

**A RECALCULATION OF MARKET REVENUE
SHARES FOR THE
YORK, PA RADIO MARKET**

PREPARED FOR

THE FEDERAL COMMUNICATIONS COMMISSION

March 13, 2003

Mark R. Fratrik, Ph.D.

Vice President, BIA Financial Network



TABLE OF CONTENTS

<u>Introduction</u>	1
<u>Geographies of Arbitron Radio Markets In Central Pennsylvania</u>	3
<u>Audience Shares</u>	5
<u>Market Participants</u>	8
<u>Market Revenue Shares</u>	10
<u>Conclusion</u>	11
<u>Statement of Appraisers' Independence</u>	13
<u>Appendix 1 – Contours of WSOX (FM), WARM (FM), and WSBA (AM)</u>	14
<u>Appendix 2 – Out-Of-Market Listening and Viewing Study</u>	16

Expert Advisors to the Media, Telecom, and Internet Industries

BIA Capital Corp.



SpectraRep™

A RECALCULATION OF MARKET REVENUE SHARES FOR THE YORK, PA RADIO MARKET

Introduction

In its recent NPRM on radio ownership policies, the Federal Communications Commission (FCC) detailed the interim policy that it will follow pending a decision in that rulemaking.¹ One part of that interim policy was determining whether the appropriate radio stations were included in their initial competitive analysis of any proposed acquisition. In other words, were all of the relevant stations included in the revenue share calculations related to a proposed acquisition that was flagged under the 50/70 screen?

In determining the relevant stations for evaluating potential acquisitions in Arbitron-surveyed markets, the Commission uses only Arbitron's list of "home to market" stations as an initial list. In applying that procedure for the proposed acquisition of WSOX (FM) in York, PA by Susquehanna Radio Corporation the Commission would be grossly understating the number of stations and York, PA market revenues, and overstating Susquehanna's resulting market share. There are two adjacent Arbitron markets (Harrisburg-Lebanon-Carlisle, PA and Lancaster, PA) that are so close to York that many stations in those markets compete in the York, PA market. There is actually one station physically located in the York, PA Arbitron market, but is considered "home" to another market. Further, many of the York, PA "home-market" stations

¹ Notice of Proposed Rule Making and Further Notice of Proposed Rule Making in the Matter of Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets and Definition of Radio Markets, MM Docket No. 01-317, paras. 84-89.

consider the adjacent markets as part of their market areas, and generate some of their station revenues from advertisers in those adjacent areas. The additional stations, along with the wider market area in which York, PA stations compete, must be considered when evaluating the proposed acquisition.

The purpose of this paper is to demonstrate the presence of these stations in the York, PA market, the wider market in which many York, PA stations compete, and to present revised revenue share estimates taking into account these additional relevant radio market factors. We begin by describing the geography of the present York, PA radio market and compare how close the adjacent markets are. With that understanding of the proximity of these two markets, one can easily see how some of those adjacent market stations are truly part of the York, PA market. We substantiate that claim by showing the audience shares of all stations reaching minimum reporting standards in the York, PA market, many of which are not “home” to the York, PA Arbitron market.

