

**PREPARED REMARKS OF  
FCC CHAIRMAN JULIUS GENACHOWSKI  
FEDERAL COMMUNICATIONS COMMISSION**

**NAB SHOW 2012  
LAS VEGAS, NEVADA  
APRIL 16, 2012**

Good afternoon.

I wasn't able to say that last year. Or the year before. Because those years I was asked to speak at 7:30 a.m.

I didn't take it personally.

The truth is, it's been a tradition that the FCC Chairman has spoken at the 7:30 am slot at NAB.

This year is different, and I couldn't be more pleased. Not because of the time slot, though I'm not complaining. But because of why I was asked to speak at a different time.

For as long as I live I'll be able to say I was bumped from my speaking slot by an incredible Internet phenomenon, a zen-master of social media, the wonderful award-winning actress-- Betty White.

Thank you Senator Smith for the change in time slot.

We've come a long way from our first NAB two years ago -- your first as NAB President and CEO and my first as FCC Chairman.

At that NAB convention, which came shortly after we had introduced the idea of voluntary incentive auctions to free up broadcast spectrum for mobile broadband -- you likened me to the Godfather.

By the way, congratulations on your new five-year contract from NAB. I guess somebody else made you an offer you couldn't refuse.

Now I've lost track of how many times I've come to the NAB Show -- attending as an FCC staffer in the 1990s, and then as a broadcaster for several years, operating and launching stations with USA Broadcasting.

My experience as a broadcaster taught me tons about this industry -- filled with pioneers who've overcome great challenges to launch important businesses, station owners and general managers all over the country contributing to their communities in real and meaningful ways.

I can say with certainty that this is my third NAB show as FCC Chairman. And that a lot has changed since I took over this role.

For one thing business is much better for broadcasters overall.

As Senator Smith said in his remarks this morning, "Broadcast revenues remain strong and growing."

TV ad revenue is up 12% since 2009. And analysts project another 14% increase in ad revenue in 2012.

Radio listening remains robust, too. More than 90 percent of Americans listen to the radio weekly. And even with the many new digital sources of audio, radio ad revenue is up 9% since 2009.

The world is changing, and stations that have been investing in online and other digital platforms are seeing accelerating usage and revenues.

Online ad revenues for TV stations have crossed the \$1 billion-a-year mark, at \$1.2 billion for 2011, up almost one-third over the last three years. And analysts expect the rate of growth to continue to accelerate in 2012.

Why the positive revenue trends for many broadcasters?

First, of course, economic recovery is helping broadcasters. After a brutal recession, we've seen 10 straight quarters of GDP growth, and the private sector has added jobs for 24 consecutive months.

Broadcasters are benefiting not only from general economic recovery, but from specific initiatives like the rescue of the auto industry.

Across the broadcast industry, auto ad revenue has seen strong growth, now over 20% of spot revenue. I'm told that the next biggest ad category is less than half that of autos. Imagine the effect on broadcasters if the administration hadn't prevented the collapse of the American auto industry.

A second reason for the positive broadcaster revenue trends: New retransmission consent fees are giving many broadcasters a meaningful second revenue stream.

As you know, the FCC's approach so far on retrans has generally been to resist calls for agency intervention and encourage private, market-driven agreements between broadcasters and cable and satellite providers. The basic view is that it is both economically sensible and consistent with the statutory scheme for broadcasters that have invested in desirable programming to seek and receive retransmission fees.

But the calls for agency intervention continue. The cable industry points to historical benefits that broadcasters have received from government, and argues strongly that these give broadcasters an unfair advantage in a marketplace that has changed significantly since the retransmission consent law was adopted. Consumer groups and others are concerned about effects on consumers and on independent cable programmers.

We opened an FCC proceeding because these are important issues, and we continue to watch the marketplace carefully to determine whether further Commission action is warranted.

A third reason for positive economic trends among many broadcasters: broadcasters are increasingly pursuing innovative strategies to take advantage of the multi-platform digital broadband world.

