

Television Business ReportTM

Voice Of The Television Broadcasting Industry[®]

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FCC signs off on NBC Telemundo acquisition

General Electric's (N:GE) NBC Television Network, via subsidiary TN Acquisition Corporation, will be permitted to acquire 11 full-power television stations from Telemundo Communications Group, the FCC announced. Petitions to deny by a coalition of Hispanic public interest groups and from Paxson Communications Corp. (A:PAX) have been dismissed.

The Telemundo deal is worth \$2.7B.

The deal will create television duopolies in New York, Los Angeles, Chicago, Dallas and Miami. All are legal except LA, where NBC will wind up with three stations. There, NBC already has KNBC-TV Channel 4, and will be getting KWHY-TV Channel 22 and KVEA-TV Channel 52 from Telemundo. NBC has been granted a 12-month waiver to spin off KVEA.

Paxson had additionally requested a declaratory ruling. In 1999, Paxson and NBC entered into an agreement in which NBC would buy Paxson if and when regulatory changes permitted such a deal. Indeed, NBC took a 32% stake in Paxson and put three of its employees on Paxson's board of directors. Without the changes in the rules, the deal would have put NBC over the local station limit in four markets, and significantly over the 35% national audience cap (at 45%).

For failing to comply with insulation requirements NBC was admonished by the FCC, which found that no further disciplinary steps were necessary. All of the NBC employees departed the Paxson board months ago.

"We further clarify that we do not admonish Paxson for the decision to approve as director's NBC's employees, but rather for the decision not to remove the directors as offered by NBC and to continue this relationship in place, despite actions taken by NBC directors. We do, however, caution both NBC and Paxson to conduct any future business activities pursuant to the [agreement] in a manner consistent with this order," wrote the FCC.

Commissioner **Michael Copps** offered the lone objection to part of the deal, which he generally looked upon favorably. "I am particularly encouraged by NBC's pledge to continue the Spanish-language programming at the Telemundo stations," he wrote. "This acquisition should also ease the very serious financial pressures being experienced by Telemundo." However, he cannot sanction NBC's having three television stations in one market, even if the situation is only temporary.—DS



NAB offers olive branch to CBS, NBC & Fox

Meeting in Las Vegas with only one of the big four networks as a member, NAB President and CEO **Eddie Fritts** invited the other three to return to the fold. He suggested that despite a difference of opinion

over the 35% national audience cap, the networks have a lot more in common with the organization that continues to represent most of their affiliates. "Given the panoply of other challenges we face as broadcasters, we welcome the other networks to follow the ABC lead and come back under the NAB umbrella."

Disney's (N:DIS) ABC has remained in the NAB throughout the dispute over ownership caps. News Corp.'s (N:NWS) Fox left years ago and was later followed by GE's (N:GE) NBC and Viacom's (N:VIA) CBS (and UPN).—JM

TV industry strikes deal with BMI

BMI has announced an overdue music license agreement with the Television Music License Committee (TMLC). The agreement is retroactive to when the old one expired, April 1999, and will run through December 2004. Those back payments will be spread out over the three year remaining period of the music license deal.

Stations which operate under the BMI blanket license will pay their allocated share of a total of \$85M annually. As in the past, stations can also choose to go with a per-program license and pay their share of a \$98.1M base fee.

Under the new BMI agreement, stations will be able to webcast locally-produced news programming—either live or archived—on their Internet sites. The new agreement also covers DTV broadcasts.

According to TMLC Co-Chairmen **Catherine Nierle** and **Charles Sennett**, the industry organization represented more than 1,000 TV stations in the negotiation with BMI. They and BMI President **Frances Preston** gave much of the credit for the new agreement to former TMLC Executive Director **Jack Zwaska**, who died in February.—JM



Bud Paxson

Bud wins another round

FCC Wireless Bureau Chief **Tom Sugrue** has refused to delay the 6/19 auction of 700 MHz spectrum (UHF channels 59-69). In a letter to the Cellular Telecommunications & Internet Association, which had sought the delay, Sugrue said the organization shouldn't have waited until now to raise questions about when the spectrum will be vacated by incumbent broadcasters. "CTIA failed to make its views known on what it now asserts is a critical need for postponement," he said.

Paxson Communications (A:PAX) has the most to gain from potential payments from successful bidders who may pay the company to clear its 19 TV stations (of a total of 62 O&Os) out of the spectrum as quickly as possible, so CEO **Bud Paxson** is celebrating the ruling.

In recent weeks, he'd been telling anyone who would listen that delaying the auction would "deny this spectrum to the public safety community for many more years," since some of the new users are expected to be spectrum-strapped police and fire departments, as well as commercial telecommunications companies.—JM

Powell gives DTV a push

FCC Chairman **Michael Powell** has proposed a voluntary timetable to get the ball rolling on DTV. His plan focuses on the top 100 television markets, and includes requests for action from all of the different business categories necessary to bring off the transition.

He has requested that six specific programmers begin providing "value-added DTV programming," either high-definition, multicasting, interactive, or something else, during at least 50% of prime time by the beginning of the 2002-2003 season. The big four TV networks—ABC, CBS, Fox and NBC are included, and are joined by prime cable pay services Showtime and HBO.

Powell would like all broadcast television outlets in the top 100 markets that are affiliated with one of the four networks above to have their DTV plant up and running no later than 1/1/03.

He wants cable systems in those markets with 750 MHz or higher channel capacity to carry up to five DTV signals, and to provide options to subscribers for the set-top box which may be necessary to receive the DTV programming. He also wants DBS services to carry up to five such services.

Manufacturers and retailers in these areas are asked to be able to meet the demand for set-top boxes and other DTV options, and to market them at point-of-sale. He further sets voluntary deadlines for the inclusion of DTV tuners in television sets, with all new sets including them by 12/31/06.—DS



Washington Beat

Two-dish diss: EchoStar scheme assailed by commissioners

FCC Commissioners **Michael Copps** (D) and **Kevin Martin** (R) have issued a joint statement in opposition to a recent FCC ruling on the carriage of local television stations by EchoStar (O:DISH), operator of the DISH satellite television net (TVBR 4/8).

One of the recommendations of the FCC order was putting all local television stations on a second dish, rather than having some available on the first dish and others put on a second.

"The [Media] Bureau's decision essentially gives EchoStar an easy loophole to continue its two dish policy and makes it needlessly burdensome for consumers to get all of their available local broadcast channels," said Martin.

In their joint statement, they wrote, "We find it implausible that EchoStar's two-dish policy would be permissible...if EchoStar merely provides consumers with better notice of its discriminatory actions and the steps the consumer must take to alleviate the differential treatment. Such a 'remedy' does not ensure consumers have access to all local broadcast stations in a nondiscriminatory manner, but rather makes some stations unavailable to consumers as a practical matter."

