Radio Business Report™

Voice Of The Radio Broadcasting Industry®

March 11, 2002 — Volume 19, Issue 9

XM shows true colors on repeaters

NAB thinks it has found the "smoking gun" to prove that XM Satellite Radio (O:XMSR) is out to eventually convert its national service into a local competitor.

The NAB discovered that XM received a patent 2/12 for a process specifically designed to allow terrestrial repeaters to provide geographically targeted broadcast information, including weather, sports scores, advertisements, news, etc.

Eddie Fritts

NAB President/CEO **Eddie Fritts** fired off a four-page letter to the FCC saying that while XM has been telling the FCC that it needs the commission's approval for the thousand-plus terrestrial repeaters, it was actually building a system to deliver local content. Said Fritts in the letter: "We are astonished to learn that XM Radio has secretly acquired a patent that will allow the company to provide local radio programming through its extensive terrestrial repeater network. This development indicates that the FCC International Bureau has either dropped the ball, or that XM believes it does not have to play by the rules. Regardless, XM's lack of candor suggests it is time for Chairman **Powell** and the individual FCC Commissioners to put a halt to this ruse of a terrestrial repeater network."

One of the first whistle-blowers was Whitney Radio's **William O'Shaugnessy** (*RBR* 1/14, p.2). Reached in Los Angeles, O'Shaughnessy had this to say: "I thought perhaps when we were arguing the matter before local planning and zoning boards that I may have gone a bit too far by accusing them of 'subterfuge' and using 'stealth tactics.' I'm not at all happy to have been proven right on this. I think Eddie Fritts had the best line of all: 'If it walks like a duck, talks like a duck, guess what—it's a duck.' If this is not addressed, I'm afraid it threatens to undermine the very foundation of free, over-the-air traditional broadcasting in America."

XM denies any plans to insert local content (see related story, p.2).—CM

Ed Christian

Solid Q4 for Saga

Saga Communications (A:SGA) finished 2001 with revenues up 2.2% at \$104M, but broadcast cash flow (BCF) down 5% at \$37.3M. For Q4, revenues were off 4.1% at \$26.9M and BCF declined 14% to \$9.7M. On a same station basis, Q4 revenues were down 9.3% and BCF dropped 15%.

In his conference call with analysts, CEO **Ed Christian** couldn't pin down why Saga's same station radio revenues, down 8.6%, underperformed RAB's industry-wide figure of a 7% decline. However, he noted a growing problem with some groups dropping out of reporting market revenues to Miller, Kaplan and Hungerford. Christian cited Citadel in Portland, ME and Wilks in Des Moines as recent examples of competitors who are no longer reporting market revenues to the accounting firms.

For investors who focus on after-tax cash flow (ACTF), Saga had good news. It posted 38 cents in ATCF for Q4—tying last year and beating the Thompson Financial/First Call analysts' consensus by four cents.

For the current year, Saga is projecting that net revenues will be flat to up 2%, resulting in a 1-3% rise in BCF.

Having been branded a laggard in the 1990s for its conservative acquisition strategy, Christian said he is now seeing new opportunities for acquisitions as some of the groups who led the late '90s consolidation-fest are struggling. "There are a number of broadcasters that are suffering acid-reflux from eating too many stations too fast—and that's exactly what happened. They're all sitting in their stomach undigested. A lot of times I've said this—running radio stations is like herding cats."

***RBR* observation**: Look for Christian to grow his herd of cats this year. With Saga's underleveraged balance sheet as an attraction, he noted that a couple of private radio groups have recently approached Saga, unsolicited, about being acquired in a merger.—JM

Regent hopes to double this year

Q4 was down, but overall Regent Communications (O:RGCI) made strides forward in 2001. Net revenues were up 21.9% to \$53.7M and BCF gained 9.2% to \$15.2M

Q4 was a different story. Net broadcast revenues were off 3.9% at \$13.7M and BCF was down 29.3% to \$3.4M. On a same station basis, net broadcast revenues were worse, down 87%, but BCF was not as bad, down only 18.5%.

In his conference call with analysts, Regent CEO **Terry Jacobs** was optimistic for the year, but said not to expect growth in Q1. "We are continuing to face the same difficult advertising environment that the rest of the radio industry is experiencing. Macroeconomic factors continue to set the tone and we are not out of the woods yet. However, we do believe that the worst is behind us. January and February have improved on a sequential basis after an abysmal fourth quarter. Visibility continues to be limited, but with what we are seeing so far, we anticipate same station first quarter results will be flat to down 5%. We're also seeing a firming of national business, though it still represents a small portion of our overall business," Jacobs said.

The Regent CEO is out to double the size of his company this year, and said the market for acquisitions is improving.

***RBR* observation**: Terry Jacobs thinks some owners who missed out on the sky-high prices of the late 1990s are finally adjusting to the new reality and will be willing to sell at current market prices. He, like **Ed Christian** of Saga, is well-positioned to grow his company if that is, indeed, a growing trend. More earnings reports on pages 7 & 8.—JM, DS

Scatter blizzard fills upfront holes.

Radio Adbiz

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Radio Business Report — Voice Of The Radio Broadcasting Industry®

Next Week

The RBR Profiler takes an in-depth look at Engineering at Triad Broadcasting Company, LLC

Part 3 of a 4-part series on this growing mid- and small-market radio group.

RADIO NEWS

RBR PROFILER

MEDIA MARKETS AND MONEY

Attendance down but passion high at CRS 2002

This year's Country Radio Seminar event included a keynote from the ranks of radio owners—Citadel's Larry Wilson. It's refreshing to see a smiling face in radio after a tough 2001.

New Faces in Country award winners. Back row from left to right: Ed Salamon, President CRS, Gary Levox, Rascal Flatts (Lyric Street), Carolyn Dawn Johnson (Arista), Joe Don Rooney, Rascal Flatts (Lyric Street), Paul Allen, Executive Director CRB. Front row from left to right: Jay DeMarcus, Rascal Flatts (Lyric Street), Blake Shelton (Warner Brothers), Cyndi Thomson (Capital), Darryl Worley (Dreamworks)

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RADIO NEWS®

Guild predicts low single digits gain for 2002

Speaking at a Bear Stearns & Co. confab (3/4), Interep (O:IREP) CEO **Ralph Guild** called Q1 pacing encouraging and said he expects 2002 radio revenue to be up in the low single-digit range. Overall he said, half of all national radio ad categories are currently pacing in positive territory for Q1—with particular strength by telecommunications, automotive, food products, cable networks, banks, fast food, movies and transportation.

Ralph Guild

Guild also said that 2001 served as a wake up call to the industry. "In some ways, good business can lead to bad selling. Back in 1991, the last radio recession, our industry came together and focused our efforts on building radio's share of advertising. This effort raised radio's share of ad dollars from 6.8% to 8.3%. But during the unprecedented growth period of the late 1990s, we lost our focus a bit. Some radio broadcasters slipped back into the rut of trying to steal dollars from each other, rather than focusing on taking dollars from other media," Guild complained.

