416

RADIO - CHALLENGES AND RESPONSIBILITIES

Major Market Radio "Fly-In"
Key Biscayne, Florida
January 17, 1986

By

Commissioner James H. Quello
Federal Communications Commission

I'm delighted to be with you today to exchange views and to update my own personal radio data base. As you know, radio was my principal lifetime career. I had the advantage of being in radio before the advent of television. I also had the satisfaction of seeing radio not only survive TV, but also continue its dynamic growth as it found a vital place in the media mix.

I was an active member and chairman of the original Detroit radio committee in 1951 which initiated the highly successful "Wherever You Go, There's Radio" national campaign. We stressed the universality of radio, its fast news bulletins, its ability to generate mental pictures beyond the capability of mere film. We had a full court promotional press -- using all media including radio jingles and TV.

Our newspaper ads stated "We interrupt this newspaper to bring you a bulletin."

It was exciting, challenging and fun. My previous experience was well suited to the rigors of radio in a new TV age -- I was a former combat infantry battalion commander in France and Germany.

Incidentally, that combat experience wasn't entirely wasted -- it proved useful in some of our FCC deliberations.

We have had an unprecedented telecommunications explosion at the FCC the past ten years. I always wonder how the many new or expanded services impact radio. I wonder how radio has been affected by cable, MDS, LPTV, DBS, VCRs, teletext, not to mention additional FM and TV grants.

I am always pleased to see signs of radio's continuing vitality and growth. That's why I was particularly pleased to see the strong revenue figures of the top 15 radio stations for 1985 listed in "Inside Radio" which credited Jim Duncan reports as a source.

The figures may be less impressive to you, but I think they are worth mentioning for those who missed the report. Radio's top billing stations for 1985 were:

KIIS-AM/FM, Los Angeles (34,000,000)
KABC, Los Angeles ((26,000,000)
WINS, New York (21,500,000)
WHTZ-FM, New York (18,100,000)
WOR, New York (17,000,000)
WCCO, Minneapolis (16,200,000)
KNX, Los Angeles (15,800,000)
KYW, Philadelphia (15,200,000)
WGN, Chicago (32,000,000)
KVIL-AM/FM, Dallas (22,000,000)
WCBS, New York (19,200,000)
KGO, San Francisco (17,500,000)
KFWB, Los Angeles (16,500,000)
KMOX, St. Louis (15,800,000)
WJR, Detroit (15,300,000)

I'm also especially pleased that radio has national qualitative ratings such as the "ten most admired stations in America." They were selected by a survey of 650 station managers. The list appeared in the January 6, 1986 "Radio Week" publication of the NRBA (National Radio Broadcasters Association) which also credited the 1986 Duncan Radio Market Guide. The ten most admired: **KIIS-FM, LOS ANGELES; KVIL-FM, DALLAS; KMOX, ST. LOUIS; WGN, CHICAGO; WCCO, MINNEAPLOLIS; WMMS-FM, CLEVELAND; WHTZ-FM, NEW YORK; WJR, DETROIT; WRBQ, TAMPA; AND WTIC, HARTFORD, CT.**

Of course, I'm always pleased to see my home town station, WJR, on both lists -- just like the good ol' days. I worked there for over 25 years.

It's hard to believe I have been out of the commercial broadcast business for 14 years. However, as an FCC Commissioner, I'm very much involved in an important aspect of broadcasting -- regulation, which impacts broadcast service and business.

In fact, looking back I remember FCC regulation as one of the most frustrating and time consuming aspects of broadcasting. We coped with numerous government reports, complex license renewals with ascertainment and program percentage requirements, threats of frivolous or vindictive petitions to deny licenses, plus inappropriate equal time and fairness doctrine requests or complaints.

By comparison, sales, the most vital operational function for broadcast well-being, was relatively simple. Whenever the economy was booming and business good, the General Manager and Sales Manager were doing a great job. When business was bad, regardless of circumstances, you simply blamed and threatened the sales rep. It is almost counter-intuitive to hope for much change in that convenient relationship for owners and station managers.

The Commission the past three years has effected massive deregulation by eliminating or simplifying all kinds of reports, forms or surveys. Congress, too, approved a seven year license for radio instead of three. It also expanded multiple ownership limits.

We have several deregulatory proposals for 1986 of particular interest to station operators and sales reps.

We have issued a notice of proposed rulemaking seeking comments on eliminating the restriction on AM-FM program duplication.

Some of us old timers foresaw the growth and importance of FM, but we are still impressed with phenomenal FM ratings. FM in the 60's and early 70's was a relatively interference-free service with high potential and very low revenues. It was practically a give-away service.

Times have changed and, obviously, AM is feeling the competition. I look at Birch and Arbitron ratings from time to time in the 20 top markets; I'm amazed by the growing number of FM stations in the top 5 ratings for each market.

To restore some balance, AM must look to technological improvements and to AM stereo.

Stereo for AM offers more than the sizzle long enjoyed by FM of providing wraparound sound. It offers the industry the opportunity to improve receiver quality so that high fidelity isn't the sole province of FM. AM quality can be very high; but not without receivers capable of reproducing that quality.