TVBR observation: Copps and Martin are most often found on the opposite ends of the political and regulatory spectrum. Finding them not only in total agreement, but issuing a joint statement, is somewhat akin to finding dogs and cats sleeping together. This is not good news for EchoStar, and we have to think that if it takes the easy way out on this matter, then approval for its acquisition of DirecTV, currently pending before this same Commission, is in doubt.—DS

TV luncheon was a "Laugh-In"

Seriousness and ceremony fell by the wayside as the cast of "Rowan & Martin's Laugh-In" and the show's creator and producer, **George Schlatter**, were inducted into the NAB Broadcasting Hall of Fame at the All-Industry Television Luncheon (4/8) in Las Vegas.

"It was funny people allowed to do what they do best," said Schlatter of the show, which ran on NBC from 1968 through 1973. In keeping with the show's spontaneity, **Jo Ann Worley** threw dinner rolls to the cheering crowd as she was introduced by fellow cast member **Gary Owens**.

Pictured (l-r) are: Owens, **Ruth Buzzi**, Schlatter, **Lilly Tomlin**, Worley, **Alan Sues** and **Henry Gibson**.—JM



reduced operating costs and sold certain non-strategic assets. This offering, along with the closing of the previously announced sale of its Denver radio stations, will effectively complete the de-leveraging process," Emmit said in a corporate announcement.

Cumulus pays cash dividend on preferred

Cumulus Media (O:CMLS) says it has paid cash dividends—a total of \$4.6M—to holders of its Series A Cumulative Exchangeable Redeemable Preferred Stock. The 4/1 payment of the Q1 dividend was made to shareholders of record as of 3/15.



Lew Dickey, CEO of Cumulus

RBR observation: Cumulus doesn't have to pay cash dividends on the preferred issue yet. Cash payments aren't mandatory until July of 2003. But if it didn't pay cash, the company had to make the dividend payment in additional shares of preferred stock. With its stock price up sharply from the dark days of past years, Cumulus' management decided that paying cash was the better course. However, the company notes that it retains the option to select either payment option—at least for the next few quarters.

Oppenheimer gorges on XM

OppenheimerFunds has been buying XM Satellite Radio (O:XMRS) shares like crazy. According to a new SEC filing by XM, the mutual fund company now owns 9.6M XM shares—jumping it past Clear Channel (N:CCL) to become XM's second largest shareholder.

General Motors (N:GM) continues to be XM's largest shareholder with 19.3M shares, or 20.5% of XM's equity. That includes 13.7M shares (16.8%) owned by GM's Hughes Electronics (N:GMH), which has a deal pending to be acquired by Echostar (O:DISH). If and when that deal (which faces antitrust hurdles to combine Hughes' DirectTV with Echostar) closes, Echostar will become XM's largest shareholder and GM's stake will fall to less than 4%.
Oppenheimer's 9.6M shares amount to 12.8% of XM's equity—1.3M shares more than Clear Channel's 8.3M (11.1%). Only two other investors own more than 5% of XM: Rare Medium Group (O:RRR), with 5M (6.6%), and the combined holdings of three Madison Dearborn investment partnerships which total 4.9M (6.2%).

Small Town in 1-for-18 reverse split

After operating as Small Town Radio for nearly a year, Worldwide Petroleum Inc. (O:MOLY) is finally calling for a shareholder vote to make the name change official. The company is also asking shareholders to approve a 1-for-18 reverse stock split, which would reduce the number of share outstanding from 172M to 9.5M. In theory, that would also increase the trading price of the company's stock from the recent range of 2.5-3.5 cents to 45-63 cents. All of that is expected to take place in May. Shareholders will also be asked to change the company's state of incorporation from Colorado to Nevada. That won't have any impact on corporate headquarters, which will remain in Alpharetta, GA, outside Atlanta. Shareholders are also being asked to formally remove former CFO Robin Vail from the Board of Directors.
Chairman Dan Hollis also announced that a new member had been elected to the board—Eric Frostad, who was formerly VP of Finance at new World Communications, which was merged with Fox Television (N:FOX).
RBR observation: Reverse splits are supposed to increase the trading price of a stock in proportion to the increased equity ratio per share—but it doesn't work out that way. Sometimes a penny stock company that does a reverse-split to pump up its trading price instead has to watch in horror as the stock price heads right back down to where it was before the reverse split. Shareholders should keep a close eye on this one.

Journal revenues down 1.7%

Despite the difficult ad market for 2001, employee-owned Journal Communications reports that total revenues were down only 1.7% to \$824.8M. Earnings before income taxes were down 24.4% to \$83.1M. "The company believes that the recession, which began in March 2001, has had a significant adverse impact on its advertising related businesses. This extremely difficult economic climate was further exacerbated by the difficulties relating to the September 11 terrorist attacks and has resulted in a disappointing year for many of our businesses," the company said in its 10-K filing.

For Journal Broadcast Group, 2001 revenues declined 10.1% to \$134.8M and pretax earnings dropped 49.2% to \$15.5M. Radio revenues were nearly flat—\$73.9M, up slightly from \$73.5M. However, radio pretax earnings rose 18% to \$5.9M. TV revenues dropped 20.3% to \$60.9M. Pretax earnings were off 62.2% to \$9.6M.
Even with 35 radio stations and five TV stations (plus one LPTV), Journal Broadcast Group is still only the second-largest business unit at employee-owned Journal Communications. Broadcasting accounted for 16.8% of total revenues in 2001, while the company's flagship Milwaukee newspapers, *Journal* and *Sentinel*, accounted for 26.5%. Newspaper revenues were down 7.7% in 2001 to \$237M. The company's other units are in telecommunications, marketing and printing.

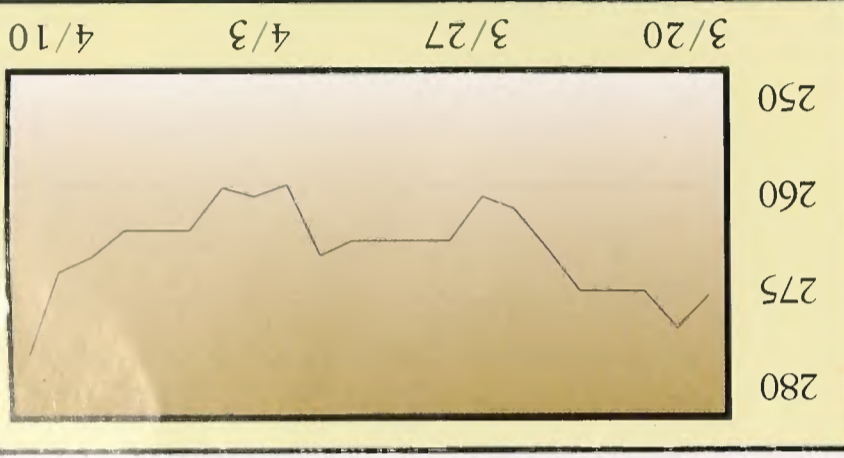
Moody's gives thumbs up to Gray-Benedek deal

Moody's Investors Service has confirmed its debt ratings for Gray Communications Systems (N:GCS) and said it appears the TV company will use a "prudent mix of debt and equity" to finance its \$500M purchase of Benedek Broadcasting (TVB 4/8).
"Following the combination, the company's cash flow leverage for this year should improve, in part because of the benefits of a political year and the amelioration of the of the advertising downturn, as well as the likely reduction in combined corporate expenses and opportunities associated with television stations clusters," Moody's analysts wrote. Although the Gray-Benedek merger won't create any dupliques, both companies have pointed to regional synergies from having stations in adjacent markets.
Moody's noted that the combined company's debt-to-equity ratio would have been 8.14 times as of 12/31/01, but said that Gray's management has given assurances that the ratio should be around six times by the end of 2002.

