

KWSI + KIDD = KTWI + KTWS = K-TWINS

Location, format changes meant to stabilize stations

by Donna Behrend

For the past five years, Central Oregon radio listeners have heard identical programming on the Tribe's two commercial radio stations—KTWI and KTWS, referred to as the TWINS. As of July 26, that signal was split allowing for separate programming on the two stations. The recent split and many other events have occurred over the years since KWSI originally went on the air in January 1986. Program changes, the move to Bend and cutback in personnel were all enacted to improve the profitability of the Tribe's investment.

IT ALL BEGAN WHEN....

It was in 1981 that the Tribe first started talking of going into the radio business. Owners of a Bend radio station approached the Tribe regarding a station. There was a channel available in the Madras area and the Bend station wanted the Tribe to be a co-applicant for a grant with the Federal Communication Commission (FCC) under minority provisions. Upon considering the substantial economic value of the license, the Tribe decided to go into the venture on their own. The Tribe acted quickly to "prevent some other organization from obtaining" the license, according to an article in the June 7, 1985 Spilyay. After being granted the license by the FCC, the Tribe had to use it or lose it to off-reservation control.

In December 1981 the Tribe's public relations firm began a year-long study to determine the feasibility of an educational radio station and low-power television station. The \$30,000 study, funded by the National Telecommunication and Information Administration, found that both stations would be feasible and beneficial for educational programs on the reservation.

At around the same time of the study, the Tribe applied for and received an FCC educational radio station license. KWSO was born. The Tribe also received a \$102,000 federal grant for the purchase of the KWSO's tower and equipment. This was beneficial because KWSI was able to use some of the same equipment, such as the 200-foot tower on Eagle Butte.

The Tribe received three construction deadline extensions on the commercial station. In January 1985, the Tribe hired Nat Shaw as a consultant to help get the commercial endeavor off the ground. He later became station manager of KWSI. Both stations, according to the same article, were to be "temporarily" housed in the Kah-Nee-Ta Hamlet recreation building. KWSO continues to use the building as its studio.

Early on, Shaw was excited about the Tribe's newest economic venture. "It will provide tribal member employment....It will give the tribal community a voice" outside reservation boundaries, Shaw said in Spilyay. He expected KWSI to reach approximately 125,000 people as far south as Bend and LaPine and as far north as Hood River and The Dalles. KWSI "will eventually employ 15 full-time and five part-time employees in sales, announcing and news positions," the article stated.

Additionally, a training program, designed to prepare tribal members for radio work, was initiated. Eleven indi-

viduals were selected for the training. Of the 11, six went to college, the remaining five went through intensive on-the-job training in sales and air work.

Formatting, once the radio hit the airwaves January 17, 1986, was "adult contemporary" and included top-40 hits, hits from the mid-70s to 1984 and occasional oldies. Serving Warm Springs was the "paramount responsibility" of KSWI, even though heard throughout Central Oregon.

In the early days, there were seven announcers, two news people and a four-member sales staff. Five of the 15-member crew were tribal members. It was anticipated that tribal members would assume the jobs of non-members once

In the early years KWSI offered employment opportunities to tribal members and a voice beyond reservation boundaries.

training programs were completed. Two individuals who began KWSI in 1985 and early 1986 remain working full-time in the radio field—at KWSO.

According to a January 31, 1986 article in Spilyay, the station was expected to be a profit-making commercial entity and be "totally self-supporting" within five years.

The radio station failed to meet financial expectations. From 1986 through mid-1990, KSWI did not meet the desired profit levels, with the bottom line figures falling in the red each year. Following a review of the station's performance, a team of consultants from Texas, hired by Economic Development Director Charles Jackson, recommended, among other things, that Nat Shaw be replaced and that a new manager be hired.

On February 7, 1990, the Warm Springs Tribal Council authorized the purchase of the construction license of KIDD, a low-frequency station (9,700 watts) in Bend. KIDD was the last remaining FCC license in Bend.

According to a news release, the purchase would allow KSWI to simulcast its programming in the Bend area, which "will greatly improve the station's profitability status," said an article in the March 9, 1990 edition of Spilyay. KWSI/KIDD were to be among very few, if not the only FM stations, in the United States that simulcast from two different cities. The Confederated Tribes, with the TWINS, also known as KTWI and KTWS, broke new airwaves.

According to minutes of the February 7, 1990 Tribal Council meeting, Council considered five options concerning KWSI and KIDD with the chosen option being to "build KIDD and combine operations with KWSI". In his presentation to Council, Jackson stated the tribal investment, coupled with operating losses, "totaled about \$1.2 million in the first five years." He estimated the Tribe would lose an additional \$1.2 million over the next five years if operations continued as they were.