The NPRM eliminating AM-FM duplication restrictions may help AM. The program duplication restrictions were initially adopted to prevent the inherent inefficiency of duplication and to foster the growth of FM by promoting separate programming for FM stations. The FCC notice proposes that these objectives are no longer served by the duplication restriction as FM service is now fully competitive. Comments were due January 2nd. An FCC decision will probably be voted in about three months.

The Commission has another ongoing proceeding which might be of more than passing interest to this audience. Back in 1981, we did away with the old "Golden West" policy which prohibited representation of a station by a sales representative owned wholly or partially by the licensee of a competing station in the same service in the same area. In short, you can now represent more than one station in a market as long as you don't use a combination rate. Then, last February, we issued a Notice of Proposed Rulemaking seeking comment on whether to eliminate our prohibitions against combination advertising and sales practices. The basic policy, that separately owned stations serving the same area may not offer combination rates, has been applied to the use of combination rates by independently owned stations whether or not they are in the same service. There is also a prohibition against TV-radio combination rates by commonly owned stations.

We also are reviewing these specific policies concerning the representation of two or more stations in the same market by a single sales representative. Multiple representation now is permissible, but the representative may not sell advertising time on two separately owned stations in combination. **(Out for comment: small stations could offer package against big.)**

The staff of our Mass Media Bureau is reviewing the comments in that proceeding -- MM Docket 83-842 -- and will prepare a recommendation for the Commission within the next few months. Of course, I can't predict the outcome but I can point out that the present Commission has been reluctant to regulate in areas that are covered by statutes other than the Communications Act. Abuse of joint sales and advertising practices could lead to anticompetitive behavior which is subject to scrutiny under the antitrust laws. Whatever the Commission decides to do, laws against abuse obviously will remain on someone's books.

I was also interested in reading a report prepared by the National Association of Broadcasters suggesting that cable systems threaten to add significant competition to both AM and FM radio. The report, "THE NEW AUDIO MARKETPLACE," issued in September, points out that there were 3,346 cable systems carrying FM radio signals as of May 1985 (quoting Factbook Research, Inc., the publishers of Television and Cable Factbook.) Since it is relatively easy for cable systems to carry the FM broadcast band, AM broadcasters may eventually face more FM competiton unless they can also persuade cable systems to carry them. The report quoted Arbitron as indicating that there are at least 30 "cable-only radio stations." The NAB report also notes that a cable system can provide ten channels of digital audio programming for about 100-thousand dollars.

The NAB report wasn't all gloom and doom. It noted that local advertising -- considered a threat to radio about ten years ago -- accounted for only 15 percent of all cable advertising revenues in 1984. And, studies by the Radio Information Center and Group W indicate that there has been no appreciable impact on radio listening by cable. Whatever competitive threat does exist, I'm confident that radio will be worthy of the challenge.

There is little doubt that the massive deregulation undertaken by the FCC saves time and money for broadcasters. It provides welcome, overdue relief from excessive government requirements. It should also provide radio executives more time for programming, service and sales.

The all important question now is: "Does deregulation benefit the public?" A strong affirmative answer is essential.

Broadcasting, and particularly radio broadcasting, has the responsibility of assuring that the benefits of deregulation accrue to the public in better programming and public service. The current FCC deregulation could be changed by Congress or by an FCC less orientated to business.

Radio must set the positive example to justify further deregulation including future TV deregulation.

Radio today seems more specialized with all kinds of formats appealing to specific groups of listeners. Most stations today can't afford the full range of programming. My former WJR programming slogan -- "Complete Range Programming -- Something for Everyone" that worked so well in the 50's, 60's and early 70's would probably be modified to meet today's competitive practicalities.

I must caution you, however, that there is still an inherent public service responsibility in broadcasting.

I suggest comprehensive community involvement and public service by broadcasters. It takes time and effort, but costs relatively little in dollars.

Community involvement and public service by members of your staff is just plain good business. It increases awareness of your station among civic and business leaders and gains the goodwill of the public. It also keeps you abreast of community needs. **(Cite examples of civic involvement directly aiding sales.)**

Remember, the public service concept is a requirement of the Communications Act. I don't think broadcasters require a mandate from Congress or the FCC to assure civic responsibility. No other industry does.

Not only broadcast licensees, but all businesses and corporations have inherent responsibilities as public trustees. In America, all corporations exist by the will of the people. It behooves all corporations, acting in their own self-interest, to conduct themselves with a keen sense of social purpose, not only economic purpose. I believe the free enterprise or corporate system works in America, but I keep reminding myself that it was not ordained by God. In a democracy, any economic or social system can be legally altered by the people at the polls. So, the people have a right to expect reasonable benefits, enlightened management, fair treatment and equitable distribution of wealth for the public good. The great majority of American telecommunications and broadcasting corporations have reasonably fulfilled these expectations by providing the American people with the best radio, TV and phone communications services in the world and its employees with a high standard of living. One of our highest government priorities must be to preserve America's markets and our preeminent position in world communications to assure healthy, progressive industries with gainfully employed Americans.

Overall, it's a challenging, fascinating time to be at the Federal Communications Commission. We must all work together to maintain and increase our TV and radio leadership so that Americans remain the best informed and best served people in the world.

XXX