Crown Castle defers BT payment

Tower giant Crown Castle International (N:CIC) has gotten British Telecommunications to let Crown Castle put off for a year half of the 100M pounds (\$143M) payment that was supposed to be due last month under Crown Castle's November 2000 deal to lease space on 4K BT sites. That remaining 50M pounds (\$71.5M) won't be due until March 2003. "We look forward to continuing our work with customers as they co-locate on the attractive portfolio of BT exchange sites," said John Kelly, Crown Castle CEO.

Radio Business Report
The Radio Index™ pushed to a record high of 274.635 on 4/10—a gain of 13.613 from a week earlier.



Mapleton Communications LLC
has acquired the assets of
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Central Coast Communications LLC
for
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IDT makes first radio buy

IDT Corp. (N:IDT) said last month it was negotiating to buy a Washington, DC station as the first O&O for its Talk America Radio Network (RBR.com 3/18)—and indeed it has. IDT will pay **Sondra Linden's** Bellway Communications a total of \$7.03M for WMEZ-AM, which is licensed to Gaithersburg, MD.

Linden has already gotten a \$500K up-front payment from IDT to get her tax payments up-to-date. That will be deducted from \$2.8M in cash due at closing, plus \$4.2M in IDT stock. Linden will also receive \$30K under a short-term (three month) consulting agreement. In all, that's \$7,030,000 for the station that Linden bought in 1986 for \$525,000.

RBR observation: IDT isn't buying WHITE for what it is, but for what it can be once the telecommunications giant builds a CP that Linden finally won to upgrade the station. As it stands today, WHITE is a long-suffering 1kw day/500w night facility on 1150 kHz which routinely fails to meet Arbitron's minimum listenership for inclusion in the DC book. Under the CP, the station will be able to move to 1160 kHz and boost power to 50kw day/1.5kw night. That new four-tower array will, however, take time and money to put on the air.

Having the deep pockets of IDT should be a godsend for Talk America. Although **Paul Lyle** assembled an impressive line-up of Talk hosts—including **Doug Stephan, Barry Farber, Bruce Williams, Armstrong Williams, Chuck Harder, Don McDonald** and **Dr. Gabe Merkin**—not having any O&O stations has made it difficult to get major market clearances. IDT can fix that, just by writing checks.

More stations for Mickey

Disney's (N:DIS) ABC is buying three more AM stations to become Radio Disney O&Os.

ABC will pay \$2.5M for Cox Radio's (N:CXR) WBWL Jacksonville, FL. The contract specifies that Cox will get the call letters back for use elsewhere and that there will be no penalty for the station canceling its ESPN Radio contract. ESPN, like Radio Disney, is part of ABC. Broker: **Elliot Evers, Media Venture Partners**

In Norfolk, VA, ABC will pay \$1.075M for expanded-band WTKA-AM (1650 kHz), which is now LMA'd and carrying Radio Disney, and WPMH-AM. Since the license of the elder AM (1010 kHz) can't be separated from its expanded-band mate, it will be LMA'd back to the seller by ABC for the four years plus remaining before it has to go dark. That seller is Truth Broadcasting, which is headed by **Nancy Epperson**, wife of Salem Communications (O:SALM) Chairman **Stuart Epperson**. Broker: **John Pierce**, John Pierce & Co. and **Bill Schurz**, Schurz & Co.

And last but not least, ABC is buying WFDF Flint, MI from Cumulus Media (O:CMLS). Broker: **Elliot Evers, Media Venture Partners**

Double deal Brewer-ing in Tennessee

Brewer Broadcasting is adding another four-station cluster just north of its four-station superdupoly in Chattanooga. When this two stage deal is completed, the **Brewer** family will have paid only \$300K for its new quarter.

Brewer Broadcasting agreed to buy all five of **Walter Hopper's** stations for \$1.1M and has been LMA'ing them since early last month. But a few days later, the group owner struck a deal to spin off WAYB-FM in Grayville, TN, the only one of the five which can really be said to be in the Chattanooga market. The buyer, for \$800K, is Rev. **Jimmy Swaggart's** non-profit Family Worship Center Church Inc. WAYB is a Class A with its transmitter just north of Chattanooga.

That will leave Brewer Broadcasting with WDNT-AM & FM Dayton, TN and WXQK-AM & WAYA-FM Spring City, TN.

RBR observation: None of the stations that Brewer Broadcasting is keeping has any city-grade contour overlap with the company's existing Chattanooga stations, although WDNT-FM (Class A) picks up coverage north-northeast of the city where the city-grade contours of WJTT-FM and WALV-FM end—and then WAYA-FM (Class C3) overlaps WDNT-FM to carry coverage further to the northeast. In all, Brewer Broadcast will have city-grade coverage by one of its FMs nearly continuously from 25 miles south of Chattanooga (WMPZ-FM) to 80 miles northeast of Chattanooga (WAYA-FM). That's a pretty impressive expansion for \$300K.

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Russell claims Pine Bluff quartet, OK group

Jerry Russell's MRS Ventures is buying an already-assembled cluster in Pine Bluff, AR and a five station group in Oklahoma.

In the first deal, MRS is paying \$1.475M for KCLA-AM, KOTN-AM, KPBQ-FM & KZYR-FM, all licensed to Pine Bluff. The sellers, Delta Radio and Secark Radio, are both owned by **W.J. "Buddy" Dean, Craig Eastham** and **Dawn Dean**.

In Oklahoma, MRS is paying \$1.868M for KRPT-FM Anadarko, KXCA-AM Lawton, KIDDQ-FM Comanche and KSCD-AM & KKEN-FM Duncan. (The Duncan and Comanche stations are essentially a single market, joined to the Anadarko FM by the contour of the Lawton AM. Seller **Bob Elliott** will still have stations in Michigan. **Bill Whitley** of Media Services Group was the broker for both deals.

Regent pushes out good news

Regent Communications (O:RGC) won't report its full Q1 results until the end of this month, but the company hurried to give Wall Street a peak at the good news to come. Rather than a net loss of two cents per share, Regent now expects the loss to be only one cent. That's excluding a gain on its sale of WCNA-AM Albany, NY. With the gain included, Regent will break even on the bottom line for the quarter.

