to change our plans, which is a trigger we have that big agencies don't. We're media driven.**

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to be a lot smarter about how they handle this when they share information or pool information.

### **Do you mean that the radio stations know what each other's rates are?**

I don't think they know what everybody's rates are. I think they know where everybody is positioning themselves. I want to give them the credit that they don't know what their cousin down the street is charging. They know in general. If a group of stations are getting hit with an increase request from the budgeting side, all of a sudden these stations will increase their rate by, for example, 12%. It's my job to not have the rates be 12% higher with all the stations. The corporate guy in New York or whenever is sitting there saying I expect this much more from every one of my stations in Detroit. He's not going to say with station A, I'll be happy with a 5% increase, and station B, I'll have to

have a 15% increase. You pay a certain amount last year but the station has a rate increase, so therefore, they have to charge you more.

### **How would you advise your clients on how to place their dollars?**

First you have to understand what you're selling and who you're selling it to. All the research material in the world doesn't help if it's not specific to you. You have to understand who your customer is and who your secondary customer is. Unless you have an extremely large budget you have to concentrate your advertising on your primary targets. You have to buy one medium before you buy five. You have to understand the whys, whos, whats, when and wheres of the client's business. And they have to be able to supply that information. Then you have to decide how far that money will go. Is it a continuity program? Or an impact program? What's the purchase cycle? and all that kind of stuff.

### **Is it a buyer or seller's market right now?**

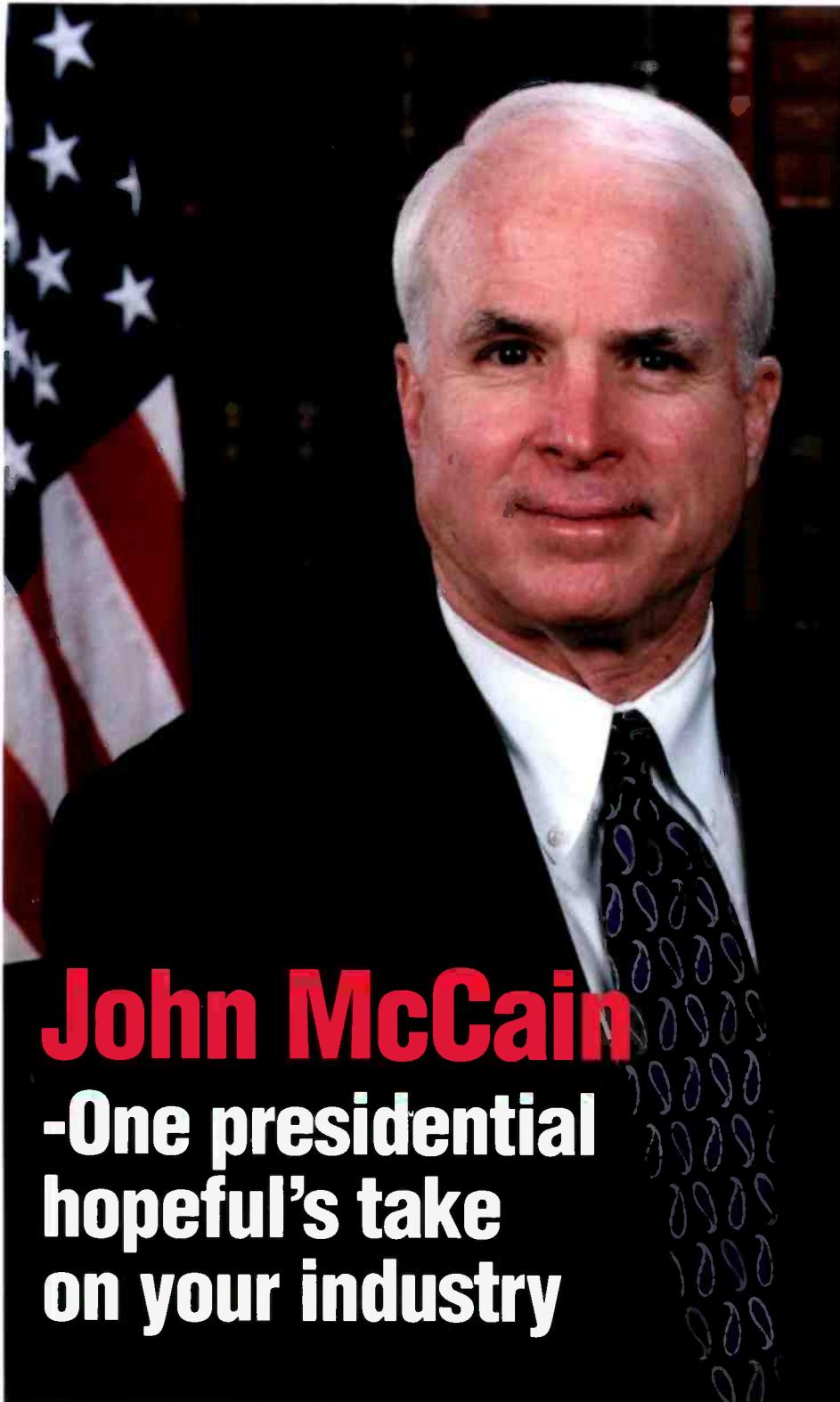
I don't think it's either. In the big market, it's definitely a seller's market. I think it's a normal marketplace in the other markets. Once you get past the top five markets, I think it's pretty normal right now regardless of whatever political influences that are out there. The political only go so deep. They don't buy 20 stations. They buy five stations.

### **As an agency, do you recommend radio as a top preference?**

No, I don't. We try to evaluate everything as it stands alone. We're also not afraid to go to a client if something doesn't make sense and say we have to change our plans, which is a trigger we have that big agencies don't. We're media driven. We can go to our client and say we think you're getting ripped off in print and you should go to outdoor tomorrow, if we can get a great deal for outdoor.

### **Any closing comments?**

The greatest challenge is where media is going and where viewing and listening are going and what possible impact the Internet really does have. Which I'm not sure right now it has any impact. All too often, people's important dollars are being spent by 18-year olds and 22-year olds who don't know how to read a ratings book. My biggest pet peeve of the industry is that all too often too many dollars are being spent by people with no experience. Both on the buying side and the client side. The second pet peeve is clients who want you to buy what they want to hear. They let their ego get in the way of reality.



## John McCain

### -One presidential hopeful's take on your industry

Arizona Senator and GOP presidential candidate John McCain last month denied any wrong-doing when he called upon FCC boss Bill Kennard and asked the federal agency to act quickly on a TV transfer involving WQEX Pittsburgh, Cornerstone Television and Paxson Communications. While the three-term Senator and former House member did not take a position on the outcome of the deal, he did get what he ultimately wanted: a timely decision which the Commission is not known for.

