

**REMARKS OF FCC CHAIRMAN AJIT PAI
AT THE NORTH AMERICAN BROADCASTERS ASSOCIATION'S
FUTURE OF RADIO AND AUDIO SYMPOSIUM**

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WASHINGTON, DC

As a representative of the host nation, it is my great pleasure to welcome our friends from Canada and Mexico to Washington, DC for the Future of Radio and Audio Symposium. (Of course, I'm also pleased to welcome my American friends—just not *as* pleased. I see you all the time.) Speaking of my American friends, I would like to thank National Association of Broadcasters President Gordon Smith for his generous introduction and his outstanding leadership.

This is my second time addressing the North American Broadcasters Association. As some of you may recall, I met with you two years ago in Toronto. As *I* recall, it was much colder. In fact, the high temperature that day was 8 degrees Fahrenheit, and the low was -5. It's somewhat warmer in Washington today. But if the North American Broadcasters Association is going to continue to hold its annual radio summit in February, I'd like to make a humble suggestion. Shouldn't Mexico be the standing host? After all, I hear that it is thirty degrees warmer in Mexico City today.

While this is my second time addressing this group, it's my first time as FCC Chairman. I've therefore been advised that my remarks should be more careful and measured. I stress *should*. Let's see how this goes.

The theme of today's forum is the Future of Radio and Audio. And any discussion of that future needs to acknowledge that we are living in a time of historic technological change.

Today, 90% of Americans under the age of 50 have a device in their pocket or purse with more computing power than the spacecraft that put a man on the Moon. And that device connects wirelessly at high speeds to the cloud, which applies virtually unlimited processing power to connect users with just about any content or service one can imagine.

But here's the funny thing: in the midst of this high-tech revolution, where the Internet and mobile have seemingly changed everything, broadcast radio continues to thrive.

Each week, 93% of Americans over the age of 12 still listen to the radio, which is about the same as a decade ago, and the decade before that, and the decade before that. That's over 245 million Americans. And they aren't just listening to the radio just to catch a single from Adele. They are listening on average for 12 hours a week.

This isn't the first time that radio has flourished in the face of new media and technology. When MTV launched in 1981, it aired "Video Killed the Radio Star." Fast forward 36 years, and MTV hasn't played videos in years, but virtually every American adult still listens to the radio.

The enduring popularity of radio amidst so much technological disruption is truly striking, and it got me thinking. I know this is a meeting of the NABA, with support from NAB, but allow me to use an NBA metaphor. To me, radio is like the professional basketball powerhouse, the San Antonio Spurs. I'm not sure how closely you follow basketball, but for two decades, the Spurs have been the sport's least flashy, yet most consistently successful team. They're rarely seen as the dominant team in the league, but they are always in contention for a championship. So the talented and headline-grabbing Golden State Warriors might be mobile broadband. And the powerful Cleveland Cavaliers might be gigabit fiber. But

the steady-as-a-rock Spurs are radio. (I'm not going to insult any segment of the communications industry by comparing it to the 9-47 Brooklyn Nets.)

So what's behind radio's enduring appeal? Why does radio continue to matter so much today? One of the best explanations I've heard comes from an unlikely place: Silicon Valley. A few years ago, legendary venture capitalist John Doerr suggested that the future of digital media is being defined by the convergence of three forces: social, local, and mobile. He argued that whoever can harness these three forces would be best positioned to succeed in the digital future.

Now, when you think about social . . . local . . . mobile, that's radio! Here's what I mean.

First, radio is social. Tom Poleman of iHeartMedia once said, "Radio is the original social medium . . . the beacon for communities." I agree with this. We all have an innate desire for human connection, and there is something incredibly intimate about the relationship between a talented on-air personality and his or her audience. And while each audience member experiences that connection personally, it also becomes a shared experience within the community, as any so-called "Little" who followed Tony Kornheiser's radio show knows well. Moreover, radio provides a forum for robust discussion and debate. Long before people were arguing about the issues of the day on Facebook or Twitter, they were fighting it out on radio stations across the country. And they still are, each and every day.

