Radio Business Report™

Voice Of The Radio Broadcasting Industry®

July 9, 2001 — Volume 18, Issue 28

AMERICAN URBAN RADIO NETWORKS

#1

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RADIO NEWS

RADIO OPERATIONS

RADIO ADBIZ

RBR INTERVIEW

MEDIA MARKETS & MONEY

Arbitron buys RADAR

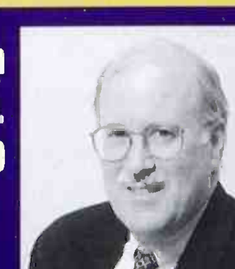
Arbitron (N:ARB) is extending its ratings service to radio networks with a $25M deal to buy RADAR from Statistical Research Inc. The buyout terms call for SRI to be paid over two years.

Reaction from the advertising world was mixed at best (see page 8), while network executives were a bit more upbeat (see page 9). Wall Street seemed to take no notice at all, although the acquisition will increase Arbitron's revenue base (see page 12).

In a news conference after the deal was announced 7/2, Arbitron CEO **Steve Morris** said his company had been looking at the radio network ratings business for three or four years. "The thing that caused us to want to do that was that customers were saying, 'We would really like to get Arbitron diaries into this system'—that would be the perfect solution so that all of radio would have one database, we would have this very large sample size and all of the numbers would agree."

Twenty-one SRI employees will join Arbitron, but

Reyn Leutz



Dille is the top pickle in the NAB jar. Page 10

Not all network buyers are positive about Arbitron/RADAR deal. Page 8

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continue to operate out of RADAR's current offices in Westfield, NJ. SRI principals **Gale Metzger** and **Gerald Glasser** will assist in the transition.

"Initially, we will maintain the RADAR service as it is today," said **David Lapovsky**, Exec. VP, Worldwide Research, in Arbitron's announcement. "At the same time, we will work with the networks, agencies and advertisers to enhance the RADAR service by taking advantage of Arbitron's enormous diary database."

Morris also insisted that Arbitron will move cautiously on changing RADAR. "We recognize that anytime you change anything in methodology, you don't want to just do that unilaterally. Our plan is to work—and Gale Metzger is going to be part of this process—we're going to be sitting down with our customers and talking through with them the pros and cons of the service as it is now and what would happen in the event of a switch to a diary database—and we'll certainly have a lot of input and conversations before we go ahead with anything," the CEO said.

Morris may know more than he's telling. An *RBR* source inside the network radio business says the change to diaries will take place next year, with RADAR making use of 36,000 diaries. The source says the RADAR software packages will stay the same—including RADAR Plus and SOS/Optimiser. The clearance components networks have to provide to RADAR will also stay the same. *RBR's* source says Arbitron will make some adjustments to RADAR's qualitative reporting that include more occupation information—adding, "That part is still in development."

RADAR , which stands for "Radio's All Dimension Audience Research," is a national radio ratings service that measures audiences to radio commercials aired on 29 radio networks operated by Disney's (N:DIS) ABC, American Urban Radio Networks, Clear Channel's (N:CCU) Premiere and Westwood One (N:WON). The service produces its estimates using a 12-month, 12K-person telephone survey in combination with the industry-standard commercial clearance system.

Both the Arbitron Local Market Radio Ratings Service and the RADAR Radio Network Ratings service are accredited by the Media Rating Council (MRC). Arbitron said it intends to maintain the MRC accreditation for the RADAR service throughout the transition from a telephone-based survey to a diary-based survey. In the short term, SRI will conduct telephone interviewing for the RADAR service under contract to Arbitron.—JM, CM

FCC fee for all

The new fee chart for FY 2001 is out, and the FCC will be reaching a bit deeper into broadcaster pockets to fund itself. As directed by Congress, it expects to raise $200.146M from regulatory fees. Chairman **Michael Powell** is planning another hike for FY 2002, when he expects to raise $218.757M

But back to FY 2001. Stations in all categories in markets with a population of 125,000 or less have been bumped up $50 over FY 2000 rates; they've been bumped up $100 in the 125,001-400,000 range; the increase is either $100 or $125 in the 400,001-1,000,000 range; and in million-plus markets the rates have gone up $175. The final fees for radio were unchanged from the Commission's proposed rates, although there were a few changes for other industries regulated by the FCC.

The FCC is expecting to rake in $14.225M from radio (counting going concerns and CPs). This amounts to just over 7% of its target. If interstate telephone service providers seem to be walking with a stooped back, that may be because they are being hit to the tune of $93M+, which is approaching 50% of the FCC's regulatory fee target.

The payment period runs from 9/10 through 9/21, but early payments are allowed. Below is a chart listing this year's damages.—DS

Radio station FY 2001 regulatory fees

Population	AM Class A	AM Class B	AM Class C	AM Class D	FM Cls A-B1-C3	FM Cls B-C-C1-C2
20,000 or less	$450	$350	$250	$300	$350	$450
20,001-50,000	$850	$675	$350	$475	$675	$850
50,001-125,000	$1,375	$900	$475	$700	$900	$1,375
125,001-400,000	$2,050	$1,450	$725	$875	$1,450	$2,050
400,001-1,000,000	$2,850	$2,300	$1,300	$1,550	$2,300	$2,850
1,000,000 or more	$4,550	$3,750	$1,900	$2,400	$3,750	$4,550