Although the counting is still going on, Regent has narrowed the range for its revenues and upped its expectation for broadcast cash flow (BCF). It's now expecting net revenues to come in at \$12.9-13M (it had previously said \$12.8-13.1M) and BCF to finish at \$2.9-3M (previously \$2.5-2.7).

On a same-station basis, Regent says Q1 revenues will be down approximately 2%. The company had previously given Wall Street guidance that the quarter would be flat to down 5%.

Regent won't issue any official word on its outlook for Q2 until its conference call later this month. "However, based on current ratings, business appears to be improving," Regent said in its 4/10 preliminary announcement.



Terry Jacobs,
CEO of Regent Comm.

Regent to sell 8M shares

Regent Communications (O:RGC) will sell approximately 8M new shares under the \$250M shelf registration that it filed last month with the SEC (RBR 3/25, p. 7). At yesterday's (4/4) closing price of \$7.75, that would raise about \$62M. The company will also make a green shoe of 1.2M additional shares available for the underwriters to tap if the offering is over-subscribed.

In addition to the 8M new shares that Regent itself is selling to the public, the company has also registered 215,828 shares connected to last year's purchase of stations in Louisiana. Those shares were apparently taken as partial payment for the seven stations that Regent bought in Lafayette, LA for \$37.8M (RBR 9/10/01, p. 7). They're now being registered for public sale by **Tom Galloway's** ComCorp of Lafayette (194,245 shares) and **D. Wayne Elmore's** Abbeville Broadcasting Service (21,583 shares).

Robertson Stephens has been tapped as lead underwriter for Regent's offering, with participation by Morgan Stanley, UBS Warburg, CIBC World Markets and Sanders Morris Harris.

Hispanic expects Q1 to beat guidance

Hispanic Broadcasting Corp. (N:HSP) isn't saying exactly how strong its Q1 numbers will be, but it is saying that they will beat what it had previously promised The Street. That earlier guidance had been for revenue growth of 1-3%. HBC issued the upbeat outlook as management addressed the AG Edwards investor conference (4/9) in Las Vegas.

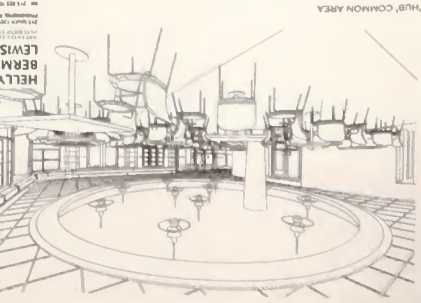
Radio One stock sale priced at \$20.25



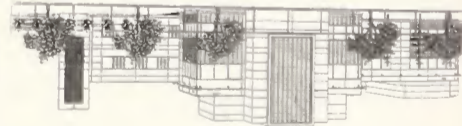
Radio One's offering of 10M shares of non-voting stock (O:ROIAK) was priced after the market closed 4/4 at \$20.25—\$1.20 below the day's closing price of \$21.45. As previously reported (RBR 4/1, p. 6), 8.7M of those shares were new shares being issued by the company and 1.3M were sold by existing shareholders, including CEO **Alfred Liggin** (who sold only a small portion of his total stake) and several former investors in Blue Chip Broadcasting. The lead underwriters were Banc of America Securities and Credit Suisse First Boston.

Emmis picked up an extra \$15.7M

Underwriters picked up the entire 600K share green shoe from Emmis Communications' (O:EMMIS) stock offering, which was priced 3/26 at \$26.80 per share (RBR 4/1, p. 6). That took the total sale to \$123.28M, of which Emmis will net \$120.2M—\$15.7M more than initially anticipated. Deutsche Bank Securities (which was still called Deutsche Banc Alex. Brown when the offering was priced) was the sole book-running manager and Credit Suisse First Boston was co-lead manager for the offering. "This offering was consistent with Emmis' previously announced efforts to lower its debt levels. In recent months, the company has



The "Hub" common area inside Greater Media's new Detroit building project.



Southeast view of the Detroit building project.

BE's AudioVault is the likely candidate. I think in terms of the way we did a lot of the acoustical parts of the construction and so forth, they will be replicated. We've used similar techniques in the builds we've done in recent years."

In all the facilities that Greater Media has upgraded or consolidated, Smitty and the cluster CBS have designed in a fairly high level of redundancy and backup. "When you're putting that many eggs in

one basket, I think you do your company a disservice if you don't do that. So there's 100% generator backup power, uninterruptible power for all the core technical areas and a lot of redundancy in terms of equipment. It's almost impossible to get one of these things down. Even with the automation system—we are planning on having in Detroit, as we have in the other places, off-site servers that mirror the servers that live in the building in the event of the absolute worst-case situation where you are actually forced out of the building. Operating in a Top-10 market with sometimes five stations under one roof, with some of those spot rates being pretty outstanding, it doesn't take too unimaginable a scenario to make that kind of backup pay off."

Other upcoming projects include the New Jersey Broadcasting stations the company acquired last year, which consists of stations in Morristown, Point Pleasant and Toms River. "We definitely have some things we want to do there. We've got some technical and operational needs that we need to address and will certainly be starting down that road this year. I think at some point we'd like to consolidate a couple of those operations, not quite on the scale we're doing in the major markets, but not too dissimilar in terms of approach."

He adds, "The other thing that we're definitely budgeting for this year, and it's a big number, is IBOC DAB implementation. I don't know whether we'll get it implemented everywhere this year or not, but we certainly have a placeholder in our budget. We haven't started getting official quotes yet. As the hardware becomes available, we'll get to the real quotes."

