Habla usted Clear Channel?

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How do you say Clear Channel in Spanish?

Pending FCC approval, a new consolidated media, music, and radio powerhouse may soon be born. The $2.4 billion deal between the Hispanic Broadcasting Corporation, the leader in Spanish-language radio stations in the U.S., and Univision Communications -- already the market leader in Spanish-language TV, cable and music -- would create a new company that controls nearly 70 percent of Spanish-language advertising revenue in the United States.

The deal is big and contentious, and involves politics, music and media -- and, to make matters even more interesting, Clear Channel, the U.S. radio station conglomerate, has a starring role. Clear Channel is HBC's largest shareholder, and the company has been accused by opponents of the deal of maneuvering illegally behind the scenes to exert control over HBC, as well as spreading rumors of drug use about the CEO of HBC's chief competitor.

Clear Channel and Univision boast many similarities. Neither is known for the originality of its programming. Both are run by conservative, politically active billionaire Republicans, and both exert tremendous, near-monopoly power in their markets. In fact, if the merger goes through, Univision's power in the Spanish-speaking world would dwarf what Clear Channel has achieved in the radio and concert business over the past five years.

It's a transaction brimming with widespread political, cultural and economic ramifications. The Spanish-language mega-merger comes at a time when the Republican Party is trying to reach out to the burgeoning Hispanic voter community in the United States. President Bush even gave Univision his first national television interview following his inauguration. More recently, congressional Democrats have grumbled over Univision's fawning coverage of Miguel Estrada, the conservative -- and controversial -- judge recently nominated by Bush to serve on the U.S.

Court of Appeals. (At the same time GOP-friendly Clear Channel has swung open its stations to all sorts of Republican causes, to the point where one Democratic member of Congress recently accused Clear Channel of blatantly skewing its war coverage to favor the administration.)

Culturally, the deal is important because Univision, which utterly dominates television programming for Hispanics in America, will soon enjoy extraordinary pull in Latin music, able to use its label, radio stations and TV outlets to create hits. "It's just ripe for abuse in terms of Univision deciding which artists appear on TV shows, and on the radio programs," says Felix Gutierrez, a visiting professor of journalism at the University of Southern California.

The Univision/HBC announcement set off the usual media consolidation alarms about the lack of diversity among media owners. "That's too much power in one person's hands," warns Estor Renteria, president of Hispanic Americans for Fairness in Media. Hispanics account for nearly 14 percent of the U.S. population and are the nation's largest minority group.

"A monopoly wasn't good for Standard Oil or AT&T, so why is it good for Spanish language broadcasting?" adds Efrain Gonzalez, a New York state senator and chairman of the National Hispanic Policy Institute.

Univision insists that even with HBC under its umbrella the company would not be a monopoly, but only a relatively small player in the larger English language media universe. Executives point out that its mighty television unit, which during the 2000-2001 season accounted for every top 20-rated Spanish-language program in America, still only attracts 5 percent of American television viewers between the ages of 18 to 49. Worse, they say, it only lands 2 percent of the advertising dollars. So how can it be a monopoly?

But opponents of the merger, such as Rep. Robert Menendez, D-N.J., argue that Spanish-language media should be considered its own separate market. He wrote to the FCC in March urging that it "establish a clear definition of the separation between Spanish-language and English-language media markets." But FCC watchers are skeptical that the commission will do so, leaving a loophole wide open enough for Univision to "drive a truck through," says Gutierrez, who has studied Latin media for 30 years.

The merger is raising, all over again, the same red flags that have gone up since Clear Channel began its unprecedented land grab following the Telecommunications Act of 1996. The company went from 40 stations then to approximately 1,200 stations today, or roughly 970 more than its closest competitor. Clear Channel also takes advantage of its 37 television stations, 770,000 billboards and unmatched list of venues, promoters and tours to exert control over the concert industry. Last year the company sold 30 million concert tickets, or 26 million more than its closest competitor.

