

**REMARKS OF COMMISSIONER AJIT PAI
BEFORE THE RADIO SHOW**

DALLAS, TEXAS

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Jane, thanks for that kind introduction. I didn't have the privilege of serving with Jane when she was the FCC's General Counsel, but when I was in the Office of General Counsel, I quickly learned how much the staff admired and appreciated her. The National Association of Broadcasters is lucky to have her—she's a skilled advocate.

I also would like to thank NAB for inviting me to speak here at the Show. Radio holds a very special place in my family's history.

When my parents were growing up in South India, they avidly listened to the radio. As a boy, my father tuned in each weekend to the Binaca Hit Parade. It was broadcast out of Sri Lanka by Radio Ceylon, and it counted down the biggest hits in British pop music. The host was Greg Roskowski, who I'm told was like the Casey Kasem or Ryan Seacrest of 1950s South Asia. My father loved the Binaca Hit Parade because it was his main connection to the Western world. Later in life, he would choose to join that world—and that's why I grew up as an American.

As for my mother, her family gathered around the radio each night to listen to the news. The radio was a treasured object in their home; it was displayed in a prominent location and even covered in fine lace so that it wouldn't gather dust. In fact, my mother's family continued to showcase it even after it stopped working! They wanted their friends and neighbors to think that they still had a functioning radio.

In 1971, my parents left India and moved to the United States with little more than \$10 in their pockets—and a radio. They listened to it often in their early years in North America. It was an important source of information—and they needed that, as they learned to navigate life in a new and sometimes strange place. They tell me that the first song they remember hearing after arriving in the United States was "An Old Fashioned Love Song" by Three Dog Night. Although I take great pride in my karaoke skills, I will resist the urge to sing a few lines for you.

When I was growing up in rural Kansas, radio was important in our community, just like it was important to my parents when they were young. The radio station in my hometown of Parsons, Kansas was (and still is) KLKC, the local voice of the Kansas City Chiefs, Kansas City Royals, and University of Kansas Jayhawks.

Of course, I didn't come here today just to reminisce about the past. I want to talk about the future—of broadcasting generally and of radio in particular. Then, I'd like to share with you a few ideas on how the FCC can help make that future brighter.

As we look ahead, I believe we need to start from the following premise: broadcasting remains an extremely important service. That point was driven home to me two weeks ago when I travelled to the Midwest and met with a group of broadcasters in the Joplin, Missouri and Pittsburg, Kansas media market. Most of you know that Joplin was hit by a devastating tornado on May 22, 2011. About a third of the city was destroyed. 158 people were killed.

What many people don't know is the critical role that local broadcasters played in Joplin's response and recovery efforts. In the immediate aftermath of the tornado, there was no electricity. Landlines and cell sites were down. Internet service wasn't available. So where did people in Joplin turn for critical information? Their battery-powered radios.

Zimmer Radio, for example, cancelled all of their stations' commercials and provided non-stop, around-the-clock disaster coverage. Disc jockeys became on-air first responders. They helped listeners locate missing friends and relatives. They served as a kind of clearinghouse that matched people in Joplin who needed assistance with residents offering to help. Radio stations also told people which roads were open and where listeners could buy gas or other supplies.

As the days went by, broadcasters began to help their listeners with more practical problems. How could people get permits to enter damaged areas? How could they make claims to FEMA? The Joplin radio stations were creative—and resourceful. They found numerous experts and brought them on the air. They served the community by helping to find the answers to questions that many shared.

I heard these stories two weeks ago from people who were personally involved. These stories represent the best of broadcasting; they show the unique strengths that your industry has to offer. Stations with strong roots in local communities provide vital services when people need them most. Indeed, when the deadly *derecho* storm hit Washington this summer, it knocked out power and Internet access for me and millions of others. Even in an area as urban and connected as Washington, I turned to the radio to find out what was going on—and it gave me everything I needed.

But you contribute so much to your communities outside of emergencies. To broadcasters, localism isn't just a slogan; it's your way of doing business. Broadcasters are there day in and day out. They report the local news. They deliver the farm report. They cover local college and high-school sports events. They create a forum for debate on local issues. And off the air, broadcasters are often pillars of the community. They help local charities raise money, sponsor Little League teams, and pitch in at schools.