And now McCain, who heads the Senate Commerce Committee which oversees the FCC, is seeking other quick responses from the American people as the primary elections get underway this month. Here we have offered the Senator an open forum to give his views on your industry and how it would change should he become President McCain.

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#### What is your general view on the Telecom Act and the result that it has had on the radio industry?

Unlike many other cases in which the Telecom Act itself caused certain industry changes—intentionally or otherwise—when it comes to radio industry consolidation the Act simply adjusted the law to reflect an ongoing marketplace dynamic.

Radio industry consolidation is, in part, the result of the tremendous expansion in the number of outlets in today's electronic media market. This expansion isn't limited only to the number of competing broadcast radio and TV stations. The American audience today can also access hundreds of TV channels delivered by cable and satellite TV services. The Internet, a growing force in the media advertising market, is providing the public with countless sources of news, information and entertainment, even as it enables individuals and entrepreneurs the opportunity to provide everyone else on the Web with news and information. This is the aspect of the ongoing marketplace

dynamic that the Telecom Act recognized in adjusting the radio ownership limits.

Digital convergence and the ability of one provider to offer multiple services simultaneously has also fueled this consolidation. With telecom companies increasingly able to offer a combination of broadcast and nonbroadcast services, it's natural to expect them to acquire new properties and shed old ones as they pursue the new market strategies that convergence makes possible.

**Your tax certificate legislation is making the grade with industry leaders and Capitol Hill. Is this the only way to push broadcast ownership into the hands of minorities and women?**

Diversifying ownership in the telecommunications industry is an important public policy goal, regardless of how many different sources of news and information exist. What we need to do is take a realistic look at the market today, and devise an ownership diversification strategy that works *with* the market. That's what the Telecommunications Ownership Diversification Act does.

The legislation replicates the FCC's old tax certificate policy by allowing incumbent licensees to defer capital gains on any property sold to a qualifying small business or individual, but that's where the similarity ends. This bill is broader than the old tax certificate policy in two important areas: it covers *all* telecommunications businesses, and it extends capital gains tax deferral to investments of sales proceeds in a qualifying small business. In addition, the program would be administered by the Secretaries of Commerce and Treasury; the FCC would have no role other than the customary one of approving the license transfers.

I'm convinced that the only approach that will work is one that works *with* the market rather than *against* it. For proof, just look at the FCC's own track record. Of all the measures the FCC used to facilitate broader ownership opportunities—which included maintaining overly-restrictive ownership rules, creating new outlets like FM drop-ins and low-power FM, and utilizing comparative hearing preferences and distress sales—the tax certificate policy was conceded to be the most effective. That's because it was the *only* FCC policy that worked with the market, instead of trying to reinvent it. I'm confident that the same market-based approach, updated in this bill, will further ownership opportunities for small businesses much more effectively than

any combination of FCC regulations ever could.

**You frequently talk about campaign finance reform. Would this include free radio/television time from broadcasters?**

The need to raise ever larger sums of money to finance campaigns only serves to increase the pressure on candidates to find ways to cater to the demands of special interests because of the large political contributions they can make. And that's why, when it comes down to a choice between these special interests and the average American's interests, special interests most often win.

Most Americans understand that special interests' "soft" money has thoroughly permeated the legislative process and the laws Congress writes. "Soft" money influence keeps Congress from fairly resolving problems that affect the life of every single one of us.

Broadcast campaign advertising has become an essential component of every federal election, and the cost of air time is therefore a major component in the cost of political campaigns. Although candidates receive favorable rates for many campaign ads, these discounts become less effective as campaigns seem to start earlier and earlier every year.

Under existing law, the spectrum broadcaster use is public property, and they are licensed to use it as public trustees. Therefore, broadcasters are expected to serve the interests of the public in return for their use of this public property, and many consider free air time to be a reasonable expectation. Whether it is or is not, however, is emphatically a judgment that only Congress—not the executive branch of government, and certainly not an unelected administrative agency like the FCC—is entitled to make.

**How do you sound off on low-power FM?**

I have no bias against the notion of a low-power FM service itself, but I do question what unfulfilled public policy goal its proponents think it's essential to achieving. Reaching specialized or underserved audiences? The practical reality is that a web page will reach more of an audience than microradio will. Expanding ownership opportunities? If full-power radio stations are finding it increasingly difficult to succeed in the market, exactly how is a microbroadcaster going to be successful? The low-power FM proposal seems to be a throwback to the days before interactive Internet

technology, when broadcasting was the *only* way of speaking to a mass audience.

I know many full-power broadcasters are concerned that microbroadcasting will interfere with their signals, especially as they stand on the threshold of digital conversion and contemplate the possible competitive impact of satellite-based DARS. I honestly can't tell you whether or not microbroadcasting will interfere with existing full-power signals, or, even if it doesn't, whether or not it would constitute the best use of this spectrum. But I *do* believe that the FCC must first resolve pending matters that affect the future of full-power radio stations *before* it makes any decision on whether to license a secondary, low-power service like microradio. To do otherwise would put the low-power cart before the full-power horse, a result incompatible with 60 years of FCC principles of lawful and efficient spectrum use.

**What would you like to see the FCC do differently? What role would the FCC have under your presidency?**

As President, I would nominate individuals to the FCC who would be committed to breaking the unnecessary procedural and substantive strangleholds that the FCC maintains on telecommunications' companies ability to enter new markets and provide new services at lower prices to the public. Innovation and convergence are the industry's future, and it's high time the FCC adapts its regulatory approach to the realities of these changes, instead of to a telecom market that existed five years ago, much less a mass media market that existed 30 years ago.

Remember the maxim of "lead, follow, or get out of the way"? The Clinton-Gore FCC doesn't lead, can't follow, and won't get out of the way. *That*, I assure you, would not be the story of the FCC in my administration.

**You have pushed legislation (Telecom Merger Review Act, S.1125) to repeal FCC authority to approve mass media mergers. Why should the Commission stop this practice?**

For two reasons: first, because they don't do it capably, and second, because they don't have to do it at all. The Department of Justice and Federal Trade Commission do a far more thorough job and they do it faster. And, as much as the current leadership of the FCC protests that their review differs substantively from either DOJ's or FTC's, the only real difference I see is

the almost total unpredictability of the “when,” the “how” and the “what” of the FCC’s merger review process. Perhaps this insistence on the distinctiveness of FCC merger review would be more credible if the FCC didn’t review the *same* documents already submitted to DOJ or FTC, or if the FCC were ever to actually issue a merger decision *before* DOJ or FTC.