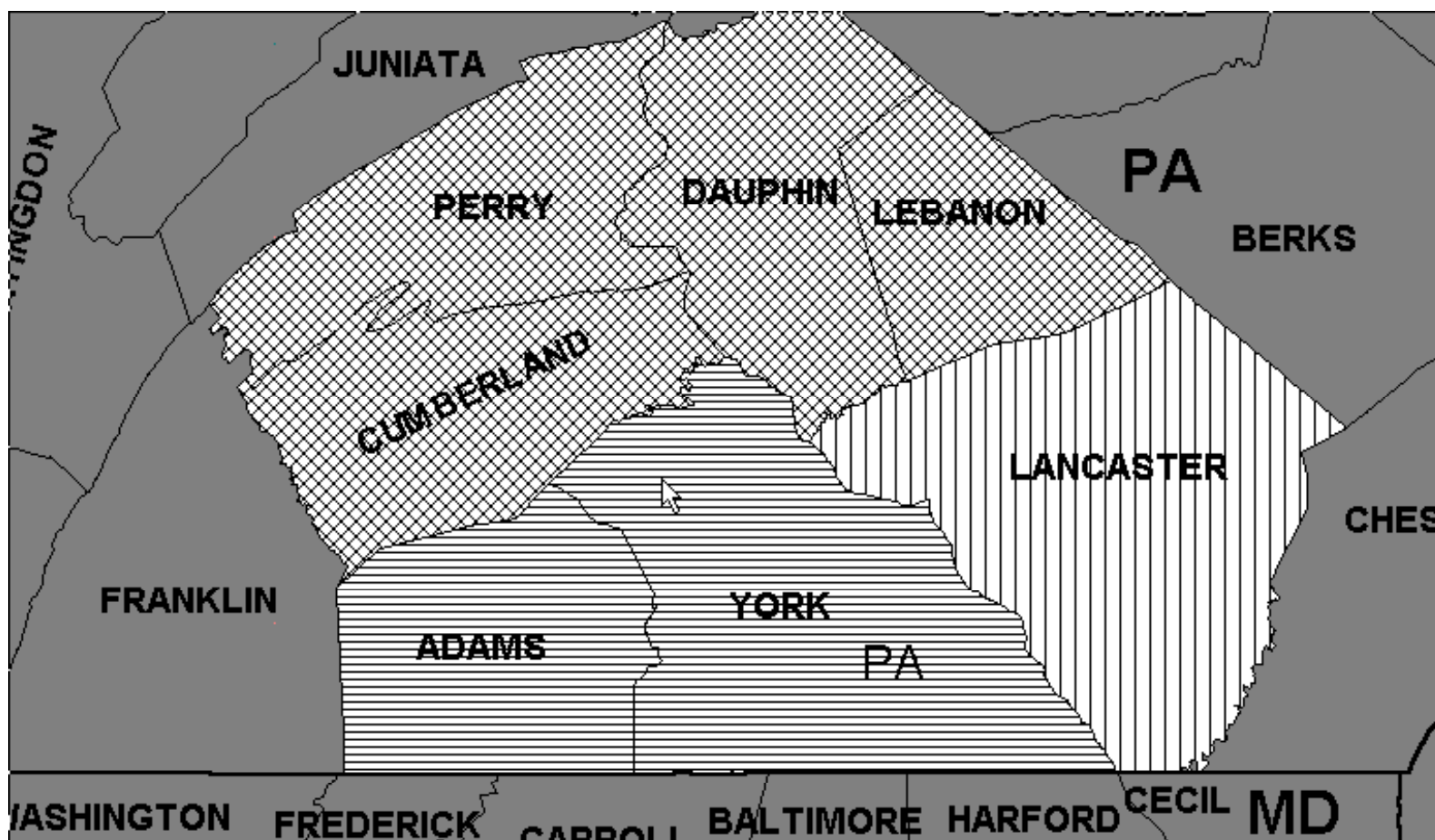
Further, the York, PA “home-market” stations themselves attract noticeable audiences in these adjacent markets, which we will document. As a result, they sell to advertisers located in those areas and that resulting revenues should not be considered as York, PA revenues exclusively. We will list the stations that are part of the greater York, PA market, with their revenue estimates, and suggest what revenues should be allocated to adjacent markets. Calculations of the market revenue shares will then be presented.

Geographies of Arbitron Radio Markets In Central Pennsylvania

The York, PA market is situated in central Pennsylvania abutting the Lancaster, PA, and Harrisburg-Lebanon-Carlisle, PA Arbitron radio markets. The map on the next page illustrates the close proximity of these three Arbitron metro areas. The counties included in the York, PA Arbitron metro are those counties with horizontal lines, the counties in the Lancaster, PA Arbitron metro have vertical lines, and the counties in the Harrisburg-Lebanon-Carlisle, PA Arbitron metro have cross-hatched lines. While not depicted in this map, the counties included in the Total Survey Areas² of these three Arbitron markets are nearly identical.

² “The TSA of an Arbitron Radio Market is designed to provide a comprehensive measure of listening to Metro-license radio stations. The TSA is composed of the Metro and any additional counties (or county equivalents) that meet certain criteria for inclusion.” Description of Methodology, *Radio Market Report*, p. M3.