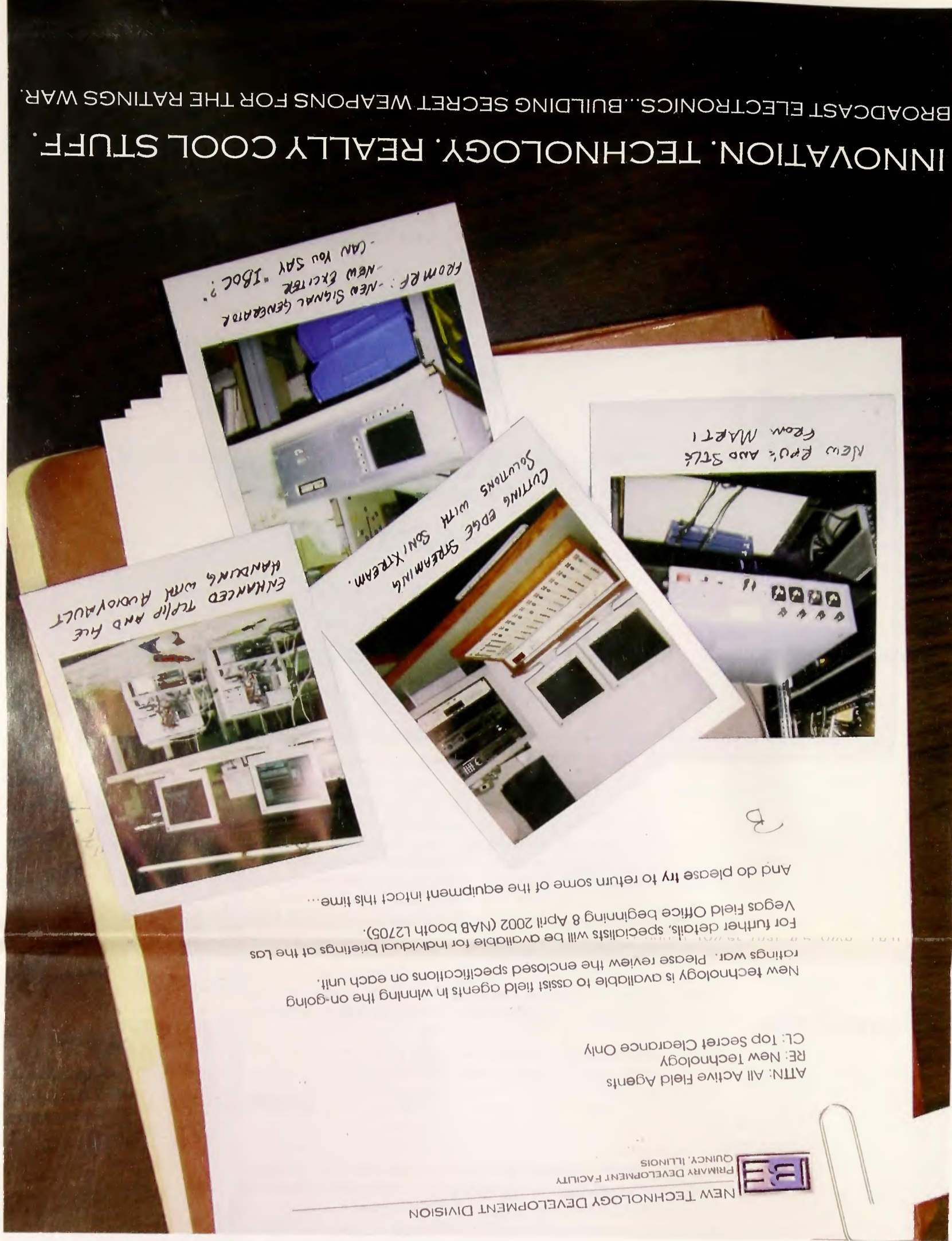
When Greater Media was using tape equipment, car machines and the studio equipment from years past, it was fairly easy to determine when to replace the equipment—when it wore out or hopelessly broke. Now, it's a little different, of course. "I think in general now there is almost what you would call a continuous replacement cycle involved with all

the computer-based stuff. It's no different in the professionally used stuff in the automation system than the stuff that's sitting on your desk. In most cases, if you've got a CPU there that's more than four-five years old it's probably to the point where the stuff that's now being written for your automation system is being written for the current generation processors and operating systems. If you go much beyond that, you'll find yourself in a situation where your legacy hardware and software will ultimately not be supported. That's a bad position to get in because if you get to that point you just have to replace everything. We don't get in a situation where all of a sudden we've got 200 computers that all need to be replaced next year."

So the company's equipment replacement policy is to replace a certain amount on the business side—the office computers—as well as the on-air computers on a regular annual basis. Says Smitty: "The hardest part is just getting used to the fact that the replacement cycles on both the office stuff and on-air stuff are much shorter than they used to be. Boy, you used to buy a console or transmitter or something like that and you were used to 10-15 and more year operational cycles. That still isn't unheard of on transmitters but on the processor-based stuff, I mean forget it. It's more a technologically-driven advancement of the stuff than it is anything else."

At Greater Media, most of the computer functions are a subset of engineering. "So engineering has to come up with the right space planning, layout and infrastructure to make all of that stuff happen—both bricks and mortar and electronics infrastructure," Smitty explains. "Now there's a PC sitting on every desk. And in the case of a multiple-station facility where your employee count could be 100-200, you're talking about a tremendous amount of hardware just associated with that part of the operation. You're talking about 150-200 PCs sitting on desks, along with all of the network infrastructure that's required. I think most people have no idea of the level of planning that has to go into one of the facilities."

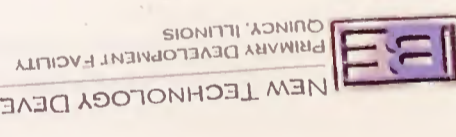
And do please try to return some of the equipment intact this time...



As the NRSC's DAB subcommittee Chairman, Smitty Morgan (along with NRSC Chairman Susquehanna SVP Charlie Morgan) is one of the main mouthpieces on testing and evaluating IBOC DAB. So far, the NRSC has endorsed iBiquity Digital's FM system (RBR 12/10/01, p.3) and has just given the thumbs up for the AM system for daytime operation (RBR.com 4/8, 3/22). Smitty explains why the system isn't yet workable for nighttime or skywave signals: "There are two widely different propagation modes in AM—ground wave and skywave at night. At night, the challenge on AM is there is an entirely different propagation and allocation situation. Things change radically from day to night. The concerns that the evaluation working group had at night had to do with interference, particularly to and from first adjacent channel stations. And there was some real concern that there could possibly be a significant impact on the skywave service areas of the clear channel stations [50-kW]. But there were also a number of concerns with first adjacent channel interference, even to non-clear channel stations due to the fact that a significant amount of the IBOC energy actually sits in the first adjacent channel. With the information before the evaluation working group it was not considered appropriate at this time to recommend the AM IBOC be implemented during nighttime hours."

Smitty on IBOC

ATTN: All Active Field Agents
RE: New Technology
CL: Top Secret Clearance Only



New technology is available to assist field agents in winning the on-going ratings war. Please review the enclosed specifications on each unit. For further details, specialists will be available for individual briefings at the Las Vegas Field Office beginning 8 April 2002 (NAB booth L2705). And do please try to return some of the equipment intact this time...

INNOVATION. TECHNOLOGY. REALLY COOL STUFF.
BROADCAST ELECTRONICS... BUILDING SECRET WEAPONS FOR THE RATINGS WAR.

Smitty:
Greater Media's
engineering
brain trust



Milford "Smitty" Smith is one of the most visible Radio VPs/Engineering in the nation. Holding that title at Greater Media for 18 years and counting, he's also active in the National Radio Systems Committee (NRSC) as Chairman of the group's DAB subcommittee and a participant of its DAB test guidelines and evaluation working groups. The NRSC, jointly sponsored by the Consumer Electronics Association and the NAB, is the industry body that has recommended iBiquity Digital's AM and FM IBOC systems to the Commission for a digital radio standard here in the US.