Now, I know that it's trendy among some to dismiss broadcasting as a fading relic of the past. Honestly, sometimes I hear that kind of talk in Washington. But broadcasters have heard this tune before. In 1922, Thomas Edison famously said that “the radio craze will die out in time.” Edison was right about a lot of things, but it's remarkable to think about just how *wrong* he was about that. It's now ninety years since he said it, and radio is still going strong. In fact, the way things look now, broadcast radio will easily outlive Edison's incandescent light bulb.

Speaking of the way things look now, about 93% of American adults today listen to broadcast radio during the course of any given week. Other than sleeping or brushing our teeth, it's hard to think of another activity that 93% of us do every week. And we don't just flip on the radio for a few minutes. Our average weekly listening is over 14 hours. On any day, more adults listen to the radio than surf the Web, and more than twice as many adults listen to the radio as read a newspaper. So I think it is safe to say, thirty-three years after the Buggles sang “Video Killed the Radio Star,” that the radio industry remains alive and relevant.

And a quick word about television: The most popular programming enjoyed by Americans continues to be offered by broadcasters. Last year, in fact, 96 of the 100 most watched television shows in our country were aired on broadcast television.

As we head into the future, I believe that broadcasting should and will continue to play an important role in America's media landscape. To be sure, the rise of broadband is having a revolutionary impact on the lives of Americans. And we at the Commission must aggressively pursue policies to remove regulatory barriers to wireline and wireless broadband deployment. But I don't view broadband as a substitute for broadcast. Instead, I see broadcast and broadband as complements.

Moving forward, it will make sense for some services to be provided through broadcast and others via broadband. In fact, if we were to shift all of the services provided by broadcasters to broadband, that would actually be counterproductive. It would make our spectrum problems worse, not better. So that's not what the market will demand. To give one obvious example, it is a much more efficient use of spectrum to deliver high-demand programming like the Super Bowl through a one-to-many broadcast than to provide it through millions of one-to-one wireless broadband connections.

Even as the market changes, there will still be a place for broadcast, just as there will be a place for broadband. Because of this, it's critical that the FCC not neglect broadcasters. During my first four months at the Commission, I have met with broadcasters more than twenty-five times, and I've been listening carefully to what you have to say. In these meetings, I keep hearing the same thing. Unfortunately, it seems there's a widespread perception that today's FCC is largely indifferent to the fate of your business.

Just to be clear, I *don't* believe that this impression is accurate. I care about broadcasting. And I can tell you that the staff members of the Media Bureau's Audio Division work hard every day on issues of concern to radio broadcasters. I have seen their dedication firsthand, and I know how deeply they care about their work. But I do understand where broadcasters are coming from. I agree that the Commission can do a better job of focusing on what's important to broadcasters. We also need to make a greater effort to keep the lines of communication open between us.

In that spirit, I wanted to share a few ideas I had about issues affecting the radio industry. Let's begin with "an oldie but a goodie": media ownership. I think we should finish reviewing our ownership regulations by the end of this year. Congress instructed the Commission to review our media ownership rules every four years. That's why it's called a quadrennial review. But it has been almost five years since we completed our last media ownership proceeding. Now is the time to get this done.

Since taking office, some have warned me about pressing for action on reforming our ownership rules. I've been told that it's too politically treacherous. I've been told that strewn about the graveyard are the bones of many well-meaning Commissioners who championed reform. But our obligation as Commissioners is to make the difficult decisions, not just the easy ones. When Congress tells us to do something, we need to comply.

I realize that there will be plenty of disagreement on how we should reform our ownership regulations. But I hope that there are at least a couple of areas where we can reach a broad consensus. Most obviously, I believe that the time has come to make substantial changes

to the newspaper/broadcast cross-ownership rule (or NBCO for short). Our current NBCO prohibition has been in place since 1975. Things were very different back then. Here in Dallas, Tom Landry was coaching the Cowboys, the Mavericks weren't playing basketball, and J.R. Ewing had not yet been brought to life by Larry Hagman, let alone been shot.