**ARBITRON RADIO METRO SURVEY AREAS FOR
YORK, PA, HARRISBURG-LEBANON-CARLISELE, PA & LANCASTER, PA MARKETS**



Audience Shares

Given the close proximity, it is not surprising to see that stations listed as home to the two other markets attract substantial audiences in the York, PA market. Table 1 below shows the audience shares for all stations that meet minimum reporting levels for the York, PA Arbitron market for the three most recent Arbitron survey periods, listed in descending order of the audience shares for the most recent (Fall 2002) survey period.

Of the top ten most-listened-to stations in the York, PA metro, five are listed as home to one of the adjacent markets. Moreover, the third-ranked station, WQXA (FM), listed as home to the Harrisburg Arbitron market, is actually licensed to the city of York, PA. Stations that are not physically located within those geographic boundaries can request home status so long as they meet minimum reporting standards.³ Requesting a different “home market” often occurs when stations either are not in any Arbitron market or are in a market of smaller rank.

³ Ibid., p. M4. These minimum reporting standards are based on the number of diaries that mention a particular station and a market wide cume (the number of different persons who listened to a station for a minimum of five minutes during the week) minimum.

Table 1 – Audience Shares for York, PA Arbitron Market (Fall 2002)

Calls	Home Market	Fall 02	Spr. 02	Fall 01	Calls	Home Market	Fall 02	Spr. 02	Fall 01
WARM-FM	York	9.4	8.0	7.8	WIYY-FM	Baltimore	1.5	2.1	1.5
WSOX-FM	York	7.6	7.2	7.6	WHBO-FM	York	1.3	1.8	1.2
WQXA-FM	Harrisburg	7.0	5.9	6.6	WOYK-AM	York	1.3	1.3	1.0
WGTY-FM	York	6.8	6.5	7.5	WIOV-FM	Lancaster	1.3	1.0	1.4
WYCR-FM	York	5.8	6.4	5.6	WZBA-FM	Baltimore	1.3	1.1	1.0
WCAT-FM	Harrisburg	5.6	4.5	5.9	WRBT-FM	Harrisburg	1.2	1.6	1.2
WRVV-FM	Harrisburg	4.6	4.5	4.1	WFRE-FM	Frederick	1.2	1.0	1.0
WROZ-FM	Lancaster	4.3	5.6	3.7	WHVR-AM	York	1.0	0.6	0.5
WTPA-FM	Harrisburg	4.1	5.3	4.4	WAYZ-FM	Greencastle	0.8	0.5	
WSBA-AM	York	4.0	3.0	4.9	WLIF-FM	Baltimore	0.8	0.5	0.7
WLAN-FM	Lancaster	2.6	1.8	2.2	WRKZ-FM	Lancaster	0.7	0.5	0
WHKF-FM	Harrisburg	2.3	2.7	2.7	WBAL-AM	Baltimore	0.7	1.8	1.7
WDAC-FM	Lancaster	1.8	2.7	1.5	WGET-AM	York	0.5	0.5	0.7
WPOC-FM	Baltimore	1.8	1.9	1.9	WHFS-FM	Washington	0.5		
WHP-AM	Harrisburg	1.7	2.6	2.7	WWMX-FM	Baltimore	0.5		
WNNK-FM	Harrisburg	1.7	0.8	1.9	WQXA-AM	York	0.3	1.4	1.0
WWKL-FM	Harrisburg	1.5	0.8						

Given the vast number of stations receiving listening in the York, PA market and listed as home to another Arbitron market, it is not surprising to see that the total listening of York home-market stations only accounts for 38% of all reported listening. This value for York, PA (market

rank = 104) is significantly below the national average of 67.7% for all Arbitron markets, and the average of 64.4% for all markets ranked 101 and above.⁴

In addition to the other markets' stations receiving shares in the York, PA Arbitron metro, some York, PA stations also received shares in those two adjacent markets. Table 2 shows the York, PA "home" market stations that reach minimum reporting standards in the Harrisburg-Lebanon-Carlisle, PA and/or Lancaster, PA Arbitron metros.

