

**REMARKS BY COMMISSIONER JAMES H. QUELLO  
BEFORE THE  
NATIONAL ASSN. OF BROADCASTERS' RADIO SHOW  
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Speaking before a radio audience is a welcome homecoming for me. Radio was my principal pre-FCC career. After five years in the Army, I spent 27 exciting years in every aspect of radio broadcasting. Except for a brief period of additional duties applying for a television station, my career was primarily in radio.

As a sideline, I am frequently asked about my five years in the Army -- "Were you in public information?" I always reply "No, they had some big, mean guy in public information, I was in the Infantry." As many of you know, my Army exploits get more heroic with every passing year. If you haven't heard my war stories, please, please ask. In fact, I heard a member of my staff advise a friend -- "If you want him to vote for your issue, first ask him how his battalion captured the German SS College in Munich."

My first job out of the Army in 1945 was with station WXYZ in publicity. I moved to WJR in 1947 for \$65.00 more per week. At WJR, I was an active member of an ad hoc committee of Detroit radio promotion managers meeting back in 1951 to counter the advertising onslaught of TV, the powerful new medium. At that time, we had to convince advertisers, the public, and even ourselves, that TV was not going to put radio out of business. As you know, radio established an important niche in the advertising mix. It survived and prospered.

The slogans we originated in Detroit at those 1951 promotion meetings became widely used nationwide.

For example, the following will sound familiar:

"Wherever You Go, There's Radio."

"You Don't Have To Stop and Look, Just Listen."

"Radio, Building Mental Images That Can't Be Captured by Mere Film."

(Inspired by B.T. Radio, The Lone Ranger, Green Hornet, The Hermit's Cave, Suspense, etc.)

"Radio, the Most Accessible, Immediate, Survivable and Important Medium for Emergencies and News."

"Radio, the Point of Purchase Medium as Your Car Heads for the Market."

At that time, WJR, the leading station in town, was expected to play a leading role in industry and public service projects. With 50,000 watts and creative "complete range programming," we were king of the road -- also the city.

Well, today WJR standing alone is no longer the biggest act or the most essential radio buy in town. It is competing with 8-station and 6-station multiple owners, with more to come.

I have to admit that today I would not relish managing WJR with profit responsibility against several experienced multiple-owner groups in my market. WJR's complete range of programming could be seriously challenged and overpowered by 6- and 8-station combinations with all varieties of programming and attractive sales packages tailor-made to meet an advertiser's demographic preference.

The president of WJR Detroit asked me how I would compete -- I said call Tom Murphy and ask him to buy a few more stations in the market.

So, I initially had mixed feelings about super-duopoly ownership. Even today, I get mixed reviews from broadcasters -- some, applauding the lifting of ownership rules, claim that with economy of scale and increased efficiencies, they have more funds for quality programming and enhanced public service; other owners are grateful that they were able to cash in at attractive prices. On the other hand, some complain that they now face powerful, dominant competition from new radio combinations.

When first asked my opinion by the press on several mergers, I stated I would approve mergers as long as the public interest is served with robust competition among the large competitors and with no antitrust problems presented. As you know, there is an ongoing controversy on whether ownership concentration should be defined by the percentage of radio advertising or percentage of all advertising.

For example, the initial figures in Detroit showed CBS' acquisition of Infinity concentrated 35% of the radio advertising revenue but only 8% of the total revenues in the market. In my judgment, a good argument could be made for defining concentration in terms of total market advertising revenue. In any event, these concentration issues are also subject to court and Justice Department review.

Congress addressed the issue of local radio ownership limits by providing that the FCC revise its restrictions on the number of AM and FM broadcast stations which may be owned or controlled by one entity in a particular market. In markets with more than 45 stations, one company could own, operate, or control eight stations, with no more than five in any one service (AM or FM). In markets of 30-44 stations, one company could own seven stations, with no more than four in any one service; in markets with 15-29 stations, one entity could own six stations, with no more than four in any one service. In markets with fewer than 14 commercial stations, one company could own up to five stations or 50 percent of all the stations, whichever is less, with no more than three in any one service.