He elaborated later: "Unless we as an industry stop focusing on inter-company rivalry as the primary way to increase share, it will stifle the tremendous growth that radio has enjoyed over the past decade. It's simple arithmetic. Advertising dollars totaled $234B last year. In the national radio arena, advertising totaled approximately $3B. So, if one national rep is able to steal one share point from the other, we've gained $30M for our clients. But if we're able to gain even an additional 1/10th of a point of total ad dollars, we can increase revenue by $234M."

***RBR* observation**: Guild is right, of course, but that's not going to stop radio groups, particularly at the local level, from dropping rates and bad-mouthing other companies to steal share when budgets are tight. That's only a short-term solution (and damaging in the long-run), but with some groups struggling to meet quarterly commitments to Wall Street, short-term thinking is the only thinking being done in some quarters.—JM

XM denies ulterior repeater motive

Despite its extensive network of terrestrial repeaters, and its now-patented software to allow local content insertions (see story, cover), XM is denying any intentions of making its service local and is reportedly saying filing patents for a broad range of potential systems is normal procedure for communications companies in protecting investments. "We're a national satellite radio service and that's all we plan to do," said **Charles Robbins**, XM Director of Communications. "The patent is just one of numerous patents we filed as part of the normal routine. You apply for anything you discover."

The NAB remains unconvinced. Says NAB VP Corporate Communications **Dennis Wharton**: "It's now in the FCC's court to review our filing accordingly. We specifically asked that the FCC document that all of the repeaters they have are indeed necessary to fill in the gaps for satellite coverage, and we are asking for an iron-clad guarantee that they don't use any of these repeaters for locally-originated programming."

He continued, "There's been this sort of temporary finding that they won't do that, but there's never been a permanent rule set forth by the FCC. It's always been our contention that should the satellite services fail as a national service that their backup strategy was to develop a local origination plan. The fact that they've now gotten a patent for this behind the back of the FCC and despite their repeated assurances that they have no intention to do this suggests to us that there's something fishy going on here."—CM

Ringer/Clear Channel dust-up gets Wall Street attention

The petition to deny the sale of WKKJ-FM Chillicothe, OH from Secret Communications to Clear Channel (N:CCU) has finally come to the attention of the *Wall Street Journal*. It was first reported in *RBR* 11/19/01, with numerous installments since—through last week's (3/4) issue—as platoons of attorneys on both sides have generated a forest's-worth of paper addressing questions of ownership, improper control of stations and local marketing/joint sales agreements.

The initial complaint was filed by **David Ringer** (who is not even mentioned by WSJ), a businessman in the Chillicothe-Columbus OH area, and his attorney **Arthur Belendiuk** of Smithwick and Belendiuk, and it raised many issues above and beyond the simple question of whether or not the sale of WKKJ should receive regulatory approval.

***RBR* observation**: It is not clear if the FCC will take any actions above and beyond its obligation to approve or deny the sale. However, the Commission is in the process of completing its Congressionally-mandated review of

Washington Beat

FTC and DOJ split up antitrust authority

There'll be no change for radio, which remains with the Department of Justice (DOJ) under an inter-agency agreement that spells out who has responsibility for antitrust reviews on an industry-by-industry basis. The agreement announced 3/6 by DOJ and the Federal Trade Commission (FTC) was supposed to have been implemented 1/17, but for the objection of Sen. **Ernest Hollings** (D-SC), who was livid that he wasn't consulted about the move to put all media company antitrust reviews at DOJ. Hollings still isn't happy, so look for him to call both agencies before the Senate Commerce Committee, which he chairs, for some more condemnation.

***RBR* observation**: Hollings fears that DOJ's antitrust attorneys are political pussy cats who will roll over for any media merger don't appear to have any basis. In fact, DOJ has tended to be more aggressive on challenging mergers than the FTC. As for political influence—where was Sen. Hollings when then-VP **Al Gore** was putting political pressure on DOJ to block radio mergers?—JM

CCU draws another red flag

The referees at the FCC have dropped the hankie, so to speak, putting the red flag on Clear Channel's (N:CCU) attempt to buy WDAK-AM & WSTH-FM from Solar Broadcasting Co. Clear Channel as already picked up six stations in the market from Cumulus (O:CMLS).

Cumulus attempted to buy the very same combo, to include with the very same six-station cluster that it sold to Clear Channel in a complex deal during the summer of 2000 (*RBR* 7/31/00, p.12). (Cumulus was identified as buyer of the combo in an ad placed by brokerage firm Media Services Group in the 2/1/99 edition of *RBR*.)

The FCC never approved the sale of WDAK/WSTH to Cumulus, so it is not particularly surprising that the agency is not going to sign off on the same station combination this time either.—DS

Total 2001 advertising dollars down almost 10%

Taylor Sofres' CMR has released a study placing total 2001 spending in the advertising categories it covers down 9.8% over the 2000 total. That's based on a total take of $94.3B, compared to $104.5B in 2000. Local radio revenue is not a part of this study.

However, national spot radio and network radio are covered, and the former, with a loss of 20.5%, was the second-worst of CMR's 12 categories. Only national newspapers, with a 23% drop, fared worse. Network radio, while not as bad, was still worse than the overall average, coming in at -12.6%.

The chart below tells the tale.

Media	2000	2001	% chng
Network TV	$21,195	$19,477	-8.1
Magazines	$17,840	$16,476	-7.7
Spot TV	$18,171	$14,869	-18.2
Sunday Nwsprs	$11,366	$10,507	-7.6
Cable TV	$10,316	$10,416	+1.0
Daily Nwsprs	$8,453	$7,923	-6.3
Syndication-Natl	$3,188	$3,192	+0.1
Natl Nwsprs	$3,826	$2,947	-23.0
Outdoor	$2,475	$2,456	-0.8
Natl Spot Radio	$2,724	$2,167	-20.5
Sunday Mags	$1,126	$1,114	-1.1
Network Radio	$954	$834	-12.6

wnership regulations. It will be interest-ig to see it issues raised in this dispute /ill have any impact on that process.

The WSJ article did not present any new nformation. However, it did place the info n a place where stockholders tend to look on a daily basis. We'll keep our eyes open o see if the article generates a measur-ble, and perhaps attributable, reaction on Wall Street. So far on deadline day, here was no change significant enough o call a reaction to the article.—DS

RAIN/Kurt Hanson launches "SaveInternetRadio.org"

Kurt Hanson, publisher of the Radio And Internet Newsletter (RAIN: www.kurthanson.com) has launched SaveInternetRadio.org to help the webcasting/radio industry coordinate a esponse to the recent CARP panel's (*RBR* 2/25, p.2) proposed performance oyalties of .07 cents per performance or AM and FM streams and.14 cents per performance for web-only stations.

The site's purpose is "to help con-cerned individuals have a voice in trying to ncourage the U.S. Copyright Office to eject the CARP recommendation—or Congress to amend the Digital Millennium Copyright Act-in time to prevent the in-dustry from being effectively shut down."