Likewise, newspapers and broadcasting were pretty much the only game in town in 1975. But there have been revolutionary changes in our media landscape over the last 37 years. Satellite radio competes with terrestrial; cable and satellite television compete with broadcast. The rise of the Internet has given broadcasters new opportunities but created substantial new competition. And the decline of traditional advertising revenues has impacted broadcasters and newspapers alike. The Commission's media ownership rules cannot ignore these unmistakable marketplace realities.

The Commission issued a proposal for reforming the NBCO rule in 2011. That was a step in the right direction. But it doesn't go far enough. For example, I believe we should eliminate restrictions on newspaper/radio cross-ownership. Not just in the top 20 markets, but in *all* markets.

I have looked through the record compiled by the Commission on this issue, and the simple fact is this: no one has presented significant evidence to justify the continued prohibition of newspaper/radio cross-ownership. Quite the opposite. The record demonstrates the benefits of letting these combinations thrive in the same market.

For if you believe in localism, then you should know that cross-owned radio stations are four to five times more likely to have a news format, according to an FCC-commissioned study. If you believe in competition, then you should know that cross-ownership is good for business; it allows for local news to be gathered in an economically efficient manner and then distributed across multiple platforms. And if you believe in rural America, then you should know that cross-ownership may be the only thing that can keep a small-town newspaper afloat.

Take a case from my home state of Kansas. Due to a waiver, Morris Communications Company currently operates a newspaper-radio combination in Topeka, the state capital. Morris owns the *Topeka Capital-Journal*, along with WIBW(AM) and WIBW(FM). Thanks to the synergies generated by cross-ownership, WIBW(AM) airs 26 locally produced newscasts each weekday, and 67 hours of local programming each week. WIBW also employs a 10-member news team, which is extraordinary when you consider that only one other radio station in Topeka carries local news, and that station's news staff consists of a single person. Partly because of its excellence in newsgathering, WIBW has won the Kansas Association of Broadcasters Station of the Year award nine of the last eleven years.

Put simply, I believe that we should have more stations across the country like WIBW, not fewer. And I am convinced that we are more likely to have stations that can do this kind of high-quality work if we permit newspaper-radio combinations, especially in smaller metropolitan markets like Topeka.

Aside from repealing the newspaper-radio cross-ownership rule, I am also optimistic that we can reach a consensus on eliminating the radio-television cross-ownership rule. I agree with the Commission's 2011 conclusion that the rule is no longer necessary to protect competition, localism, or diversity. I also believe, for all the same reasons I've mentioned, that repealing the radio-television cross-ownership rule will result in more local news reporting and distribution.

And finally, once the review of our ownership regulations is complete, we need to defend those rules in court successfully. If an appeals court rejects our reform efforts yet again, we should take the case to the Supreme Court. We need to finish this job.

Okay, so that's enough about media ownership. What else should the Commission be doing with regard to radio broadcasting? To me, it's time to take another look at our AM radio regulations. The FCC last conducted a thorough review of those rules 21 years ago. Since that time, AM radio has continued its relative decline. There are 20% more FM stations today than there were in 2002. Just another piece of evidence that broadcast radio is still strong. But unfortunately, the number of AM stations has actually fallen during that same period. Moreover, AM's overall market share is less than 20% right now, and the figures are even lower for younger listeners. Within the 12-34 age range, AM stations currently account for less than 10% of radio listening. These younger listeners should represent the future of AM radio, but many of them never tune in.

In order to reverse these trends, I propose that the Commission launch an AM Radio Revitalization Initiative in early 2013. Specifically, we should conduct a comprehensive review of all our AM radio rules. We should focus on one basic question: are there regulatory barriers we can remove to help this sector rebound?

There have been many changes in technology since we last reviewed these rules back in 1991. One notable change is that AM reception has gotten worse. The causes of interference to AM signals have only expanded in the last two decades. If you've tried flipping through the AM dial recently, you know what I'm talking about. But I'm hopeful that we can identify and implement reforms that will improve AM radio service.