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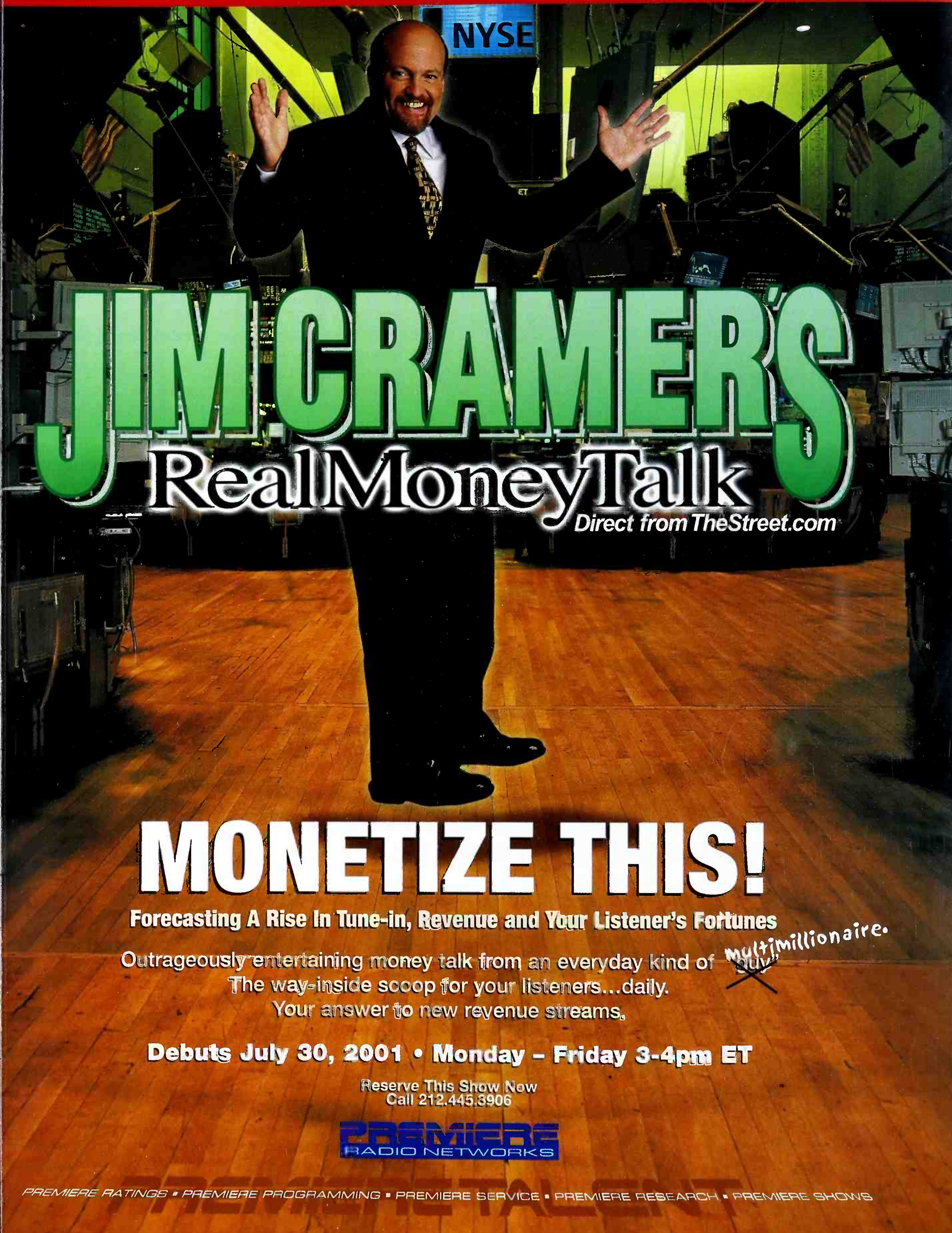

May: The tippity top of the tough-comp iceberg

Local business was down 5% for the month of May. That, ladies and gentlemen, is shabby. But it's nowhere near as shabby as the 22% pothole that national business disappeared into. The national anchor dragged total business down to the 9% loss level. Combined business in May 2000 was up 25%, which means that radio only gave back about a third of its gains for the month. We can only look forward to next May, when year-to-year comparisons promise to be much more fun.—DS

CCU begins to wean off of Metro/Shadow

Clear Channel's (N:CCU) New York and Chicago market clusters severed ties (7/2) with Westwood One's Metro/Shadow Traffic unit for The Premiere Traffic Network and Traffic.com services.

According to a source within Clear Channel: "It's part of the company-wide initiative to monetize the traffic product. And we're taking in-house the Traffic and other content that Metro was providing—in some cases they do sports in others they do news or weather for us also. So anything they do, we're taking in-house. New York and Chicago rolled in-house on the second. The primary target is Top-30 markets."

No other Clear Channel markets are expected to transition until January 1st 2002. On that day, a large contingency will follow suit according to our sources: at least four Florida markets (Tampa has already transitioned), at least four Texas markets and several other markets scattered throughout the country. The strategy is to follow expiring contracts with Metro/Shadow as they as fall.

***RBR* observation**: The model is different with Premiere Traffic Network. Notice the soft launch—no logo, no press releases, no announcements. This company is truly interested, for

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RBR News Analysis

Mancow walks, Tristani squawks; Bob & Madison escape from the Copps

Citizen complaints about indecent broadcasts involving **Mancow Muller** (WKQX-FM Chicago, 2/23/00) and **Bob** and **Madison** (WDCG-FM Raleigh, 2/5/01) have been dismissed by the FCC Enforcement Bureau. In both cases, the lack of a recording or transcript left the agency without enough evidence to take any action.

The Muller incident allegedly concerned adult-child intercourse; Bob and Madison's alleged topic was masturbation.

Both Democratic Commissioners, **Gloria Tristani** and **Michael Copps**, attacked the dismissals. Tristani reiterated her position that the FCC places an unfair burden on citizen complainants who are left with no recourse unless they happened to have been taping a program when an alleged indecency incident takes place. She feels the the Enforcement Bureau should not stop there, but do some investigating of its own.

Copps went even further. He expressed his belief that broadcasters "...already retain recordings of their broadcasts, for a variety of reasons...I am interested in looking at how the Commission could encourage universal retention of recordings of broadcast programming to aid in its indecency enforcement."—DS

KBOO K-BOOM! FCC hits noncom for $7K indecency fine

This time the complainant had a tape of the broadcast, and the FCC is sticking noncommercial KBOO-FM Portland OR with a $7K fine for airing a Rap song "Your Revolution" by **Sarah Jones**.

The material in question is a fine example of the slippery slope that exists on the edges of program content regulation for both the programmer and the regulator. KBOO argues that the song, which aired sometime between 7P-9P 10/20/99, is a feminist attack on other songs which use sexual language to demean women. It quotes some of those lyrics in making its point.

Still, the FCC said, "..considering the entire song, the sexual references appear to be designed to pander and shock, and are patently offensive." The FCC further rejected KBOO's argument that the song has artistic merit, and is therefore not indecent, saying, "The contemporary social commentary...is a relevant contextual consideration, but is not in itself dispositive."

***RBR* observation**: We've read the lyrics. Only Ms. Jones knows if she was trying to shock her listeners. However, the intent of the song clearly is not to pander, nor is that the apparent intent of KBOO, which was trying to address an important social issue. This editor feels that the FCC cannot justify a fine based on pandering. We do not believe that the station was out to titillate its audience.

We question the FCC's comment that social commentary is a relevant consideration, but that is does not apply. If the agency is not willing to delve into the true intent of the song, why even mention that it could do so if it so decided?

On the other hand, the station could have waited a couple of hours and aired "Your Revolution" ten times in a row with no danger of government action.