I’m aware of pending legislation to impose time limits on FCC merger reviews, and of the Chairman’s intent to convene a task force to streamline the process. With all due respect to these initiatives, if the FCC is doing something unnecessary and doing it badly, the right solution isn’t to make the FCC do the unnecessary thing *more efficiently*—it’s to have them stop doing it *at all*.

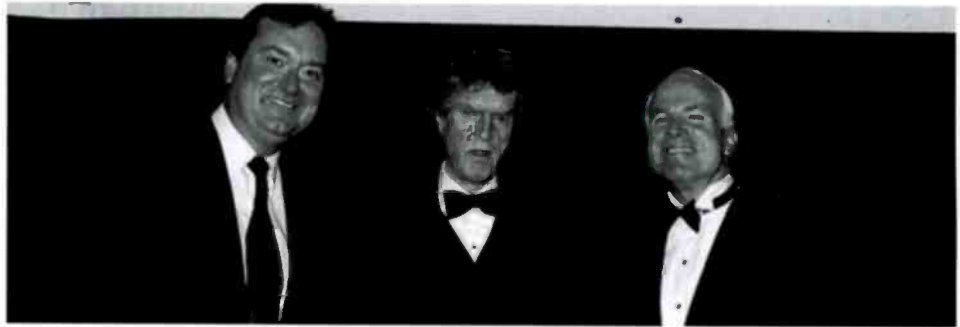
**If you were not in politics right now, what would you be doing instead?**

I can’t imagine not being involved in some other form of community and public service. I’m the son and grandson of Navy admirals, and my family tradition is one of service. It has been my honor to serve my nation, both as a Navy officer and now as a member of Congress. Not a day goes by that I’m not thankful for having the privilege to serve.

**Why is a run for presidency appropriate in your life right now?**

At a young age I discovered how liberating it is to sacrifice with others for a cause greater than self-interest. I want the next generation of Americans to know that sense of pride and purpose. The people I have met on this campaign have reinforced the fact that Americans are above all a decent people who yearn for their leaders to be committed to fair, common sense principles, to regain a sense of pride, a sense of confidence, a sense of national purpose. It shames me that so many, especially young Americans, struggle to overcome a cynicism born of the conviction that the average person’s concerns are, at best, an afterthought to the self-interests of elected officials and the special interests that dominate them. I want to change that. As America heads into a new millennium, I want to rekindle public confidence in our nation’s elected officials and in our government.

Unless we restore the people’s sovereignty over government, renew their pride in public service, reform our public institutions to meet the demands of a new day, and reinvigorate our sense of national purpose, we will deny our destiny, and we will abandon the cause our founding fathers called glorious.



L-R: Tim Russert, Don Imus and Sen. John McCain (R-AZ) at a recent Imus roast in Washington, DC

**We are giving you an open forum here. What are your personal thoughts on where you see things going, not just the broadcasting industry, but America in general?**

This is a wonderful time to be alive. The opportunity for human advancement has never been greater. Information Age technology provides us with an invaluable means of assuring that, as a nation, we can continue to grow and prosper.

But technology, however advanced, remains just one element of assuring a successful future for our country and our people. We must also be willing to make tough decisions on a series of critically-important issues. We must protect Social Security. We must reduce the tax burden on American’s working men and women. And we must fix a broken education system through local control and real school choice, ensuring our next generation has the education and economic freedom to go forth, explore and stake their claim in the world.

Our ideals have made much progress in the world. But if they are to continue doing so, we must maximize the potential of *all* our children, not just the sons and daughters of a privileged elite. We need capable, committed leaders from every part of American society to continue the American experiment and promote the American cause in a still-dangerous world.

If world history in this violent century teaches us anything, it teaches us that there is no safe alternative to American leadership. We cannot hide behind empty threats, false promises, meaningless rhetoric and photo op diplomacy. We must confidently defend our interests and values wherever they are threatened. The fact that we are inextricably involved in the destiny of other nations reflects the fact that we have persuaded much of the world to share our ideals. And that’s not a cause for concern. It’s a responsibility, and a

cause for hope.

If American history teaches us anything, it teaches us that we are a vibrant, tolerant people, reaching for change while holding fast to the principles that have served our country since its founding. With leadership that reflects the best qualities of the people who elected it, we will progress as a society and as a nation.

**We interviewed famed broadcaster Don Imus. Have your appearances on “Imus in the Morning” prepared you in some way to be President?**

I suppose the first thing that comes to mind when I think of Don Imus is how easy it is to entertain an audience that hasn’t had its first cup of coffee yet.

On a more serious note, my family traditions and my life of public service have best prepared me for the presidency. The experiences I’ve had in my personal and public life are what enable me to actually relish on-the-record, no-holds-barred interviews. Imus is tough, and he raises the issues and asks the questions I think many Americans would. So I enjoy the give-and-take, and I appreciate the chance to give straight answers to the kind of straightforward questions that Imus asks.

And that’s also why I’m a regular listener. Or maybe it’s just because I’ve ejected out of one too many Navy planes.

**What type of radio format do you frequent? What and who did you listen to growing up?**

Being a regular listener of “Imus in the Morning” shows that I’m not terribly choosy when it comes to what I’ll listen to on radio. And I do listen to lots of different formats, both AM and FM.

I hate to admit it, because it shows how old I’m getting, but growing up my favorite group was the Kingston Trio.



**Tracking Trends:  
Single Female**

28 years old.

Has a roommate.

Listens to alternative  
rock and dance music.

Enjoys streaming  
audio from the net.

Has 8 unpaid  
parking tickets.

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# DIRECT MARKETING: HAVE YOU CONSIDERED IT LATELY FOR YOUR RADIO STATION?

Unlimited budgets to run all the promotions a station needs just don't happen. Worse, consolidation and competition mean that promotion budgets, oftentimes, are being slashed in order for stations to keep costs down. Having to constantly self-promote and generate more revenue on a tighter budget present a unique challenge for many radio stations.

MBR spoke with four direct marketing companies and found that the medium is not merely a less expensive alternative to TV. When executed correctly, a direct marketing campaign can be extremely rewarding for those who use it.

## Focusing on what works best: Creative Media Direct

When Creative Media Direct started in 1988, it was known as Creative Media Management. But over the years, Nancy Izor, President, says her company noticed that well-planned and well-executed direct mail campaigns were consistently the best crowd pullers. So in 1998, the company dropped 'Management' for 'Direct' and focused exclusively on what worked best for radio stations-direct mail.