Table 2
York Home Market Stations with Reported Listening
in the Harrisburg and Lancaster Markets (Fall 2002)

Calls	Harrisburg	Lancaster
WARM-FM	1.5	7.4
WGTY-FM	0.8	
WHBO-FM	2.6	1.1
WSBA-AM		0.9
WSOX-FM	2.0	7.0
WYCR-FM	0.5	0.9

WARM (FM) and WSOX (FM) are the fourth and fifth most listened to stations in the Lancaster Arbitron metro. Their ability to generate such audiences in these adjacent markets is not surprising given the signal coverage patterns of these stations. Appendix 1 includes the coverage patterns for these two stations as well as the other station Susquehanna owns in York, WSBA (AM).

⁴ See Appendix 2, Mark R. Fratrik, *Out of Market Listening and Viewing: It's Not To Be Overlooked*, Attachment A, Comments of the National Association of Broadcasters, In the Matter of 2002 Biennial Regulatory Review, Cross-Ownership of Broadcast Stations and Newspapers, Rules and Policies Concerning Multiple Ownership of Radio Broadcast Station in Local Markets, Definition of Radio Markets, MB Docket No. 02-277, MM Docket Nos. 01-235, 01-317, and 00-244, pp. 6 and 8.

Market Participants

As a result of the listening to out-of-market stations in York, PA and several York, PA home market stations receiving significant shares in the adjacent markets, some of these stations compete for advertisers in any and sometimes all of the three markets. Table 3 lists these stations' estimated revenues and the distribution of these revenues across the three markets.⁵ Note that there are no York, PA revenues attributable to several stations that are: 1) either located far away (e.g., Baltimore, Frederick, MD) but still receive listening in the York, PA Arbitron metro, or 2) are closer but receive very little listening in those markets.

⁵ The information contained in this table comes from Thomas R. Ranker, Vice President, General Manager, Susquehanna York Stations. For the past several years, Mr. Ranker has been estimating the total revenues for all of the stations in the three markets and the distribution of those revenues in all these markets.

Table 3

2001 Market Revenue Distribution⁶:
York-Lancaster-Harrisburg (Central Pennsylvania)

Calls	Home Market	York	Lancaster	Harrisburg	Total
WARM-FM	York	\$ 3,700,000	\$ 950,000		\$ 4,565,000
WCAT-FM	Harrisburg	\$ 725,000	\$ 725,000	\$ 1,300,000	\$ 2,750,000
WDAC-FM	Lancaster	\$ 125,000	\$ 1,800,000	\$ 100,000	\$ 2,025,000
WGET-AM	York	\$ 500,000			\$ 500,000
WGTY-FM	York	\$ 2,500,000			\$ 2,500,000
WHBO-FM	Harrisburg	\$ 175,000	\$ 175,000	\$ 350,000	\$ 700,000
WHP-AM	Harrisburg	\$ 175,000	\$ 175,000	\$ 1,800,000	\$ 2,150,000
WHVR-AM	York	\$ 500,000			\$ 500,000
WOYK-AM	York	\$ 275,000			\$ 275,000
WQXA-AM	York	\$ 250,000			\$ 250,000
WQXA-FM	Harrisburg	\$ 550,000	\$ 550,000	\$ 1,050,000	\$ 2,150,000
WROZ-FM	Lancaster	\$ 550,000	\$ 2,000,000	\$ 100,000	\$ 2,650,000
WRVV-FM	Harrisburg	\$ 275,000	\$ 275,000	\$ 3,100,000	\$ 3,650,000
WSBA-AM	York	\$ 1,900,000	\$ 75,000		\$ 1,975,000
WSOX-FM	York	\$ 1,600,000	\$ 1,100,000	\$ 200,000	\$ 2,900,000
WTPA-FM	Harrisburg	\$ 375,000	\$ 350,000	\$ 3,100,000	\$ 3,825,000
WYCR-FM	York	\$ 1,675,000			\$ 1,675,000

Generating revenues in the different markets results from two major categories of sources. There are local retailers that have locations only within the geographic boundaries of

Lancaster and/or Harrisburg Arbitron metros, but still advertise on York, PA home market stations, in order to reach listeners in all of these areas. Secondly, there are the national advertisers, who when determining whether to purchase advertising time on the York, PA home market stations, consider the relatively important number of listeners these stations attract outside of the York, PA metro.⁷

