Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
2018 Quadrennial Regulatory Review –	)	MB Docket 18-349
Review of the Commission's Broadcast	)	
Ownership Rules and Other Rules Adopted	)	
Pursuant to Section 202 of the	)	
Telecommunications Act of 1996	)	

To: The Commission

REPLY COMMENTS OF SALEM MEDIA GROUP

Introduction

Salem Media Group ("Salem") hereby submits the following Reply Comments in response to the Commission's Notice of Proposed Rulemaking in its 2018 Quadrennial Review.[1] We will limit our reply to the comments filed concerning "Local Radio Ownership Rule," pursuant to the Commission's suggested comment categories.

Salem is a California-based media company which operates over 115 radio stations in top radio markets nationwide. Salem's stations largely serve the Christian and conservative communities with teaching and talk content. Seventy percent of Salem's stations are on the AM band.

We hereby respond to comments filed by influential broadcast industry entities, namely The National Association of Broadcasters (NAB), and broadcast radio ownership groups as well.

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[1] *2018 Quadrennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996,* MB Docket No. 18-349 (rel. December 12, 2018) ("NPRM").

Salem reiterates its appreciation for Chairman Pai's wise observation that, "when it comes to promoting localism, advancing diversity, and otherwise serving the public interest, AM radio matters."[2]

Salem believes its reply comments are critical not only for damage control concerning AM listener levels and station valuations, but because the relaxation of ownership caps does not promote the interests of all broadcasters. Salem feels that only a select few broadcast groups could benefit under local ownership rule relaxation, but the result would create chaos for the broader radio industry, particularly AM radio. It also could lead to a negative public reaction comparable to those leading to the Commission's Localism proceedings in 2008 -- those proceedings having been brought on, in part, by a public outcry about how consolidation was ruining the quality and diversity of local radio.[3]

Although we take issue with the NAB's recent proposal, Salem wishes to convey respect for NAB's contributions to the health of our industry. NAB has led wisely during the many years that Salem officials have helped serve and support this fine organization.

Salem is not convinced, however, that NAB's proposal to further deregulate the local radio ownership rule would give radio more success in competing with digital and satellite audio services. Even if it benefited some, we believe that better commercial success for a few broadcast groups is a costly price to pay in view of the many broadcasters who might be forced out – but with fire sale prices on their station properties.

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[2] Statement of Commissioner Ajit Pai, *Revitalization of the AM Radio Service, First Report and Order, Further Notice of Proposed Rule Making, and Notice of Inquiry*, 30 FCC Rcd 12145 (2015).

[3] 2008 *Report on Broadcast Localism and Notice of Proposed Rulemaking*, MB Docket No. 04-233 (rel. January 24, 2008) ("NPRM").

As stated in Salem's April Comments, the fact that nearly 300 million Americans continue to listen to free, local, AM/FM radio broadcasting makes it incumbent upon the Commission to move cautiously and responsibly in this matter.[4] We agree with iHeartCommunications, Inc., as stated in its Comments, "the overriding imperative for the Commission in this proceeding should be to do no harm." [5]

In addition, Salem believes that a relaxation of the subcaps will do little to counter the diffusion of radio's market position while doing much to undermine the Commission's progress toward AM Revitalization.

Should AM radio ownership be pressured out as a consequence of audience migration, with attendant harm for AM valuations, another negative factor would be the shrinkage of format variety. Crawford Broadcasting's Comments observed that:

> … AM has traditionally been the home of news, sports and talk programming, and it has been this non-music programming that has been the mainstay of most AM stations … the result could be much to the detriment of AM Radio. [6]

Salem emphatically agrees with Crawford and hastens to add *religious and non-English programming* to the list.

At this time Salem must respectfully oppose any change to the AM/FM subcaps. We believe that efforts to support consolidators in this way will result in a deterioration of the notion of "independent" radio operators. Deregulation of existing ownership rules could very well cause

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[4] Salem Media Group Comments (April 29, 2019) at 2.

[5] iHeartCommunications, Inc. Comments (April 29, 2019) at 1.

[6] Crawford Broadcasting Comments (April 26, 2019) at 2.

further setbacks to AM radio—through, for example, diminished investment in technological improvements, programming, and branding.