If the Copyright Office adopts the CARP ecommendations without modifications, Hanson says that he believes that the vast majority of webcasters will be forced to shut down their operations sometime in May.—CM

Keymarket moves into a key market

The stick value of WOGI-FM has just been increased. The station has com-pleted a tower move which has it exiting a point near the town of Charleroi and instead broadcasting from the heart of Pittsburgh. The 98.3 mHz Country outlet is playing 10,000 songs in a row, with 10 $1K giveaways, to celebrate the event.

"We are delighted at the opportunity to serve the one million people of Al-legheny County," said Keymarket Presi-dent **Gerald A. Getz**. "This all-new Pitts-burgh station will complement the rest of the Froggy stations throughout the region. We expect to employ up to 30 people by the end of our first year of operation and house everyone, includ-ing the corporate office, at a new facility now being constructed..."—DS

HBC, Katz Hispanic Media form HBCSi

HBC Sales Integration (HBCSi) was formed (2/28) by Katz Hispanic Media and His-panic Broadcasting (O:HBCI). HBCSi will offer advertisers a combination of stations, people, events and online sales packages. Management includes EVP/Katz Radio Group **Carl Butrum**, who becomes HBCSi's EVP/Director of Sales; **Mitch Kline** be-comes EVP/Market Manager. He was most recently SVP, Director of Corporate Train-ing and Managing Partner of Katz Interac-tive Marketing; and **Jack Hobbs**, who was named SVP/Director of New Business De-velopment and Network Sales. He was most recently VP/GM of the HBC Radio Network.

Katz Hispanic Media will now con-duct business under the HBCSi banner. **Laura Hagan** will continue as Katz Hispanic Media President.

***RBR* observation:** We did an in-depth study of Hispanic media (*RBR* 1/21, p.8-11); HBCSi will be angling for a piece of a rapidly-expanding pie. Hispanic radio rev-enue grew from just $375M to $558M (year 2000) in just four years.—CM

RBR News Briefs

CEA endorses IBOC

The Consumer Electronics Association (CEA) has supported the National Radio Systems Committee's (NRSC) endorsement of iBiquity Digital's FM IBOC system in its public comments filed with the FCC. CEA said that IBOC "is a significant improvement over today's analog FM broadcast service."—CM

Wiley saluted by NAB

The National Association of Broadcaster's 2002 Distinguished Service Award is going to law firm Wiley, Rein & Fielding senior partner **Richard E. Wiley**. His firm is one of the largest communications practices in the US. His work there follows his tenure at the FCC in the 70s, which included stints as General Counsel, Commissioner and Chairman.—DS

Viacom and Snapple sign Cross-Platform deal

Viacom's cross-platform division, Viacom Plus, and Snapple Beverage have signed an agreement worth between $10M to $15M to promote Snapple across Viacom's radio television, outdoor online properties. The campaign, "What's Your Story?" begins in April and runs through October. "By leveraging a huge share of Snapple's budget through Viacom Plus, we were able to deliver an incredible integrated marketing program to our client," said **Peter Gardiner**, EVP/Director of Media Services at Deutsch, Snapple's agency of record.—CM

NAACP calls for and gets Ron Angle's resignation

Clear Channel's WAEB-AM, Allentown, PA canceled councilman **Ron Angle**'s call-in show 3/4, two days after he reportedly made racist and anti-Semitic remarks. NAACP asked that his show be dropped from the station and is also seeking for his resignation on the Northampton County Council. From the WAEB website: "Management says the show was canceled because of the negative public perception of last Saturday's program, and negative advertiser reaction, to the alleged racist remarks made by Mr. Angle during that program."—CM by Dave Seyler

Triad: Radio is radio no matter where you are

"We are excited about the opportunities that exist in small and mid-size markets and we understand and respect those opportunities and challenges," says Triad Broadcasting Senior VP/Director of Operations **Steve Fehder**.

Since its inception in July 1999 when it hung its shingle on its first cluster in the Biloxi-Gulfport market, Triad has become a force to be reckoned with in a total of seven markets ranging in size from Biloxi, still its biggest home at #136 on the Arbitron chart, all the way down to #268 Rapid City, SD. In between are #159 Savannah (Triad's cluster is actually based in resort area Hilton Head, SC, just across the state line), #163 Tallahassee, #174 Lincoln, NE, #217 Fargo, ND and #265 Bluefield WV-VA.

Fehder is a product of the initial Biloxi acquisition. He was part of a group that in 1997 bought its components before Triad bought the intact cluster—he was the ownership group's hands-on operator—and when it was sold to Triad two years later, he stayed with the company. He is currently overseeing Triad's eastern markets, taking the lead on strategic acquisitions and heading up the company's Internet activities. He's based in Louisville.

As far as running the stations goes, the group may just as well be in New York City. As Fehder puts it, "Triad faces the same challenges as larger groups and those that operate in larger markets. The court is the same size, the hoop is the same distance from the floor, and the rules are the same. The only difference is the number of people in the stands. You've got to play and execute at the highest level possible if you're going to win."

Big competitors in small markets

Triad may be in minor league baseball markets, but there is nothing minor league about its competition. The group faces off with Clear Channel (N:CCU) in five of its seven markets, and Cumulus (O:CMLS) is in two of the CCU markets. *RBR* wondered what it's like going up against the big boys? "The 'big boys,'" said Fehder, "are only big because they have more markets, more stations. They are not bigger on passion, creativity, talent and execution. With that said, we have much respect for all of our competitors, including Clear Channel and Cumulus. They raise the level of play."

A fan of WWVV-FM Savannah gave the station the benefit of a van without the payment booklet.

Like last month's Profiler subject group, Saga (A:SGA), Triad places a high value on its relatively thin management structure. Explains Fehder, "We compete effectively against those groups—in fact, we have dominant positions in most of our situations where we compete on even ground. Because we are smaller, with less bureaucracy, we can make quicker decisions and be more nimble."

Triad does not find that size has caused either megagroup to lose its feel for the art of radio, despite oft-repeated statements to the contrary on Capitol Hill and elsewhere. "We do not underestimate any of our competitors, no matter the size. Look back in history and look at the leaders that underestimated the enemy. The same principles apply in business. We may make mistakes—but we will never make the mistake of underestimating the competition."

Fehder refused to take either group to task on pricing issues, and places full responsibility for Triad pricing decisions one place and one place only—on Triad. "I have no complaints. They run their business the way they see fit. We are continuing to examine our own pricing issues and make sure that we are maximizing our opportunities. Pricing is an issue with every product in business and it's easy to say you're losing because the competitor has cheap rates. It's the cost of doing business. Let's sell ideas and results and maximize every selling opportunity we have."

Clear Channel's manipulation of local market conditions via its concert business has been an issue of late, and Fehder refused to take them to task, even for that. "We've lost some concert and entertainment dollars because of the mandates to buy their own stations. In the scheme of things, it's minimal and is just something else to complain about. Hey, if they don't want to use my stations to help them make money, it's their loss," he said.

