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May 10, 2017

The Honorable Ajit Pai (via email: Agit.Pai@fcc.gov)
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: Written Ex Parte Comments
2014 Quadrennial Regulatory Review, MB Docket Nos. 14-50, 09-182, 07-294 and 04-256

Dear Chairman Pai:

Mount Wilson FM Broadcasters, Inc. ("Mount Wilson") opposes removing the broadcast radio subcaps or raising the local market radio ownership limits. Mount Wilson owns an AM/FM combo in the Los Angeles market – KKGO(FM), Los Angeles, and KSUR(AM), Beverly Hills, California. We also own KNRY(AM) and KIDD(AM) in Monterey, California. As explained in more detail below, raising the caps would harm competition and is unnecessary as HD Radio becomes more widely available.

In previous Quadrennial Reviews, Mount Wilson submitted formal Comments, including the attached "Addendum to Mt. Wilson Reply Comments in Response to NAB Reply Comments Pertaining to Local Radio Ownership Limits," filed July 3, 2012. Mount Wilson believes the same public interest harms occur today as were described in those 2012 comments.

Further radio consolidation will increase unfair competition and harm the radio broadcast industry. The regulations permitting up to 8 radio stations to be owned in a market have allowed group owners to freeze out competition from operators of single AM or FM stations. I personally built KKGO in Los Angeles when FM was an upstart technology in 1959 and continue to serve as general manager. My children work in the business with me. We have competed in that market as a small operator despite the increased consolidation. Further relaxation of the local ownership limits or removal of the subcaps would substantially impair Mount Wilson's ability to compete against large owners in the market, such as iHeart, CBS (which is proposed to be assigned to Entercom), and Emmis.

A major problem with large co-owned clusters is that they use their dominance to sell to both local and national advertising accounts. Some stations are included as a bonus, and some have low-balled rates, all with the goal to obtain the entire advertising buy for the cluster. Such practices freeze Mount Wilson out of buys by low balling the entire eight stations for the incentive to obtain 100% of the advertiser's order. Such tactics leave no opportunity for other competitive small operators to participate in the order. If large operators were prohibited from offering all or part of their clusters as bonuses or at special low-balled rates, small operators would not be excluded from advertising buys. If further consolidation is approved, or the subcaps removed, restrictions on how large groups can undercut non-aligned operators through use of bonuses, low-balling, and tying stations together would mitigate the adverse impact on small independent broadcasters in the market.

This problem is exacerbated by the disparity between station classes. Throughout the country the big broadcast groups own most of the 50,000-watt low-frequency AM stations. A 500-watt daytime AM station at 1600 kHz is not the same as a 50 kW station operating at 640 kHz. AM stations owned by independent operators typically have low power at nighttime, and their daytime contours do not even cover the entire market. The daytime contour for Mount Wilson's KSUR at 1260 kHz covers only half the Los Angeles market. It must reduce power at night to nearly one-third its daytime power thereby shrinking even further its nighttime audience reach compared to larger AM stations in the market.

Below are some of the prime AM stations owned by iHeart and CBS licensed to Los Angeles:

KFI – 50,000 watts at 640 kHz
KNX – 50,000 watts at 1070 kHz
KLAC – 5,000 watts at 570 kHz
KEIB – 50,000 watts at 1150 kHz

These stations have either high power or good (lower) frequencies or both. For instance, even though KLAC operates with 5,000 watts, that power is the equivalent of 50,000 watts higher up on the frequency band.

As with smaller AM stations, many of the independently-owned FM stations in Los Angeles are the small Class A stations, each covering only a fraction of the Los Angeles market. They must try to compete with large Class B FM stations operating with 50,000 watts to 75,000-watt high-elevation stations such as iHeart's KYSR, with 75,000 watts at 360 meters HAAT, and KBIG with 65,000 watts at 928 meters HAAT.

Meanwhile, HD is becoming significant in major markets. As of 2015, over 35% of new cars sold in the U.S. have HD Radio. See http://www.myrab.com/research/10984.pdf at p. 5. Large group owners with five FM stations have the ability to add four HD channels to the main program streams. That means, by counting five times four HD channels plus the main channel, iHeart and CBS (or its assignee Entercom) have the ability to own 25 FM broadcast program streams in Los Angeles.

Advocates for removal of the caps neglect to mention HD radio. The number of HD channels does not get factored into compliance with the caps. Collectively, that amounts to having 25 FM channels per cluster, assuming the maximum FM subcap remains at five.

Some HD program streams are repeated with translators. For example, Cumulus' KKOB(AM), Albuquerque, New Mexico, has a 250 watt translator on 10,000 foot high Sandia Mountain with the equivalent of a 50,000-watt FM station. See http://radioink.com/2016/09/01/kkob-gets-boost-

thanks-fm-translator/. In Las Vegas, Beasley paid $700,000 for a high elevation FM translator on the Stratosphere with 250 watts, which will cover all of Las Vegas and more. See http://www.insideradio.com/free/big-translator-deal-will-create-flush-beasley-signal-in-vegas/article_61eafd9c-6a8a-11e6-a390-172449ce5afe.html . These HD signals, either through HD radios or as rebroadcast on FM translators, enlarge the potential market share and the number of signals for group owners without the need to lift the local radio caps.

Prior to the Telecommunications Act in 1996, local radio was a creative and community-oriented service. Competing with many other operators, each with no more than an AM/FM combo, fostered a vibrant creative process. The public benefited from the competition, and young people could apply for jobs in broadcasting.

Now, two decades after the Telecommunications Act of 1996, what is the state of local radio? Has there been a benefit to the public? Definitely not in my opinion. Tens of thousands of radio station employees have been fired, while programming has become dull and of limited local public appeal. There are few locally-owned, family-operated stations in the market competing against goliaths. Young people rarely apply for a position with a local station because there are hardly any jobs. Indeed, layoff announcements by over-leveraged group owners abound in recent trade press headlines. See http://variety.com/2017/biz/news/iheartmedia-layoffs-results-bankruptcy-1202409556/ or https://blowmeuptom.com/victims-of-radio/.

Radio as a competitive, creative medium is worse off today. The broadcast industry would face extinction as a local service to allow additional consolidation. Open competition by multiple operators, increased viewpoint diversity, improved local employment, and inspiring creative solutions stand out among the competition. Mount Wilson has survived by operating niche formats (Jazz, Classical, and, yes, Country in L.A.) because a need in the community for these formats exist despite limited revenue opportunities which make such formats unattractive to large group operators. The radio broadcast industry would be well served by more owners with a passion for radio and public service, not by greater local consolidation.

Very truly yours,

Mount Wilson FM Broadcasters, Inc.

Saul Levine
President

Attachment

cc: Hon. Mignon Clyburn, FCC Commissioner (via email Mignon.Clyburn@fcc.gov)
Hon. Michael O'Rielly, FCC Commissioner (via email Michael.ORielly@fcc.gov)
E-filed in ECFS MB Docket Nos. 14-50, 09-182, 07-294 and 04-256