Clear Channel today is a sprawling media player and has attracted intense political and consumer scrutiny for wielding too much power. But for its influence to compare with the astounding role a post-merger Univision would play in the Spanish-language radio, TV and music markets, Clear Channel would have to first go buy EMI Records and then NBC as well. Univision executives rarely speak to the press, and if they do so without permission they run the

risk of getting hit with a five-figure fine -- if not a pink slip -- from Univision's reclusive chairman, Jerry Perenchio, who refuses to speak with reporters, according to a report in the Los Angeles Examiner. (Intriguingly, Univision, the No. 1 Spanish language television player, wants to merge with the No. 1 Spanish language radio player, yet neither company is controlled by Hispanics. This, coming on the heels of a recent poll conducted by Opiniones Latinas that discovered 87 percent of Hispanics in America are opposed to having Spanish-language media owned by non-Hispanics.)

Perenchio has dealt with creative talent his entire career, first as a Hollywood talent agent (Marlon Brando), then boxing promoter (Ali vs. Frazier), and movie producer ("Driving Miss Daisy"). In 1992 Perenchio purchased five Univision stations for $550 million and began assembling a Spanish-language media empire. Perenchio, an Italian-American, doesn't speak Spanish, but Univision has made him a billionaire two times over and catapulted him into the ranks of America's 100 wealthiest people. He lives in a 20,000-square-foot Bel-Air mansion and plays golf on his own private course overlooking the Pacific Ocean.

A Republican, Perenchio has shared a lot of that wealth with politicians and political causes. Between 1994 and 1996 he gave $400,000 to California Gov. Pete Wilson. The generosity raised eyebrows: During and after that period Wilson campaigned hard for the passage of Proposition 187, which tried to end public schooling for the children of illegal immigrants. Prop 187 was seen by most as anti-Mexican immigration, and for Perenchio to support it was considered a strange stance for the head of a Spanish-language network, the largest bulk of whose viewers have emigrated from Mexico.

More recently Perenchio flip-flopped and wrote a check for $1.5 million to support an effort to defeat California's Proposition 227, which would have abolished the state's public bilingual education system. "That was a make-up for being on the wrong side of Prop 187," says one veteran Hispanic activist. But cynics suggest Perenchio's largesse stemmed from a profit motive; his all-Spanish Univision television stations would attract more viewers if more Hispanic immigrants continued to speak Spanish.

Despite the fact that a strong majority of Hispanics vote Democratic, "There's no question that Univision is looked upon as Republican-leaning," says one political consultant who requested anonymity. "It's not seen as fair and balanced." Specifically, there have been complaints in Hispanic political circles over Univision's coverage of the Estrada nomination. "It's been biased," says one Democratic source on the Hill. "They always lead with 'hailing from Honduras,' and portraying him as the all-American story. Then there's a quick clip at the end from an opponent after a longer clip from an Estrada proponent." The Congressional Hispanic Caucus, made up of Democrats, adamantly opposed Estrada.

A Univision spokeswoman denies the charge of bias, saying the company would never use its news coverage for political purposes. Nonetheless, the network's influence is pronounced -- in major markets such as New York, Los Angeles and Chicago, Univision's nightly newscast often draws more viewers than its competitors on ABC, CBS, NBC, and Fox.

Some Univision observers see a marked similarity to Clear Channel, whose founder and CEO,

Lowry Mays, is a staunch Republican, a good friend of George Bush Sr., and close to Bush's son, the president. "I see him all the time," Mays told a reporter during the 2000 presidential campaign. "His father's a friend of mine." Mays and the company have showered the party with contributions (while essentially stiffing Democrats).

Meanwhile, Texas investment banker Tom Hicks sits on the Clear Channel board. In 1998 Tom Hicks bought the Texas Rangers from a group that included President Bush; Bush pocketed $15 million off his initial investment of $605,000, most of which was borrowed.

Clear Channel is also the corporate home of Bush booster Rush Limbaugh, who spoke to company managers during a Clear Channel conference on the eve of the 2000 presidential election. According to one person who attended, Mays also addressed assembled executives about the campaign, telling them a Bush administration would be good for the radio industry and good for America.

Those remarks mirrored similar ones Hicks made during a conference call among Clear Channel's senior radio executives during the 2000 campaign. He announced that the company was going to support Bush, that everyone was encouraged to make donations, and that the legal department would be in contact with donors in order to maintain a proper roster. "Some people took out their checkbooks, but lots of people felt it was staged like a shakedown," says one knowledgeable source who requested anonymity. "To be fair, Hicks told everyone they were free to vote for whoever they wanted. But some senior people felt there was an implied pressure there, especially with the mention of the law department maintaining a roster of donors."