Local is it: No formal HQ programming department

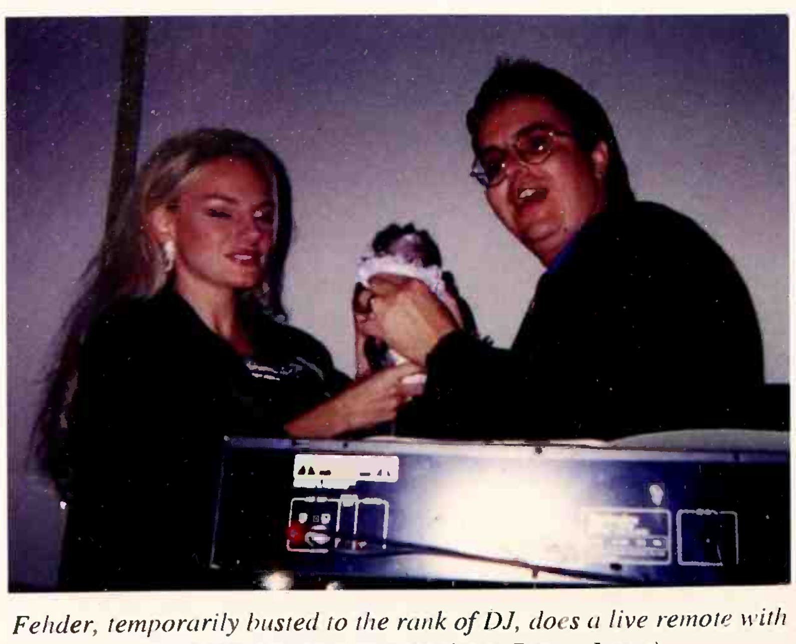
Says Fehder, "Unlike some other groups, we don't have VPs of programming, corporate edicts or cookie cutter approaches. Format decisions are made based upon research and the competitive situation in the market. Input is gathered at the corporate and local level including GMs, PDs, Ops Directors and our consultants. Day-to-day operations are left at the local level. Corporate reviews all marketing plans and gives input.

Local programming departments are headed up by a Director of Operations. PDs generally have one station to worry about (occasionally two where it makes sense to double up). PDs usually nail down a live airshift, and the busiest of them may voice track another. As Fehder puts it, "Their plates are full."

Local is the key, with network fare sprinkled in. "Almost all of the programming on our music formats is locally generated. Probably 90%. We use syndicated morning product on a lot of our rock stations—**John Boy** & **Billy**, **Lex** and **Terry**, **Bob** and **Tom** and we're looking at others. There is some network or syndicated specialty programming that we carry on nights and weekends. The majority of our weekend and overnight programming is voice tracked locally."

"We run some 24/7 network programming, mainly with our Sports and Standards formats. We have a strong tendency to stay away from 24/7 programming in all of our markets on the FM side no matter what the market size. We believe we can produce a more competitive product given our talent and the help we get from our consultants, plus we keep the inventory."

"We use a considerable amount of syndicated programming—**Rush**, Dr. **Laura**, **Sean Hannity**, **Rome**, the morning shows. Much of the Premiere and Westwood product has been a big part of our programming success.



Fehder, temporarily busted to the rank of DJ, does a live remote with one of the Monkees (we think it's Davey Jones).

"Our FM stations carry news and that has increased to some degree since 9/11. While the focus of the news is local, we do carry the networks for national coverage. Most markets carry some form of sports programming on their AMs."

So far, Triad's talent is local, and stays local, not necessarily by choice. "We have not done a great job of cross utilizing our air talent in our different markets. There are technical and logistical hurdles that we haven't crossed yet. This was a big point of discussion in our last managers meeting and it is a direction we plan to move on."

There has been more cross-pollination a level up the programming ladder. "We have successfully used our programming brain trust to work on specific projects. We'll use our resident format experts to help out in other markets. This is one area we have been successful at and will continue to develop, especially as we grow. Unlike many other groups, our markets are run fairly autonomously which is unique and has allowed us to attract and keep some really good talent."

Triad dukes it out for the middle ground

When it comes to formats, Triad gets right into the thick of things. There is no sneaking around the fringes for this group. It's not looking for a little niche somewhere. It is going after the biggest crowd possible.

The group has a very strong presence in the CHR format, and is weighted to the Rock side of things. The group leans on the Rock and Classic Rock formats well over twice as much as the national average. Oldies, which harkens back from all of the above, is another group favorite.

Adult Contemporary and Country are perhaps the two most important battleground formats—by that we mean formats which are likely to pit non-co-owned competitors against one another no matter how small the market—making them difficult formats to dominate. Triad is competitive in one or both in most of its markets.

The following chart shows Triad's format use percentage within the parameters of its own group, and each index compares it—the first to the US as a whole, the second to the universe of rated stations in Triad's own markets. A value of 100 means Triad is at parity; 200 means Triad uses the format twice as much as average; 50 means the use is half as much.

Format	Fmts Triad	Index US	Index Mkts
CHR	23.7	210	172
Country	15.1	137	92
Classic	15.0	250	188
AC	11.4	81	82
Rock	11.2	211	108
Oldies	10.2	189	159
News-Talk	7.1	45	76
Standards	4.2	135	247
Alternative	2.1	50	124
Urban	0.0	0	0
Spanish	0.0	0	0
Religion	0.0	0	0
Smooth Jazz	0.0	0	0
Classical	0.0	0	0
Other	0.0	0	0

Source: Arbitron Fall 2001 survey; RBR Source Guide *database.*

Triad owns over a third of its markets

Triad pulls in 36% of the listening in its markets—discounting below-the-line and lost listening. The first column in the chart below shows the total number of stations in each format group. The second column gives Triad's format total. The third column shows Triad's control of the format by percentage—which is based on rated listenership, not just the total number of stations. Note that six of Triad's 42 total stations did not show in any Arbitron books.

Format	Total stns	Triad stns	Triad 12+ %
Ctry	17	8	33.1
ClsRk	9	5	67.7
Old	9	5	57.7
CHR	11	4	61.9
AC	12	4	29.4
Stds	4	3	87.6
Rock	9	3	38.9
NT	14	3	27.5
Altv	2	1	44.8
Urb	7	0	0.0
Rel	13	0	0.0
Span	0	0	0.0
SmJz	0	0	0.0
Clscl	0	0	0.0
Child	0	0	0.0
Total	107	36	36.0

Source: Arbitron Fall 2001 survey; RBR *Source Guide database.*

RBR asked about spot loads. "If there is a corporate mandate, it is smaller spot loads on our FMs, which are all music FMs. Depending on the format and situation, our average spot load is 10-12 units per hour. We have found that even in our size markets, we're typically in competitive format situations and we need to protect the product. The easy way out in sales is to expand the inventory. With all of the listening alternatives in front of our consumers today, we need to understand what our listeners want and I haven't seen anything that suggests it's more commercials."

Tanks for the memories? With this kind of NTR partner, we wouldn't want to engage Triad's Biloxi cluster in a format war.