Background

The current Local Radio Ownership Rule allows an entity to own: (1) up to eight commercial radio stations in radio markets with at least 45 radio stations, no more than five of which may be in the same service (AM or FM): (2) up to seven commercial radio stations in radio markets with 30-44 radio stations, no more than four of which may be in the same service (AM or FM): (3) up to six commercial radio stations in radio markets with 15-29 radio stations, no more than four of which may be in the same service (AM or FM); and (4) up to five commercial radio stations in radio markets with 14 or fewer radio stations, no more than three of which may be in the same service (AM or FM), provided that entity does not own more than 50 percent of the radio stations in the market unless the combination comprises not more than one AM and one FM station."[7]

These ownership caps led to a rapid consolidation of radio station ownership during the 10-year period 1996 – 2006. Even the most optimistic estimates could not have imagined that a single group – at that time, Clear Channel Communications -- could own and operate nearly 1200 commercial radio stations. Further, through subsequent rulings such as the Elimination of Main Studio Rule, the Commission provided consolidators with significant economies of scale.[8]

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[7] 47 C.F.R. §73.3555(a).

[8] *2017 Elimination of Main Studio Rule*, MB Docket No. 17-106 (rel. October 24, 2017).

Understandably, the Commission did not recommend local ownership rule changes in its 2018 Quadrennial Review, but sent the question back to its industry members to effectuate industry conversation regarding the relaxation of subcaps.[9]

Comments

It is from this vantage point that Salem has considered and is responding herein to comments filed by influential broadcast industry entities.

NAB's recently filed comments state that "great economies of scale" would be achieved by the following:

> 1) Eliminating caps on AM ownership in all markets; 2) permitting a single entity to own up to eight commercial FM stations in Nielsen Audio markets 1-75 (with the opportunity to own up to 10 FMs by successfully participating in the FCC's incubator program); and 3) imposing no restrictions on FM ownership in Nielsen market 76 and lover and in unrated areas.[10]

One might expect most of broadcast radio's ownership to come together with their peers in praise of NAB's proposal. This did not occur.

An opposing opinion came from radio's largest group, iHeartCommunications, Inc., which, in the context of local FM ownership deregulation, stated: "… iHeart urges the Commission to reject the NAB proposal with respect to FM ownership, which would exacerbate the competitive disparity between AM and FM stations." [11]

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[9] *2018 Quadrennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996,* MB Docket No. 18-349 (rel. December 13, 2018) ("NPRM").

[10] NAB Comments (April 29, 201) at 5.

[11] iHeartCommunications, Inc. Comments (April 29, 201) at 5.

Another notable radio group, minority-owned Urban One, pointed out a downside to NAB's proposal. Concerning the relaxation of ownership rules creating a thinning out of independent operators, Urban One offered this:

> Rather than there being multiple national competitors in local markets, there would be the potential of one dominant national owner … Urban One does not believe that further radio deregulation will help the radio industry or the radio listening public. [12]

CRC Broadcasting, an Arizona-based radio company, voiced its opinion in opposing NAB's proposal:

> If the FM subcaps were eliminated or modified, the FM stations owned by independent broadcasters would be irreparably damaged as the major radio groups would consolidate their holdings in their markets and buy out independent broadcasters, thus diminishing diversity and localism on the FM dial. [13]

The Multicultural Media, Telecom and Internet Council (MMTC) has also spoken against several aspects of the NAB's proposal. On the topic of FM deregulation, MMTC observed this:

> Lifting the local ownership caps or subcaps would benefit only a tiny handful of broadcasters which, over the years, have been able to acquire enough stations in a market to bump up against the local ownership cap or the FM subcaps. [14]

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[12] Urban One Comments (April 29, 201) at 13.

[13] CRC Broadcasting Comments (February 7, 2019) at 2.

[14] Multicultural Media, Telecom and Internet Council Comments (April 18, 2019) at 5.

Salem agreed with these comments, having stated unequivocally in its 4/29/19 comments that it "… believes that a devaluation of the AM Band could result if the Commission were to deregulate subcap limits."[15]

The above-quoted comments track with opinions from much of the radio broadcasting community. That Salem is not alone in its position, even in light of its somewhat different business model, suggests there is an impressive amount of unanimity on this topic across our diverse industry.

<u>Religious-formatted Radio is Independently Owned:</u> Salem is known primarily as a "religious broadcaster" even though over the past twenty years its formats have expanded to five "strategic" formats. Besides Christian Teaching and Talk (CTT), the four other formats are News-Talk, Business-Talk, Contemporary Christian Music, and Spanish Religious Talk. Nevertheless, as stated in its recent comments, "'Christian Teaching and Talk' (CTT) has been the principle format among Salem's stations from the start … Of the 40 Salem CTT-formatted stations, 28, or 70%, are in the AM band. Approximately 35 per cent of Salem's revenues are realized from the CTT format."[16]

Salem is atypical when compared with other religious broadcasters. Most religious radio station groups are comparatively smaller and independent. The most notable larger ownership groups, other than Salem, are Bott Radio Network, Blount Communications Group, Crawford

[15] Salem Media Group Comments (April 29, 2019) at 4.