Perhaps we need to build a new mechanism into the indecency enforcement system. "Your Revolution" could be labeled as a gray area case. A panel or jury made up of broadcasters, citizens and regulators could be formed, where arguments for both sides could be presented with the goal being a label of indecent or not. The results disseminated to further illuminate where the indecency line is for all broadcasters. This should be done without the threat of punitive action against the station. The goal should be guidance, not punishment.

Finally, it is ironic that of the three examples of alleged indecency cited in these two stories, the case which to our mind was least objectionable and most defensible drew a fine while the others got off scott free. Further, the station least able to pay a fine was the only one to receive one. It holds in stark profile the unfairness inherent in this system, and hints at how difficult it is to have indecency rules and free speech at the same time.—DS

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the time being, only in transitioning its own stations. Going forward, it is believed that the PTN model will not involve writing upwards of $1M in annual compensation checks to other groups' market clusters as is the current Metro/Shadow play. Eventually, we hear PTN will offer a revenue sharing model to non-CCU group affiliates for the beginning stages of head-to-head competition with mighty Metro/Shadow.—CM

KKMG fights indecency rap

Citadel Communications is not taking the $7K fine levied against its KKMG-FM Ft. Collins lying down. Represented by **Kathleen A. Kirby** of law firm Wiley, Rein & Fielding LLP, the group holds that it did not violate indecency standards when it broadcast a radio-edit of Rapper Eminem's "The Real Slim Shady" in 6/00. (See related stories, *RBR* News Analysis, p. 4.)

Among many arguments presented in the group's filing is the fact that the exact same version of the song in question has been broadcast 125,089 times (as of 6/25/01, according to Mediabase 24/7). As if that isn't enough, Eminem took home a Grammy for it. With all of this exposure, it drew one, and only one complaint filed with the Commission.

***RBR* observation**: The FCC can cut Congress out of the fiscal loop. A $7K fine for each airing of the tune would come to $875.6M, good for roughly four years of funding for the Commission at current levels. Clear Channel (N:CCU)—at $241.2M—would fund over a year by itself!—DS

FCC gets Martinized

Kevin Martin has finally taken his seat as Commissioner at the FCC. The Republican was sworn in 7/3. His presence tilts the balance in favor of fellow Republicans **Michael Powell** (Chairman) and **Kathleen Abernathy**. The two Demo-

crats are **Gloria Tristani** and **Michael Copps**. Further change looms in the relatively near future, as Tristani has announced her intention to resign to pursue a Senate seat in her native New Mexico.

Martin followed a stint at communications law firm Wiley, Rein & Fielding with stops on the staff of recently-departed Commission **Harold Furchtgott-Roth** and various positions with the campaign and administration of **George W. Bush**.—DS

Rice on the auction menu

Five active stations and two FM CPs are going on the block. **Michael Rice**'s Contemporary Group has long been in flux since he was convicted of charges involving sex with minors. He was subsequently imprisoned and found by the FCC to be wanting in the character department, and hence unfit to remain a licensee.

Contemporary is ordered to cease operations 7/13. However, they have been given special permission to continue operation for up to 90 days after that. The licenses will be offered first to interim operators (applications due by 7/24), then to permanent licensees once the auction process is completed through the Fall.

The active stations are WBOW-AM, WBUZ-AM and WZZQ-FM in the Terre Haute IN market; KFMZ-FM in the Columbia, MO; and KBMX-FM Eldon MO, which is some 40 miles southeast of Columbia. KROW-FM CP Huntsville MO is 35 miles or so northeast of Columbia, and the other CP, KFXE-FM Cuba MO is roughly halfway between St. Louis and Springfield MO, which puts it, in Arbitron terms, in the middle of nowhere.

***RBR* observation**: The *RBR Source Guide and Directory* shows Terre Haute as one of the very few markets with ten or more stations which is without a superduopoly cluster. Contemporary's stations were third in the Fall Arbitron with a combined 9.2 share 12+. It would fit in with any owner except perhaps Emmis, whose old-fashioned AM-FM combo knocked down a 34.5 share 12+ and for whom a bid would possibly raise red flags at the FCC. Judging strictly by number of stations, Emmis has plenty of room for them.

In Columbia, Premier and Zimmer clusters appear to be maxed out. KFMZ-FM would be a nice shot in the arm for one of three other local owners. However, any consolidators will have a slight disadvantage competing with the currently unlicensed, to whom the FCC offers bidding credit.—DS

Public broadcasters win auction suit

A panel of Federal judges ruled 7/3 that public broadcasters are not required to bid for new channels, even when commercial operators are competing for the same frequencies. The decision may complicate the Commission's plans to conduct bidding for four pending television stations and two batches or radio licenses. 350 radio permits are scheduled for auction 12/5; another 250 haven't been yet scheduled. The TV outlets include Pittsfield, MA, Columbia, SC, Magee, MS and Scottsbluff, NB. No date has been set.—CM

Vista Media sues Westwood for $2.7

National ad placement firm Vista Media has filed suit against Westwood One (specifically Metro/Shadow) for $2.7M (7/2). The suit alleges non-payment of over $200K in credits (from the mid-1990s) owed to Vista and a resulting $2.5M in resulting damages that includes Metro/Shadow's "poor treatment" of Vista clients trying to use the claimed $200K credit.

Vista says those damages specifically resulted from Metro Networks' "failure to air 50-75% of previously accepted schedules without timely notices," citing delays in delivery of performance affidavits to scheduled buyers from 3-12 months after airing. Vista President **Mitchell Schultz** says the company's reputation and goodwill in the biz have greatly suffered.—CM

Detroit latest in Rhythmic Oldies farewell

The long-rumored format switch on Greater Media's WGRV-FM ("The Groove") from Rhythmic Oldies occurred 6/30. The new station, "Magic 105.1," takes a Mainstream AC format, a new moniker, "Today's Hits, Yesterday's Favorites," and is soon to get new calls: WMGC. The switch makes room for the former WNIC-FM Detroit #1 morning show of **Jim Harper** and **Cyndy Canty**. Jones radio Networks' **Delilah** gets nights. **Gary Berkowitz** consults the station.—CM

A binocular look at the top 50 owners

Okay, group owners. Here is your once-in-a-lifetime chance to find out how much money your group made in the year 2000—twice! This charts show revenue estimates for the top 50 radio owners, used by kind permission of Broadcast Investment Analysts and Duncan's American Radio (*RBR* has taken the liberty of rounding out some of the revenue numbers to fit the chart format). Although there is much that is different, there is significant agreement between the two sets of numbers. (Note: BIA numbers are listed first only because they were received by *RBR* first.)