And the acronyms continue... Smitty is also a member of numerous engineering organizations, including The Institute of Electrical and Electronics Engineers (IEEE), The National Association of Radio and Telecommunications Engineers (NARTE), an associate member of the Association of Federal Communications Consulting Engineers (AFCCBE). He's also active in the NAB, chairing the Engineering Conference Committee and as a member of the DAB Technical Advisory Group.

Obviously, the man's career is a passion as well as a job. What got him so interested? "I think what actually got me interested in radio in general was the fact that my father, who due to his age went back to really almost the beginnings of radio, was an avid radio listener and SWL. I really think he got me hooked on the medium. I remember as a fairly young kid listening to stuff like Ed and Wendy King out of KDKA in Pittsburgh, one of the first talk shows they ever did on radio—except they didn't put the phone calls on the air. The content of the calls was basically relayed by the hosts to the listeners."

Always interested in electronics, ham and two-way radio, Smitty's first job in the field was in Rutland, VT, "where the opportunity to get involved with the local radio station was fairly easy to do," he tells RBR. "That continued on to college radio in school at Amherst. At one point I was CE of the Amherst college station, the University of Massachusetts college station and the local commercial station in Northampton, MA, WHMP. While at the same time, I did a little part time work for a radio and TV operation in Springfield called WHYN. I majored in physics."

Prior to Greater Media, he spent 11 years as VP/Engineering for First Media Corp, another radio group, and several years with Tribune Broadcasting in New York previous. Greater Media's capital budgeting meeting for 2002 was held in December. The largest single project the company is doing this year involves a \$10M+ construction of a new building in metro Detroit for its WRIF-FM, WCSX-FM and WMGC-FM cluster. The original WCSX site is where the new building is going. "It's a fairly good-sized chunk of property that we own. The original station was there—WMJC, now WCSX. The other stations we have are WRIF and WMGC. At the moment, CSX is off-premises in leased space a few miles away from the owned space. WRIF and WMGC are on the on-site space, if you will. The idea is to suck them all back in

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Greater Media has already upgraded most of its RF systems in Detroit within the last couple of years. Says Smitty: "This site is actually co-located with a 1,000-ft tower that we own. That transmitter plant was almost completely redone within the last few years. We added a new multiplexed cogwheel antenna and a lot of new transmission equipment that serves for WCSX and WMGC. WRIF is actually a superpowered grandfathered operation that's sited at the Channel 7 [WXYZ-TV] tower. We redid that transmission plant in the last few years also. The only thing we've done in the last year or so is WMGC is off for the better part of a couple of years now."

Greater Media completed its five-station Boston consolidation project in late '98-early '99. Smitty says there will be some similar equipment and techniques used in Detroit: "Obviously the automation system is going to be largely replicated—can get fairly substantial."

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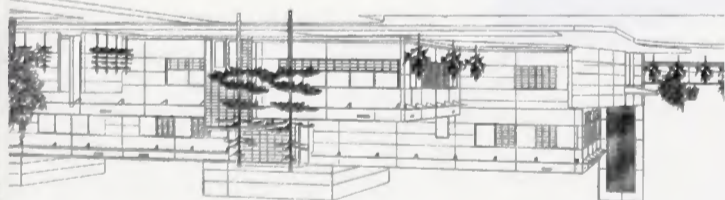
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By Carl Marcucci

An Architect's drawing of Greater Media's new Detroit building. Southeast Entrance.



American Broadcast Pioneers Award winners named

The Board of Directors of the Broadcasters Foundation has chosen four outstanding individuals to receive the 2002 American Broadcast Pioneer Awards. This is the 7th year for this special recognition program, which has been sponsored since its inception by the National Association of Media Brokers. The 2002 Breakfast was held 4/10 at the Las Vegas Hilton during the NAB.

The winners: **Joseph C. Amaturo, Thomas Cookerly, Michael C. Oatman** and **Nancy C. Widmann**—CM



RBR Publisher Jim Carnegie and VP Cathy Carnegie with Nancy Widmann at NAB2002.

Suffra calls daytime-only IBOC death knell for AM

Clear Channel (N:CCU) SVP/Capital Management **Bill Suffra** had a few negative comments about iBiquity Digital's AM IBOC system only being recommended for daytime use (RBR.com 3/22, 4/8) at a 4/9 NAB session on the implementation of IBOC digital broadcasting by iBiquity. He called the daytime-only admission a "death knell for AM" and commented that numerous financial issues hinder the implementation of IBOC technology in general. Clear Channel is an investor in the company.

Susquehanna SVP/NRSC Chairman **Charlie Morgan** disagreed with Suffra's comments, saying AM IBOC had "quality and durability and provided a really, really good" AM broadcast. "Yes, we have a problem with nighttime coverage on AM, but when listeners get their digital FM receiver they are already automatically going to have their AM receiver. That means AM will have to move up its timetable in adopting IBOC technology," he said in the session.

"The fact of the matter is it is a lot more difficult to make this work on AM in general, and that's part of the issue," Suffra tells RBR. "There are some issues with nighttime. The NRSC came out and said they can endorse this for AM daytime, but if you do it daytime only, you've got multiple issues, not the least of which in major parts of this country in winter time, nighttime is in afternoon drive—4:30 in the afternoon. There's no doubt the quality of the digital signal is good, but what happens when all of a sudden, you've got to switch because daytime goes away? Then you've got a huge difference in quality in many of these markets. I just think that people are not going to put up with that, people aren't going to listen to it."—CM

Walden: Consolidation may unwind somewhat

As the only Member of Congress who currently owns a radio station (four of them, in Oregon), Rep. **Greg Walden** (R-OR) has a unique perspective on the changes that have been happening in recent years in the radio industry. After watching six years of massive consolidation, he told NAB attendees he thinks another phase may be coming—a partial reversal.

"I don't think we have seen the end of this yet. I don't think we have seen what is going to happen. When you ramp up all these companies together, then to achieve investor-driven requirements on return you begin to cut people—the very people who made these companies successful. My guess is along the way you're going to see a breakup of some of those companies and they're going to be spun back into the market. In many respects that would be good. This is not the radio business of my father or the 40s and 50s. It is a much more competitive environment," Walden said. The legislator/broadcaster agreed that clusters create efficiencies that allow you to do more in a local market. "But that is not anything to be carried to the extreme, and I think we are seeing some of that now."

Also speaking at the Congressional Breakfast, Rep. **Jim Sensenbrenner** (R-WI), Chairman of the House Judiciary Committee, was critical of RIAA for the way it is battling over copyright payments for music use by new media. He said the record companies should learn from the film industry. "They release films first, then they send them through syndication and sell the tapes. They end up getting several kicks at the can," Sensenbrenner noted. He said RIAA is fighting on each individual issue instead of looking at it from a broader perspective, which could in the long-run mean more profits for its members. In Sensenbrenner's view, the goal of any legislation to deal with use of content, not restrict it. "Technology is always quicker than copyright law," he said. Then, in a final dig at RIAA, he said that the group should spend less money on fighting the copyright issue and put more money in pockets of artists.