For example, in early 2011, NBC's 10 O&O's completely revamped their web presence—refocusing their sites on local news and video, and infusing social media throughout. Altogether, the sites are attracting more than 16 million unique visitors a month – up 33% from the previous year.

Mobile DTV is making progress.

As part of Mobile Content Ventures, this summer MetroPCS will be rolling out a new Samsung smartphone with mobile TV capability under the Dyle brandname.

And the Mobile500 Alliance will be up and running in June in Seattle and Minneapolis.

There's much more.

Companies like Scripps have been investing millions in its digital products. When tornadoes came through Cincinnati a few weeks ago, shutting down electricity including TVs, Scripps-owned WCPO was able to reach viewers through its mobile products, which they used to repurpose weather and other reports from their TV station and news team.

I met with Scripps CEO Richard Boehne yesterday, and he's rightly proud of this. And I applaud Richard and Scripps on the NAB Distinguished Service award you received this morning.

Here's another example. In Los Angeles, KABC recognized that there would be tremendous demand for specialized local coverage for "Carmageddon" – last year's shutdown of a stretch of California's 405 Freeway. KABC teamed up with a traffic and navigation app developer to give its audience the local news information they wanted the way they wanted it. It was a big success.

And public broadcasting is being technologically innovative as well. KQED News in San Francisco dramatically expanded its news coverage with a website that combines content from KQED Public Radio, KQED Public Television, and KQEDNews.org. These synergies have helped KQED to increase the local newscasts it broadcasts from six to 16.

These stations and innovators across the broadcasting industry recognize that the world has changed dramatically. Technology has changed, and consumer behavior has changed.

It's not just one screen in the living room any more. People have screens on their desktops, screens on the tablets on their laps, and screens on the smartphones in their pockets.

With Wi-Fi and the next generation of mobile broadband networks, the new expectation and the new norm is quickly becoming: the content you want, where you want it, and when you want it, accompanied by the full suite of interactive services.

When I was here at NAB two years ago, I encouraged broadcasters to seize the benefits of broadband, to serve their audiences over growing number of digital screens, and to leverage broadcast news and other unique content to generate revenue from every platform.

I said the same thing last year, and I've praised broadcasters who've said they don't want to be like the train companies that saw themselves as in the train business instead of the transportation business. Instead, these broadcasters see themselves as in the content business, distributing and generating revenues from multiple digital platforms.

For stations with local news operations, that's important for our country as well as being good for business.

It's great to see many broadcasters embracing broadband, investing in their local news and content creation, and expanding their distribution channels.

Now it's true that not all broadcasters are adopting to this changing world, or that they even can. And analysts agree that prospects aren't equally bright for all broadcasters.

About 40 percent of TV stations are not receiving retransmission consent fees, and aren't likely to -- there are many more stations than broadcast networks, particularly in larger markets.

Local stations like KABC can provide specialized coverage of Carmageddon on broadband devices because they have a news division creating original local content. Most broadcast stations in Los Angeles don't.

And that's true more generally. Many stations don't have local news and content-creation operations that they can leverage over multiple broadband platforms; and on a percentage basis that's also particularly true in the larger markets. The economics are the economics.

The good news is that the new voluntary incentive auctions law presents an unprecedented opportunity for broadcasters like these and others to improve their financial position.

Incentive auctions were proposed by the FCC and authorized by Congress in response to the looming spectrum crunch.

You've heard me talk about the spectrum crunch before, and, over the past 12 months, evidence that the crunch is coming has only continued to mount.

Since the last NAB show, the number of active mobile phones in this country passed the number of people.

The percentage of cell phone owners with smartphones passed the 50% barrier, up from about 25% a year ago.

The growth of the tablet market continues to exceed even the most optimistic forecasts. In 2010, it was a big deal when Apple sold 1 million iPads in 28 days. The new iPad passed that milestone in less than 28 hours. And Amazon sold more than 4 million Kindle Fires during the holiday season.