What the two lists show beyond contradiction is that the recent Hollings-Dorgan diatribe ascribing 90% of all radio revenues to four large groups is only so much hogwash. BIA credits the top four with 38.4%; Duncan with 42.2%. The top 50 claim 62.5% per BIA, 65.8% per Duncan. Duncan estimates it would take perhaps 500 owners to reach 90%.

Methodology is one factor in explaining some of the differences between the two. For example, Duncan counts LMAs and JSAs toward each owner's totals, whereas BIA limits it strictly to licensed O&Os. Both companies told *RBR* that they count pending acquisitions as owned for the purposes of the chart.

The biggest differences: Pamal, ranked #30 by BIA, did not make the Duncan list. Conversely, Nassau, Duncan's #29, is absent from BIA.

Revenue estimates are in millions. Other estimates for total industry 2000 revenue include the RAB's $19.819B and **Bob Coen** of Universal-McCann's estimate of $19.585B.—DS

Radio Operations

Owner	Symbol	BIA Rank	BIA rev	Duncan Rank	Duncan rev
Clear Channel	N:CCU	1	3,528.1	1	3,794.0
Infinity (Viacom)	N:VIA	2	2,354.7	2	2,495.0
Cox	N:CXR	3	453.7	3	482.0
ABC (Disney)	N:DIS	4	436.4	4	457.0
Entercom	N:ETM	5	423.5	5	392.0
Citadel	—	6	349.7	6	368.0
Radio One	O:ROIA	7	299.8	8	282.0
Emmis	O:EMMS	8	289.6	7	285.0
HBC	N:HSP	9	254.3	9	258.0
Susquehanna	—	10	235.3	10	250.0
Cumulus	O:CMLS	11	228.6	11	235.0
Bonneville	—	12	203.3	12	193.0
Greater Media	—	13	152.5	13	145.0
SBS	O:SBSA	14	149.0	16	115.0
Jeff-Pilot	N:JP	15	142.1	14	142.0
Beasley	O:BBGI	16	130.2	15	126.0
Saga	A:SGA	17	99.8	17	81.0
Journal	—	18	77.5	18	74.0
Entravision	O:EVC	19	68.7	20	65.9
Salem	O:SALM	20	65.7	23	61.0
Sandusky	—	21	64.2	22	64.6
Inner City	—	22	63.8	21	65.4
Tribune	N:TRB	23	62.1	19	66.0
Regent	O:RGCI	24	57.9	27	41.1
NextMedia	—	25	54.8	24	49.0
Fisher	O:FSCI	26	53.8	26	46.0
Buckley	—	27	46.5	30	38.0
Barnstable	—	28	45.8	25	47.5
Lotus	—	29	38.9	28	41.0
Pamal	—	30	36.6	—	—
Renda	—	31	35.1	32	32.9
Aurora	—	32	34.4	—	—
Liberman	—	33	32.7	36	27.8
Big City	A:YFM	34	30.7	31	33.0
South Central	—	35	29.4	33	30.1
Millennium	—	36	28.6	—	—
Service	—	37	28.1	35	27.9
Simmons	—	38	27.8	39	26.0
Triad	—	39	27.5	—	—
Arso	—	40	27.3	—	—
Midwest Comm.	—	41	27.3	47	16.4
WEAZ-FM	—	42	26.1	40	26.0
Hearst-Argyle	N:HTV	43	26.0	42	20.8
Mid-West Fam.	—	44	25.5	46	16.9
Midwest TV	—	45	24.4	41	25.1
LBJS	—	46	24.1	38	27.1
Ackerley	N:AK	47	23.5	34	30.8
Curtis	—	48	23.4	43	20.7
Mega	—	49	23.0	—	—
Brill	—	50	22.9	—	—
Nassau	—	—	—	29	39.0
Chase	—	—	—	37	27.4
Hubbard	—	—	—	44	20.4
NY Times	N:NYT	—	—	45	17.2
Bahakel	—	—	—	48	16.4
James Crystal	—	—	—	49	16.3
Rubber City	—	—	—	50	14.9
Top 50 revenue			11,014.7		11,272.6
All radio revenue			17,627.0		17,124.5
Revenue share, top 50			62.5%		65.8%

Sources: Broadcast Investment Analysts, Duncan's American Radio

Radio AdBiz©

By Carl Marcucci

Agency buyers speak out on Arbitron's RADAR acquisition

First there were two, now there is one. Arbitron's purchase of SRI's RADAR Network Radio ratings service (see cover) certainly raised a few eyebrows in the buying field—Arbitron now holds a virtual monopoly of the biz. But what seemed to be the kicker, as you will read, is Arbitron's stated intention to transition RADAR's survey methodology from telephone to diaries. Here, they vent.

Reyn Leutz, SVP, Director of Radio Negotiations, Mindshare USA

It's a sad thing. I always thought maybe they were going to incorporate the knowledge and improve what Gale's done. But [moving it to the dairy] that's awful. If that's the case, no longer will we ever know what the ratings are specifically for a program. The clearances now for people will be 6A-Midnight.

As one of the research directors of my company has often said, the diary is an excellent research tool for the 18th century. Whenever there is innovation, there will always be self-appointed guardians of the past. I think that Arbitron is one of those guardians.

There isn't a research director in America that doesn't think that the phone gives better research than a diary. We would be really disappointed if that's the case. Arbitron numbers have always been overstated, relative to RADAR, because they don't have clearance information. RADAR specifically told us what the rating of a show was at six o'clock, seven o'clock, eight o'clock, nine o'clock. Now, more syndicators will give us ratings that are from 6A-Midnight. They will give us a rating of a 1. If it airs at Midnight, who will ever know? No one.

We will probably be using our own numbers from now on. If we're going to move backwards in the way we calculate ratings, then maybe what we really ought to do is move clients away from the medium. If we are going to take steps backward in terms of research...hey, we live in a world where television ratings are distributed every day. If we are not even going to use the phone now, maybe it's really time to sit down with our clients and say, "You know what, let's move away from this."

Natalie Swed Stone, Managing Partner/Director of National Radio Services, OMD USA

My initial thoughts are that I'm pleased. Lately neither service has really done everything for us that we needed it to do. So now we will have one service that hopefully will give us all the information on network radio that we need. So that's a positive. How and what we lose in the process remains to be seen. Will we lose anything, or is it all gain? It never is all gain, so let's point about going from telephone to diary—it is disappointing. But I feel that things do have to change. Perhaps we're getting more out of this than we're losing.

