Clear Channel Opportunity

In 1999, Clear Channel was the nation's largest radio station operator, owning over 500 stations domestically and two internationally.[11] In the fall of 1999, Clear Channel petitioned the FCC to purchase the second-largest station group, fellow Texas-based competitor AMFM Inc., for $17.4 billion in stock and $6.1 billion in assumed debt. If consummated, the merger would create the largest radio company in the world in terms of revenue and number of stations.[12] The combined company would own over 830 stations in both large and mid-sized markets across the country. Although the Act of 1996 relaxed the national ownership cap, it retained a limit on the number of stations owned by a single entity in a particular market.[13] As a result, Clear Channel would have to divest nearly 100 stations in 37 markets where it overlapped with AMFM. The proposed divestiture was the largest in the history of the industry; gross proceeds were predicted to reach $4.3 billion.

The divestitures were a potentially attractive opportunity for Radio One to enter new markets. Some of the stations were similar to Radio One's urban format and had management teams with strong positions in their markets. At least 25 of the 100 stations for sale were urban format; 12 of those were in the top 50 African-American markets. The station in Los Angeles, the fourth-largest African-American market in the United States, presented an especially attractive opportunity for Radio One. If it acquired the 12 stations from Clear Channel, Radio One would draw more African-American listeners than any other radio broadcaster and cover more African-American households than any other media vehicle targeting that audience, including that of BET Holdings—a media company targeting the African-American audience largely through its cable asset, Black Entertainment Television (BET).[14]

Consolidation had substantially increased the purchase price of radio stations. In 1990, for example, broadcast FM stations sold for roughly 10–12x BCF; by 1999, they sold for 18–20x BCF. Minority-owned and women-owned ventures were most affected by the increase because they had traditionally lacked access to the amount of capital necessary to purchase stations. The FCC, under the leadership of Chairman William Kennard, took affirmative steps to ensure that these industry dynamics did not preclude broad participation in the broadcast radio market by advocating the sale of at least some of the divested stations to minorities and women. Clear Channel, in a concerted effort to include these groups in sale negotiations, met with interested civic, political, and business leaders from the African-American and Hispanic communities. Only Radio One, however, had the experience and access to capital to purchase a significant group of stations.

[11]Clear Channel also owned 24 television stations and was the nation's largest outdoor advertising company based on total advertising display inventory of 133,097 domestically and 422,060 internationally.

[12]Bill Carter, "The Leader in U.S. Radio to Buy No. 2," *New York Times*, October 5, 1999.

[13]The FCC's ownership limitations depended on the size of the city and other broadcasting assets owned. For example, in New York a company could own as many as eight stations, while in a smaller city it was limited to owning six. If a company also owned a television station in a city, ownership was limited to seven radio stations; if two television station were owned, there was a six radio station ownership limit. The FCC also ordered stations to be divested if one company controlled more than 40% of the radio revenues in city. Source: Bill Carter, "The Leader in U.S. Radio to Buy No. 2," *New York Times*, October 5, 1999.

[14]Company estimated that it reached nearly 8 million African-Americans on a weekly basis, compared with just 2.1 million reached by BET's cable station during evening hours during the same time period.