In 2011 wireless data traffic increased over 120% over the year before.

Failure to meet this growing demand for spectrum could stifle the vast opportunities of mobile broadband. Opportunities not only for improved education, health care and public safety but opportunities for our entire economy and our global competitiveness. And opportunities for broadcasters that are seizing broadband as a distribution platform, and would benefit from robust mobile broadband.

As I've been saying from day one, there's no silver bullet to solving the spectrum crunch.

We need new technologies – both hardware and software – to use spectrum more efficiently.

We need to nurture and expand unlicensed spectrum use like Wi-Fi, which has already provided so many benefits, including mobile capacity offloading.

We need to accelerate the pace of recovering inefficiently utilized spectrum from government users, and we need to develop and implement systems quickly to share government spectrum with commercial wireless broadband providers.

Incentive auctions are a piece of the puzzle, and we need to work together on implementation of the new law.

Of course Congress recently authorized the FCC to design and conduct the world's first incentive auctions – an innovative market-based approach for repurposing spectrum for flexible use such as mobile broadband. And we're now focused on implementation.

Developing this first-of-its-kind auction will be complex, involving many challenging questions of economics and engineering, and of course will have to be done within the constraints of the statute.

A few facts about the law that broadcasters should be aware of:

First, it codifies the voluntary nature of contributing spectrum.

Second, it authorizes the Commission to offer three unprecedented opportunities to share in auction proceeds: contributing all 6 MHz; channel sharing; and moving from UHF to VHF.

Third, it preserves must-carry rights for channel sharing stations.

Fourth, it directs the FCC to make all reasonable efforts to preserve broadcaster coverage.

Fifth, it creates a \$1.75 billion – that’s billion with a B – repacking fund to pay moving costs of broadcasters who don’t participate as well as other incumbents.

At the FCC, we’re focused on implementing incentive auctions in a way that maximizes the broad opportunity for investment, innovation, and economic growth.

The initial response from many broadcasters has been positive. Since passage of the law, our phones have been ringing at the FCC, with broadcasters and their representatives expressing genuine interest in participating and asking thoughtful questions.

To those of you who haven’t yet considered the possibilities, let me offer this: Don’t be afraid to be interested in incentive auctions. Others already are.

And three points for those of you who may be interested in the incentive auction opportunity.

Point one: This is a unique opportunity that presents some very interesting – and potentially compelling – business options that did not exist before.

Consider the option to channel share or move to VHF.

You’ll be able to participate in an active marketplace providing a sizeable cash infusion for returning some or all spectrum.

Some broadcasters may want participate and still stay on the air. A VHF move or channel sharing could be just the ticket.

In the case of a move to VHF, a broadcaster would stay on the air, retain must carry rights on cable and satellite, and generate cash from the move.

As for channel sharing, it provides an opportunity to retain UHF transmissions, but to trade in a portion of channel capacity in exchange for a cash infusion -- again, while continuing to reach audiences over-the-air, via cable and satellite.

We will have more to say in the coming months about the options available for participation, many of which could open new business possibilities without putting the existing business at risk.

But the core idea is this: Don’t miss the boat on an opportunity you might regret passing up.

Point two: We recognize that good information is essential to good dealmaking. Over the course of this process, we are committed to getting you the information you need to make sound business decisions and to help you recognize the full value of the opportunity.

Point three is that, to maximize the opportunity for broadcasters, we need information from you. That is why we have already begun reaching out to get your ideas on how to develop auctions with the right incentives to encourage broad participation.

Of course we've been clear that we don't expect most broadcasters to participate. For many broadcasters, voluntary incentive auctions will present a compelling economic opportunity; for many others it won't, and that's ok.

And for those who don't want to participate in the auction, let me be clear once again: We're committed to the continuance of a strong and healthy broadcasting industry, we're committed to fair treatment. And of course – as the FCC proposed -- the law provides provides substantial funds to defray expenses associated with moving channels.