I basically concur with everything that Roby said, and with Joel as well [see page 9]. We have to take a wait-and-see. RADAR couldn't move any further without having access to local data and we needed that desperately. On the other hand, Arbitron could only provide so much without the resources and the accountability measures that RADAR was so good at. So, I see that as a positive also.

Matt Feinberg, VP/Manager of Radio, National Broadcast, Zenith Media Services

Well, first of all, it's beyond my control. So what can I do? It will take about a year for transition. For years we were told that the telephone methodology was superior to the diary. That seemed to be the general consensus, and I have no reason to disagree. I've got to believe that telephone response rate is pretty low nowadays. I don't know how that impacts into the which-is-better scenario. If Arbitron increases their sample size quite a bit, it would be a good thing. I don't think diaries are great, but if they can at least expand their sample base or something...If and when People Meters ever come to fruition, that will be helpful, but it will be a whole new scenario.

I think SRI sold RADAR for money, obviously. Arbitron bought it to eliminate the competition. At first, I thought they would be debuting some kind of best of both worlds scenario where they're cross-referencing diaries and telephone response. Now that it has been clear that they are going to lose the telephone, that's not great. If they increase their sample size, double it or something, that could be at least a step in the right direction.

But this doesn't bode well in my mind. Arbitron ratings have always been, well, people felt they were inflated. So does that mean we are going to see these artificial increases from all the networks? And what about Arbitron's Nationwide? That's been a pretty useless tool for most of the years. People get it, we look at it, but because it's based on potential, once you really get into this business, you realize it's kind of silly. I was wondering—a company like say MediaAmerica who appears in the Nationwide book, but isn't in RADAR. Are they now going to become, by default, part of the RADAR scenario? That will actually be good for the business—for planners and clients—to look at one source.

The downside is for people like myself and Reyn and Natalie who have been around and know the nuts and bolts of this and know where the skeletons are buried and how to look at numbers. We're probably going to have to—I guess—apply a factor, come up with some sort of methodology. Hopefully we can do it as one entity—I think we should all meet and talk about as an industry how we want to handle these numbers, what kind of factor we want to put against them. If we all do it separately, it's going to be all messed up. Salespeople will just scream and yell.

Marianne Busse Cohn, Supervisor of National Radio, Initiative Media

I just think that anytime that you take a competitor out...it's a monopoly situation that Arbitron has. I mean who else is there—Bruskin? I hate to see it. I have known Gale Metzger and Miriam Murphy from RADAR pretty well since my days at Mutual Broadcasting in the 80s. And I hate to see it go to this. Just because everything they've always told us and sold us about the great things that RADAR does—the audience to commercials and how they monitor clearances—is now gone. The networks' numbers I would think are going to go up. I think the best-case scenario is if they somehow combine their two services and get the best of both.

But the diary method is always up for question, it's always sort of iffy to me. I've been out to RADAR and the way they train the people, it seems so clear rather than sending somebody a diary in the mail and hoping they send it back. People want to be smart. They don't want to admit stupidity so they will just fill it out to whatever.

I'm a little bit upset by this, a little unnerved that this is the way it's going to go. With all the technology...it seems like we are taking a step backwards. It's almost scary to think that maybe the most solid numbers are going to be from the streaming people!

Net reaction to Arbitron/RADAR deal is cautious

In the wake of the just-announced Arbitron-RADAR purchase deal, radio network executives had these observations.

Roby Wiener, EVP/Marketing, Premiere Radio Networks: "One of the things that [Premiere President/COO] **Kraig [Kitchin]** and I had already discussed this morning [7/2] was the fact that one of the positives that we see about this is that this is the first acquisition Arbitron has made as a standalone company, an acquisition in the network radio services arena. So we think that's a real important sign about how important network radio is in the marketplace, and its future. That's very positive for us."

"Right now, we believe topline, with not having much detailed information, that being able to create a synergy between networks and syndication and local radio, would be good in the marketplace. We haven't gotten any feedback from our clients yet, but we feel that's a good thing. We'd like to hold on to a lot of the benefits that RADAR brought us, which of course is the qualitative information as well as the service it provides to clients by making sure that they monitor clearances."

"RADAR was a network-driven piece of research that was started by the networks many years ago. But, we think again with the size of Arbitron and the services behind them, that we look forward to watching this evolve and being involved in that process, as one of their larger clients."

"There needs to be more information about what their plans are for the future and how it's going to affect the product before any of can make any decisions."

Radio AdBiz

By Carl Marcucci

Joel Hollander, CEO, Westwood One: "Basically, they claim that their infrastructure at Arbitron will improve the services with SRI and I say let's wait and see. I want to wait and see what they are going to do before I give any other comments, like anything else. We've got to let some time lapse and then we will be able to say what it is going to look like."

Jay Williams, CEO, American Urban Radio Networks: "On moving over to dairies, I think that's going to happen gradually over a long period of time. I don't think that's going to turn around here tomorrow. They certainly confirmed to me that they are going to keep that viable and important process of clearances going. It remains key for most of our clients and is something we would continue to still want in there."

"I think this deal has the potential for furthering the development of radio as a medium, for allowing a uniform approach to the languaging on radio, consistency across all platforms. So it has the potential to be a one voice for radio. I would hope that in their growth they would have some innovative new techniques added to enhance their capacity."

"Gale Metzger's continued involvement on a long-term basis has been assured. He's assured me that certainly the transition period and probably for some time beyond he will be available to consult them. I think **Miriam Murphy**, one of their key liaison people, her role is something that's going to strengthen radio."

"The only negative, and some of my guys have already written me about it, is the pricing. That's a serious question. So we're hopeful that until the product changes dramatically or any enhancements are brought to bear, that pricing would stay in the present range."

Ron Hartenbaum, President, Jones Radio Network [Editor's note: JRN is currently measured by Arbitron's Nationwide service, not RADAR]: "Number One, we are believers and have utilized Arbitron. And billions of dollars have exchanged hands in terms of buyers and sellers based on Arbitron information. RADAR is not the end all, be all for network radio. It was designed to measure a certain type of network audience. And Arbitron measures an enormous amount of other network audience. Sports dollars in network radio are not exchanged because of RADAR. Long-form programming dollars are not exchanged because of RADAR."

"Our feeling is that this is a consolidating universe, period. Agencies consolidate, clients consolidate, station groups consolidate. It shouldn't be a surprise—people shouldn't be shocked—that research companies are going to consolidate. One of the reasons those research companies may have consolidated is because of all of the other consolidation that happened at ad agencies and broadcast groups. So if you look at it from the research companies vantage point, their base of different customers has been reduced because of consolidation."