Clear Channel made news recently when its syndicated talk show host Glenn Beck began sponsoring "Rallies for America." The tightly choreographed events attracted tens of thousands of people, coming on the cusp of the war as the White House was struggling to garner wider support for its actions against Iraq. Critics complained that media companies with news department shouldn't be taking advocacy positions. Clear Channel insisted the events were simply pro-troops rallies, grass-roots events undertaken independently by local stations that carried Beck's program. Either way, at a time when antiwar rallies were dominating the news, Clear Channel played a key role in giving war supporters a voice by providing a turnkey service; staging the events, acquiring any necessary permits, taking care of security, assembling speakers, and of course relentlessly promoting the events on Clear Channel radio stations.

At the same time Clear Channel was promoting rallies for the war, Rep. Janice **Schakowsky,** D-Ill., claimed company-owned stations barred ads she wanted to purchase opposing the war in the Iraq, while at the same time limiting news coverage of war protests. A Clear Channel spokesperson did not respond to calls for comment.

Other Clear Channel players were less subtle. A company jock in Denver labeled Democratic presidential candidate Howard Dean a traitor for his antiwar stance, suggesting the Vermont governor should be shot. Musicians got the political message Clear Channel was sending. During a speech at the National Press Club last week, actor and outspoken antiwar activist Tim Robbins told reporters, "A famous middle-aged rock-and-roller called me last week to thank me

for speaking out against the war, only to go on to tell me that he could not speak himself because he fears repercussions from Clear Channel. 'They promote our concert appearances,' he said. 'They own most of the stations that play our music. I can't come out against this war.'" As is the case with Clear Channel, blamed by critics for reducing radio's diversity and dumbing down its programming, Univision's brand of programming has also come under fire. One New Times Los Angeles critic dubbed its Spanish-language diet of breathless novellas, or soap operas, imported from Latin America, as "the dumbest, cheapest, most prurient TV programming imaginable." And like Clear Channel, or "Cheap Channel" as it's sometimes known in the radio industry, Univision is known for being tightfisted. Three years ago employees at the company's Fresno television station staged a hunger strike to protest their low wages; the news anchorman for the most-watched telecast in Fresno was making $32,000, or roughly one-third of what his Anglo counterparts in town were earning.

Some advertisers and music industry players, after having witnessed the radical changes Clear Channel has worked on the radio landscape, have a foreboding sense of deja vu as they prepare for the Univision/HBC merger. "We've already seen this with the Clear Channel model," laments Liza Santana, who runs Creativas, a boutique ad agency in Miami. "It's basically a monopoly. If you want to buy outdoor advertising, it's Clear Channel. Radio, it's Clear Channel. Posters on bus shelters, concerts, event marketing? It's Clear Channel and it's their way or the highway."

As for the reach Univision would have in the Spanish language market once the HBC deal gets FCC approval, "We're talking about an integrated animal, literally," says Santana. "It's scary for me. The capacity for Univision is just huge. And it's permanent, so the consequences of anything negative happening will be permanent as well."

There's also some fear in the Latin music industry that by grabbing HBC -- the largest player in Spanish-language radio -- Univision will end up with too much star-making power. The company hasn't been shy about marrying its Univision recording artists with its Univision TV shows. The most obvious example featured the previously unknown Univision singer Jennifer Pena who sang the official theme song to the 2002 World Cup soccer tournament broadcasts, which attracted tens of millions of Univision viewers. The saturation coverage she received helped launch Pena's album and career.

"It's pretty basic. She became a star because that commercial ran every 20 minutes throughout the tournament," says Jesse Rodriquez, founder of Bandidoradio.com, an online tejano radio station. The addition of HBC's stable of radio stations to the Univision empire "will be a blessing for artists signed to Univision," says Rodriguez. "But for independent labels and artists, they're going to be playing second fiddle trying to get radio airplay."

A Univision spokeswoman acknowledged that there will be obvious cross-promotional opportunities to expose its artists on TV and radio commercials, but insisted the company will not add acts to HBC's playlist simply because they record on a Univision label. "The HBC stations are going to play the No. 1 act on Billboard's Latin music charts, whether they're on Univision or on other labels. It's not going to jeopardize ratings or ad sales -- it will not compromise stations themselves -- just in order to promote Univision artists."