Rep. **George Radanovich** (R-CA), who's also a winery owner, backed broadcasters who have decided to carry ads for hard liquor. But, he warned, "Personal responsibility has to be the message."

No one offered any firm timetable for the TV transition to digital, but Rep. **Darrell Issa** (R-CA) indicated that it won't really be determined by either broadcasters or lawmakers. "The consumer has the right to say I do not want it on your timetable, but on my timetable," he said. And the congressman noted that consumer demand for DTV is not there right now.—KLTJM

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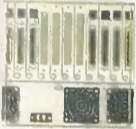
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Burns expects action on new FCC member

At the annual Congressional Breakfast, Rep. Richard Burr (R-NC) said that NAB's grassroots lobbying campaign was instrumental in killing the Torricelli Amendment this year. "NAB was able to get constituents [at local stations] pick up their phone and call their Members of Congress," he said. Rep. Gene Green (D-TX) suggested that the best way for broadcasters to head off demands for mandatory free time was to make free air time available during elections.—JM

Infinity, Westwood now accepting distilled spirits ads

NBC's loss is radio's gain. At just about the same time NBC decided not to take liquor ads (RBR 2/25, cover), both Westwood One (N:WON) and Infinity (N:VIA) have decided to start accepting them. "Infinity is in fact accepting them on a case-by-case basis. That began weeks ago. I do know that we are accepting them only in certain content—mostly in sports. Infinity stations were told they could accept liquor ads if they feel right about it—it's up to individual stations," says Infinity spokesperson Dana McClintock.

McClintock adds there was a presentation from Infinity that illustrated where liquor advertising might be a good match. "The Infinity sports marketing folks came to visit us about a month ago with some very attractive proposals for our member companies, in conjunction with their large presence in the NFL markets, for example, where they have exclusive radio deals in place. Then, we just learned the other day in a phone call from Westwood

As a former radio station owner, Burns dismissed claims that consolidation has killed localism. "Radio and television is still like politics—everything is local," said Burns. And he added that diversity has never been so broad, due to new media technologies. Senator Burns also said that he'll be introducing a new bill soon on spectrum management, which he says will be as controversial as the 1996 Telecommunications Act. US spectrum management is currently split, with the FCC overseeing spectrum used by the private sector and local/National Association of Broadcasters. In presenting them with the 2002 Crystal Radio Awards, NAB President/CEO Eddie Fritts said, "The stations we honor today go well above the call of duty in serving their individual communities. NAB salutes these ten broadcasters for their commitment to localism and exemplary public service."—DS

NAB award winners made crystal clear

Ten radio stations did such a good job of improving the quality of life in their communities that they have been honored by the National Association of Broadcasters. In presenting them with the 2002 Crystal Radio Awards, NAB President/CEO Eddie Fritts said, "The stations we honor today go well above the call of duty in serving their individual communities. NAB salutes these ten broadcasters for their commitment to localism and exemplary public service."—DS

And the winners are (owner in parens):

- KABC Los Angeles (ABC)
- KIRO Seattle (Entercom)
- KNCO Grass Valley CA (Nevada County)
- KPAM Portland OR (Pamplin)
- KUDL Kansas City (Entercom)
- KWJY Portland OR (Fisher)
- WJON St. Cloud MN (Regent)
- WLQT Dayton (Clear Channel)
- WTCB Columbia SC (Citadel)
- WTMX Chicago (Bonneville)

Free time will return to Capitol Hill

Broadcasters were successful in keeping the political rate-cutting Torricelli Amendment out of campaign finance reform this year, but Members of Congress told the NAB Convention in Las Vegas (4/8) that the issue will be back with reformers pressing for free air time for political campaigns.

Fritts sees threats to broadcasters

"The challenges we face in Washington are real and they are constant," NAB President and CEO Eddie Fritts said (4/8) as he addressed the NAB's spring convention in Las Vegas. One of those challenges is satellite radio and Fritts again demanded that the FCC withdraw authorizations for XM's (O:XMSR) and Sirius' (O:SIRI) repeater network if they are used for any type of local programming or ad insertion. "The FCC intended for those repeaters to supplement satellite service, not to enable a totally different business," Fritts said. The NAB chief also warned that the battle over campaign finance reform isn't over, although broadcasters succeeded in blocking the onerous Torricelli Amendment from being included in the new law passed this year. Fritts warned that the reformers are not satisfied and will be back seeking to mandate free campaign ads. "There are certain groups inside the beltway who won't be satisfied until government mandates free airtime quotas for all political candidates," Fritts said.—KL, JM



Michael Coppes



Kevin Martin

Contrast that with Commissioner Kevin Martin's session he was alarmed at how far consolidation had already gone. Coppes said he'd been meeting with Members of Congress who are also dismayed by what's happened since passage of the 1996 Telecommunications Act. But even Martin was not totally comfortable with the consolidation which has seen one company, Clear Channel (N:CCU), accumulate 1,200 radio stations. He said he was not alarmed, but concerned. "Concerned is different than alarmed," Martin insisted. "We need to look at it to see what's going on—I think concern is appropriate."—KL, JM

Commissioners at odds over ownership

At the annual Congressional Breakfast, Rep. Richard Burr (R-NC) said that NAB's grassroots lobbying campaign was instrumental in killing the Torricelli Amendment this year. "NAB was able to get constituents [at local stations] pick up their phone and call their Members of Congress," he said. Rep. Gene Green (D-TX) suggested that the best way for broadcasters to head off demands for mandatory free time was to make free air time available during elections.—JM

Washington Beat

Saga Communications of New England, Inc.

has agreed to purchase the assets of radio stations

WKNE-AM/FM

Keene, New Hampshire

&

WKVT-AM/FM

Brattleboro, Vermont

from

Tele-Media Company of Vermont, LLC

for

\$9.075 Million Cash*

Robert J. Maccini of Media Services Group

represented Saga Communications in this transaction.

*Pending FCC approval
maccini@msn.com

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Radio Business Report

Voice Of The Radio Broadcasting Industry

April 15, 2002

Volume 19, Issue 14

deCastro named new AOL President

Former AM/FM Vice Chairman and Radio President **Jimmy de Castro** has been named President of AOL/Time Warner's (N:AOL) America Online, replacing **Jonathan Sacks**, who retired in February. He starts on Monday, April 15.

The appointment was made just after **Barry Schuler** stepped aside (RBR.com 4/10) as AOL's CEO. His duties will be taken over by **Bob Pitman**, the incoming COO of AOL/TW. Schuler will lead a new AOL division charged with developing new digital services for the media conglomerate, including home net-

Powell expects crossownership decision this year

FCC Chairman **Michael Powell** played close to his vest, as far as giving any hint of policy decisions, as he engaged in a wide-ranging one-on-one interview with ABC's **Sam Donaldson** at the NAB2002 Convention in Las Vegas. Asked about the FCC's current review of the broadcast-newspaper crossownership rule, Powell responded only with the timetable, not the likely outcome. "It is proceeding at the Commission and a judgment will be made this year," he said. That should at least provide some comfort for people who feared that the proceeding might drag into next year.