## Three favorites

Now, Izor says that CMD's favorite strategies for direct mail are group contesting, image mail and advertiser-driven concepts. Group contesting involves one contest run in several different cities. The advantages are obvious-prize budgets are maximized and stations save on artwork, production and printing. Izor adds, "It also allows for creative 'pooling' of ideas to take advantage of the potential for the sum of the parts to exceed the strength of the whole." Big ticket contesting involving insured million dollar payoffs is also hot. That, of course, is a result of the current popularity of big-money game shows on the TV networks.

If on-air contests do not match the image of a station, then Izor recommends image

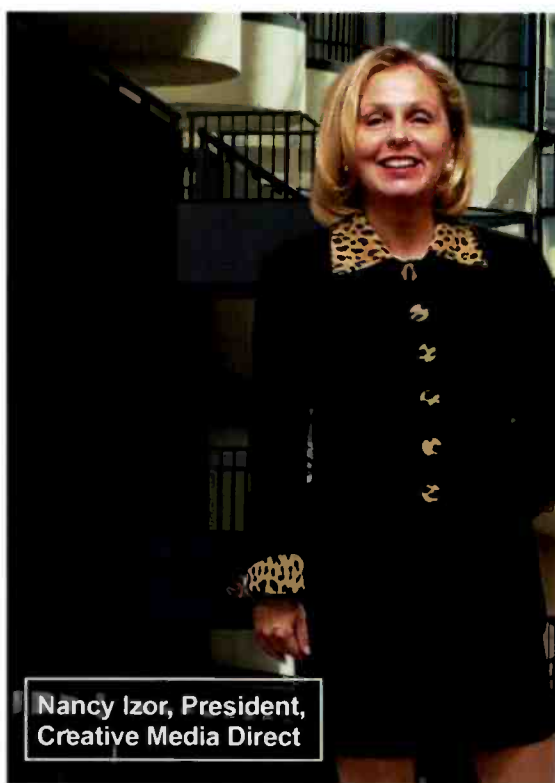
mail. The key is to convey the personality of the radio station by displaying the artists played on-air or any image that helps build awareness of the station.

The third favorite is advertiser-driven concepts. Recognizing that promotional budgets are shrinking, Izor thinks it is not a bad idea to partner up with an advertiser to develop a direct mail campaign. That way, the station is able to work with a larger budget and the campaign may be more successful because 'buddying up' builds "recall through association with a tangible product."

## Three programs, three outcomes

In a perfect world, radio stations and direct marketing companies would love to mail every household in their target market. However, budget is always a strong consideration. A word of caution from Izor: "There is a point where your budget is too low to use direct mail and you have to be careful because there are some companies out there who won't tell you that." For example, a company who wants to mail 20,000 pieces in a major market is wasting its dollars. CMD looks at the number of households in the market against past ratings results and makes an estimate of how many households they have to reach for a successful campaign. The company will offer three mailing options-optimum, acceptable and minimum. Izor advises those with budgets below the minimum level to "take the money to the bathroom, put it in the toilet and pull the lever."

Izor concedes that a lot of calls CMD gets lately are from stations that do not have big enough budgets for TV and are forced to, for the first time, consider direct mail as a pro-



Nancy Izor, President, Creative Media Direct

motional tool. But the encouraging thing for Izor is that clients are usually very pleased with the results of direct mail resulting in 75% repeat business.

## Eagle Marketing Services: company soars on mimicking Arbitron

It's all about the diarykeepers anyway, so why shouldn't companies target the people who are going to make a difference come ratings period? According to JD Adams, VP/Sales, Eagle Marketing Services, past analysis of New York has shown that "depending on how 'niched' or broad the format, anywhere from 25-35% of the market will deliver 50-60% of all diaries to the station/format."

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the updated Radio Advisory Team™. Adams says targeting Arbitron diarykeepers has really stretched their clients' marketing dollars.

### You are your zip code

Every household that returns a diary to Arbitron has a designated PRIZM group. PRIZM looks at specific zip codes and assigns one of 62 PRIZM groups to pockets of 20 to 25 households within zip codes that have certain lifestyle traits. Adams elaborates, "We can now target the PRIZM lifestyles of diary keepers within hot zip codes. Arbitron tells you what PRIZM lifestyles are returning the diaries. And with this new thing called PD Advantage, I can take another step and find out who my competitor's P1s within those zip codes are." He continues, "So I'm really narrowing who the target is. All I have to do is attack a small segment of every zip that is important to me. From 100% of the market, I can now reach, with this information, 70% of the diaries by contacting 30% of the people."

### Don't play games with people who don't want to play games

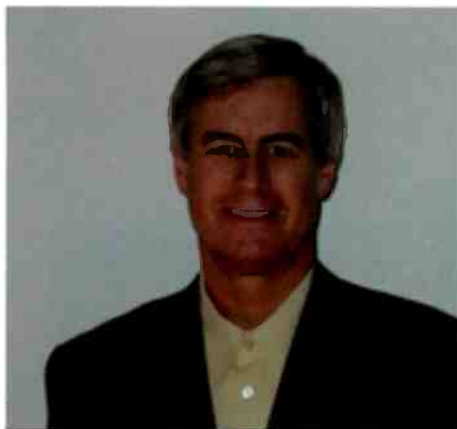
CMD's Izor made this point and Adams' company has made this point one of the central premises of their strategy-Arbitron diarykeepers are a whole different breed. The lengthy and cumbersome task of keeping a diary without the lure of contests and such must mean the diarykeepers' primary motivation is not greed.

The dilemma with contests and giveaways as illustrated by Adams, "I can get a Marilyn Manson fan to agree to listen to an oldies station if I offered him enough money." If you offer the incentive or lure at the onset, it is difficult to gauge if the increase in listening is due to the 'bribe' or if it's due to true interest in the format or station.

The trick then is to use a combination of a survey and contesting. The important thing, Adams says, "is that you want to try and do this (contest) as an afterthought."

### Survey first, play later

What happens before the introduction of the contest? Adams says you make the call work for you instead of forcing one format on one caller. With consolidation, the same group owner may have a few different formats in one market. "I'm going to ask 'what stations in this market plays your favorite music?' If it doesn't hit one of mine, I'm going to ask the second and third favorite, until I find who they like or until I find somebody who's a primary competitor to one of my stations." Adams recommends continued contact over the years with the group to build loyalty. The more informa-



**John Cowan, EVP,  
SmarTTarget Marketing**

tion they collect on a station's behalf, the more comprehensive of a database they have.

After the first phone call, the household receives a personalized letter with a survey enclosed and then contest information is also included. Other family members who fall within the targeted demos are also invited to fill out surveys. \$1 or \$2 bills are inserted in each survey envelope as another way to mimic Arbitron. Delaying the contesting portion and incentives lend the campaign credibility-respondents see it more as a legitimate information gathering task rather than another marketing gimmick.

