



Department of Justice

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JUSTICE DEPARTMENT REQUIRES BOSTON-BASED AMERICAN RADIO SYSTEMS CORP. TO DIVEST THREE ROCHESTER, NEW YORK RADIO STATIONS

First Challenge Ever of a Radio Joint Sales Agreement

WASHINGTON, D.C. -- The Department of Justice today reached a settlement with one of the nation's largest radio station owners--American Radio Systems Corp.--allowing the company to purchase two Rochester, New York radio stations as long as it divests three other Rochester stations. The Department also required the company to terminate a joint sales agreement with another Rochester radio station. The state of New York joined in the case.

This marks the first time the Department has ever challenged a joint sales agreement, or JSA. A JSA gives one radio station the right to price and sell all of the advertising time of another station.

This is the second case in which the Department's Antitrust Division has required merging radio station companies to restructure their deals since passage of the 1996 Telecommunications Act.

"The Antitrust Division will vigorously ensure that consolidation doesn't lead to market domination in the radio industry," said Joel I. Klein, Acting Assistant Attorney General in charge of the Department's Antitrust Division. *"Competition helped make radio an effective and affordable advertising medium, and we intend to keep it that way."*

Since the Boston-based American Radio has agreed to restructure its deal, the company will be permitted to go forward with plans to acquire two out of the four stations it originally intended to purchase in Rochester.

The Department and the New York Attorney General's office said that American Radio's proposed acquisition of four Rochester radio stations owned by The Lincoln Group L.P., together with the joint sales agreement, would have given it control over more than 60 percent of the sales of radio advertising time in the city. This would have enabled American Radio to increase prices to advertisers and to substantially reduce competition in the \$32 million Rochester radio advertising market.

The restructured arrangement will preserve competition among Rochester radio stations, benefiting both advertisers and consumers.

The Department's Antitrust Division and the Attorney General of New York, Dennis C. Vacco, today filed a civil suit in U.S. District Court in Washington, D.C. to block American Radio's original deal with the Syracuse, New York-based Lincoln Group and end the joint sales agreement with the East Rochester, New York-based Great Lakes Wireless Talking Machine LLC. At the same time, the Department and the state of New York filed a proposed settlement that, if approved by the court, would settle the suit.

The Department said that the radio industry is in the midst of rapid consolidation following passage of the Telecommunications Reform Act of 1996, which relaxed previous limits on radio station ownership. Although the Act removed certain limits, it explicitly acknowledged the role of antitrust enforcement, explaining that "nothing in this Act... shall be construed to modify, impair, or supersede the applicability of any of the antitrust laws."

The proposed settlement calls for American Radio to divest WHAM-AM, Rochester's most popular station, WVOR-FM, a direct format competitor to American Radio's WRMM-FM, and WCMF-AM, to one or more independent buyers.

Under the restructured deal, American Radio will own WCMF-FM, WPXY-FM, WRMM-FM and WHTK-AM, which together account for about 40 percent of Rochester's radio advertising revenues.

The settlement also requires American Radio to terminate a joint sales agreement, which gives American Radio the exclusive right to price and sell all the advertising time of a direct competitor, Great Lakes' WNVE-FM. The Department's complaint said that American Radio's joint sales agreement with WNVE-FM constitutes an illegal restraint of trade in violation of the Sherman Act.

"From the consumer's point of view, there is nothing good about this joint sales agreement," said Klein. *"It simply eliminates price competition between two radio stations without creating any procompetitive benefits for consumers."*

In August, the Department required Jacor Communications Inc. and Citicasters Inc. to divest a key radio station, WKRQ-FM, in Cincinnati before permitting them to proceed with their merger. That settlement is pending before the court.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, together with the Department's competitive impact statement. Any person may submit written comments concerning the proposed consent decree during a 60-day comment period to Craig W. Conrath, Chief, Merger Task Force, Antitrust Division, U.S. Department of Justice, Suite 4000, 1401 H Street N.W., Washington, D.C. 20005, telephone (202) 307-0001.

At the conclusion of the 60-day comment period, the federal district court in Washington, D.C. may enter the consent decree upon finding that it serves the public interest.

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