Market Revenue Shares

Considering the revenues generated in York, PA by out-of-market stations and the revenues generated in adjacent markets by York, PA home market stations, radio market revenues in the York, PA will be different than just the total revenues earned by the previous list of home stations. The resulting revenue shares attributable to the various local groups will also differ significantly from the estimates used by the Commission. Table 4 shows the revenue shares of the groups with adjustments for the actual revenue of the stations⁸ at issue, and for revenues earned by stations not included by BIA⁹ in its previous reports for the York, PA Arbitron metro.

⁶ I have included in this table only the stations that have any revenues attributable to the York, PA market according to Mr. Ranker. Stations that generate revenues in only the Lancaster and Harrisburg markets were excluded, but are part of Mr. Ranker's annual review of the stations in the combined three-metro area.

⁷ For example, in Fall 2002, 46.7% of the average quarter hour listening to WARM-FM, York, PA was from listeners outside of the York, PA metro but part of the York, PA Total Survey Area. The corresponding value for WSOX-FM was 52.1%. See *Radio Market Report*, Fall 2002, York, PA, p.191, The Arbitron Ratings Company.

⁸ Adjustments were also made with respect to in-market stations. Mr. Ranker of Susquehanna provided actual station revenues for Susquehanna stations and estimates for competitor stations to BIA Financial Network. The total of those estimates for the stations generating revenues in York, PA was only 4% higher than the estimates originally made by BIA Financial Network.

Table 4

Revised Revenues and Revenue Shares for York, PA Radio Market

Owner	Calls	Revenues	Revenue Shares
Citadel	WQXA-FM, WCAT-FM, WQXA-AM	\$1,525,000	9.6%
Clear Channel	WRVV-FM, WHP-AM	\$450,000	2.8%
Cumulus	WTPA-FM	\$375,000	2.4%
Hall	WROZ-FM, WHBO-FM	\$725,000	4.6%
Pioneer Broadcasting	WSOX-FM	\$1,600,000	10.1%
Radio Hanover	WHVR-AM, WYCR-FM	\$2,175,000	13.7%
Starview	WOYK-FM	\$275,000	1.7%
Susquehanna	WSBA-AM, WARM-FM	\$5,600,000	35.3%
Times & News	WGTY-FM, WGET-FM	\$3,000,000	18.9%
WDAC	WDAC-FM	\$125,000	0.8%
Market Totals:		\$15,850,000	

After these adjustments, Susquehanna's share after the proposed acquisition of WSOX (FM) would be less than half of the total advertising revenue estimated for the market (45.4%). The combined share of the top two groups in the market, Susquehanna and Times & News, would be only 64.3%, below the second part of the 50/70 threshold.

Conclusion

Determining the relevant competitors to evaluate a potential acquisition is sometimes very difficult. Radio stations' signals many times cross geographic borders, leaving consumers a plethora of stations from which to choose. The Commission's initial step in selecting those stations in Arbitron's metro areas is a good first step in that evaluation so long as the

Commission realizes that in many cases there may be other radio stations that need to be included, and that conditions can change.

In fact, the present example of Susquehanna's proposed acquisition of WSOX (FM) highlights the need to evaluate a wider area and take account of changing conditions. The close proximity of the Harrisburg-Lebanon-Carlisle, PA and Lancaster, PA markets lead to many stations listed as home to those markets acting as important players in the York, PA market. Additionally, many of the York, PA home-market radio stations consider this larger area (the three Arbitron metros combined) as the relevant area in which they compete for both listeners and advertisers. When that wider market with the many different competitors are all taken into consideration, there is little concern about the proposed acquisition of WSOX (FM) by Susquehanna.

Statement of Appraisers' Independence

The statements of fact contained in this report are, to the best of the writers' knowledge, true and correct. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusion.

BIA Financial Network has no present or prospective interest in the properties that are the subject of this report, and has no personal interest or bias with respect to the parties involved.