### Direct Marketing Results: Direct marketing fits the way people use radio

Tripp Eldredge, EVP/COO, Direct Marketing Results, notes that an overwhelming majority of people (over 90% in many cases) will never listen to a market's number one station. If you're number one with an eight-share,

its unlikely you'll ever get more than a 10-share. Why advertise to the other 90%?

In reality, most new listeners come from a very short list of competitive stations. When you add the fact that P1s account for 75-90% of a station's market share, the marketing challenge is clear: preserve your P1s and convert as many of your P2s & P3s (P1s to your competitors) to P1s. The key, says Eldredge, is to identify those people and convert them to P1s. It is a perfect application for direct marketing for two reasons: "first, you eliminate massive waste with your marketing dollars when the campaign is focused on the right people, with a personalized message, and that's delivered frequently and in varied ways to reinforce the message and the behavior." Secondly, Eldredge says, "a comprehensive direct marketing program mirrors much of Arbitron's methodology of repeated and varied contact using the phone, the mail and other direct marketing tools."

### New targeting tools

Using today's new research tools and technologies, DMR has rapidly advanced the scope and response of its direct marketing campaigns. "You can't have a successful campaign without finding the right people." Eldredge calls the step of targeting the critical step from which everything else builds on. DMR uses a three-stage geo-behavioral targeting process that begins with the P1 sharing patterns from Arbitron's new PDAdvantage. According to Eldredge, "Arbitron has finally provided us the keys to the castle. Used correctly, PD-Advantage becomes the crucial filtering step in the targeting plan. MapMaker and PRIZM are used to further refine the target."



**JD Adams, VP/Sales, Eagle Marketing Services**



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### Think of the process, not just the tool

DMR campaigns include multiple contacts on each listener with the most appropriate combination of "telemarketing, interactive e-mail, self mailers and postcards and e-marketing support." "Changing behavior requires multiple exposures. For a direct marketing campaign to be successful, it needs "repeated contact (exposure) in varied ways (to break through)." The trick is to have a common and coherent element that supports the station that is present in all the tools employed.

### The Internet is more than a tool

The Internet is transforming the way we live and the way we conduct business, and the effect of the Internet is no different on DMR. "Nearly every DMR client will have a strong Internet component to their direct marketing plan in 2000," says Eldredge. Eldredge estimates that their database-driven e-mail system and on-line promotions have increased response rates as much as 10-fold. "As a result," he says, "our clients receive larger databases, more relevant information and a quick, inexpensive and intimate way to regularly communicate with those important listeners."

Eldredge says it is hard to speak about a typical campaign. What is typical, Eldredge concedes, is the process. He concludes, "You can't lose if you start with a direct marketing partner that understands how people use radio and what combination of tools gets the best results for your station's competitive environment."

### SmarTTarget Marketing: it's all about the right target

John Cowan, EVP, SmarTTarget Marketing, certainly understands the importance of targeting as being crucial to having a successful campaign. In fact, the company is so convinced that targeting is the priced step and a precious commodity, that today, 50% of its operations are devoted to generating targeted mailing lists. Last year, the company switched to its current name from Broadcast Direct Marketing to reflect its new focus.

### Serving a need for good lists

Unlike CMD's Izor, Cowan finds that some of the larger clusters have people with the skills and time to design and supervise their own direct marketing projects. But most of them do not have the skills to develop the list, which is typically 40% of the results in a well designed campaign. Using their SMARTZip' Penetration Analysis, the company looks at diary responses from six to 12 Arbitron surveys for both cume and listening (AQH). A station's database, when available, will be incorporated into the analysis



Tripp Eldredge, EVP/COO,  
Direct Marketing Results

and compared with diary returns and market penetration. Cowan is also a believer in lifestyle segmentation to identify households that will be both station-friendly and diary-friendly. SmarTTarget does not rely on PRIZM data from Arbitron exclusively as the book data relates to the market only. Furthermore, Cowan says individual station data available in MapMaker from Arbitron is incomplete and misleading. With the SMARTDiaries' Lifestyle Profile, the company can see how a radio station is different from the rest of the market.

### Managing information for stations

Stations who have started developing their own databases can turn them over to SmarTTarget's data center in Miami for maintenance and update. These databases are frequently analyzed using the SMARTTargets Audience Profile'. The difference between PRIZM and SMARTTargets is that PRIZM identifies neighborhoods whereas the latter identifies households. "The best they (PRIZM) can say is everybody in that neighborhood is probably about the same." But that is far from the truth. According to Cowan, this is how it works: "SMARTTargets approaches things differently. It says I know a lot of different things about every single household in the country. If you tell me enough households that listen to your radio station, then I'll tell you how those households are different." Cowan says this analysis eliminates the need to mail neighborhoods. His clients can mail specific households.

This kind of specificity is very important with market clusters; they want to grow one station in the group without hurting another. They may also want to grow two stations that appeal to the same demo, but perhaps quite different lifestyles. Cowan says this is where the discreet targeting available with SMARTTargeting' tools and SmartTargets lists works best.

# KIIS-FMi: UPDATING A NEW MEDIA FOR A NEW GENERATION

*"It's all about audio, video, radio. It's all about media, visual, life. It's all about control, play, shopping, dating, motion, sound, experience...It's all about you. Until now, streaming radio sites have been nothing more than a simulcast...KIIS-FMi will challenge that ethic."*

That's how a promotional videotape describes Clear Channel Communications' newest radio/Internet venture, [www.kiisfmi.com](http://www.kiisfmi.com). And rightfully so. In this edition of *Programming & Positioning* we're going to dissect those phrases and tell you what's going on now at the site and what you can expect to see and hear later this month when Clear Channel and partner FMiTV (a spin-off from parent company BuySellBid.com) launch the second phase of their Internet-only radio station, KIIS-FMi (i for interactive).

## It's about audio...radio

"Basically the concept was to take the best radio station in each format and to create a new medium," says Laurence Norjean, Pres./COO of BuySellBid.com and Chairman/CEO of FMiTV, explaining why the site got started. "I've been preaching that radio is in a great position to take advantage of the Internet and metamorphose it to a new media form."

"But we are not merely simulcasting KIIS' audio," adds KIIS-FMi General Manager Chris Peaslee, referring to Clear Channel's Top 40 Los Angeles station, KIIS-FM. "This is a fully functional radio station. The only difference is that it is broadcasting on the Internet exclusively."

KIIS-FMi spun-off from the LA powerhouse late last year on 10/13 but plays a majority of new music mixed with current hits. "We call it the Next Top 40 or Future 40. It's futuristic stuff that has not made it to mainstream radio yet," he says.