"We have to take Univision at their word and assume they're going to remain independent," says John Whipple, executive vice president of Tejas Records in San Antonio, Texas. "If it got to where they gave Univision artists preference, that would be horrible because it wouldn't be a level playing field."

That's why there's a reluctance to speak out. "Some of the artists are concerned about the merger, but none of them want their names used," says Renteria, at Hispanic Americans for Fairness in Media. "They're concerned about their ability to keep working if something goes wrong with their relationship with Univision."

Such a sentiment will sound familiar to artists and managers in the English-language music business who have shied away from publicly criticizing Clear Channel for fear of economic repercussions.

When the merger plans were first announced last June, executives at both Univision and HBC were hoping for formal government approval by the end of the 2002 calendar year. They had good reason to expect swift passage, since "the FCC has really become a deregulatory agency," says Gutierrez. Yet today, with the one-year anniversary of the deal's announcement quickly approaching, there's still no green light from the FCC. (The Department of Justice did sign off on a consent decree, provided Univision divests itself from certain television properties in order to avoid the possibility of a monopoly.) Merger watchers expect a decision any day, but that's been the case for weeks now.

Univision and Clear Channel aren't just similar corporations looking to grab near-monopoly control of their markets. If the merger goes through, Clear Channel will have a significant stake in the entity. Clear Channel is HBC's largest shareholder, controlling 26 percent of its stock. Clear Channel insists it's only a passive investor with no controlling interest over the country's largest Spanish-language radio broadcaster, but critics say that's just not true, and that behind the scenes hard-charging Clear Channel, not known for its passive management style, has taken an active role in HBC, including steering station sales and influencing internal financial matters at HBC. That's reason enough, they say, for the FCC to veto the merger.

In its filing with the commission, the National Hispanic Policy Institute argues its case in part by pointing to annual employment reports, the kind every broadcaster must file with the FCC. The NHPI notes it was Clear Channel's corporate counsel -- not HBC's -- who, under the penalty of perjury, certified information for several HBC stations. Despite being an officer at a company that's a passive investor, " He apparently believes that as Clear Channel corporate counsel he has the authority to prepare, execute and file these FCC forms on the behalf of HBC," noted the NHPI.

HBC answered the allegation by informing the FCC the confusion stemmed from a glitch in Clear Channel's database and it was a "simple mistake -- nothing more." The NHPI shot back, "Clear Channel's mistake was in truthfully identifying and listing each station at which Clear Channel had employees, without first considering which stations it secretly owned or operated in a prohibited manner."

And then there's the antitrust lawsuit filed by Spanish Broadcasting System, HBC's main competitor. Angry that a deal fell through to merge the two Spanish-language radio companies, SBS filed charges the day the Univision/HBC deal was announced. Earlier this year a judge ruled that even if the facts of the allegation were true, SBS couldn't prove Clear Channel had created a monopoly in violation of the Sherman Act. He dismissed the case, although his ruling is being appealed.

Some of SBS's more outlandish accusations against Clear Channel have stuck, though. For instance, SBS charged that just as it was preparing its 1999 IPO with Lehman Brothers as its co-leading underwriter, Clear Channel's CFO Randall Mays (Lowry Mays' son) called a Lehman Brothers executive and warned her that SBS's CEO, the Cuban-born Raul Alarcon, Jr., was a "drug user and/or trafficker."

During his deposition earlier this year, Mays admitted he had called the banker to tell her he'd heard a rumor that Alarcon had used drugs, but that he did not mention trafficking: "I said, look, I heard something that I didn't know if it was true, that there was something in the public domain where Raul admitted to using drugs." Mays denied the charge that relaying the unsubstantiated rumor was an effort to get Lehman to withdraw from SBS's IPO. He did admit though, that he was unhappy that Lehman was handling SBS's public offering. Again, critics ask, if Clear Channel is simply a passive investor in HBC, why does it care who handles the IPO for HBC's competitor?

That might all be moot soon. "I can't see the FCC ruling against the merger," says America Rodriguez, professor at the department of radio, television, film and journalism at the University of Texas, who's concerned about the future of Spanish-language media if it ends up controlled by Univision. "We deserve to have more than one voice. One is not a choice."