Grant Co. Broadcasters Inc. is the licensee of FM stations WNKR (Class A, licensed to Williamstown, Kentucky) and WNKN (Class B, licensed to Middletown, Ohio), both of which are located within the Cincinnati metro area as defined by Nielsen. We are one of the few remaining commercial independent FM broadcasters with stations effectively serving a major metropolitan area.

We are filing these reply comments, relating to the relaxation of current ownership limits as part of the FCC quadrennial review, having read the position of many of the players within our industry. We are fully in favor of the FCC adopting the proposal by the NAB concerning relaxing of ownership limits. We arrived at this conclusion only after a careful review of our own competitive situation and after reading the initial comments regarding the situations others in our industry find themselves in.

As we go about the business of broadcasting on a daily basis, we find that the issue is less and less about our stations versus other competing stations. Instead, our own experience tells us that there is significant advertising migration away from traditional media, such as radio, toward new media- which has been lumped under the catchall phrase of “digital” by buyers. As the NAB proposal conclusively shows, this largely unregulated industry is at a competitive advantage over our highly regulated industry in many areas- especially with large regional and national accounts and local accounts handled by large ad agencies.

Mt. Wilson Broadcasters through Mr. Saul Levine argues against further deregulation. As much as we respect Mr. Levine and his lifetime of service to our industry, we disagree with him. Large ad agencies, unfortunately, often find it easier to buy entire clusters of stations with the weaker stations used as throw-ins to achieve their aggressive cost per rating point goals. Mr. Levine is correct that it is a problem for cluster-less independents like his company and ours, but we question if it is more of a problem than it was fifteen or twenty years ago. We knew of instances where this happened back “in the good old days” before the act of 1996 loosened ownership rules initially. Even back then we saw instances of a competitively disadvantaged single AM station, for example, being tossed in with its lone FM sister to bring in a buy.

So, this phenomenon really isn’t anything new. The solution for it, then as now, is having a unique product that is well programmed and a sales staff skilled at presenting the product in a manner that fully establishes its value to a prospect willing to consider the proposition. The retention of regulatory handcuffs on our industry will not fix this sales and sales training problem. We felt we had to expand to grow and, in 2017, added WNKN to our fold to improve our coverage and our position versus the clusters in Cincinnati. Any other small broadcaster, is, of course, free to do the same as facilities become available on the market.

Others, correctly lamenting the dearth of independent ownership (especially by minorities and women), also prescribe retention of regulatory handcuffs on the industry as a solution. They fear an escalation in the decline of independent ownership of the medium and in minority participation.

We respectfully feel they are misidentifying the cause of the problem and in doing so, will make things worse with their proposal of regulatory retention.

In our opinion, the real issue hurting the industry today- especially independent and minority ownership- is the collapse of the conventional sources of capital that used to fund start-ups and acquisitions. Among the many causes of the current situation are the recent bankruptcies of two of the largest owners that left them unable to properly invest in their facilities and the resultant publicity surrounding those events, falling station values as industry revenue remains flat due to the Digital drain, the perception that our industry is “old technology” with our best days behind us and the failure of the FCC to consider allowing the most valuable asset any station has (our licenses) to be used as collateral in financing transactions.

It is true that there have been deals done using venture capital firms and other unconventional sources of capital, but the conventional sources of funding have largely left the field. This creates the bizarre situation where it is actually easier to get a 100 million dollar deal done than a 10 million dollar deal. The small transaction is extremely difficult, with sellers often left with no alternative but to carry the paper on these small deals themselves. This causes them to seek out the (increasingly rare) cash buyer at this level. It drives asset prices down, which could be an advantage for minorities, women and independents, but the near-impossibility of obtaining conventional financing usually proves to be an insurmountable barrier to entry for unproven, new would-be entrants.

Yet, the smaller transaction is exactly where a start-up lives. Starting small and growing within their means. What is likely to happen if the FCC retains the current ownership limits is exactly NOTHING. The status quo- always a favorite because nobody loves change- will prevail. What will be more attractive to lenders in that environment? Also, nothing. Further deregulation will create more demand for sellers, starting values upward- a very good thing not only for the sellers but for the remaining operators in the business needing to finance improvements and expansion.

We are not going to get back the ability to finance smaller transactions unless the conventional sources of capital can be convinced that the industry is something their investments are safe in. They need to see revenue growth and, especially, assurances that the industry can compete with new media effectively moving forward. To do that, we need a regulatory environment where business decisions can be made quickly and be based solely on business conditions rather than regulatory requirements. Lenders, quite properly, see regulation as an impediment to growth and to the safety of their investments. The revenue and valuation quagmire our industry has been in over the past decade certainly suggests that their perceptions are correct. The NAB proposal will be a strong sign that the Commission understands the modern environment we live in and is prepared to give radio the freedom it needs to survive going forward.

We have owned properties in our market since 1992. We understand fully the pressures that come from 27 years of competing against companies much larger than ours. We remain convinced, however, that a rising tide lifts all boats and that the industry is far more likely to find that rising tide with less regulation than with the status quo. The current limits are from a different time. The NAB’s proposal is a great start at finally freeing the industry from requirements that pre-date widespread use of the internet, the smart phone and the PC. We respectfully ask the Commission to modernize our situation by adopting the NAB proposal. It hasn’t stayed 1996 in the real world. It cannot stay 1996 in radio if radio as we know it expects to survive going forward.

Jeff Ziesmann

Robert Wallace

Grant Co. Broadcasters Inc.

WNKR & WNKN