Next, radio is local. Good radio broadcasters know better than most the communities they serve. They've always delivered local news, local sports, local weather, and local politics. I have seen this firsthand in my travels across the country, from KZPA in Fort Yukon, Alaska to KDKA in Pittsburgh, Pennsylvania. And I experienced it myself growing up in the small town of Parsons, Kansas.

It's no secret that I am a big fan of the Coen Brothers' film *The Big Lebowski*. In that movie, the Dude famously noted that his rug really tied the room together. Well, in Parsons, our local radio station, KLKC, really tied the community together. Whether we were listening to the Parsons High School basketball team playing in the state championship or Kansas City Royals games during that magical World Series season of 1985, KLKC was an integral part of our small town. And I am proud to say that KLKC today continues to play that role in Parsons, and is run by some good friends of mine. (That doesn't give them a pass on meeting their public file obligations, I hasten to add.)

Third, radio is mobile. A big part of radio's appeal over the years is that you can enjoy it wherever you are—at home, in the car, at the office, or on a walk. As consumers increasingly expect to access their favorite content whenever they want, wherever they want, the fact that radio is a mobile medium becomes an increasingly important strength. And it's not just listening on the car radio. Radio stations are leveraging new technologies to connect with listeners. These days, I often use TuneIn's mobile app to tune in to my hometown KLKC. With two young children and a job that keeps me pretty busy, being able to listen to local programming on-the-go has been a godsend.

I'd also like to highlight a fourth fundamental strength: radio is vital. When disaster strikes, often knocking out cell networks and Internet service, over-the-air radio is a lifeline, providing the latest weather forecasts or directions on where to seek shelter or relief assistance. After hurricanes or tornadoes or fires or floods, time and again, we see an exponential surge in radio audiences.

So: social, local, mobile, and vital. Those are the reasons *why* I believe radio can thrive in the future.

Let me talk a bit about *what* we can do to promote the vitality of radio.

I'll start with the FCC, and an issue that I've made a personal priority: AM radio.

Back in 2012, I called for the FCC to launch an AM Radio Revitalization Initiative at NAB's Radio Show. It's no secret that many stations in the AM band are struggling. The band's overall

listenership has declined, and advertising revenues along with it. This stems mainly from the band's technical problems. Every day, it seems harder to get a quality AM signal.

When you are a minority Commissioner, some ideas you propose catch fire, while others fizzle. But revitalizing AM radio resonated. Thanks to the support of countless people throughout our country who made their voices heard at the FCC, we finally made it happen. After a lot of hard work, the Commission unanimously adopted an initial set of AM radio reforms in late 2015.

And the response in the marketplace to our reforms has been tremendous. Last year, for example, the FCC gave AM stations more latitude to move an FM translator purchased in the secondary market. And as a result, over 1,000 AM stations have already obtained FM translators to grow their audience. That's more than 20% of AM stations in the United States.

I thought today's international audience might enjoy an example from Ottawa—the town in Kansas, that is, not the Canadian capital. KOFO serves its local community by airing local news, weather, agricultural programming, Ottawa University sports, high school sports, and, perhaps most importantly, Kansas City Royals games. After the FCC granted KOFO's translator application, its owners issued a statement saying that the addition of a FM signal “gives KOFO another avenue to further our mission in becoming THE information and entertainment source for East Central Kansas. Our listeners will enjoy the increased coverage and quality sound, as well as the ability to listen via their smartphone through the *NextRadio* app.”

Our efforts have been a clear success, but we've also heard from broadcasters that the FCC's rules can make finding a location for these translators unnecessarily challenging. That's why we've proposed a new reform that my fellow Commissioners and I will vote on next week. This measure would give AM stations greater flexibility in siting their translators. It's a small step that would be a big help to AM broadcasters.