"These were both great companies, I'm happy for the guys at Arbitron, they're growing their business, I'm happy for the guys at RADAR, because God willing, the shareholders made some money there. At the end of the day, we will all move forward; at the end of the day, radio is as vibrant as it has been and will continue to be."

Will Jones be transitioned over to the new RADAR, *RBR* asked? "I think all of this is going to unfold over the next couple of weeks," said Hartenbaum. "When our research director says this is what we're thinking, we will be able to go from there."

Media Markets & Money™

by Jack Messmer

Clear Channel nails big deals overseas

• Clear Channel's (N:CCU) international division has landed the biggest outdoor advertising contract ever in Europe—a 1B Euro ($846.1M) 1-year contract for CCU's Adshel subsidiary to install billboards in parking lots at stores of the Carrefour retail chain. It apparently beat out rival bids from units of Viacom (N:VIA) and JC Decaux (Paris exchange:JCDX).

• CCU is making its first entry into the South African advertising market with a 468M Rand ($58.3M) deal to buy the Corpcom Ltd. outdoor advertising company. CCU's partner in the venture will be Independent News & Media PLC, a newspaper group which is based in Ireland (and is CCU's partner is some other ventures).

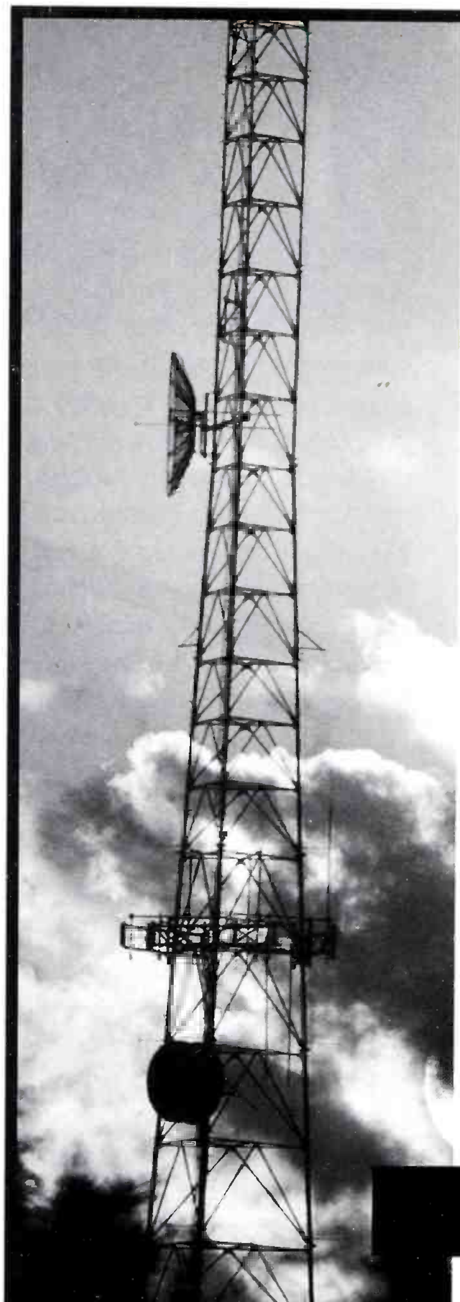
RADAR will add $9M to Arbitron revenues

Arbitron (N:ARB) CEO **Steve Morris** says RADAR, which Arbitron is buying for $25M over two years, will add about $9M in annual billings to Arbitron. The impact on Arbitron's bottom line will be neutral for this year, but accretive in 2002, he told reporters in a telephone news conference (7/2). Morris said Arbitron had been looking for several years at how to get into measuring network radio, but couldn't make the numbers work to launch its own competitor to RADAR—so now it's buying the service from Statistical Research Inc. It's the first major acquisition since Arbitron was spun free from Ceridian (N:CEN) and began trading as a separate company on 4/2.

Wall Street greeted the news with a yawn. Arbitron's stock closed 7/2 (the day the deal was announced) at $23.85, off 25 cents for the day.

With the acquisition of RADAR, Arbitron is getting Premiere Radio Networks as a new customer, while it continues difficult negotiations with Premiere's parent, Clear Channel (N:CCU), over local radio ratings contracts. Morris said he doesn't see that as a problem. "They are all over the industry, as we are, so I can't imagine any step we would take in radio where we would not be having a lot of conversations with Clear Channel." Morris noted that Premiere had been one of the networks which had wanted to get Arbitron's diary database, which is larger than RADAR's telephone sample, into network radio. "At an operating level, we are bringing them a benefit," Morris said, although he acknowledged that the ongoing contract negotiations with Clear Channel are a separate issue.

***RBR* observation:** Bringing RADAR into Arbitron could be a win-win, but only if Arbitron plays its cards right. Using a single database for all radio ratings could make it easier for more syndicated programming to become RADAR-rated and enlarge the network radio business. But as the agency folks note (see p. 8), the new product had better have more of the attributes of the old RADAR than of Arbitron's Nationwide to gain acceptance from the people who spend the money. If Arbitron wants to move away from telephone canvassing, it will have to convince the network time buyers that the replacement system has tough data standards, real accountability and accurately links clearances to real listening. Otherwise, it might to be more prudent to stick with a separate telephone sample until Portable People Meters are ready for nationwide deployment.



Radio One, Inc.

has agreed to purchase the assets of radio station

WPEZ-FM

Macon, GA

from

U.S. Broadcasting Limited Partnership

for

$55.0 Million

George R. Reed and Tom McKinley of Media Services Group represented the Seller in this transaction.

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E-mail: REEDmsconsulting@cs.com

Tom McKinley
Tel: (415) 924-2515 Fax:(415) 924-2649
E-mail: RTMcK2515@aol.com

Media Services Group

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Clear Channel expands in Springfield

Which Springfield? That's a good question, since there are three Springfield Arbitron markets and Clear Channel (N:CCU) is in each of them. In this case, the mega-group of all mega-groups is adding a third FM and fourth station in Springfield, IL. It's paying **Benjamin Stratemeyer**'s Union Broadcasting $2.8M for WXAJ-FM Hillsboro, IL.

***RBR* observation:** WXAJ doesn't quite reach Springfield with its city-grade contour and it can't move much farther north and still city-grade its city of license. That shouldn't really be a problem, though, since it's a full 50kw Class B and the terrain in this market features neither mountains nor skyscrapers.

WLXO gets Clarity for future

It won't be Cumulus (O:CMLS), but rather a new market entrant buying WXLO-FM in the Lexington, KY market. Clarity Communications, headed by **Charles Cohn** of Charleston, SC, is buying the station from Blue Chip for $400K. The station is now in a JSA with LM Communications. **Lynn Martin**'s LM had planned to buy both WLXO and WBTF-FM from Blue Chip, but dropped WLXO from the deal when Martin got a chance to buy a more powerful signal, WSTL-FM, from Mortenson Broadcasting.