[16] Id. at 7-8.

Broadcasting and Wilkins Radio Network. These groups typically operate one station (but rarely more than two stations) in each of their markets.

In non-Salem markets, the typical CTT format is broadcast on an independently owned, unrated AM radio station. Although CTT stations sell ads, the ad prices are not ratings-based. These stations depend largely upon the sale of "block" or "long-form" programming for their revenue. Long-form programmers must connect to enough supporting listeners to make radio affordable, and an audience shift to the FM Band could price them out of large market radio. Unfortunately, this would take them back to where this industry was prior to 1990, when much of religious radio broadcasting was relegated to suburban daytime only or "rimshot" signals that could not connect with a full-market audience. To return to this model would surely place obstacles to the long-form religious programmer's revenue model.

In a letter addressed to Chairman Pai, Salem Media Group's Edward Atsinger, CEO, and David Santrella, President, Broadcast Division, AM radio's vulnerability was fully in view:

> With the prospect of FM ownership caps moving to 8 in the top markets, and no caps in smaller markets, dominant radio groups will likely move much of their programming to the FM band. If this continues to happen the AM band will be left for very specialized formats.[17]

The National Religious Broadcasters association (NRB), whose membership includes well over 750 commercial and noncommercial radio stations, spoke unequivocally on this topic last year. In a letter to Chairman Pai dated July 12, 2018, Jerry Johnson, the then NRB President, stated: "Care should indeed be taken not to disadvantage broadcasters in the larger media

[17] Atsinger, Edward (Salem Media Group CEO) and Santrella, David (Salem Media Group President, Broadcast Division) Letter to Hon. Ajit Pai, June 29, 2018.

marketplace, but AM stations should also not be exposed to new dangers by a simple lift of the FM subcaps."[18]

Examples of AM to FM Migration: In its April 29, 2019 comments, Salem devoted full paragraphs to point out several top-25 radio markets where existing well-branded AM stations are simulcasting on FM stations.

Some of the examples given were "The Ticket," (KTCK AM/FM) in Dallas; News-Talk WSB AM/FM in Atlanta; All News WTOP FM in Washington DC. [19]

Several highly rated and successful AM stations remain in business without help from FM simulcasts. These stations are near the top ranking in their markets and include WINS in New York and KFI in Los Angeles. Should the FM caps be lifted in top U.S. markets, a "WINS-FM" and/or "KFI-FM" would be a likely outcome. Their ownership would then be required to make a choice, and if FM simulcasting was chosen, it would come at great expense as other popular AM stations in major markets would likely scramble to find their place on the FM band.

In contrast, Salem-owned AM stations in most major U.S. markets are not ratings powerhouses like WINS or KFI. CTT stations like Salem's KFAX in San Francisco and WMCA in New York are therefore unrated and their revenues reflect this. FM deregulation, where these great AM brands might justify hefty FM purchase prices, would not assist Salem or other religious broadcasters and would certainly lead to more AM dial abandonment.

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[18] Johnson, Jerry (National Religious Broadcasters President & CEO), Letter to Hon. Ajit Pai, July 12, 2018.

[19] Salem Media Group Comments (April 29, 2019) at 5.

Moreover, a policy decision that encourages station owners to consolidate their holdings in the FM Band could leave many listeners disenfranchised, potentially eradicating certain formats, and increasing citizen risk in times of crisis.

Recommendation

Salem has included both minority and independent broadcaster opinions on rule relaxation because it shares a kinship with them. We are not confident that relaxation of the Local Radio Ownership Rule subcaps will position local radio to withstand the industry's competitive threat. Moreover, we do not think the current limits restrict broadcast radio's future success and we thus strongly ask the Commission to reject the NAB proposal justifying ownership relaxation.

Conclusion

The decline in AM Band listening is a huge factor for Salem, and we have noted that we are not alone in this. Over the years Salem has committed major resources to help modernize and expand the quality of religious radio *under the present rules and framework allowed by the Commission*. These efforts will be wasted should there be a relaxation of FM ownership caps. The AM Band not only serves well our religious broadcasting model, but it is a proven place for minority and independent small market broadcasters to operate successfully. It empowers diversity in programming and it also ably serves its communities when disasters occur.

Salem appreciates this opportunity to reply to the 2018 Quadrennial Review comments. We are optimistic that the Commission will show restraint in these matters and, as stated previously, Salem urges the agency not to take an action that would *undo* the advances made through AM Revitalization, and other deregulation proceedings. We look forward to discussing this matter further as the opportunities become available.

Respectfully submitted,

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