This year, we also plan to open two new windows in which AM stations that still don't have an FM translator can apply directly to the FCC to get one authorized. And we'll keep working on ways to improve signal quality on the AM band and reduce AM broadcasters' operating costs.

Now, you heard me earlier mention the *NextRadio* app. That brings me to the issue of FM chips in smartphones.

Simply put, the world is going wireless. And if you're in the content business, you need to be exploring every way possible to make your content available on people's smartphones. I know my remarks are being followed by an hour-long panel on the benefits of FM chips in smartphones, so I won't spend too much time on this topic, but allow me to offer some high-level thoughts.

As you know, the vast majority of smartphones sold in the United States do, in fact, contain FM chips. The problem is that most of them aren't activated. As of last fall, only about 44% of the top-selling smartphones in the United States have activated FM chips, and the percentage is lower in Canada. By comparison, in Mexico that number is about 80%. So it's not just that the United States and Canada could be doing better. We could be doing a lot better.

It seems odd that every day we hear about a new smartphone app that lets you do something innovative, yet these modern-day mobile miracles don't enable a key function offered by a 1982 Sony Walkman.

You could make a case for activating chips on public safety grounds alone. The former head of our Federal Emergency Management Administration has spoken out in support of this proposal. The FCC has an expert advisory panel on public safety issues that has also advocated enabling FM radio chips on smartphones. It pointed out that, “[h]aving access to terrestrial FM radio broadcasts, as opposed to streaming audio services, may enable smartphone users to receive broadcast-based EAS alerts and other

vital information in emergency situations—particularly when the wireless network is down or overloaded.”

Moreover, most consumers would love to access some of their favorite content over-the-air, while using one-sixth of the battery life and less data. As more and more Americans use activated FM chips in their smartphones, consumer demand for smartphones with activated FM chips should continue to increase.

I’ll keep speaking out about the benefits of activating FM chips. Having said that, as a believer in free markets and the rule of law, I cannot support a government mandate requiring activation of these chips. I don’t believe the FCC has the power to issue a mandate like that, and more generally I believe it’s best to sort this issue out in the marketplace. For despite the low numbers, we are seeing progress; in the last two years, the percentage of top-selling smartphones in the United States that have activated FM chips has risen from less than 25% to 44%.

That brings me to one last point. When it comes to fighting for a vibrant broadcasting industry, I take a back seat to no one at the FCC. I think Senator Smith and others in the room who have worked with me during my time at the Commission will back me up on that. Under my Chairmanship, radio won’t be neglected. I will work aggressively to cut unnecessary red tape, modernize our rules, and give you more flexibility to serve your audiences. Our regulations should reflect the marketplace of today, not the marketplace as it existed 30 or 40 years ago.

That applies to any sector and any company, by the way. I’m a fierce believer in the power of competitive, free markets to maximize consumer welfare. And as FCC Chairman, I have no intention of putting my thumb on the scale for any segment of the communications industry. Instead, I see it as my job to ensure a level regulatory playing field. It then falls to American consumers to decide who wins and loses with their ears, their eyeballs, their clicks, and their wallets.

In a competitive marketplace like that, there will no doubt be challenges ahead for broadcast radio. There are more audio choices and business challenges than ever, as you well know. But I’m optimistic that radio will continue to succeed, for you’ve defied the odds before.

In 1929, the caustic commentator Jack Woodford offered a prediction about radio: “[I]n two years, at the present rate of advertising exploitation which the radio is suffering, it will be as dead as a Democrat. We can dig a grave for it. . . . Probably in another five or ten years we can dig another grave in the same lot for Television.”

I won’t take the late Mr. Woodford to task here regarding television—that’s another topic for another day. But suffice it to say that as a social, local, mobile, and vital means of communications, radio has well outlived his prediction and is as alive as this Republican. Good times are ahead. Stay tuned!