The bottom line is every broadcaster has an interest in the auction's success.

The more stations that participate in the auction, the more spectrum we will be able to repurpose for flexible use and the healthier the broadcast industry will be as it moves forward.

And broadcasters with strong content operations will benefit significantly from robust mobile broadband.

Let me speak for a moment about how the FCC plans to proceed in implementing the incentive auction legislation.

We will run a process that is open, inclusive, fact-based, and guided by economics and engineering.

We have already formed an FCC incentive auctions task force that has brought in staff from across the Commission.

Today I'm very pleased to announce that Gary Epstein will be joining Ruth Milkman in leading the task force. Gary is one of the country's top experts on media and communications law and policy, with decades of experience with broadcasting, wireless and auctions. His distinguished career includes 25 years at the law firm Latham & Watkins, including as Chair of their Communications Practice Group and head of the firm's Telecommunications Law Practice. This will be his third stint at the Commission, as he was Common Carrier Bureau Chief under Chairman Mark Fowler, and the first head of the Digital Television Transition efforts, before our current Media Bureau chief Bill Lake took over.

The Commission's work will be assisted by world-leading experts, including some of the world's most distinguished auction-design experts. This group includes Paul Milgrom, winner of the prestigious Nemmers Prize, as well as Jon Levin, winner of the John Bates Clark medal for the nation's top economist under 40.

The work of our Task Force and staff will feed into a robust public process, which will include webinars, workshops, public notices, and rulemaking proceedings.

Later this month, the Commission will take up a channel sharing order at our monthly open meeting. That order should provide answers to many questions broadcasters are asking as they consider whether channel sharing is an option for them.

We are aiming for Notices of Proposed Rulemaking under the new law by the fall of this year.

To support this work, we have already started a series of webinars with broadcasters that are ongoing.

We are planning a channel-sharing workshop for May.

And we will be hosting an auction design workshop in the months ahead.

As we implement the incentive auction law, of course we won't be picking winners and losers. The notion that we might misunderstands the fundamental purpose of incentive auctions. The fundamental purpose of incentive auctions is to bring market forces to bear on spectrum, so that businesses and consumers in the marketplace drive investment, innovation and U.S. global competitiveness.

By the way, over the course of time, some have criticized broadcast allocations themselves as picking winners and losers. But that's beside the point now. Our goal is to work together to unleash market forces and drive healthy industries throughout our content and communications landscape.

Working together, we can make incentive auctions a win-win for broadcasters, our economy, and the public.

Of course, we have other issues of importance to broadcasters on our plate for the period ahead. Like incentive auctions, and all the issues on our agenda, our actions are guided by the facts and data and the advice of engineers and economists.

The retransmission consent proceeding remains open, and it continues to be a subject of significant public interest.

Broadcast ownership continues to be an important issue. In December, we issued a proposal that recognizes the ways in which the video marketplace is changing, largely as a result of broadband.

We continue to implement the CALM Act, and I'm hopeful we'll see this major consumer complaint addressed successfully with minimal regulatory burden on the industry.

Measurement remains an important issue for broadcasters, and we want to continue to work with you to accelerate fair measurement of your online and mobile audiences.

And across the board we continue to modernize our rules and processes to reflect the reality of the digital era, harnessing technology to meet our statutory mission effectively and efficiently.

Last week, together with the wireless industry, we announced that the launch of a new database and other digital technologies to blacklist stolen smartphones and help turn back the recent increase in smartphone theft.

We've announced other technology-based initiatives with the wireless industry, as well as with the cable industry, and with Internet Service Providers.

Consistently for the past three years we've been working with all stakeholders to use digital technologies to provide better information to the public and all stakeholders. Examples include our broadband map; broadband speed tests; a spectrum dashboard; emergency mobile alerts for public safety, and commercial mobile alerts to avoid 'bill shock'.

We now stream on the Internet all of our Commission meetings and workshops, and we have increasingly moved to electronic filing of comments and applications, everything from common-carrier tariffs to broadcaster renewal and station modification applications.