Powell also said that the FCC should be able to finish its latest revision of its EEO rules, after seeing two previous versions struck down by the federal courts. "I don't think it is remarkably difficult, but we do have get there and get it done soon," Powell said.

The current Chairman also got in a dig at his predecessor, **Bill Kennard**. "I'm embarrassed to say that I think the Commission in the last five or six years has lost virtually every challenge to its media ownership regulations. We are aggressively in the process of trying to fill what is a deficiency, both in terms of rationale, the empirical evidence in the record, our theories—how we apply them—because apparently they're not to the satisfaction of the courts' review."

So, Powell noted, so the current Commission is having to do clean-up work—

instating short-term fixes while working on long-term policies. As an example, he noted that the FCC has refined its so-called red-flagging of deals, while conducting a rulemaking proceeding to address local radio market concentration.—KL, JM



Sam Donaldson and Michael Powell at the NAB

On the table at the FCC

Powell remains committed to pushing TV broadcasters through the conversion to digital. "There's a public interest in returning spectrum to the warehouse," the Chairman said of the analog channels that broadcasters will return to the government for auction. While Powell said there will be some leeway in how the transition is handled, broadcasters will have to convert to digital.

When Donaldson turned to the pending Echostar-DirectTV merger and asked who goes first, the FCC or DOJ, Powell answered that it didn't matter. "The FCC will do it on its own timeframe," he said, and added that there is a possibility that the two agencies could come to different conclusions. One could say yes to the merger and the other no. While radio broadcasters may think that the terrestrial repeater networks constructed by XM (O:XMSR) and Sirius (O:SIRI) are a serious threat, Powell obviously doesn't share that view. He had little to say on the subject, except, "I don't think this is something that broadcasters need to fear."

As part of the wide-ranging discussion, Powell ruminated on his view that we are now in the third act of a play, as far as video development is concerned. Act one was broadcast, with "one to many." In those early years of TV, the entire community would watch the same programs.

NAB confab drew 95K

Act two was cable. "More diversity through multi-channel division of service" is how Powell put it. With a joking glance at Clear Channel (N:CCU) CEO **Lowry Mays**, Powell said, "Consumers were beginning to aggregate their interests around a limited kind of programming, so if you are Lowry and you really love fishing, there are channels where you can do nothing but watch that all day long. Why I don't know, but you can in America today."

Act three is the Internet. "It's the ultimate diversity. It's individually-tailored program interests," Powell said. While he acknowledged that the new act is a challenge to broadcasters, he noted that it is today's reality.—KL, JM

95,000 attendees makes NAB2002 one of the world's largest conventions in any field, but it's still down from past Spring conventions in Las Vegas. Still, NAB officials are happy with the turnout, since many conventions in all industries have seen numbers drop since 9/11. The NAB record was 115K in 2000 and last year's show drew 113K.—JM

CCU creates a "Buzz" in Atlanta

Clear Channel's suburban Atlanta WXV-FM has become Alternative "96.7 The Buzz" under PD **Paul Krieger**. WXV had been simulcasting WMXV-FM. Calls are now WBZY.

Jupiter Media Metrix sells AdRelevance

Jupiter Media Metrix (O:JMXI), an Internet and new technology analysis and measurement provider, announced 4/10 it has sold all of the assets of its ad measurement division, AdRelevance, to NetRatings (O:NTRT) for \$8.5M.

WW1/CBS Radio Sports, NFL renew

Continuing a strong partnership that began in 1987, Westwood One/CBS Radio Sports (N:WON) and the NFL announced 4/9 the renewal of a multi-year agreement to continue Westwood/CBS' exclusive relationship as the network radio home of the NFL.

Justin Seagraves VP/Business Processes

Hispanic Broadcasting Corporation (HBC) announced 4/8 that **Justin Seagraves** has been named VP/Business Processes, responsible for reviewing traffic processes across all markets, promoting proper and optimum software utilization, and training uniformity of the broadcast software within the company.

Bertelsmann makes Napster buyout offer

Bertelsmann CEO **Thomas Middlehoff** has told a German newspaper that Bertelsmann has made online music file sharing service Napster shareholders a buyout offer. Middlehoff said that negotiations have hit a wall because of Napster's internal disputes. Bertelsmann is reportedly willing to spend between \$15 million and \$30 million to buy Napster, although Middlehoff did not comment on the offer that has been made.

CCU achieves Internet radio milestone

MeasureCast reports 4/8 that another Internet radio milestone was reached in March when the Clear Channel network of online radio stations became the first web radio network to stream more than 4M hours of programming in a single month.

Katz names an HBC specialist

Peter Kakoyannis is targeting the \$630B Hispanic market for his new employer, Katz Hispanic Media's HBC National Sales. His title is VP/General Sales Manager.

Writers Guild and CBS avert strike

Negotiators for the Writers Guild and CBS came to terms on a new three-year tentative agreement 4/7, avoiding a strike by news writers, editors, promotion writers and producers, graphic artists and desk assistants in NYC, DC, Chicago and LA.



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Olivia Fox

Russ Parr joins the largest African American radio network company to make urban radio history. Welcome Russ and Olivia. To get Russ Parr on in your market, call:
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Lenore Williams Manager Program Operations - 412.456.4098

Parr-on the interruption



AMERICAN URBAN RADIO NETWORKS

and they're both aggressive marketers.—JM

Pitman hit it off? They're both former radio guys—
RBR observation: Why did deCastro and be out with customers and people?—CM

radio job—I'm on the road anyway. I'm going to just don't know when and where, it's just like the months to a year. I will get a place down there, I here. I will come down there for the first six have offices in Chicago and people that will keep family down there until she goes to college. So I and will finish here. I'm not going to move the daughter who is still a sophomore in high school to Dulles, VA, where AOL has its HQ. "I have a permanent residence in Chicago and "commute" of music formats and online radio stations.

Decastro also tells **RBR** he will keep his AOL recently launched AOL Radio with its new AOL 7.0 version, which offers hundreds prove it and develop more audio product."

Any ideas on what you will do with AOL product and make it sizzle," de Castro tells **RBR**. It's been that for a couple of years and I think, like I think the product really needs to be reinvented, which is awesome for me. This is a big time job, Pitman is going to step in as CEO for a while, deal last night (4/9). I'm the President, and 5 and handed over that weekend. "I signed the The contracts for de Castro were drafted on 4/ charged pace. Revenues at AOL fell 7% in Q4. has been slowing from its previous super-

manage of the online division, where growth



The new AOL President, Jimmy de Castro