Listeners of terrestrial radio stations, for the most part, expect live programming, but KIIS-FMi has been relying on prerecorded, archived content to draw its audience. Peaslee expects that to change during phase two, saying he's optimistic that everything will air live within three or four months. He attributes the prerecorded content to the fact that the web site was launched "way too fast. That's because we wanted it to be first. When you see the next phase you'll see that we're extremely serious. The first phase was definitely rushed but we took our time with this phase."

Once phase two kicks-in, celebrity interviews will air live first and then will be archived for those who did not tune in on time. "That's the beauty of having an Internet station," says Norjean. "If you take the average radio station in a major city that has access to major stars, the station will say, 'At nine this morning we had Ricky Martin.' And if



Laurence Norjean



*On the Web, and only on the Web, KIISFMi is Clear Channel's first Internet-only radio station. It apparently won't be the last.*

you weren't listening, then you missed it. But we'll say, 'We had Ricky Martin and if you missed it, then click here and you can hear him.' This is audio on demand."

KIIS-FMi appears to have the musical audio portion under control, but the site is still lacking one important radio element: the on-air talent to fill the gap between songs. Without a human voice, the site may be considered nothing more than an Internet jukebox, but Peaslee reports that the IJs (Internet jocks) have all been put in place and are in the wings waiting. "Right now," he says, "we have what we call 'vignette IJs.' They are doing these three-minute vignette pieces. They're also doing different shows that are archived. Eventually the IJ is going to be on the air live but it's not going to be your traditional jock."

The goal, according to Peaslee, is to establish the IJs as celebrities. Not only are they going to announce, "Hey, so-and-so is coming up on KIIS-FMi," but they're going to perform and entertain. "We came up with the idea of making them more like the artists they're playing on air. Why can't they sing? Why can't they dance? It's a different level of what the DJ was and what the IJ is going to be," he says.

Kevin Dees, son of famed broadcaster Rick Dees, has already launched one of the first IJ shows, "The Kevin Dees Show." The 19-year-old also hosts a show about piercing and "really appeals to the Generation," says Peaslee. Rick Dees is slated to record cross-promotions for KIIS-FM but will not appear on the web site because "that's not his demographic." But Dees' sidekick, Ellen K, will host her own two-hour weekly show, "Future 40," in which she exposes future hits by new talent.

Since KIIS-FM and KIIS-FMi target different audiences Peaslee does

## Programming & Positioning

not feel that the site will cut into KIIS-FM's ratings. "We can see a possible side effect that the site will have but we have made the programming of the stations so different that it should be OK. The site might actually help KIIS-FM. If someone writes in an Arbitron diary that he listens to KIIS-FMi, that credit will probably go to KIIS-FM instead. We're hoping in the future that there will be a dividing point."

### It's about video...visual

The biggest difference between a terrestrial radio station and a Net radio station is the visual content. As Peaslee explains, it's taking radio and turning it into television on the Internet.

"We play a huge amount of new music that people have not heard anywhere else. And then we have this other entertainment side to the site that's visual," he says. "We've tied all that together with the use of technology; we're going to use this box called Trinity and it's actually like a TV studio in a box... You can hook up eight cameras to that box and you can switch back and forth between them. You'll be watching the IJs and you'll see the different talk shows. It's going to be like watching 'Entertainment Tonight' with a really good editor."

You'll also be able to see the celebrity interviews rather than just hear them, as well as special unplugged performances. "We're talking about radio becoming a multi-medium platform," Norjean points out.

Currently the site is averaging a million hits a month, but that number is expected to jump once KIIS-FM starts to cross-promote KIIS-FMi. "We were going to start the promotions earlier, when we first started the site. But we were so excited about the second phase that we did not want to introduce people to something that wasn't complete yet," he states.

According to Peaslee, the biggest draw to the web site is its vast amount of content, which he says will more than double during phase two. "Right now when you visit the site and hear a song, we put a graphic up on the screen that states the artist's or group's name, but when phase two starts, you'll get more information on that artist or group. We'll offer personal information, such as favorite color, and we'll give concert information."

During phase two, says Norjean, the site will also include bulletin boards for the audience to post their own art and digital photography.

More importantly, the advertisers will have more access to the audience when the new phase kicks in. "We'll attach a banner ad to a 30-second spot," Peaslee explains. "It's more interactivity for the audience and it solidifies what you hear with what you see. It's kind of like the old philosophy evident in that movie 'The Truman Show' where the advertising was blended into the content."

### It's about control

Hundreds of other web sites provide information about celebrities, but Peaslee praises KIIS-FMi as the site that maintains the greatest control over its content. "At other sites you get this hodgepodge of information," he says, adding, "It's still interesting but it's not convenient because it's all over the place. The pages have a different look because [other web sites] borrow information from different vendors. During phase two, you'll go to our site and you'll get the info you want without having to leave the site."

There's nothing worse than going to a site and reading the same things over and over, says Peaslee. So content is updated daily and the staff is forever seeking out new music to play on the site.

Speaking of the staff, though small (currently only 10 people run the site) and young (19-26), it's in touch with what the audience wants. And that's key, says FMiTV's Norjean. "Our goal is to literally own Gen Y. In order to do that, we have to listen to the audience and hear what they want. All too often people assume they know what their audi-



*Like father, like son. Internet Jock Kevin Dees (left) is right in KIISFMi's demo and apparently knows a lot more about piercing than his old man (right), KIIS-FM Los Angeles and syndicated personality Rick Dees.*

ence wants. We are for Gen Y about Gen Y by Gen Y. We actually do focus groups at least twice a month with our target people."

### It's about media

Clear Channel and FMiTV are expecting to originate a second Internet radio site. Tentatively to be called XTRAi, the station will be a spin-off of LA's KXTA-AM and will have a "twist," says Norjean. "It's going to be the ultimate male, college-aged station, 18-25 demo. It's going to have sports talk and rock-n-roll. The idea is to create the ultimate male-chauvinist-pig channel, unlike KIIS-FMi which is geared toward teens and Generation Y."

Other joint ventures are anticipated later this year with an Urban station in New York City and a Hispanic station in Miami.

But is there an audience for a new medium where television and radio have been the dominant forces for years? Yes, say Norjean. "I don't think the Internet, per se, will exist in about three to five years. What's going to happen is a convergence of radio, television and the Internet into what I call interactive, transactional cable—video and audio on demand. Radio will benefit dramatically from this because now it will be radio with pictures. A lot of retailers and advertisers have spent money building their own sites that, unless someone specifically wants to go there, they're not going to get any ambient traffic. But if you advertise on a radio web site, then you'll reach those impulse buyers who can click on your banner ad."