Formats, format flips and acquisitions

"It's not that we have corporate favorite formats," says Fehder, "it's just that we do Rock and CHR very well. In most markets, we have very strong positions in AC and Country and where we compete in Oldies, we do well. Most of our success is attributable to our FM music positions, although we're the News/Talk leaders in three markets we compete in."

Triad has not had much luck with niche formats. However, everything is fair game. As it moves into new markets, the group will use whatever format makes sense competitively, no matter what it is.

The group installed a couple of new formats in 2001. Fehder on the flip of WXBD-AM Biloxi from Standards to Sports: "The response from listeners and customers has been very positive. We're not talking huge dollars here, but the revenue is up over 400% and continues to strengthen our dominance in the Biloxi/Gulfport market." On the flip of WYZR-FM Tallahassee from Classic Hits to Rock: "Disappointing. We jumped out of the gate with a good start and the momentum appeared to be continuing. It didn't happen. It's about opportunity and execution. They both have to be there."

There will be a change in Tallahassee when Triad gets its fourth FM. Unfortunately, the exact timing of its acquisition of WWLD is still up in the air. "We had a contract to buy the station and Cumulus failed to close. Cumulus has not been able to resolve the situation so we plan to enforce our rights in court. We're ready to execute the plan we've had in place since last September. Hopefully, we'll have the station soon."

An irate listener nails an unidentified WCPR-FM jock with an unidentified flavor of pie

Look for this group to get bigger—sooner rather than later. "We consistently look at ways to increase our position in a market, so yes we have several opportunities on the table now. Triad is an extremely well-capitalized company backed by some of the largest and most respected institutions in the country. I believe it's safe to say we will be visible in the acquisition front this year. It is a priority for us to grow."

Staying ahead of the curve

"The trends in radio today are reality and we have to be prepared to deal with them," says Fehder. "Syndication of great talent, voice/tracking, sharing of talent across markets and larger groups utilizing their ideas and creativity have been big positives, and we need to salute the innovators who often get criticized. A lot of the methods that have allowed us to be competitive and run cost-efficient operations have come from the larger groups and markets."

He continued, "By the same token, excessive spot-loads and cookie cutter formats that broadcast without regard to local taste are disturbing trends. If we don't take the Internet, satellite, and other distribution methods seriously, as with TV and cable, that would prove to be the most disturbing of all."

Summing up, Fehder said, "Fortunately, we have strong management and talent that can play at any level. We operate with an entrepreneurial spirit that encourages creative thinking and risk-taking. Our mandate is that our listeners deserve the highest quality products that would sound great whether they were in Biloxi, Nashville, Fargo or Houston. If we're accomplishing that, then we're having fun and winning. I think we're doing both, and that's been Triad's success."

Who's who at Triad

Triad Broadcasting Co. has a relatively small management team. Here's a look at the people who run the company and its markets.

• David Benjamin, President & CEO, has headed the company since founding Triad in July 1999. He previously ran Community Pacific Broadcasting from 1974-'97.

• Tom Douglas is Sr. Vice President and CFO. He was previously CFO of Brother International Corp., but is better known in broadcasting for having been CFO of Osborn Communications Corp.

• Steve Fehder is Senior Vice President/Director of Operations, Eastern US and is based in Louisville, KY. He is a 17-year radio veteran and joined Triad when it bought the stations he managed in Biloxi-Gulfport. He currently directs strategic acquisitions and operations within the Eastern U.S. and leads the company's Internet initiatives. GM's report to him from Biloxi-Gulfport, Tallahassee, Hilton Head-Savannah and Bluefield. The other three markets report to Benjamin.

• Judy Peterson is Vice President of Corporate Development and Administration. She'd been Vice President/Controller for 13 years with Community Pacific.

• June Pong is Vice President/Controller.

• Alma River-Chaney is Human Resources Director.

• Gary Peterson is Corporate Engineer. He is based at Rapid City, SD, where he is also Chief Engineer.

All of these GMs have the title of Vice President/Market Manager:

- Buddy Burch, Biloxi, MS-Gulfport, MS
- Nancy Odney, Fargo, ND
- Cecelia Green, Rapid City, SD
- Mark Halverson, Lincoln, NE
- John Halford, Bluefield, WV
- Mike Buxser, Hilton Head, SC-Savannah, GA

(The Tallahassee, FL GM position is currently vacant and the operation is being managed by Steve Fehder.)

The scurry for scatter

By Carl Marcucci

After another rather lackluster upfront buying season, the networks are now finding that the scatter marketplace is becoming quite promising—more than any could have predicted. Call it a flash in the pan or just a very healthy Q2, the numbers right now are up—way up. So much so that ABC Radio Networks' Sales Planning Office had to take a breather to process the surge in activity. "We have in the last week-and-a-half booked a record amount of business—the largest week in three years for Q2. The surge has come from all categories. We don't know if this will continue, it caused us to give the sales planning office a breather to process it all," ABC Radio Networks President **Traug Keller** tells *RBR*. "We didn't actually shut down the office, it was just a lot to process at once."

"They couldn't put any plans out for 24 hours, because they needed to figure out what's going on. Probably that had more to do with the fact that it had been so slow for so long, people had become a little complacent about managing inventory. 'Just stop for a second and figure out where we are here'," MediaCom Director, Network Radio Services **Matthew Warnecke** tells *RBR*. "That wouldn't be happening if the marketplace weren't active. People are finally beginning to feel positive about the marketplace, and it's also the continuation of how slow and late network radio has been."

"I think everyone [took a breather]. I think it started selling right off the shelf. In a market that strong, I think people lose control of what the inventory situation is, so they have to 'close down'," adds **Reyn Leutz**, SVP, Director of Radio Negotiations, Mindshare USA.

So how tight has it become? "March and April are patchy at best," says Warnecke. "So the trick is going to be, in the context of this frenzy, how do you keep your head about you and deliver value in that frenzy?"

Natalie Swed Stone

"It's definitely busy. Q2 radio is...I think it's gone. It's all but sold out. The speed at which it happened is amazing. But is it a turnaround? As with any economic change, we need two quarters to see. But it looks to me like it's probably turning around. Why? I don't really know. Typically, television turns around first and then radio comes after it. But it seems like radio has turned around quicker than the television," explains Leutz.

Buyers have told *RBR* that both Westwood One and Premiere Radio Networks are in similar situations. "The flighted market activity for Premiere in Q2 is brisk—faster paced and more active than it has been recently," Premiere President/COO **Kraig Kitchin** tells *RBR*.

Erring on the side of caution, Westwood One CEO **Joel Hollander** would only go as far as to say, "Business is slowly getting better."

Natalie Swed Stone, Director of National Radio Services, OMD USA also sought to add some conservative perspective. "From what I understand, this will bring them back to par. This isn't 2000. This will bring them back on course. So we don't want to blow this out of proportion. They may be acting like it's dot-com frenetic, but it's not. They were below, they were behind. This is bringing them back. We had a softer upfront. This is correcting some of that, and it's all happening at once. Rather than some this week, some next week, some three weeks from now, it's all happening in one week. That's all! So maybe they're working harder that week in sales planning, but that doesn't mean that the overall effect is any different. Not yet. This market is still defining itself—the one trend we continue to see is the last minute nature of things. It appears as if that will remain for awhile and will necessarily put a strain on everyone at particular times."

