

Europe

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than anyone could imagine." Clear Channel Communications International President Dick Novak told R&R. And Emmis President/CEO Jeff Smulyan told R&R. "We have a very mature and probably a little pricey radio market in this country."

Brad Fleisher, Director of the Rockville, MD-based investment firm Spectrum Europe (which has signed letters of intent to acquire radio properties in Slovakia and the Czech Republic), echoed these sentiments: "The fact that there's nothing to do in the United States at the moment for smaller entrepreneurs" is one of the main attractions of investment abroad.

Getting into ownership overseas can range from bargain-basement to pricey. "For a regional station in a small market in Poland, you can get in for less than \$100,000," Fleisher told R&R.

"Buying into a national frequency license and radio station in the Czech Republic will cost you in the millions." The bidding on the Hungarian channels, which is expected to enter its second round this month, began at 3 billion forints — about \$15.2 million.

Once you have the forints, zloty, or koruna, then you must prepare for battle with the state regulatory agencies. Since it was formed in 1995, Hungary's National Radio & Television Commission (ORIT) has gained a reputation as one of the strictest in the newly privatized region. In one recent case that gained some stateside media attention, the Bermuda-based Central European Media Enterprises (CME) — headed by Ronald Lauder, heir to the Estee Lauder fortune — failed to acquire a series of Hungarian TV licenses despite a bid of \$20 million more than the nearest competitor. The reason? CME's programming plan didn't pass muster with the commission.

"The Hungarians are the most restrictive" of the new Eastern European regimes, said Novak. ORIT's TV regulations are somewhat tighter than those for radio, however. For example, programming accounts for 50% of the decision-making in granting TV licenses; the other half is offering price. For radio, programming constitutes 15%, price 85%.

Nevertheless, getting a license in Hungary is a painstaking process. The application for the Hungarian frequencies was 1000 pages long and asked for such apparently trivial details as what percentage of music would be played of dead composers versus living ones over a seven-year period. Smulyan said the situation is reminiscent of when the Federal Radio Commission started up in this country in the 1930s.

Foreign ownership provisions vary from country to country. Poland only allows 33% of a broadcast entity to be foreign-owned (CME owns the maximum allotment of TVN, a commercial television channel that went on the air last week), Hungary only requires 26% domestic ownership, and the Czech Republic has no restrictions — although that may change. Novak says that a broadcaster previously had only to notify the Czech broadcasting board of a transaction; now deals require agency approval. Australia relaxed its broadcasting laws in 1992 to allow 100% foreign ownership of radio properties and market duopolies.

Fleisher said that local politics is a factor in the granting of licenses in Eastern Europe, which could have factored into the CME decision. "There's a lot of politics involved between people who know each other over there," he said.

**Hurdles Cleared, What's Next?**

Okay, now that you have cleared all the regulatory hurdles and politics, how do you run stations in other hemispheres? In some cases, Metromedia International Group (which owns eight properties in Eastern Europe) brings in American management. In other operations, the local management is preserved. Clear Channel, however, has sent an American GM, Paul Weyland of Austin, to the Czech Republic, where he trains the indigenous management for 18 months, then leaves them on their own. Likewise, Emmis will send a U.S. manager to train the Hungarian bidding.

Spectrum Europe, on the other hand, believes in a *laissez-faire* approach to management of foreign properties. "I've been doing business [in Eastern Europe] for four years, and the one thing that I know wholeheartedly is that an American is not going to be able to run a Polish or Czech or Slovak radio station," Fleisher said.

None of the groups anticipate major programming shifts in the Eastern European markets. Smulyan said the Hungarian programming would be more "research-oriented," while Fleisher said his stations would be "fine-tuned with Western techniques." Novak pointed out that much of the music that's programmed at European stations is American (they call it "European Hit Radio" instead of CHR). The No. 1 station in Prague, for example, programs a mix of Czech folk music and American country music.

Eastern Europeans will be bombarded with Americanized TV, however. Poland's new commercial service, TVN, will show Hollywood movies and American-inspired game shows such as *Weather Roulette*, while Hungary's two new commercial TV services feature game shows and soap operas such as *The Bold And The Beautiful*.

Perhaps the most important thing that American groups bring to the start-

up commercial stations is good ol' capitalist nose sense. "Where we found they need the most help is in sales, understanding commercial radio," said Novak, adding that the sales, promotions, and consulting tricks that have worked in the U.S. for decades translate well to the new business culture in Eastern Europe. There are subtle differences, however: Spots are generally sold by the second instead of the minute, which Novak called "a reflection of trying to do things cheap, being afraid to put a good value on radio."

Advertisers, by the way, are a melting pot of local companies and subsidiaries of American firms. But ultimately, Novak said, "radio is local. We hope to have Pepsi and Coca-Cola, but we also hope to have the local breweries in the Czech Republic."

Clear Channel and Spectrum Europe are playing it safe, looking at cash-flowing properties overseas. Novak said that he hopes Clear Channel's success in Australia and New Zealand, where the stations have been very profitable, will translate to Eastern Europe. Spectrum Europe is already looking ahead to wheeling and dealing with its properties: "It's the exit multiple that's the real return," Fleisher said.

None of the major groups R&R spoke with — ABC, Capstar, Cox, and

Jacor — had any immediate plans to grow overseas. Novak predicts expansion for Clear Channel beyond Eastern Europe and Australia. He sees Central Europe and Western Europe on the horizon, and movement into China as its markets become more liberalized. "Clear Channel wants to become truly a global broadcaster," he said.

**AMFM**

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tually report to Childress, Kantor said. All Chancellor stations will carry AMFM network inventory. AMFM is considered an "unwired network" that provides national radio spots to individual radio properties across the U.S.

**BP**

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GM Edie Hilliard commented. "Their experience in sales and programming is invaluable to BP. Their promotions reflect the exciting growth of this company."

Prior to joining the company as a Regional Manager in 1991, LaMarca programmed radio stations in San Diego, Portland, and Seattle. Stephens joined BP in 1993, coming from her post as VP/Programming Operations for WVLK-AM & FM/Lexington, KY.



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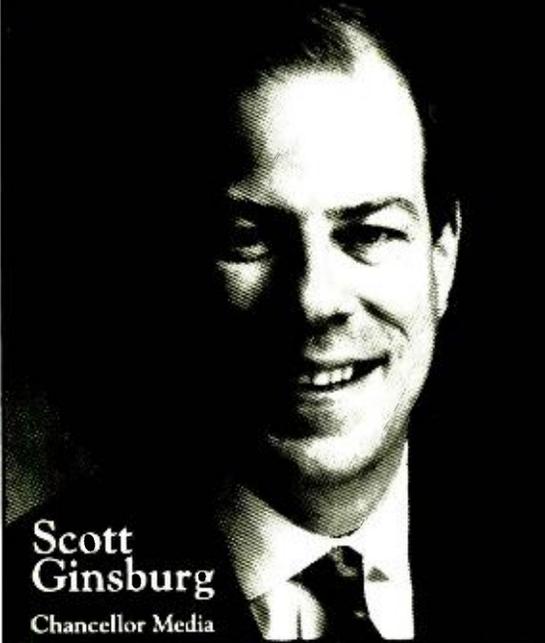
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