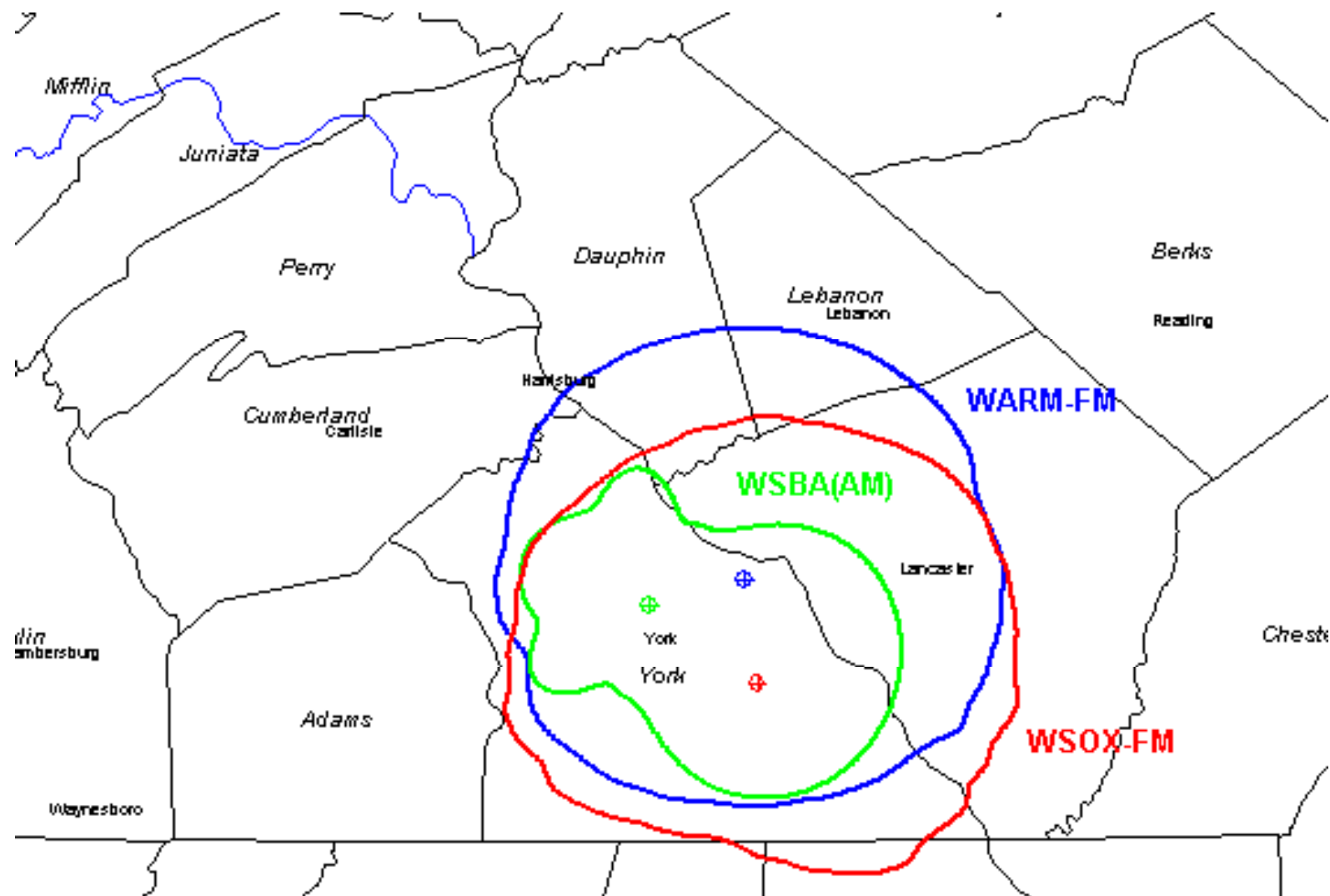
BIA Financial Network's compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

BIA FINANCIAL NETWORK

Mark R. Fratrick, Ph.D.
Vice President

April 3, 2003
15120 Enterprise Court
Chantilly, VA 20151
703-818-2425

Appendix 1 – Contours of WSOX (FM), WARM (FM), and WSBA (AM)



Appendix 2 – Out-Of-Market Listening and Viewing Study