

Radio's big bully

Dirty tricks and crappy programming: Welcome to the world of Clear Channel, the biggest station owner in America.

By Eric Boehlert

April 30, 2001 | In the late 1990s, while no one was looking, a corporate behemoth became the largest owner and biggest force in America's most venerable mass medium: commercial radio.

Radio stations that once were proudly local are now being programmed from hundreds of miles away. Increasingly, the very DJs are in a different city as well.

Want your record played on one of those stations? Be prepared to pay -- dearly -- for the privilege. Want your band's concert to be sponsored by a radio station? Be careful: If you pick a competitor, the behemoth might pull your songs off its playlists overnight -- from two, 10, 100 stations. Looking for classy radio programming? Don't look here. The company is known for allowing animals to be killed live on the air, severing long-standing ties with community and charity events, laying off thousands of workers, homogenizing playlists and a corporate culture in which dirty tricks are a way of life. Welcome to the world of Clear Channel -- radio's big bully.

----- It was a bittersweet night last June for the 40 to 50 radio executives and on-air personalities from the AMFM Network, including countdown king Casey Kasem. The scene was the famous Spago restaurant in West Hollywood for a night of eating and drinking on the company tab.

It was sweet: Everyone was in town for the annual R&R trade magazine industry convention, and it was a rare opportunity to schmooze with colleagues face to face at the plush Sunset Boulevard eatery.

Bitter though, as well, because the dinner marked the end of 460-station AMFM as an independent entity. Its parent company was being purchased by Clear Channel Communications -- for a stunning \$24 billion.

Many in the room recognized that in the compressed world of radio consolidation, AMFM as they knew it would cease to exist and many of them would soon be squeezed out of jobs.

Indeed, that same night at Spago, Clear Channel's radio chief, Randy Michaels, just happened to be holding court along with half a dozen minions of his own. A true radio original, Michaels had achieved legendary status inside the business as a shock jock (before there was a Howard Stern), and an effective but often tasteless programmer.

Michaels moved into management in the 1990s. Today, as Clear Channel's guardian of the airwaves, the bombastic exec is among the most powerful, not to mention colorful, men running the music business.

"Everything's a food fight with him," says one radio executive, who says Michaels is still a morning man at heart. "He's paranoid, disingenuous, pathological. That's what makes him so lovable."

The mood at Spago was cordial. Michaels even wandered over to the AMFM party to give a rah-rah speech about the upcoming AMFM/Clear Channel partnership.

As the party wound down and the crowd cleared out, two AMFM producers were unexpectedly waved over to the Clear Channel table by Michaels and his friend Kraig Kitchin, who runs Premiere Radio Networks, Clear Channel's powerful syndication arm.

According to industry sources, Michaels and Kitchin proceeded to grill the producers about AMFM shows and personnel. The producers, somewhat loquacious after an evening of food and spirits, spoke frankly, disparaging many AMFM initiatives and radio personalities.

Within days, AMFM Network president David Kantor heard from Kitchin. Kantor was told that once the merger was through, the two producers who'd spoken so bluntly would be let go. Michaels, Kitchin said, was not happy. Kantor was even given proof of the producers' bad-mouthing; the conversation at Spago had been surreptitiously recorded by a cellphone on the table. Kantor had been played parts of it.

"These guys didn't even work for Clear Channel yet and they were set up," says a former AMFM employee. "They used that conversation to fire them. Here's the head of Clear Channel and he's taping conversations? It's insane. It was a classic Randy Michaels dirty trick. He was just fucking with their heads; that's what they do."

Radio companies used to be severely constrained from owning what from the government's perspective was too many stations. Companies could own only two in any one market and no more than 28 nationwide. Government policy enforced the notion that radio was broadcast on the public airwaves and had an accompanying public trust. Local stations were supposed to be assets to local communities. The ownership rules were designed to keep ownership as diverse as possible and keep the stations' focus as local as possible.

All that changed in the 1990s. Five years ago, President Clinton, pressured by a GOP-controlled Congress, signed into law the Telecommunications Act, which essentially did away with ownership restrictions on radio. Now, just a handful of companies control radio in the 100 largest American markets.

Of these, Clear Channel rules the horizon with 1,200 stations, which generate more than \$3 billion annually in revenues.

How big is Clear Channel? The company owns stations in 247 of the nation's 250 largest radio markets. Clear Channel in particular dominates the Top 40 format (KIIS-FM in Los

Angeles, WHTZ and WKTU in New York, KHKS in Dallas, WXKS in Boston, WHYI in Miami, etc.) and controls 60 percent of rock-radio listening.