In an ad lib statement, I said broadcast properties should be owned and managed by professional broadcasters, not commodity traders. But in all fairness, Lowry Mays, Mel Karmazin and other multiple owners certainly qualify as career broadcasters -- even smart aggressive ones.

Also radio, with its lifelong tradition of local service, remains a very viable medium competing with a super-abundance of TV signals now available with many increased transmission facilities -- over-the-air TV, cable, DBS, MMDS, Internet and soon telephony OVS.

However, the principal incentive for multiple owners paying such high multiples for some stations must be economies of scale. Multiple owners in a market realize the probability of reduced overhead, flexible improved pricing for spot inventory and increased operating profit and cash flow margins. These aggressive multiple-station buyers may even increase radio's share of overall advertising budgets through efficient, combined selling of large mass audiences. Today radio is still a growth medium. Radio generated 7% more advertising revenue in 1995 than in 1994 from combined local, national and network advertisers. It is an especially effective means of local advertising. Multiple owners can also claim more funds and facilities available for quality programming and increased public service contributions.

Dan Gammon, Managing Partner, American Radio Brokers, was quoted in Radio Business Report saying, "Marketing clout is what makes superduopoly so different from duopoly. For the first time, a broadcaster can assemble enough mass to reverse the long-standing situation where advertising agencies had the upper hand in negotiating cost-per-point. That's why agencies are so miffed."

As for me, I'll implement the Congressional Act on national and local radio ownership as Congress intended. I also believe in preserving the vital local service that radio performs. For example, at this time, I believe DARS, with its multiple channels should be a subscription service.

The potential benefits of duopolies or super-duopolies are effected by another important consideration -- the level of government regulation. As a general matter, I firmly believe that the scarcity argument for continued, or even much less for additional, regulation is outdated -- particularly when in addition to radio we have the super-abundance of TV, cable, DBS, MMDS, Internet and soon, OVS signals. I'm particularly critical of additional regulatory proposals from government regulators who have no experience or real world, practical understanding of the broadcasting industry, the community interaction, and the wide variety of services broadcasters perform.

**In the upcoming FCC proposals for cross-ownership and multiple ownership regulation, we should all remember that both President Clinton and Congress proclaimed with widespread, enthusiastic approval that the era of big government is over. And regulation, and particularly additional regulation, represents big government. As this audience knows, burdensome regulation obstructs industry growth and innovative developments.**

**American broadcasting, both radio and TV, was originated, financed and developed by business entrepreneurs and private funds, not by government funds or government regulation.**

**Nothing happened to the initial broadcast spectrum for radio and TV until risk capital inaugurated the service and was willing to incur losses the first several years in each service. Program and technological improvements all came from broadcast industry innovation and funding. Actually the spectrum lay fallow until business entrepreneurs bought the land, financed the building and broadcast equipment and hired the personnel to start the service. Both radio and TV endured a lengthy trial and error evolutionary period before profitability.**

**Today America has the largest, most diversified, most imitated and most envied free over-the-air radio and TV service in the world. You and your broadcast predecessors played a major role in that world leadership. The oncoming large conglomerates and super-duopolies have the responsibility of enhancing this leadership with increased quality programming and expanded voluntary public service.**

**Government should help you achieve your goals by working with you in a progressive spirit of mutual cooperation to encourage growth and innovation with minimal regulatory intrusion. In this regard, it is significant to note that President Clinton has "reduced regulation" as one of the mainstays of his presidency and of his re-election platform.**

**So, with continued robust competition, avoiding undue concentration problems, and less regulation, the future looks bigger and better for radio, the vital local "wherever you go" service.**

**Just make sure it is bigger and better for the public you are serving.**

**Good luck and may your tribe increase!**

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