Additionally, the value of the radio station was discussed by Council and consultant Tom Pickell. He estimated the station, in 1990, was "probably worth \$500,000." But, he said, if the station was expanded, operations were improved and more sales were obtained, the station would be worth "\$1.3 million in a worst case and \$1.9 million in a most likely. In the best case scenario, it would be worth \$4.9 million." A recent appraisal although not a public record, shows actual station value much less than that.

Costs associated with acquiring KIDD totaled \$273,000, not including studio space, tower space rental, engineering and maintenance costs and additional personnel. The Tribe applied for and received a \$149,500 BIA grant which helped offset some of those costs.

KIDD "will improve KWSI's penetration into the Bend area," said the March 1990 article and tribal officials anticipated a "strong turnaround in the station's financial stability due to the strengthened signal." Once the purchase was made, officials studied KWSI formatting, arranged for tower lease, purchased or leased equipment and rented studio space in Bend. The KWSI sales office moved from Redmond to the Bend studio on Empire Avenue. KWSI's twin was expected to be on air June 1, 1990, according to the article. This did not occur until January 1991.

Following a nation-wide search, John Stolz was hired in July 1990, shortly before Shaw left. Another recommendation offered by the consultants included changing the format—thus the "classic rock" format heard on the TWINS.

A news release eight months later confirmed the reason to purchase KIDD: Help stabilize the economic footing of KWSI. The release also stated that "all current KWSI employees, except one, have been retained to work at the new station in Bend."

Very few tribal members have worked at the station since it moved to Bend. The drive, if inconvenient, is time-consuming and sometimes impossible to make due to road conditions. Jackie Simtustus, who lives in Bend, is the only tribal member employed there now; she works less than full-time. "Providing tribal jobs has not been successful," adds Stolz. There are currently 11 full-time employees and three part-time employees working at the TWINS.

Stolz says, too, the radio station has an employment program for tribal members attending Central Oregon Community College. "We started a program two years ago, for any tribal member students at COCC, regardless of their major....(it gives them) an opportunity to work for us whether they're looking for a radio job or just looking for income. (They can) do the filing, answering phones, filing records, all those kinds of things, just in order for them to have some income. We pay them more than we generally pay our part-time people. We've had as high as three (tribal members in the program) in 1993." Following a recent discussion with Mike Clements, tribal COO, the program will be put in high gear again for the upcoming school year, says Stolz.

WHY SPLIT?

The decision to split the signal on the TWINS is to "bring more money into the tribal organization," says Stolz. "When

we were simulcasting, we were basically wasting one signal, as far as revenue was concerned....If advertisers bought 98.3, they got 96.5 free....The fact that 96.5 had a better signal into Redmond and Madras" played an important role in the TWINS' ability to reach beyond Bend.

The recent split of the TWINS signal is to bring more money into the tribal organization. Ratings show that the TWINS did very well with the classic rock format.

In a survey conducted 18 months ago, listeners were quizzed on their choice of formatting. "Obviously," says Stolz, "country was number one" with adult contemporary coming in at number two. "There is too many country stations as it is. We wouldn't be able to get any revenue out of it." Stolz opted for a pre-recorded adult contemporary format that comes from Seattle, which targets 25- to 49-year-old women. "I think it's going to do very well up here," Stolz said speaking of northern Central Oregon. "KWSI, when we changed it, did very well in the ratings. There simply wasn't enough dollars here to support it. This is not a step backwards," Stolz emphasizes. The whole idea, he says, is to become profitable. 98.3, heard primarily in Bend, continues their "classic rock" format which appeals more to men. "The classic rock format was not popular among north-central Oregon advertisers," says Stolz. Clientele in Madras, Prineville and Redmond would not buy us "because of the format.

Consultants recommended that a new station manager be hired to turn the financial status around. The format was changed from adult contemporary to classic rock.

\$4.5 million. "This is extremely low for this size of market," says Stolz of Central Oregon. "It's not a lot when you figure there are 13 radio stations. You do the math on it and it's tough, especially when the Tribe has two of those radio stations....We should be able to gross more dollars." If calculations are correct, the TWINS should be able to garner close to \$700,000 annually in sales.

Considering the projected growth rate of Central Oregon, advertising dollars should be much more plentiful and easier to come by, says Stolz. Right now, "there are too many radio stations for the amount of revenue. Five years from now, that won't be a problem," Stolz comments.