While radio's mad dash of consolidation was perhaps inevitable, it has still sent shock waves through the industry. Indeed, it's hard to say which puzzles the industry more -- that one company has so quickly amassed such an enormous, 1,200-station roster or that a former shock jock like Michaels is running it.

The Wall Street Journal recently toasted Michaels as the never-grow-up "Peter Pan" of radio. An anonymous straw poll among radio and record pros, though, would probably reveal more who now see Michaels as Captain Hook. (He and other top Clear Channel executives declined to be interviewed for this story.)

Michaels has become the symbol of Clear Channel's dominance of an entire, multibillion-dollar media industry. What's made that adjustment so difficult for some is Clear Channel's litigious, cost-cutting, arrogant style of business.

And it's an attitude Michaels sets from the top.

Ever since Clear Channel's AMFM acquisition was completed, a simmering discontent has been brewing, prompted by some particularly heavy-handed moves on Clear Channel's part. "They were on their best behavior before AMFM, but now they're getting nasty," says Robert Unmacht, former editor and publisher of the M Street Journal, which tracks the radio business. For instance, Clear Channel owns Premiere Radio Networks, which syndicates popular talk shows like those of Rush Limbaugh and Laura Schlessinger to hundreds of stations across the country. Earlier this year Clear Channel sent out letters to non-Clear Channel stations that used Premiere features, informing them that their popular talk shows, including Limbaugh's and Schlessinger's, would be summarily yanked and moved immediately to Clear Channel competitors across town. (Other large radio-owning conglomerates own syndicated shows as well, but as yet none have been wielding the programming in such a blatantly domineering way.)

"We spent hundreds of thousands of dollars over the past 12 years promoting the Rush Limbaugh show locally and we're paid back with a letter telling us it's being moved to our direct competitor," laments Glenn Gardner of talk station WTDY and rock outlet WJJO, both in Madison, Wis.

"We weren't even given a chance to bid and hang onto the show. Clearly what they're trying to do is squeeze everybody else out. We contacted [Wisconsin Sen.] Russ Feingold and told him this really needed to be looked at."

An even more recent example of Clear Channel's hardball style: On the very day radio-ratings company Arbitron went public with a Wall Street offering this month, Clear Channel decided to announce to Arbitron -- and its investors -- that the behemoth would not be renewing its contracts for the company's ratings surveys in 130 markets that were then under negotiation. The announcement represents a huge hit that could cost Arbitron tens of millions of dollars in lost revenues annually -- not to mention dampen the company's newly public stock.

Over the past few years, there has been no shortage of industry players who would rail about Clear Channel and argue that the company was "ruining radio in so many different ways."

Off the record, that is.

"People in this business don't know who they're going to be working for next week. So a lot of them are just plain afraid to speak out," says Gardner. "It's a conspiracy of silence. It's really bizarre."

That silence is now being broken.

"They're definitely bullies, no question about that," says Ed Levine, chairman of Galaxy Communications, whose stations compete with Clear Channel in several upstate New York markets. "They've truly become the evil empire. Like everything else, Clear Channel has gone too far, gotten too greedy and too powerful. As a broadcaster who grew up in the business I don't believe their overall net effect for radio has been positive."

Marv Nyren, the marketing manager for four Phoenix stations of Emmis Communications, the nation's sixth-largest station owner, echoes that idea: "Most don't believe what they've done is good for the industry. They're all about quantity, not quality. They've taken the value out of radio and turned it into a commodity."

Clear Channel does have its share of supporters. "Ultimately these are people who will do what's right for the industry," insists Larry Roberts, president of Fisher Regional Radio Group.

Adds one Clear Channel programmer: "It's an aggressive company with foresight. They want to be the pioneers. The industry is going through fundamental change right now and some people are threatened by that."

It's not just the sheer number of stations that upsets so many people. Thanks to laissez-faire regulators in Washington, Clear Channel quickly has put together a stunning piece of vertical integration in big-money pop culture. Last year, the company spent \$4.4 billion to purchase SFX Entertainment, the nation's dominant concert venue owner and touring promoter. Clear Channel also owns a radio research company, a format consultancy, regional radio news networks, an airplay monitoring system, syndicated programming, radio trade magazines like the Album Network, 19 television stations and 700,000 outdoor billboards worldwide. With so many resources at hand, the company has all but cut off its business with outside vendors.

"Clear Channel's not looking to be part of an industry, but rather a world unto themselves, and a lot of people resent that," says Unmacht.

Record company executives are particularly resentful about how Clear Channel stations leverage their playlists to make sure its SFX concert-promotion division lands certain tours.