And so it was no surprise that the report we issued last year on the information needs of communities in the Internet era – our "INC Report," thanks to the excellent work of Steve Waldman -- recommended putting a TV station's "public file" online.

The proposal, on which we subsequently issued a notice of proposed rulemaking, would move to the Internet required broadcaster disclosures from where they are now: in filing cabinets that can be reached only at the station itself.

Editorial writers have called it “an excellent idea” and encouraged the FCC to put in place.

It’s the 21<sup>st</sup> century -- I call it common sense.

And yet, despite the proud history of broadcast journalism and the many innovative products broadcasters deploy today to harness digital technology to inform, explain as well as entertain, broadcasters and a few others have strongly resisted online disclosure.

Using rhetoric that one writer described as “teeth-gnashing” and “fire-breathing,” some in the broadcast industry have elected to position themselves against technology, against transparency, and against journalism.

The arguments, made in the public record, shouldn’t go unanswered.

First, cost. The argument is that meeting existing disclosure obligations online instead of on paper would be a heavy financial burden and indeed a “jobs destroyer”. But the facts demonstrate the unsurprising conclusion that the cost of online disclosure is nominal and that, indeed, once the transition from paper to digital is complete it will save money – save money for broadcasters, and for other stakeholders: including political candidates, journalists, and the public at large.

It’s also noteworthy that any disclosure costs tied to putting the political file online relate directly to political advertising revenue received by broadcasters, which is estimated to be in the \$3 billion range this year, up by large amounts over past years.

Another argument that’s been made: this isn’t an FCC issue. That argument is refuted by the plain language of the law. Congress explicitly requires broadcasters to “maintain, and make available for public inspection, a complete record of a request to purchase broadcast time that is made by or on behalf of a legally qualified candidate, etc.”

Congress placed this requirement in the Communications Act, and explicitly charged the FCC with the obligation to carry out these provisions. It gave both the FEC and the FCC roles, understanding the unique role broadcasters play and that some of the information Congress requires broadcasters to make public is never provided to the FEC, and what is provided is sent weeks or months later. The FCC’s role here is clear, essential and very longstanding

Another objection is that the disclosed information is “proprietary”, particularly the rates broadcasters charge for political advertising. But, one, Congress explicitly requires broadcasters to disclose this information, and, two, broadcasters already do.

In other words, the argument against moving the public file online is that required broadcaster disclosures shouldn’t be too public. But in a world where everything is going digital, why have a special exemption for broadcasters’ political disclosure obligation?

The attack on the online public disclosure initiative has led to a pointed negative reaction from many quarters, including a group of deans of leading journalism schools. The deans wrote:

“Broadcast news organizations depend on, and consistently call for, robust open-record regimes for the institutions they cover; it seems hypocritical for broadcasters to oppose applying the same principle to themselves.”



Bloomberg View looked at the burden and jobs arguments that have been made by opponents of online disclosure and concluded that “neither is credible”.

The New Republic examined broadcasters’ position and concluded: “the arguments they offer are so flimsy they collapse on inspection.”

Now, I know many individual broadcasters don’t agree with all of the attacks on the Commission’s public file proposal. Indeed, some worked valiantly to pull together an industry position that would demonstrate the strong work that so many broadcasters do to serve the public.

And believe me I know how hard Gordon Smith’s job is – I can count FCC members on one hand; NAB has thousands -- and indeed most of the more preposterous arguments have come from outside the NAB.

We have a lot of work ahead of us. Work to unleash the benefits of communications technologies for all Americans. Work to drive our economy. Work to accelerate the growth of the Internet, wired and wireless, and of broadcasters and others in our strong content industry, which has and will contribute significantly to U.S. global competitiveness.

Working together, I’m sure we can unleash success, unlock value, and promote a bright future for broadcasters, for all parts of the media, technology and communications sectors, and for all Americans.

Thank you.