In fact, a variety of ideas already have been put on the table for liberalizing the Commission's technical rules to allow for broader and better reception of AM signals. Some have advocated for an across-the-board power increase for AM stations. Some have called for the use of synchronous AM transmission systems. And some have encouraged the development of so-called "anti-skywave antennas" so that some AM stations won't have to go dark at night. The AM Radio Revitalization Initiative should explore each of these suggestions and many others; I encourage you to be creative. In addition, because it's important for the Commission to set deadlines—and stick to them—I believe that we should aim to complete this initiative one year later, in early 2014.

We should also explore how the FCC can facilitate more investment in the broadcasting business. Last month, the Coalition for Broadcast Investment filed a letter with the Commission. In that letter, it asked us to end our current *de facto* ban on any foreign investment in U.S. broadcast holding companies that exceeds a 25 percent benchmark. The Coalition has proposed that instead of a ban, we should evaluate proposals for foreign investment on a case-by-case basis. I've studied the matter, and I think that this is a good idea. I believe we should look at these cases one at a time, and decide whether to allow more substantial foreign ownership in some instances.

Here's why. Our current policy addressing foreign investment in broadcast stations has been rendered obsolete by changes in the marketplace and the passage of time. Today, foreign companies can own a majority stake in cable operators, cable programmers, common carriers, Internet backbone providers, satellite video providers, newspapers, and the list goes on. Yet

foreign companies cannot make a significant investment in a single radio station in Dallas, Texas. Does this make any sense to you? It doesn't to me.

Now to be clear, I don't favor a *carte blanche* policy when it comes to foreign investment in the broadcast industry. These investments should be put through a rigorous, case-by-case review process conducted by the FCC and the U.S. Department of Justice. That's what we do now for foreign investment in many other sectors of the communications industry. We can use the same process to determine whether a proposed investment is consistent with the public interest and will not harm national security, law enforcement, or public safety.

Showing more flexibility when it comes to foreign investment in the broadcasting industry certainly isn't a panacea. I realize that. But I do think it would be a step in the right direction. Broadcasters need to access capital in order to grow their business, and we shouldn't stand in the way. In fact, the Commission addressed this issue last year for telecommunications. Here's a direct quote: "Foreign investment has proven to be an important source of equity financing for U.S. telecommunications companies, fostering technical innovation, economic growth, and job creation." If foreign investment can be an "important source of equity financing" for telecom companies, I see no reason why the same can't be true with respect to broadcasting.

There's another benefit here. If we relax restrictions on foreign investment, minority Americans will have more ways to raise capital and expand their participation in the broadcasting industry. That's why the Coalition's proposal is supported by a diverse range of groups who care about this issue. These groups include the League of United Latin American Citizens, the Minority Media & Telecommunications Council, the National Black Chamber of Commerce, and the United States Hispanic Chamber of Commerce.

I'd like to finish with a pretty simple point. And while it's simple, I'll also say that it's essential. I believe that the Commission must rededicate itself to processing broadcast license renewals in a timely fashion. Renewal applications shouldn't languish at the Commission for years. With the U.S. Supreme Court issuing its indecency decision earlier this year, now is the time for the Commission to act. We should both clear the backlog of complaints that have piled up over the last several years and address the hundreds of license renewal applications that remain pending. And as we move forward, we must do so in a way that is clear and easy to understand. This is important for parents, and it's important for broadcasters. Vague standards aren't in anyone's interest.

So these are some of my ideas for how the Commission should address issues of concern to radio broadcasters. But I'm eager to hear yours. Needless to say, the beginning and end of all wisdom does not reside at the FCC, and it certainly doesn't reside in my office. I have an open-door policy, and I encourage you to take advantage of it. Or, if you can't make it to Washington DC, feel free to get in touch electronically. You can even contact me via Twitter; my handle is @ajitpaifcc.

In the coming years, I can't guarantee that you'll agree with each vote that I cast at the Commission and every position that I take. But I can assure you that I will always listen to what broadcasters have to say and seriously consider your input as I reach my conclusions. And I can also promise you that I will be making decisions as someone who believes that it is important for our nation to have a strong and vibrant radio and television broadcasting industry.

Thank you once again for giving me the opportunity to speak to you this afternoon. I look forward to continuing our dialogue, both at this convention and in the months and years to come.