***RBR* observation:** Lynn Martin can't own both WSTL and WLXO, but he still gets the next-best thing—the inventory of WLXO to sell. This deal shows once again how a smaller, privately-owned company can compete toe-to-toe with the Wall Street mega-groups—in this case, both Clear Channel (N:CCU) and Cumulus.

Sabrecom expands in Hoosierland

Sabrecom already owns a combo in Muncie, IN and is now expanding with the $8M purchase of five other stations in the Muncie-Anderson, IN area. The seller is the Indiana branch of the Radio Partners group, comprised of **Michael Schwartz**, **Aaron Daniels**, **Monte Lang**, **Ed Argow**, **Abe Moses** and **Bill Burns**. Sabrecom, headed by **Paul Rothfuss** and **Joel Hartstone**, will add WERK-FM Muncie, IN, WHBU-AM Anderson, IN, WHTI-FM Alexandria, IN, WURK-FM Elwood, IN and WHTY-FM Hartford City, IN, creating a superduopoly with WXFN-AM & WLBC-FM Muncie, IN. Broker: **Michael Bergner**, Bergner & Co.

Sirius seeking serious cash

Sirius Satellite Radio (O:SIRI) has filed with the SEC to sell up to a half-billion dollars in news securities—either stock, bonds, preferred stock or warrants, as market conditions allow. However, the company insists that the shelf registration is just preparation for the future and that no sale of new securities is imminent.

"Currently we have more than enough cash to take us through the third quarter of 2002. We filed this shelf registration statement to allow us the flexibility to access the capital markets in the future; however, the company does not intend to issue securities at this time,'" said **John Scelfo**, CFO in Sirius' announcement.

According to an SEC filing, Sirius had $197M in cash on hand as of 3/31, plus $263M in marketable securities.

Tower companies face wireless troubles

Leasing tower space is an easy business with virtually automatic renewals—so long as your tenants have money to pay. Tower companies are now assessing the impact of one wireless data communications company, Metricom Inc. (O:MCOM), filing for Chapter 11 bankruptcy reorganization.

Crown Castle International (N:CCI), the largest tower company of all, was quick to issue a statement that Metricom accounts for only about 0.25% of its revenues and that Metricom currently owes Crown Castle about $2M. Crown Castle noted that it has a total bad debt reserve of $19M, so it could easily absorb the Metricom loss even if it gets nothing out of the bankruptcy proceeding.

American Tower (N:AMT) then chimed in that it gets only 1% of its revenues from Metricom and that the wireless company's Chapter 11 filings "will not be material" to American Tower's financial results.

Did Mel blink or not?

Reports differ on whether **Mel Karmazin** stuck to his guns or relented and cut CPMs in the just completed upfront sale of TV's fall season. Three accounts agree that Viacom's (N:VIA) CBS booked about $1.4B and still has about 35% of its inventory to sell in the scatter market later this year—when Mel is betting that advertising demand will improve.

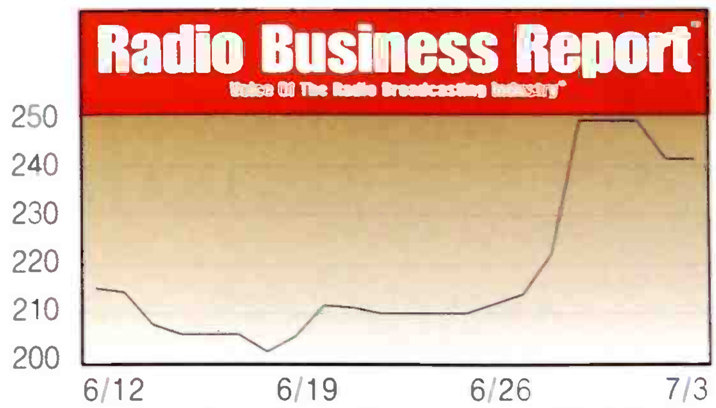
According to Reuters, CBS held the line on discounting. *Broadcasting & Cable*, however, says CBS saw dollars fleeing to other networks and eventually starting cutting rates—just not as much as others were doing—discounts of 3-5%, rather than 8-9%. Falling somewhere between those reports is *Media Week*, which quotes a CBS insider as insisting that the network averaged CPMs of 1-2% above last year, while acknowledging that CPMs were discounted for some less attractive programs. *Media Week* also quoted an unnamed executive from another network as thanking Mel for holding the line for a few days before caving in—allowing other networks to book dollars that CBS, at least at first, said no to.

All three reports agree that all of the networks sold less of their inventory than a year ago, although CBS held back more than the others. All three say CBS sold 65% for **$1.4B**, NBC 67% for **$2B**, ABC 72% for $1.6B and Fox 76% for $1.3B.

A fourth account by *The Myers Report* notes that CBS and ad buyers were telling conflicting stories about upfront sales.

The Radio Index™

The Radio Index™ surged to a year-to-date high of 249.142 on Friday (6/29), then held onto most of the gain to close 7/3 at 241.238, up 29.312 from a week earlier.



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Transaction Digest®

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

RBR's Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price. Broker credits are based on contracts filed with the FCC.

$55,000,000 WPEZ-FM Atlanta (Macon GA) from U.S. Broadcasting L.P. (Doug Grimm et al) to Radio One Licenses Inc. (Catherine Hughes, Alfred Liggins), a subsidiary of Radio One Inc. (O:ROIA). $2.75M escrow, balance in cash at closing. **Superduopoly** with WHTA-FM, WJZZ-FM. CP held by station will change its city of license from Macon GA to Hampton GA, effectively moving it to the Atlanta market. LMA upon commencement of program testing at new transmitter site. Broker: Media Services Group (seller).

$2,200,000 WENY AM & FM Elmira-Corning NY (Elmira) from White Broadcasting LLC (Kevin Lilly) to Eolin Broadcasting Inc. (Robert W. Eolin Jr., John T. Horne). Cash. Seller will also receive up to $160K under terms of LMA which began 11/10/00. **Superduopoly** with WCBA AM & FM, WCLI-AM & WGMM-FM. Seller retains WENY-TV and its two translators. Broker: Kozacko Media Service (seller).

$650,000 KVLT-FM Victoria TX from Paisano Communications LLC (Gerald Benavides) to Capstar TX LP (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. **Superduopoly** with KIXS-FM & KLUB-FM. Broker: Media Services Group (seller).

