

LARRY WILSON

What Went Wrong

A broadcasting career spanning more than 30 years began when Larry Wilson was named General Counsel for Combined Communications. His foray into ownership came in 1984 with the purchase of KAIR-AM & KJYK-FM/Tucson, and Citadel Communications was born.

From those humble beginnings, Citadel grew into one of the world's largest broadcast chains. It boasted 205 stations in 42 markets when it was sold to Forstmann Little in the spring of 2001 for \$2.1 billion. Throughout his professional life, Wilson was more than a broadcast owner; he was a champion of the Country format, serving on the boards of both the Country Music Association and the Country Radio Broadcasters. In 2007, the CRB honored Wilson with its prestigious Tom Rivers Humanitarian Award.

When the sale of Citadel closed in 2002, Wilson retired to the pair of Montana ranches where he raises cutting horses and Corriente cattle. For much of the winter you'll find him living and fishing in Cabo San Lucas, which is where we caught up with him - unfortunately, by phone.

Country Aircheck: You took a pretty nasty fall a few months ago, tumbling headlong into a bank of concrete steps. How are you feeling?

Larry Wilson: I'm feeling pretty good, actually, although I'm still recovering. It's going to be a long process. I've got to have a few more surgeries, but I'm just lucky to be alive. I'm a happy camper.

I didn't realize it was life-threatening.

It was brutal. There was a while that they didn't think I was going to make it. I fractured three vertebrae, broke some ribs, which is no big deal, but then my whole chin was totally floating, it was broken into 50 pieces, teeth were knocked out on the bottom, a big ol' hole through my face, which cut the main nerve to my face. The biggest problem was stopping the bleeding. My heart was going crazy.

It was pretty bizarre, and I was very lucky, because a doctor, who was working out at the athletic facility where it happened, was leaving for his office when he saw me. He tapped me on the shoulder and said, "I'm a doctor and I'm going to help you." I said, "Am I gonna die?" "And he says, "Well..." and there was a pause! And I said, "Hey, hey! You gotta work with me on this." And he started laughing, but said, "This is a very terrible situation, and we've got to get this blood stopped. Don't move, I'll be right back." I don't remember much after that. And, fortunately, I was three blocks from the hospital. The surgery went well, although it took a long time to put me back together. So, I'm doing OK and feeling very lucky.

What do you miss the most since leaving Citadel?

The people. I miss motivating people and sharing and celebrating their successes with them. That said, I'm glad I'm not in the business right now, because it's a disaster. The [low] stock prices and the financial situations of these companies are staggering to me.

What else don't you miss?

All the travel and the grind of Wall Street. It's all haywire. Everybody knows this, but it'll never be changed. This business of going from quarter to quarter to quarter, trying to make your little number, is nuts. The Japanese have it right. It's no wonder our car companies are screwed up. Toyota can have a bad quarter and it's no big deal. It's about the long-term health of the company. But an American company has a bad quarter, and they get hammered. I don't miss that. It's kind of been nice not working that much.

Staying on the Wall Street theme for a second, is the radio business really suited

to be in the hands of publicly traded companies? The stock market wants growth, and despite radio's usually excellent margins, it just doesn't deliver that year-to-year, individual station revenue growth that drives stock prices. In the early days of consolidation, companies were able to grow because they were buying new properties. Going public made quite a few folks pretty rich, but ultimately, did it really hurt the radio business?

I think it really did. It was a phenomenal business when it was moms-and-pops. And I don't mean that as a hick term. It was about local entrepreneurs running a business, like Bob Fuller up in Maine and John Dick in Tennessee. It was a great business when there was a local entrepreneur paying attention to local issues.

Public companies that own radio stations today are so driven by cutting costs that they don't give anything back to the community, and therefore the community doesn't give them anything. What some of these companies are doing makes me cringe; it makes me cry. There are some great people at these companies, but they're trapped and treated like commodities. And what we're seeing in some of the former public companies that have been taken private is financial investors run amok. The radio executives at those companies have to do what they're told, of course. But the whole thing is a recipe for a major disaster.