During their first year of operation, the TWINS sold \$525,000 in advertising, more than double the revenue than when KWSI was still in Warm Springs. "Costs went up, but not that proportionately," says Stolz. "In our best year, either 1992 or 1993," says Stolz, "I think we did \$670,000."

Following the move to Bend, the station was faced with yet another move. The Parkway Project forced the demolition of the studio on Empire Avenue. The new studio is on Wilson Avenue in southeast Bend. Due to the nature of FM radio signals, the TWINS required direct line-of-sight from the studio to the transmitters on Aubrey Butte and Grizzley. "There weren't too many places

98.3 FM

K-TWINS

The Classic Rock Station!

that we could locate the station," Stolz says. The tribal attorneys and Charles Jackson negotiated with the State regarding the move of the station. "The lease took six months to negotiate. The move was paid for by the State. In fact, I brought the project in with a \$30,000 surplus that went back to the general fund. We moved into the new facility in August (1994). It's smaller than the one on Empire and it's specifically designed for radio. We gave the State fits with regard to equipment and what they were going to pay for in the move. Sovereignty played a big part in getting the State to cooperate and move us."

Even with increases in revenue and personnel cutbacks, the stations continue to lose money. Council members have asked, "When is enough enough?"

"The rent increase was due to 'tenant improvement' costs. We leased the shell of the building, 2,700 square feet, put walls up" and made additions specific to radio requirements, says Stolz. At the end of five years, the rent will drop dramatically, possibly in half. The station currently pays \$3,200 a month rent. The Empire sight was about \$2,700 a month plus taxes, according to Stolz.

The short-term goal, says Stolz, is to "get this thing profitable. I think this new format is a step in the right direction. We want to develop the format on 96.5." WARM, as it is called now, is completely automated, thanks to "Hal", an "audio vault". The computerized system plays music and ads with very little assistance. The station intends to "keep operating costs down until we can get some cashflow, so we're not hiring new people for this....What we're trying to do is run with the staff we have," says Stolz.

Formatting "on 96.5 is not being programmed to Bend, it's just generic," adds Stolz.

"We're building up our PSA file. We're building up all our information for Madras, Prineville and Warm Springs. It is strictly a radio station that will be for" north Central Oregon, says Stolz. "It is not targeted for the Bend community at all."

The stations' mission statement reads: "Serving the Central Oregon community and our advertisers by providing quality entertainment and information while returning a profit and employment opportunities to the Warm Springs tribal organization."

Success in this spring's ratings can be attributed to several factors, says Stolz. A new program director was brought on and a trip to London was given away. Plus, another Bend station was sold and the format was changed when new management took over. People began listening more frequently and for longer periods of time, says Stolz. "We were able to get people away from listening for five minutes at a time and to begin listening for hours at a time. Our ratings, or share of audience, went up. You can have quantity but you need quality," says Stolz.

Even with increases in revenue and personnel cutbacks, the stations continue to lose money. Tribal Council member Delvis Heath asked in 1990 when the Tribe was "going to draw the line and say enough is enough." Other Council members expressed similar concerns, saying retaining the station was like "throwing good money down the drain." Profit can be

measured in a couple of ways, says Stolz, long-term and month-to-month, year-to-year. When asked if the stations have made a profit, Stolz counter-questioned with, "What is a profit? Last year was our best year, even with poor numbers." Stolz would not release the amount lost over the past five years, but instead said, "Tribal Council has to answer that, I don't think I can give out those numbers in my capacity." Financial figures were not made available to Spilyay.

Stolz, in meetings with Tribal Council, says he has discussed the stations with the Tribe's governing body. "The studios in Bend are worth a lot more money than the facility on the reservation....because there are no fixed assets here (Warm Springs) and because there is a tower that sits on a piece of land that nobody can buy....That is part of the problem with the value of 96.5. We basically have a license and no assets. So, what we're trying to do with the format split is to show an actual cash flow. Radio stations are sold on multiples of cashflow."

"What we're thinking is," says Stolz, "after six months, Council can take a look at this thing and decide what they want to do. Is 96.5 producing enough revenue to justify hanging on to the station? Do they want to get out of the radio business and develop more issues here on the reservation? That's no secret. That's a hot topic amongst the Council people right now. What I'm doing is what I was hired to do—to advise the organization on how to best get the stations profitable."

Stolz feels that if the Tribe decided to sell the stations now, the Tribe would realize a profit from 1990, but not from 1986. "Only because they were so far in the hole for five years." In a phone interview August 15, Stolz added, "The Tribe will realize a profit over their initial investment when they decide to sell the stations."

