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Holland Cooke Monthly Newsletter

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CLEAR CHANNEL'S KIND OF RADIO: DOOMED FROM THE GET-GO

To be fair, the Clear Channel sell-off isn't the issue, it's a symptom. WHICHEVER hungry corporate monster ate the most, the fastest, when the 1996 Telecom Act touched-off the consolidation feeding frenzy was doomed to indigestion.

What you're about to read will give you chills. It was written by one of my clients, a station owner in Texas. Note the date.

November 6, 1995

Mr. Edward O. Fritts
NATIONAL ASSOCIATION OF BROADCASTERS
1771 N Street, N.W.
Washington, D.C. 20036

Dear Mr. Fritts:

My fax machine and now my telephone are under what seems to be hourly assault by representatives of NAB. Every call and every fax seems more urgent than the one before. In no uncertain terms, I am being called upon to contact my congressman and anyone else I might know in Congress to urge them to pass a bill that will, among other things, lift national radio ownership limits.

The language is very interesting. In word and in tone it clearly implies that radio as an industry might not survive if this legislation is not passed.

The young man who just called me said that for radio to remain competitive, "it is vital that we get this legislation passed."

Remain competitive?

Pardon me if I seem cynical but I don't believe that those in our industry who are promoting this legislation (and I have close observation of two of the major proponents, the Hicks family and the Mays family) are really concerned at any core level with competitiveness.

Hicks and Mays are, at their roots, investment bankers. And I believe that they - and others - are promoting the lifting of ownership limits in order that sufficient numbers of radio properties can be aggregated quickly in order to get revenues above a practical floor for going public.

It is the desire to get to the public money trough that is driving the Hicks' and the Mays' and the Karmazins et al. to support this legislation. It is not their concern for the competitiveness of the industry.

Please understand that I am a spirited capitalist. I don't begrudge anyone a profit. I don't begrudge a huge, obscene, make-me-green-with-envy profit - so long as the making of that profit doesn't do damage to the marketplace in which it was made.

Mr. Fritts, I agree that radio broadcasters need some relief on ownership limits. The current limits are antiquated. I support modifying the ownership rules. I support modification to the national ownership limits.

But totally lifting national limits goes too far. If enacted, this legislation is going to set off a "land rush" that will ultimately harm the industry. The law that brings the changes that NAB so fervently supports is going to be accompanied by another law -- the law of unintended consequences.

Yes, a lot of good and deserving radio broadcasters will do very well financially. There is nothing wrong with that.

But the industry will be forever changed. And changed, in my opinion, largely for the worse.

Here is what I see happening.

- * When the gates are thrown open nationally, a handful of companies will set out to buy as many stations as they can as quickly as they can. Companies will be formed for the express purpose of either being sold or going public. And because it's just the way things work, some company will set out to be the first to own a thousand stations nationwide just for the bragging rights. A thousand stations!

- * Prices for radio stations will go sky high. There will be a market "bubble" for radio stations.

- * A lot of good broadcasters will succumb to the extraordinary offers and sell and quit the business.

- * Radio stations that have been operated for decades by operators hoping to build successful businesses for the long term will be in the hands of people who are concerned exclusively with current-quarter results.

- * The hyper-focus on short-term operating results will bring about a Draconian focus on costs. Operating expenses will be pared to the bone. Risk-taking and product development and innovation will practically cease. Dayparts that can be automated or delivered by satellite or handed over to syndication or some just-over-the-horizon technology will be so consigned. Entire radio stations will be operated with no local air staff. And not just in small markets, but in New York and Chicago and Dallas. Technology will be seen as the answer and technology will be over-exploited in the drive to eliminate living, breathing human beings that give radio its unique ability to connect on a local basis.

- * Related to the point above is management. Management absorbs a disproportionate percentage of payroll costs so managers will be called upon to manage many more radio stations than they do now. Lots and lots of management jobs will disappear. The resulting dilution of management attention to any single radio station's operation will result in an overall degradation of the quality of what goes on the air and what goes on the street.

- * Again related to driving down costs to make the Wall Street and investment bank-types happy, lots and lots and lots of radio programming jobs will be permanently eliminated, too. This will bring about an irrevocable talent

exodus. Radio will be left with a small cadre of very highly paid morning shows and major market marquee' names and very little in the way of "up and comers" to take their places a generation from now. Radio is going to do what baseball would never do - eliminate the farm system.

* With dramatically fewer employment opportunities in the business, it will be exponentially more difficult to attract bright and talented people to the industry.

* With hundreds or maybe thousands of radio stations concentrated in the hands of just a few companies, there will be fewer decision makers left. In the unrelenting drive to cut costs, decisions to buy (or more likely not buy) a new jingle package or a great syndicated promotion idea will be retained at corporate and not left to the discretion of station management.

This will serve to kill off a large number of the promotion companies, jingle companies, etc., etc. who serve to bring fresh ideas to the industry. It is likely that some radio companies will come to believe that they can vertically integrate such functions as research, promotion syndication or even audience measurement. The talent pool that sits and serves just outside the radio industry's front door will permanently shrink.

* Most chilling from your perspective, the very people I describe in the paragraphs above are the ones who attend your conventions. Who will attend when they are gone? Who will attend when corporate, once again driving down costs, refuses to let local market program directors and engineers and general managers go the Radio Show? Today there are thousands of individual decisions made as to whether or not to attend industry meetings. When one company owns hundreds - maybe even a thousand - radio stations, convention attendance will be a corporate decision. And I'll bet you lunch that the decision will be "no" a whole lot more often than "yes."

Mr. Fritts, we have never met but I'm certain that you are an intelligent, thoughtful man. And if I said that radio is a content-driven business, I'm certain that you would agree with me.

Have you thought of these things? If so, I would love to hear your thinking. Because I think that we are about to deliver a hammer blow to the content side of our business.

I believe that what NAB is supporting goes too far. I wish we could all just take a step back and consider this legislation from a longer perspective.

If you are going to inundate me with faxes and phone calls, I would appreciate someone addressing the concerns that I set forth in this letter.

Thank you for your time.

Sincerely,
Paul L. Gleiser

Paul tells me Eddie never wrote back.