If, as you said earlier, radio is a quarter-by-quarter business, if companies can't increase the top-line enough to benefit stockholders, they seem to have no choice but to cut costs. It would seem that makes it tough to do the right things.

Companies must fix the top-line, or say, "sayonara" and get out. This is a revenue-driven business, and you have to be in touch with your local customers. When I was at Citadel, we were in middle markets and 85% of our business was local. We didn't depend on national, which was just a commodities

buy. But you go out and see a car dealer who's hurting, and say, "Well, what if we do this? What if we have this promotion? What if we put on a concert and everybody that takes a test drive gets tickets?" Nobody does that anymore. It's just a commodity sale today. And, if you can't fix the top-line, then this is a horrible business. I think it can be fixed, although it might be too late because these companies are so in debt, and so hampered by their capital structures. And that's very sad.

I might go out on a limb and suggest that private equity companies aren't really interested in running radio stations. They're probably more interested in cutting costs to the bone and at some point taking them public again for a big payday or selling them....

They *should* sell them! I think taking them public again is a thing of the past. It's never going to happen. I don't think in my lifetime the public will ever come back to saying, "I want to buy a share of a radio company." So, the only way to fix them is to fix the top-line. But the business plan has to be different than it was back when I did it. It's got to embrace the Internet and marry it to radio.

At some point, you can't cut costs any more. We seem to be in the perfect storm: Companies have all this debt and they've already fired so many people, there's not much else left to cut and still put a product on the air. Is the end game, at some point, that they're going to have to sell assets,

which nobody really seems to have done? That's what is going to have to happen. But the reason they haven't done it is they won't come to reality with what somebody can pay for these things. CBS made a big effort to sell a bunch of stuff. I was really in pursuit, but they wanted 10-11 times cash flow.

You were looking to get back in the game?

Yeah, I had a group of great investors, including some of my old partners, seriously looking at some stuff. But at 10-11 times cash flow, we could not possibly finance the deal. There was no way to put it together for the price CBS wanted.

The end game for some of them, not all, is that there are going to be some bankruptcies. Many of these companies have *huge* debt. And, in this economic environment, if they can't refinance, and they trip a covenant or two, they will go into bankruptcy. And that means whoever owns the debt will own the company. I don't know if that's good or bad, but I think that's what's almost inevitable.

Do you see a time when broadcasters who sold their companies would get back in the game?

That might happen. But the trouble is, it's been away from real broadcasting for so long and many of us are so old, I don't know who's going to be doing it [laughs]. But there's also a lot of young talent out there that might get an opportunity to go in and buy a couple of markets like the old days. If I had three or four markets right now, I have no doubt about how we can grow revenue.



OVER-THE-AIR RADIO IS A MONSTER INFLUENCE ON PEOPLE, AND IT DOES A HELL OF A SERVICE TO AMERICA. BUT NOT LIKE IT IS.

PERHAPS THEY SHOULD HAVE HAD SOME CONCOMITANT REGULATIONS ALONG WITH OWNERSHIP CHANGES THAT SAID YOU MUST STAY LOCAL AND INVOLVED IN YOUR COMMUNITY.



How would you grow revenue?

It'd be *totally* local. We always felt that national money comes in over the transom and you don't have much control over it. But local, you get in your car and you go out and see the car dealer. Or you go out and see the bank president. Or you go out and see the guy who's running the theaters. And you *sell*. Like in the old days, it's salesmanship.

Even when I headed Citadel as a public company, I used to talk to Wall Street people about how important it was to be connected locally, how critical it was we went out and saw our customers. That was back in the '90s. They would look at me with a glazed-over look, like, "Why? Why would you do that?" And, that's what went wrong, nobody's doing that.

Part of the problem today is that the employees are so upset that they're frozen. They don't ever get any encouragement. The only calls they get are to say, "We need you to cut another \$500,000 out of your budget." No one calls to say "Way to go! You got that new deal." I was once flying from New York to Las Vegas, and I got a call that we'd had our first \$4 million month in Albuquerque. I diverted the plane to Albuquerque, called the station

and said, "Get some pizzas in because we're going to have a party for lunch. And I'm going to tell everybody, 'Thank you.'" That is just gone from the business.