Since concert fans listen to the radio a lot, there has long been a symbiotic relationship between concert venues and local radio stations. Ceaseless radio promotion helps sell concert

tickets; and association with the hottest concert tours gives the stations concert tickets to give away and valuable P.R. identification with the best shows in town.

Clear Channel, the company's critics say, has been using its size to wrestle away tours from competitors by leveraging its size against record companies and artists.

"Clear Channel comes into markets and says to record companies, 'Don't give that station a concert or band promotion or there will be no business with us across our platform of stations,'" reports Hal Fish, program director at WBZX and WEGE in Columbus, Ohio.

Representatives from two platinum-selling rock bands confirm that their acts were pulled from Clear Channel stations over concert-promotion disputes, and not just pulled locally. The bands were yanked off playlists from a coalition of aligned Clear Channel stations stretching over several states. "It did happen; it was real," reports one label executive.

The groups' representatives spoke on condition the artists' names not be used, for fear of further irritating Clear Channel. "Clearly the FCC [Federal Communications Commission] and the Department of Justice do not understand the connection and the power [Clear Channel] has" from owning so many radio stations and concert outlets, complains one concert promoter. That controversy, though, pales in comparison to the one that's brewing over Clear Channel's second major power grab. Pressured by Wall Street to find new streams of nontraditional revenue, Clear Channel, as Salon reported several weeks ago, is busy forging an exclusive alliance with a radio promotion company called Tri State Promotion & Marketing. The unprecedented deal could reap Clear Channel tens of millions of dollars.

Radio promotion firms -- or "indies" -- serve as well-paid middlemen or lobbyists, paid by record companies to get their songs played on radio stations. (The middlemen are necessary as "cut-outs": If labels paid directly for the airplay and stations didn't notify listeners, both would be in violation of payola laws.) The indies pay radio stations amounts in the six figures in return for an exclusive relationship -- and invoice record companies thousands of dollars every time a station adds a new song to its playlist.

This multimillion-dollar promotions game has of late become less about salesmanship and more about market control. Now, say industry sources, Clear Channel, through Tri State, wants a piece of that lucrative pie.

By gaining exclusive access to Clear Channel's roster of playlists, Tri State, run by Michaels' old Cincinnati friend Bill Scull, could create steep new tolls for record companies wanting to get songs on the air on the nation's biggest broadcaster. And a part of those tolls will presumably find their way back to Clear Channel's corporate bottom line.

"They're going to gouge us," fears a record label rep.

The exclusive alliance would come at the expense of other indies who would likely lose their Clear Channel stations as clients. "For guys who are basically in the underbelly of consolidation, who probably got more than they should have, and are right on the cusp of anti-competition, I wouldn't be quite so aggressive. They're going to get their tit caught in the wringer."

"They're starting to rain all over everybody's parade and take food off people's tables, and that's when you get in trouble," says one radio veteran who has dealt with both Michaels and Clear Channel for years.

Michaels' career has been remarkable. Born as Benjamin Homel, he's a broadcasting enthusiast who has been known to rebuild old radios in his spare time. Fellow programmers credit him for helping create modern country radio back in the 1970s with WDAF in Kansas City, Mo., where he spun country songs at a Top 40 pace. And he's given credit for bringing legendary AM stations back to life, like WLW in Cincinnati, by reinvesting in news departments.

Behind the mike he made a name for himself back in the '70s and '80s farting on the air, cracking jokes about gays and tantalizing listeners with descriptions of "incredibly horny, wet and ready" naked in-studio guests. Along with getting hit with a sexual harassment suit, Michael pulled in big ratings wherever he went.

Ten years ago, he was an officer of a Cincinnati company called Jacor, which was founded in 1981 when Terry Jacobs bought up three religious radio stations. By 1990 it was a little-known radio outfit teetering on bankruptcy whose shares were trading for 75 cents.

But in 1993, Michaels made a key move. He persuaded self-described "vulture capitalist" Sam Zell to invest \$70 million in the ailing Jacor. The swashbuckling investor, once described by Fortune as an "elfin billionaire who tools around Chicago on a motorcycle the size of an armored car," quickly bonded with the freewheeling Michaels. Soon Jacobs announced he was "retiring"; Michaels was given the Jacor reins and the OK to start buying stations.

"We're big. We're bad. We're back. We're rich," he bragged to the Cincinnati Enquirer in 1994.

Together, Michaels and Zell banked on their belief that legislators would soon ease ownership restrictions on radio owners. Back in 1995, station owners, represented by the mighty lobbying arm of the National Association of Broadcasters, found lots of friends in Washington busy drafting the telecommunications bill.