Unlike radio and television, the FCC cannot touch the Internet as it is not a federally regulated industry. But Clear Channel is self-regulating the site and subjecting it to the same standards that the rest of its 700-plus radio stations are subjected to. "We like to break the mold on a lot of different things but we feel there is no need to focus on the bad elements of life," says Peaslee. "Kids already have enough to deal with so we're keeping this strictly entertaining with a positive vibe."



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## Upped & Tapped

The Morin, the merrier in the Midwest: Westwood One has upped AE Greg Morin to the position of SVP/Midwest Sales. He entered radio sales with WW1 four years ago after 13 years in the magazine business.



Greg Morin

Infinity shuffles the deck: Four station execs are shifting responsibilities at Infinity. In New York, Scott Herman will give up the GM reins to WNEW-FM and concentrate solely on sister WINS-AM. Ken Stevens, GM of stations in Washington and Baltimore, moves to WNEW-FM. Replacing Stevens at WJFK-FM Washington is the station's GSM, Alan Leinwand. WXYV-FM GM Alan Hay will succeed Stevens in Baltimore, adding WJFK-AM and WLIF-FM to his current workload.



Alan Leinwand

Si, senior: That is what the accounting firm of Miller, Kaplan Arase & Co. has said to its new Manager/Radio Services, Carol D. Senior. She is coming from a lengthy stint as Executive Director of the Southern California Broadcasters Association.

Will Dollarhite heighten dollars? That is what ProStar Entertainment Group is hoping for, as it names Gary Dollarhite National Sales and Marketing Director for its The Movie Show on Radio. National sales for the program were formerly farmed out to a rep firm.

J-P Sharpens its Charlotte operation: Hot AC WLNK-FM has a new PD. Neal Sharpe has migrated south from WNCI-FM Columbus to take over the position from Mike Edwards.

Weezie come, Weezie go? Long-time Infinity Chicago station exec Louise "Weezie" Kramer has moved over to Entercom as Regional VP.

Arbitron has promoted Bob Michaels to the position of VP/programming services. He steps up from the Manager/radio programming services position.



Bob Michaels

Development at Cox: Cox Radio controller Neil Johnstone has been upped to VP/development for Cox Broadcasting, where he will be on the lookout for acquisition and investment opportunities.

McGuire to retire: For the first time in nine years, there will be an opening at audio manufacturer Electro-Voice Inc. for the job of President. Paul McGuire, who filled the slot for nine of his 27 years with the com-

pany, is stepping down to concentrate, among other things, on fishing.

Abbl in the family? Critical Mass Media EVP/marketing Michael Abbl is moving back to his company's parent Clear Channel as VP of Radio Warfare.



Michael Abbl

TM Century VP/Creative & Special Projects Bob Shannon will be exiting the company April 1, as well the Dallas area, to open up his own consultancy in Seattle. His first client: TM Century.

Making a buck with Buck: MediaAmerica VP/operations Jed Buck has been promoted to EVP. He will be overseeing numerous business facets of both MediaAmerica and its sister Jones Radio Networks.

Clear Channel has upped Portland OR Director of Sales Robert Dove to General Manager for KKCW-FM. He retains his DOS duties.



Robert Dove

Hood anchors Anchorage cluster: Director of Sales Mike Hood has been upped to VP/General Manager at New Northwest Broadcasting's recently-assembled four-FM superduopoly in Anchorage.

Twin promotions in the Twin Cities: AMFM has added to its senior management for its Minneapolis station cluster. Scott Fransen is now SVP/sales, while Dan Seeman becomes SVP/marketing & operations.

RAB's Mary Bennett will be updating her business card, moving from SVP to EVP of national marketing.

Radio Unica's KIDR-AM Phoenix has upped Gina Quintana to General Sales Manager. She has been an AE at the station, and prior to that was GSM at crosstown KVVA.

NBG Radio Network announced the opening of its LA sales office 1/13, to handle increased network business and sales for its integrated kiosk (RBR 9/27/99 p.3) and Internet operations. Former Z-Five-O Radio President Judd NeSmith heads the office.



Judd NeSmith

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**3-4**

West Virginia Broadcasters Convention. Charleston, WV (304) 744-2143

**5-8**

National Religious Broadcasters 57th Annual Convention and Exposition. Marriott Hotel, Anaheim, CA (703) 330-7000

**11-12**

Oklahoma Association of Broadcasters Annual Convention. Westin Hotel, Oklahoma City, OK (405) 848-0771

**12-15**

NAB State Leadership Conference. Washington, DC (202) 775-3527

**16-19**

RAB 2000. Denver, CO Contact: Gail Steffens (800) 917-4269

**21-22**

NAB Radio Group Executive Fly-In. Arlington, VA (202) 775-3527

**23-25**

North American Broadcasters Assoc. Annual General Meeting. Orlando, FL (416) 598-9877

**28-Mar 1**

Great Lakes Broadcasting Conference & Expo. Lansing, MI (800) 968-7622

## March

**1-3**

AAAA Media Conference & Trade Show. Disney Contemporary Resort, Orlando, FL. Contact: Karn Proctor (212) 850-0730

**1-4**

CRS 2000 - Country Radio Show. Nashville, TN (615) 327-4487

**1-5**

Canadian Music Week. Toronto, Canada (416) 695-9236

**3-5**

RAB Spring Board Meeting. Las Vegas, NV 972-753-6740

**27-28**

The Citizenship Education Fund "Minority Broadcast Advocacy: Turning the Tides for Minority Entrepreneurship" Conference. The International Trade Center, Washington, DC. (202) 544-6708

**27**

Broadcasters Foundation Golden Mike Award. The Plaza, New York, NY. Contact: Gordon Hastings (203) 862-8577

**30**

National Association of Black Owned Broadcasters (NABOB) 16th Annual Communications Awards Dinner. Marriott Wardman Park Hotel, Washington, DC (202) 463-8970

## April

**6-9**

Louisiana Broadcasters Convention. Baton Rouge, LA (225) 295-1110

**7-10**

Broadcast Education Association 45th Annual Convention. Las Vegas, NV (202) 429-5354

**8**

Broadcasters Foundation Golf Tournament at NAB 2000. Las Vegas, NV (203) 862-8577

**9**

NAB/Broadcast Education Assoc. Career Fair. Las Vegas, NV (202) 429-5498

**10-13**

NAB 2000 Las Vegas Convention Center, Las Vegas, NV (800) 342-2460

**12**

Broadcasters Foundation American Broadcast Pioneer Awards. Las Vegas, NV (202) 862-8577

**17**

American Women in Radio & Television Gracie Allen Awards. New York, NY (703) 506-3290