Why the increase?

We've gotten used to the trend that upfront money has increasingly been held back for scatter. Many clients have held back on the grounds of uncertainty, as well as the fact that they could afford to wait—inventory obviously doesn't sell out as fast in a down economy. But why the huge increase all of a sudden?

Matt Feinberg

"We believe the recent surge in buying activity is a result of budgets withheld this past fall. People were nervous due to what was happening with the economy and the WTC situation. Now it's off to the races, for the moment anyway," says VP/Manager of Radio, National Broadcast, Zenith Media **Matt Feinberg**. "In this last month, we've had a record number of clients come in. I've never seen this many clients come in in this short of space. Zenith's client base has grown tremendously in the last year, and as a result, we have seen more and more clients taking very, very serious looks at network radio. They're included in more plans into the future and obviously, of late, more people just stepped up to the plate and plunked their money down in the scatter market."

Warnecke says many clients have been interested for a while in radio, due to a bit of continued cheerleading to the planners on the buyers' part as well. "We've been saying since last summer, 'It's efficient, it's efficient, it's efficient!' And now at the 11th hour, they're saying, 'Oh, we'll buy some now.' Well, so is everybody else. Do you know that statistical phenomenon called the tipping point? You keep going and keep going and things are building and building and building and finally, you reach that one little point where you tip the scales. I think that the things that have been happening over the past year—the increased awareness on the part of advertisers of the advantages of network radio, the sell that all of us in the media buying business have been doing on the advantage of the media, together with the 'cautiously optimistic' outlook on the economy. All of those things are working together and suddenly we're seeing that manifest all at one time."

Kraig Kitchin

Says Kitchin: "The surge is directly attributable to a change in direction from existing network radio advertisers opting to participate in the flighted market versus upfront market and the networks' receptiveness to that move. There's a fair amount of new business, as well, cultivated from advertisers trying this medium for the first time after real sales and client development on the part of all networks."

If the trend continues, it could be great for the industry. Remember—advertising trends always lead overall economic trends. Is this the beginning of the economic turnaround? "After months of economic belt-tightening, maybe the turnaround really is in sight. I mean the stock market is trending up, businesses have begun to invest again, companies are starting to predict better profits. So maybe this is the beginning of the turnaround," says Leutz.

What the nets did

Traug Keller

Keller took a bit of a gamble anticipating scatter would end up strong. He decided to hold more inventory from the upfront season, hoping it would be gobbled up at higher CPPs in a tighter scatter market: "We had noticed a trend developing of heavy last-minute scatter, advertisers holding back...[and] we felt that it was a lighter than normal upfront. If the scatter trend continued, we wanted to make sure that we had enough inventory to accommodate. We took a risk that there would continue to be last-minute scatter. I think we probably lost the bet in January and February, but in March and in Q2, it looks like it's going to prove to be the right move."

"I think the nets are glad they held inventory, but I would tend to believe that there wasn't enough business out there to sell it out, so they held because the market dictated that. I don't know how they could have predicted this kind of a turnaround in one quarter," observes Leutz. "It's 50% economic change and 50% luck."

We had heard Premiere Radio Networks gambled a bit more on the upfront, giving up more of a percentage of inventory than ABC. However, Premiere still has a good deal inventory for sale, nevertheless, because of its sheer size. "Premiere is well positioned, having kept a fair amount of all inventory types—RADAR, Talk programming and music programming—available for this type of market," says Kitchin.

The quandary right now

As the nets scramble to decide what to do with all this new business, the game is also how to get more advertisers in at higher rates with now-limited inventory space. Inventory needs to be opened up a bit. That presents a Catch-22, explained an *RBR* source: "Last year, the big nets were down 20-some percent. So this year, they may be up 4-5%, but they're still down 15% from two years ago. They gave out a lot of inventory to other people at lower rates in the upfront. The frustration they're looking at now is what are they going to do when their inventory is gone? They priced their inventory and gave many clients very sweet deals and great dayparts. Now they're going to the clients and asking 'Will you accept less?' They're offering every deal that they can to open up more inventory for the new surge in business."

Feinberg explains from his perspective: "Years ago, I had a meeting, with **Mel [Karmazin]**. The reason was because, a smaller Infinity owned network asked me if 'I wanted to re-express my committed dollars with them elsewhere in the marketplace.' 'What exactly does that mean?' I asked. The sales manager wanted to 'let me out of a 12 month deal' we had inked earlier that year in a soft marketplace. Now, six months later, the market gets real tight and he wants to take the inventory back. I said, 'No, thank you.' And after half an hour of going back and forth he said he wasn't honoring the deal. I had a signed contract with his name on it. I called Mel—I didn't know what to do. Mel saw me. He made the call to the guy I had a problem with and you could hear the wheels stop at that place. Those guys were down at my office so fast."

He adds, "Hey, we listen to alternative offers, some may be interesting and worth taking action on. But the point is if radio vendors start jeopardizing the integrity of the schedules we purchased on behalf of our clients, messing with them or adjusting them by selling to other late-come advertisers at higher rates, they are jeopardizing relationships with agencies and clients and are digging themselves back into the hole they tried hard to get out of as far as reputation goes. They've done a good job of establishing their credibility in recent years. If these kind of practices begin to reappear, it will set them back. It hurts all of us in the end." Next week we look at Q3 predictions.

By Jack Messmer

Entercom buying and swapping for Portland triple-play

ntercom (N:ETM) is expanding its already substantial regional cluster round Portland, OR with a deal to buy KCBZ-FM from Broad Spectrum ommunications, headed by **Eric Dausman**.

But wait, there's more!

Entercom is also swapping the 105.5 mHz signal of KLYK-FM ongview, WA to **Steve and Ann Hanson**'s Washington Interstate roadcasting Co. for the 94.5 mHz signal of KUKN-FM Kelso, WA. ach company will relocate its call letters and format and agree not o compete in the other's format for a period of years. In addition o swapping one Class A signal for another, the Hansons will eceive a total of $500K under the sale contract, a consulting greement and the non-compete.

Why?

By flipping AC KLYK with Country KUKN and building out a CP for CBZ to move from 96.5 mHz to 94.9 mHz and upgrade from Class A o C3, Entercom will control three stations on adjacent frequencies in he area along the Washington-Oregon border—the 94.5 mHz facility n the Longview (Kelso) market, the 94.7 mHz facility of KNRK-FM ortland (Camas) and the 94.9 mHz facility of KCBZ Cannon Beach. As he owner of all three, Entercom has agreed to have the stations accept hort-spaced interference from each other. Thus, Entercom will be able o move KNRK to the Ackerley Tower in Portland, joining five other Ms, including Entercom sisters KGON-FM and KKSN-FM.

***RBR* observation:** Pretty clever. Entercom not only gets improved netro coverage for KNRK, but a pretty strong new signal to grow its greater Portland cluster to the north-northwest out to the Pacific Ocean.