"The problem was the Republican Congress wanted not to rewrite the rules but eliminate them," recalls former FCC chairman Reed Hundt, who, along with the Clinton White House, opposed such drastic action. "The question was, 'Who's your constituency, the listener or the owner?' There was no question of who the Republican constituency was."

Hundt and President Clinton favored easing ownership restrictions, but at a more go-slow pace. In the end, says the former FCC commissioner, "the White House position on radio got rolled."

Corporate broadcasters were jubilant. Others in the business were not: "They gave the forest to the clear cutters," says one. The ink on the Telecommunications Act was barely dry in January 1996 when Jacor, which at the time owned just 25 stations, started scooping up properties. Three years later Jacor had added 425 more stations to its roster. In the meantime, another aggressive company, Clear Channel, was buying up stations as well. The company was built by Lowry Mays, a Texas A&M graduate who studied petroleum engineering and later got a degree from Harvard Business School. Mays fell into the radio business in 1972 when he guaranteed a bank note for a friend buying a San Antonio station. When his friend bailed, Mays, then an investment banker, took over the station himself. Over the years he continued to grow the company with acquisitions.

Like Zell at Jacor, Tom Hicks at Chancellor Media and Mel Karmazin at Infinity Broadcasting (he's now president of mighty Viacom), Mays went on a post-deregulation buying spree. With his bold \$24 billion move in 1999 for AMFM, the deal that essentially marked the end of the consolidation spree, Clear Channel reigned as king of radio's hill. "Nobody in Vegas would have handicapped that -- Clear Channel finishing in the No. 1 position," notes one radio pro.

Along the way, Clear Channel fixed its eyes on the smaller Jacor. Zell sold his company to Clear Channel in 1998 for \$3.4 billion; his Jacor investments reaped a \$1 billion profit.

But as part of the deal, Michaels and his cliquish team were put firmly in control of the new operation's radio properties. If they hadn't been, it would have cost the new owners more than \$100 million in executive payouts.

"What's amazing is that Jacor swallowed up Clear Channel," says Levine at Galaxy Communications. "Older Clear Channel guys are still scratching their heads. They can't figure out how it happened."

Almost overnight Clear Channel's corporate culture changed. "It's really a Jacor company," notes one radio syndicator. "Even though it's called Clear Channel, it's just the Jacor mentality."

"Clear Channel before Randy [Michaels] was not hated," says Jerry Del Calliano, publisher of Inside Radio. (Del Calliano and Michaels have had a running range war for years. The two are currently facing off in court.) "But with the addition of the Jacor boys, Clear Channel became another company entirely," Del Calliano says.

What buttoned-down Clear Channel inherited, says Unmacht, were "basically good ol' boys from the frat house. They want to see who can be the rudest and crudest. Everything is done with the attitude of 16-year-olds in gym class, but with modern-day business smarts. They're definitely a rough lot." A few years ago Unmacht had dinner with an entourage of Jacor executives, including Michaels, at a Cincinnati restaurant, where they pointed out the still-visible stains from butter patties they had thrown at light fixtures.

That corporate culture extends down to the stations in various ways. It was given national exposure in the '90s when Jacor jock Liz Richards, working out of WFLA in Tampa, Fla., sued the company, including Michaels personally, for sexual harassment.

Interviewed on ABC's "20/20" program in 1992, Richards alleged that male co-workers dubbed her president of the "Cunt Club," that on the employee sign-in board someone drew a caricature of her with a penis ejaculating in her mouth and that a station manager falsely bragged to colleagues at a business dinner about getting head from Richards in a limousine.

Gary Kelly, a friend of Richards', appeared on camera to tell about the time he showed up at a station event to meet Richards and was told by her boss that the single mother of two was busy giving blow jobs in the parking lot.

At the time, Michaels was vice president of programming and an on-air personality at WFLA. Richards said he had a hand in setting the station's tone -- she told ABC he once roamed the station halls with a flexible rubber penis tied around his neck, accosting female employees.

Michaels would not be interviewed on the show, and rejected the charges.

Jacor's response? "We are going to be forced to make public certain things about [Richards'] behavior which are going to further tarnish her reputation," Dave Reinhart, WFLA station manager and close friend of Michaels, told the St. Petersburg Times. Richards' suit was settled out of court in 1995.

More recently, Jacor's Tampa stations were back in the news in February, when WXTB morning man Todd Clem, who has the on-air handle "Bubba the Love Sponge," broadcast the killing of a live boar from the station's parking lot. WXTB posted pictures of the blood-soaked stunt on its Web site. It was the third time in a year that an animal was killed or tortured on-air at a Clear Channel station.