**18**

Illinois Broadcasters Association annual Silver Dome Conference and Awards. Springfield, IL. (217) 793-2636

**21-22**

Collegiate Broadcasting Group 22nd Annual Black College Radio Convention. Atlanta, GA. Contact: Lo Jelks (404) 523-6136

**28-29**

Hawaiian Association of Broadcasters Annual Convention. Oahu, HI. (808) 599-1455

**29-May 1**

California Broadcasters Convention. Palm Springs, CA (916) 444-2237

## May

**7-9**

Pennsylvania Broadcasters Convention. Hershey, PA (717) 534-2504

**19-21**

Vermont Broadcasters Convention. Stowe, VT (802) 476-8789

**19-23**

National Association of Black Owned Broadcasters Spring Management Conference. St. Martin, Antilles (202) 463-8970

**24-28**

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# LOW-POWER FM OVERPOWERS LOGIC AND PHYSICS AT THE FCC

by Eddie Fritts

Since the Federal Communications Commission (FCC) voted January 20 to create two new classes of low-power FM radio licenses, you may have heard that broadcasters should consider it a major victory. After all, the reasoning goes, the licenses will be limited to "only" 10- and 100-watt power, which means the signals will travel "no further than 3.5 miles" and that signal interference will be "minimal." And the licenses will be noncommercial, ensuring that they can only be put to the "best community-oriented uses."

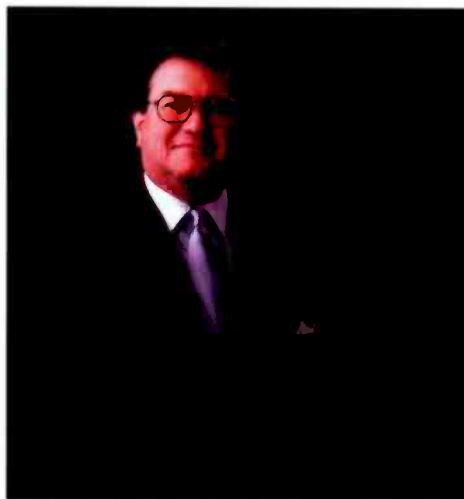
Broadcasters know better. The LPFM plan approved by the FCC, despite having been scaled back somewhat from its original form, is still a recipe for chaos on the airwaves. It threatens to create interference for a substantial number of radio listeners. And, despite its pretense to the contrary, LPFM is actually an assault on the public interest, rather than in service of it. For these reasons, we will continue the fight for spectrum integrity through every legal means available.

## Interference on the airwaves

The FCC's role as guardian of the airwaves is perhaps the agency's most important function, one it has abandoned in its botched attempt at social engineering. The spectrum is a finite resource and, for generations, the FCC has enforced channel spacing rules that seek to minimize interference between stations. Because even the FCC admits that the radio dial is already crowded in many markets, its LPFM plan depends on the elimination of the critical 3rd adjacent channel protection, to allow new licenses to be sandwiched into spaces where none are permitted today. This, it is said by the Commission, creates a potential for only "minimal interference."

However, "minimal interference" is like a bullet that is a "minimally" fatal—it is a killer nonetheless. Without a clear signal, a radio station has little to offer listeners. Who would buy an unreadably blurry newspaper?

Sadly, the FCC needed to look no further than its own files for guidance on spectrum scarcity, as well as the connection between radio channel protections and interference. It previously outlawed low-power licenses in 1978, calling them "an inefficient use of the



airwaves." Also, the FCC experimented before with relaxing adjacent channel protections, prior to 1964, with adverse results. In both cases, the FCC ultimately concluded that the public interest was best served by enhancing, not diminishing, spectrum integrity. But the present Commission seems to be uninterested in the lessons learned by its predecessors.

Broadcasters also are little comforted by the FCC's assurance that 100-watt LPFM signals will be limited to a range of no greater than 3.5 miles. First of all, imagine how many people—and radios—and transmitters—are located within a 3.5-mile radius from the center of any major city. The FCC plan foresees licensing as many as 1,000 100-watt stations, with many to be located in major markets such as Houston, Phoenix, and Philadelphia. The FCC's original LPFM feasibility study envisioned a substantial number of LP-100s for these and other cities with already-crowded FM dials.

Second, broadcasters wonder how the FCC can guarantee that all 1,000 potential new LPFM operators will adhere to the 3.5-mile range limitation. Once a station is up and running at 100 watts, it takes only a little engineering know-how to crank up transmitting power to well above 100 watts (and well beyond 3.5 miles). Which only raises the question of how the FCC's already overtaxed Enforcement Bureau would be able to police the signals of that many new licensees.

Third, while digital radio is in its infancy, it represents the future of the industry. As the FCC rushes toward creating hundreds of new

low-power licenses, it still has not answered the question of how LPFM might affect radio's transition to digital transmission. The Commission has put the low-power cart before the digital horse—and is starving the horse.

## Improving diversity in the radio industry

Even if the physics of LPFM weren't all wrong, its public interest rationale still would be. The notion that LPFM is needed because radio broadcasters somehow underserve their audiences and communities is preposterous.

Anyone who believes that programming diversity does not exist today is not listening to the radio. Los Angeles, for instance, has more than 60 commercial stations with 28 different owners offering more than 20 formats. This is hardly a monopoly of the airwaves.

Meanwhile, in the midst of the Internet explosion, the FCC's choice of FM radio to "empower new voices" is simply picking the wrong medium. The Internet, and specifically Internet radio service, is expanding phenomenally and has the potential to reach a far greater audience than a 100-watt radio station. In fact, the FCC's interest in closing the Digital Divide is a worthy goal with far more widespread potential benefits than the creation of LPFM.

Meanwhile, broadcasters are doing their part to increase radio ownership diversity and workforce opportunities. There are more effective ideas than LPFM, and broadcasters have been putting their money and clout behind those ideas: In recent months, broadcasters have announced three new programs aimed at increasing diversity in the ranks of broadcast industry employment, management, and even ownership. And on Capitol Hill, we have actively sought the enactment of bipartisan legislation to reinstate a federal tax incentive program to improve access of new entrants, including minorities, into broadcasting.

This is an exciting time to be in the radio business. Now is the time for broadcasters to make every effort to share the opportunity our industry represents.

But outreach efforts must not come at the expense of millions of Americans' ability to hear clear signals from their existing hometown radio stations. The best interests of present and future radio listeners are at the heart of why the FCC should not create hundreds of new low-power FM licenses.

The sound of opportunity knocking is not the sound of static.

Eddie Fritts is the President and CEO of the National Association of Broadcasters in Washington, DC.



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