Salem's revenues up, cash flow down

Costs associated with the roll-out of its "Fish" Contemporary Christian FM stations are holding down the cash flow of Salem Communications O:SALM), but CEO **Ed Atsinger** is pleased that the company's 10.4% same station revenue growth in Q4 easily beat the industry average. Same station broadcast cash flow (BCF) rose 14.5%.

In his conference call, Atsinger said Salem's traditional Religious stations have again proven their recession resistance, due to their steady flow of revenues from block programming sales. "This industry outperformance also demonstrates the more consistent and dependable nature of our spot advertising business, which is not nearly as volatile as typical, general market retail spot business for the general market radio broadcaster," he said.

For Q4, Salem's net broadcast revenues increased 3.1% to $36.1M, but BCF declined 22.2% to $12.6M. The company said its financial results were negatively impacted by 9/11 and the sale of KALC-FM Denver, as well as the "Fish" investment.

For all of 2001, Salem's revenues increased 21.7% to $134M and BCF decreased 3.4% to $47.7M. Same station revenues rose 9.6% and BCF increased 10%. After-tax cash flow per share dropped five cents to 76 cents—but that beat the Thompson Financial/First Call analysts' consensus of 74 cents.

Ed Atsinger

Looking at the current quarter, Salem said same station revenues rose 11.5% in January and February is expected to come in up 12%. "Based on the most recent pacings, Salem expects first quarter same station revenue growth in the low double digits," the company said.

NBG dips into both inkwells for 2001

$13,546,176 is the amount of total consolidated revenue tallied by NBG Radio Network (O:NSBD) for the year 2001. This represents a 14% gain over 2000. However, the company suffered a net loss for the year of $8.38M ($.60 per share, diluted), compared to a positive gain of $826K in 2000.

The increased revenues were the result of the addition of programming and commercial inventory via acquisitions during the year, particularly Glenn Fisher Entertainment. The losses in net were the result of increased costs associated with running the new acquisitions, coupled with the well-documented ills in the 2001 advertising environment and the events of 9/11.

CFO **J.J. Brumfeld** said, "Our aggressiveness in acquiring and developing programs, thereby increasing the inventory we have available to sell to advertisers, allowed us to maintain our revenue growth during a significant economic decline. However, our margins were hurt as spot rates went down. This decrease in advertising rates, coupled with our acquisition of Glenn Fisher Entertainment Corporation, increased costs in production and hosts' fees, and the write-off of bad debt resulted in a net loss for the year. Many of these expenses are one-time, non-recurring cost. We are well-positioned for a financially sound 2002 and beyond."

John Holmes

Added President/CEO **John Holmes**, "We have more long-form programming and clearances in top markets, and we have tightened our operational performance heading into 2002. Our first quarter is a positive indication that things are turning around, and I think the numbers going forward will confirm that."—DS

Entercom prices stock and bond offerings

Entercom (N:ETM) has priced new issues of stock and bonds, which were filed with the SEC just a few weeks ago (RBR.com 2/20). An offering of 3.5M shares of common stock was priced 2/28 at $51.25 per share—30 cents below the previous day's closing price. Also, a $150M issue of new bonds—senior subordinated notes maturing in 2014—had its interest rate set at 7.625%.

Entercom expected to net $316.6M from the two offerings. The cash will be used "to finance pending acquisitions, pay down indebtedness and for general corporate purposes."

The stock issue was led by DB Alex. Brown and CS First Boston, with Banc of America Securities, Goldman, Sachs & Co. and JP Morgan as co-managers. The bond issue was led by CS First Boston and DB Alex. Brown, with Banc of America Securities and Morgan Stanley as co-managers.

Cutchall buys West Palm FM

A new company headed by veteran broadcaster **Mike Cutchall** of Houston, Palm Beach Broadcasting LLC, is paying $70M for **Jim Hilliard**'s only FM station—WRMF-FM Palm Beach, FL. Hilliard's James Crystal group will still have four AMs in West Palm Beach and the adjacent Miami-Ft. Lauderdale market, plus four others elsewhere—not to mention the non-commercial FM he controls in Dallas.

Cutchall is a veteran radio manager. In the 1990s he managed stations for the old Western Cities group and was later the Mid-Atlantic Regional VP for SFX Broadcasting.

Although Cutchall doesn't currently own any other stations, his financial backers are heavily involved in radio. Great Hill Equity Partners and related investment funds, headed by **Stephen Gormley, Christopher Gaffney** and **John Hayes**, are backers of Dame Broadcasting and Gormley himself is part owner of Equity Communications LP, which owns or is buying nine stations in and around Atlantic City, NJ.

***RBR* observation:** What we've heard lately is that getting a new company into a decent-sized market is the toughest deal to make. So now that he's over the hump, look for Cutchall to start building a group.

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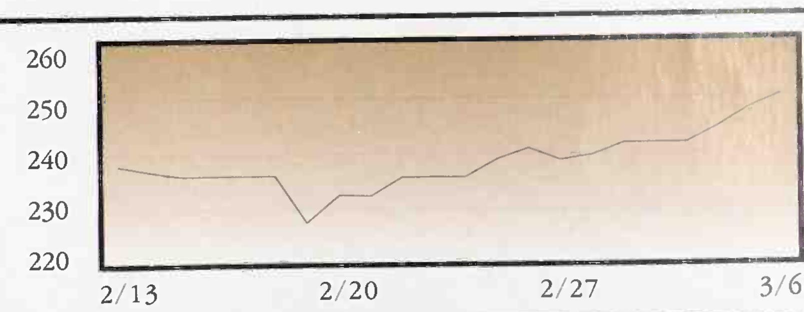
The Radio Index™

The Index pushed to a year-to-date high of 250.189 on 3/6, up 11.481 from a week earlier.



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Karmazin to address TVB

Viacom (N:VIA) President **Mel Karmazin** has been added as a featured speaker at this month's Television Bureau of Advertising's (TVB) 2002 Annual Marketing Conference.

"Mel Karmazin is one of the true giants in the media world," said TVB President **Chris Rohrs**. "He knows broadcasting inside and out. He is respected on Wall Street as one of the business's savviest minds. He is a tireless advocate of free, over-the-air programming. We are thrilled that he has agreed to speak at our conference."

Karmazin has been President and COO of Viacom since he merged CBS into Viacom in May 2000. That was the culmination of a succession of acquisitions and mergers that dated from 1981, when he was named President and CEO of a small little-known radio company, Infinity Broadcasting.


Mel Karmazin

The Zen Master joins NBC Anchor **Tom Brokaw** as a featured speaker at the TVB event March 26 at the Jacob Javitz Convention Center in New York. Brokaw will deliver the day's keynote address.—JM

Granite euphoric over San Francisco


Don Cornwell

Having pre-announced its better-than-expected Q4 results (TVBR 3/4), Granite Broadcasting (O:GBTVK) filled in the details last week (3/5). Net revenues for the quarter were down 18% at $30.2M and broadcast cash flow (BCF) declined 84% to $1.7B. The company said that $5.3M of that BCF decline was attributable to moving KNTV-TV (Ch. 11) from San Jose to San Francisco. The station had been an ABC affiliate in San Jose, but was an independent in San Francisco until 1/1/02 when it became the market's NBC affiliate. Granite now has a deal pending to sell the station to NBC for $230M.