"They are not the most original people in the world, so if something works and gets a reaction they'll do it all over the place," notes Greg Mull, who programmed WXTB before Jacor bought the station.

Back in the Jacor days, the boar-killing incident likely would have been laughed off. But now Michaels has to answer to a boss -- Mays, who besides being the patriarchal founder and chairman of Clear Channel, is also a friend of former President Bush's.

"I'm sure all of that made Lowry really uncomfortable," says Unmacht. Mays declined to comment for this story.

While Mays and his two investment banking sons, Mark and Randall, keep a tight rein on Clear Channel's financials, Michaels runs the radio properties. But broadcasters say there's a reason even the company's own employees refer to it as "Cheap Channel"; the Mays family demands high returns for Wall Street through Draconian cost cutting. Michaels has become a believer in cost cutting; one of his innovations is the implementation of centralized, bureaucratic control over stations. Most Clear Channel stations are now overseen -- and programmed -- by regional, not local, programmers. "Randy's afraid of Lowry," says Del Calliano at Inside Radio. "If Lowry wants budgets cut, Randy cuts budgets. He can't reinvest in the stations." Unmacht agrees: "It's clear that Lowry Mays has changed him. He's a very different Randy. Now it's all business -- profits, losses and trying to stay in the good graces of the Mayses. Randy would like to have good programming. We're just not seeing what he

could do with a free hand. We saw that at Jacor and it was very good. But the pressure is now on to do more with fewer people. Everything needs to show a profit yesterday."

"It's difficult to do good radio and I think Clear Channel is overworking people, which ultimately drives down morale and success," worries the head of radio promotion at a major record label.

Through a process known as "cyber-jocking," Clear Channel has eliminated hundreds, if not thousands, of DJ positions (and saved tens of millions in salary) by simply having one company jock send out his or her show to dozens of sister stations. Thanks to clever digital editing, the shows still often sound local. And this isn't just for the graveyard shifts but for midday and even morning-drive shows.

Today, traveling across the country, radio listeners hear not only the same songs over and over but the same jocks from coast to coast. For instance, the midday show by a DJ named Randi West has aired simultaneously on Clear Channel stations in Cincinnati; Louisville, Ky.; Des Moines, Iowa; Toledo, Ohio; Charleston, S.C.; and Rochester, N.Y.

According to radio sources, though, the Clear Channel jocks used in this fashion often receive little or no extra money for filling on-air vacancies in dozens of extra markets.

The company claims that it's a way to broadcast major-market talent in small-town stations. But do FM stations in Phoenix really need help landing major talent? Apparently they do: Clear Channel's Top 40 station there, KZZP, has been rebroadcasting Rick Dees' morning show from KIIS-FM in Los Angeles.

Why? The only expense for the Phoenix station is paying a board operator. "They've got a morning show for \$6 an hour. That's not programming for the listeners," says Nyren at Emmis.

After purchasing WNUA in Chicago, Clear Channel last year shut down the WNUA Cares for Kids Foundation, which had raised hundreds of thousands of dollars for charity.

For more than 20 years in Louisville, AM mainstay WHAS had exclusively aired the Great Balloon Race during the Kentucky Derby Festival. Late last year the Clear Channel station, which in the past had paid a rights fee for the community event, informed derby officials the station now wanted to get paid for airing the event. "What this signaled to me was that there was a change in the way that they are choosing to promote community events," Derby Festival president Mike Berry said at the time.

To be fair, Clear Channel is not alone when it comes to heavy-handed cost cutting in radio these days. Two weeks ago the Chicago Sun-Times reported that local Infinity country station WUSN told its on-air jocks they had to attend the George Strait Music Festival and work the crowd.

What was wrong with that? The jocks had to buy their own tickets!

The station's management suggested they buy lawn seats, which started at \$30. How much money did the penny-pinching WUSN bill in ad sales last year? Nearly \$50 million.

Will Clear Channel, radio's big bully, get away with all this?

Can national programmers impose their prefab formats on local radio stations? Won't audiences revolt?

There is some evidence that consolidation economics has damaged radio's popularity. Desperate for additional revenue, stations have substantially increased the number of commercials aired, often cramming 15 or 20 minutes' worth of ads in each hour.

Listeners have taken note of the onslaught. In just the past seven years radio listening has declined nearly 15 percent, according to Arbitron. One in three listeners between the ages of 12 and 24 recently told Arbitron they were listening to less radio specifically because of the commercial overload.

"It pains me to say it, but radio sucks and it has sucked for the better part of consolidation," says Del Calliano at Inside Radio. "And anybody who loves radio knows that. You'd have to be working for Randy Michaels to say otherwise."

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