$450,000 KOTT-FM Otterville MO from Don L. Cook to Lake Area Educational Broadcasting Foundation (James J. McDermott, Larry E. Ollison, Alice J. McDermott, Don Neuharth, James Freeburger). $50K escrow, balance in cash at closing. Buyer is a charitable trust. LMA since 6/8 at the rate of $140/day. Upon the beginning of LMA, all advertising and program/network contracts will be cancelled, with the seller responsible for all settlements and/or refunds. Seller is also prohibited from operating any station with a Religious format in the KOTT-FM broadcast area through a non-compete. Seller is free to operate station with any other format.

$400,000 WLXO-FM Lexington-Fayette KY (Stamping Ground) from Blue Chip Broadcasting Licenses II Ltd., a subsidiary of Blue Chip Broadcasting Inc. (Ross Love) to Clarity Communications Inc. (Charles Cohn). $200K cash upon FCC approval (or $100K on 6/25/02 if not approved by then, and another $100K if still unapproved by 12/25/02), $200K cash at closing. Station is in JSA with L.M. Communications (WGKS-FM et al).

$125,000 WKFL-AM Bushnell FL from Henry Fehlmann to WKFL Inc. (Keith Walker). $1K escrow, additional $19K cash at closing, $105K note.

N/A WWVU-FM Morgantown-Clarksburg-Fairmont WV (Morgantown) from West Virginia Higher Education Interim Governing Board (J. Michael McMullen, Chancellor) to West Virginia University Board of Governors (Vaughn L. Kiger, Chair). Transfer is a result of legislation passed by the legislature and signed into law by the governor of the state of West Virginia which reorganized the entire system of governance of the institutions of higher learning and only incidentally relates to any noncommercial radio station licenses which they hold.

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Analyst: Radio One is radio's number one

Robertson Stephens analyst **James Marsh** (newly transplanted from Prudential Securities) is out with an analysis of the management teams of the 13 public radio groups he's following for the Wall Street firm. His conclusion: "Radio One (O:ROIA & ROIAK) blew away the field. The Radio One management team scored in the first quintile of every category we tested, winning three categories outright, and tying for tops in two others."

Marsh and his team at Robertson Stephens analyzed each company by margins, ratings and whether they met or beat Wall Street expectations with their financial results. They also sent out a survey to station managers across the country to get their take on the reputation of each company's management team within the industry.

The chart below shows how the 13 stacked up.

What do the management rankings mean? The Robertson Stephens analyst says the surprisingly strong rankings for a couple of companies that usually operate below the radar screen of many

Marsh

Wall Street traders means that they could carry a lot of upside. Those two are Regent (O:RGCI) and Salem (O:SALM).

"At the current price ($7.60 when Marsh wrote after the 6/27 close) the RGCI shares clearly do not reflect Regent's performance in our Management Report Card, currently trading at an 18% discount to the group," he said of **Terry Jacobs'** and **Bill Stakelin**'s small market company.

As for **Ed Atsinger** and **Stu Epperson**'s Religious group, Marsh said, "The SALM shares, like RGCI, do not reflect the performance of management in our view. Trading at only 11.7 times estimated 2002 BCF, the SALM shares trade at a 21% discount to the group. Just getting to an industry average multiple points to a 37% upside for the SALM shares."

Based on his analysis, Marsh passed out grades to the groups for management quality. "A" grades went to Radio One, Entercom (N:ETM) and Regent. Receiving "B" grades were Salem, Emmis (O:EMMS) and Clear Channel (N:CCU).

"In our opinion, investors would not place a significant amount of emphasis on management's reputation within the industry when awarding a trading multiple to a given stock," Marsh wrote in explaining why he gave the industry giant a much higher grade than the D or F awarded by 58% of the respondents to his survey of industry insiders. "We believe investors would be more concerned with fundamental, quantifiable performance measures. In addition, we have not yet determined how relevant management's reputation within the industry is to the financial health of a radio company and would expect investors to feel the same way."

Grades of "C" went to Saga (A:SGA), Cox Radio (N:CXR) and Beasley (O:BBGI). Cumulus (O:CMLS) received a "D," although Marsh said the company's stock price already reflects past problems and the company's management appears to be improving.

All three Spanish radio specialists did poorly and Marsh warned that the price run-up for media companies targeting Hispanics may be overdone. He awarded a "D" to Hispanic Broadcasting Corp. (N:HSP) and a failing grade of "F" to both Spanish Broadcasting System (O:SBSA) and Entravision (N:EVC), although he pointed out that the grade referred only to the company's radio division. Entravision also owns TV, outdoor and print.

Management isn't everything, though. Marsh also issued his first stock recommendations in his new job. He rated Clear Channel a "Strong Buy" with a price target of $83. Salem also got a "Strong Buy" with a $35 target. Marsh gave "Buy" ratings to Cox Radio at a $33 target, Cumulus with a $16 target, Emmis with a $38 target, Radio One with a $25 target and Regent with an $11 target. His target for HBC is $23, below the current market price, so he rates it "Market Perform."

Radio management survey rankings

	Overall ranking		Margins (trend-weighted)		Ratings		Meet/Beat expectations		Mgt. Reputation
1	Radio One	1	Radio One	1	Entravision	1	Clear Channel	1	Radio One
2	Entercom	2	Entercom	1	Radio One (tie)	1	Radio One (tie)	2	Saga
3	Regent	2	Clear Channel (tie)	1	Regent (tie)	1	Beasley (tie)	2	Salem (tie)
4	Salem	4	Regent	4	Cumulus	4	Salem	4	Emmis
4	Emmis (tie)	4	Emmis (tie)	4	SBS (tie)	4	Entercom (tie)	5	HBC
6	Clear Channel	6	Cumulus	4	Saga (tie)	4	Regent (tie)	6	Cox Radio
7	Saga	6	Cox Radio (tie)	7	Entercom	7	Cox Radio	6	Entercom (tie)
8	Cox Radio	6	Saga (tie)	7	Clear Channel (tie)	7	Cumulus (tie)	8	Regent
9	Beasley	9	Beasley	9	Emmis	7	Emmis (tie)	8	SBS (tie)
10	HBC	9	HBC (tie)	9	Cox Radio (tie)	10	Entravision	10	Beasley
10	Cumulus (tie)	9	Salem (tie)	9	HBC (tie)	10	HBC (tie)	10	Cumulus (tie)
12	SBS	9	SBS (tie)	12	Salem	10	Saga (tie)	12	Entravision
13	Entravision	13	Entravision	12	Beasley (tie)	13	SBS	13	Clear Channel

Source: Robertson Stephens

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