Given the economic climate, do broadcast companies have any choice but to operate the way they are, with one market manager for five stations, one PD over two or three or four, and voice-tracking?

Well, when I was looking at getting back in, I was totally convinced – and remain totally convinced – that they *do* have a choice. But it's about spending money to make money. If you want to completely give up and go the national programming route, as it looks like some companies are going to do judging by the number of people they're laying off, then you're going to sound just like satellite radio. Companies have a choice, but they and their investors must have the chutzpah to say, "We've got to reinvest in the product."

We used to be able to get on the air and make people laugh, go into the office and talk about us all day. And they'd tune us in on their radio in the office.

But you can't fire your morning team and pipe in a syndicated program for most of the day and still be heavily involved in your

community. It takes a leap of faith to go back to live and local. I know, because I talked to some potential investors about it. But if you don't do that, if you can't do that, then don't get into the business, because the national thing will not work. And if I'm wrong, I'm wrong. But if I were a gambling man, I'd bet the ranch it won't work. I recognize that [private equity companies] have a lot of smart people and everything, but they don't have a clue about radio. Radio companies used to spend a lot of time searching for talent, developing talent and training salespeople. That stuff got cut a long time ago as some owners began to view it as just a "frivolous expense."

Isn't there also the little matter that comes with the license of serving the public interest?

Very few radio stations are serving the public interest the way they should. And that's wrong because these over-the-air licenses are still very precious, and they ought to come with responsibility. Over the last 15-16 years, we got so deregulation-oriented that nobody paid attention to what radio is needing to do. I hate to say this, but businesspeople need regulation because if they aren't regulated, they will abuse the system. Look at Lehman Brothers, AIG, Merrill Lynch, etc. and the atrocities that have happened. And everybody was saying, "Deregulate, deregulate. Take down the walls, and let people own these many radio stations and these many TV stations." It doesn't work. It's a self-destructing thing.

Serving the public interest has gone by the wayside. I fault the government for not paying attention to it. They just paid lip service to it and they let it go away, thinking that deregulation was just going to be wonderful. It didn't work. It worked great for *me*. I got out at the ultimate and perfect time, and it was wonderful. We built a great company we couldn't have had without deregulation. But it's totally self-destructing.

The Telecom Act of '96 set in motion many of the things the industry is dealing with today in terms of ownership and operation. In hindsight, was deregulation a bad thing or was it a good thing that was badly handled?

It was a good thing that was handled badly. Deregulation was a good thing that might have been better had it been regulated to say, "You can own more than two stations in a market, but you've still got to serve your community as broadcasters have been doing."

Perhaps they should have had some concomitant regulations along with ownership changes that said you must stay local and involved in your community, and that there must be a forum for public interest groups.

One of the things that consolidation was supposed to do was move that sales needle, to increase radio's share of the total advertising revenue pie. Why didn't that happen? Station ownership was ramping up and

showing great revenue growth right up until 2001. We were indeed increasing radio's share as newspapers, even back then, were struggling and falling apart. We were increasing share, and then the Internet came along and started making inroads in getting some of those dollars. We were slow in figuring out how to marry Internet and radio. Nobody's really figured it out to this day, but there's a way to make some progress on that.

But 9/11 was about as bad as it gets. It destroyed our confidence in a lot of things. For me personally, I don't think the Internet is as effective in delivering a message as radio is. It's getting a lot of dollars it shouldn't be because, in my experience on it, Internet advertising is a total nuisance. And it's invasive. Maybe I'm a dinosaur, but I just don't think the Internet advertising vehicle is all that's it's cracked up to be. We'll see; time will tell. But I really hope the radio business recovers and thrives, because over-the-air radio is a monster influence on people, and it does a hell of a service to America. But not like it is. **CAC**



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