"We are euphoric about the successful launch of our independent station, KNTV, as the Bay Area's NBC affiliate," said CEO **Don Cornwell** in announcing Q4 results. "Our two-year journey has transformed a once over-looked station in the South Bay into one of the top stations in the San Francisco market after just 60 days as the NBC affiliate."

Now that KNTV (now being called NBC3, based on its cable channel) is operating as an NBC affiliate, Granite is predicting record results for Q1.

"Despite continued softness in the advertising environment, our station group is pacing almost 60 percent ahead of first quarter 2001 due largely to KNTV and the performance of our other NBC affiliates. First quarter 2002 broadcast cash flow is expected to be in the range of $11.6 million to $13.2 million, as compared to $684,000 of broadcast cash flow in the first quarter of 2001," said Cornwell.

***TVBR* observation**: In last Tuesday's (3/5) conference call, **Mark Costman** of RBC Capital Markets questioned why Granite is including KNTV in its Q1 forecast. "This is a discontinued operation, so why don't you report it as such?" he asked. Company officials responded that they will continue to include KNTV until the sale to NBC closes. That answer didn't satisfy the analyst, but Granite clearly doesn't want to stop counting its biggest station until it absolutely has to.—JM

Hill hears testimony on EchoStar

NAB President/CEO **Eddie Fritts**, DIRECTV's **Eddy Hartenstein** and EchoStar's **Charles Ergen** all appeared before the Senate Judiciary Subcommittee on Antitrust, Competition, and Business and Consumer Rights, which is considering the proposed merger of EchoStar's DISH Network and the Hughes DirecTV service.

Ergen and Hartenstein promised carriage of local TV stations in all 210 markets if the merger is approved, saying they could do no more than 50-70 as standalone entities.

Ergen also noted that the merged entity would bring broadband to rural areas. "In rural America today...nobody, not the cable companies, not the phone companies, is providing broadband service," he said. "The merger will bridge the digital divide by providing consumers in every community in America with a competitively prices high-speed broadband solution."

The generally merger-unfriendly Consumers Union conditionally backed the merger. In its 2/4 filing with the FCC, it said it would support it if, among other things, pricing for rural subscribers was guaranteed to be the same as in areas with competitive options.

Nonetheless, the pair met with more than a little skepticism. Senator **Herb Kohl** (D-WI) was worried about the creation of a monopoly in rural areas which are beyond the reach of cable. Republican Senators **Arlen Spector** (R-PA) and **Mike DeWine** (R-OH) also expressed doubts about the merger.

Fritts was also unconvinced. "In December, [EchoStar] told the FCC that a combined EchoStar-DirecTV monopoly would be able to serve only 100 [local TV] markets. Now, with the merger plan appearing to be endangered, it has suddenly discovered the capacity to carry local stations in all 210 markets."

He continued, "At the same time it is challenging the underlying law on which that promise is tendered. Which is it going to be? Either they fulfill the promise of carriage in all 210 markets and dismiss the cases, or they continue to challenge the law and admit the promise is hollow."—DS

Nexstar revs experience political problems

Nexstar Broadcasting Group (public bonds) reports that Q4 net revenues decline 14% to $28.1M. Broadcast cash flow dropped 28% to $12.1M.

"The negative revenue comparison is entirely a result of the absence of significant political revenue in the fourth quarter of 2001," said CEO **Perry Sook**. "If you extract political revenue from the fourth quarter of 2000 and 2001, our net revenues actually increased 3.8% year over year for the quarter."

Nexstar owns, LMAs or JSAs 20 TV stations in 13 markets, ranging from #52 Wilkes-Barre/Scranton, PA to #189 St. Joseph, MO. Most are NBC and CBS affiliates, with a scattering of ABC and Fox, plus one UPN.—JM

NATPE announces incentives to keep syndicators at next show

Not long after some 50 syndicators bailed from the recent National Association of Television Program Executives (NATPE) conference in Vegas (*TVBR* 2/4, cover) to set up their own confab in nearby hotel suites, a new plan has been unveiled to keep them a bit happier the next time around.

NATPE President/CEO **Bruce Johansen** met with domestic and international syndication execs 2/28 in LA to present a number of changes that include cost-efficient, modular booth packages that include private meeting areas, food and various seating arrangements, slated to be included next year in New Orleans. NATPE will reportedly also provide free hotel rooms and registration for 50 or so TV buyers.—CM

The skinny on television viewing habits

Most adults have access to 71 TV channels, but watch only 11 during a given week, according to a report released by the Radio Advertising Bureau. The study utilizes data from Media Dynamics based on January 2002 data.

Over the course of a month, the same adults will have, on average, sampled 18 of the 71 offerings; the number increases to 25 over a quarter.

Weekly time spent with a channel has dropped significantly. It stands at 3.8 hours, compared to 5.5 hours/weekly in 1990 and 8.8 hours/weekly in 1980, before cable was widely available.

Although daily household television use is up, at 7:38 hours, compared to 6:55 hours/daily in 1990 and 6:36 hours/daily in 1980, individual viewing is flat—the rise in household viewing is attributable to the rise in television sets per household (now at 2.4 per) and the trend toward solitary viewing and away from family viewing.

Cable penetration is at 69% (and about half of those households subscribe to at least one pay cable service); satellite services reach 13%; VCRs are present in 93%.—DS

Sinclair selling $300M in new bonds

Sinclair Broadcast Group (O:SBGI) last week (3/5) announced plans for a private placement of $300M in 10-year senior subordinated notes. The bonds will be sold only to qualified institutional buyers. At deadline, Reuters said the bonds were priced to yield 8%.

Sinclair said the proceeds will be used to repay some of its short-term and bank debt.

Moody's Investors Service assigned a B2 rating to the proposed issue and confirmed Sinclair's other debt ratings. "The confirmation of Sinclair's ratings considers the ongoing weakness in the advertising market and its negative impact on the company's leverage as well as Sinclair's high capital expenditures and rising programming costs," Moody's said. But the ratings service gave Sinclair credit for having a diverse portfolio of markets and lots of duopolies. Moody's outlook for Sinclair is "Stable." Underwriter: Wachovia Securities

Gray blames political for decline

Gray Communications (N:GCS) reported Q4 operating revenues down 9.8% at $42.7M, with essentially all of that decline due to the lack of political advertising. Revenues for Gray's TV group were down 13.7% to $28.3M, but absent political, local sales were up 2.4% and national gained 18.2% (largely due to auto ads). Broadcast cash flow declined 22% to $12.2M. Newspaper revenues increased 1.3% to $11.1M and print cash flow rose 3% to $2.9M.

Gray owns 13 TV stations (10 CBS and three NBC affiliates), four daily newspapers, a paging business and a satellite uplink and production business.—JM