

**REMARKS OF FCC COMMISSIONER AJIT PAI  
BEFORE THE PENNSYLVANIA ASSOCIATION OF BROADCASTERS**

**HERSHEY, PA**

**MAY 5, 2014**

Thank you for inviting me to join you this morning. I have to warn you at the outset, though, that I'm taking a big risk by speaking at this convention. You see, my in-laws are diehard Cleveland Browns fans—I've even sat with them in the Dawg Pound, having been instructed to boo the Pittsburgh Steelers (and the Browns weren't even playing the Steelers!). So when they find out that I'm taking part in an event at which both Steelers owner Dan Rooney and former coach Bill Cowher are being honored, I just might get kicked out of the family.

But in all seriousness, it's great to be with you here in Hershey. I wanted to let you know in person how much I appreciate all that Pennsylvania broadcasters do throughout the Keystone State. Last year, I had the privilege of visiting KDKA-AM in Pittsburgh, our nation's oldest commercial radio station. I even appeared on the air for about half an hour and took listener calls. While at the station, I also conducted a town hall meeting with radio broadcasters from all over western Pennsylvania. During our discussion, I was struck by the passion that they had for the radio business and serving their communities. For them, broadcasting isn't just a job—it's a calling. It's part of their DNA.

At that town hall meeting, I also learned that Pittsburgh radio broadcasters don't have any trouble speaking up. They certainly weren't shy about asking me pointed questions or telling me exactly what they thought of the FCC's job performance. So today, I'm going to follow their example and let you know what's on my mind.

Let me start with this: Broadcasters and the FCC should have a good relationship. I hope that I've demonstrated my commitment to making that happen. That doesn't mean that we will always agree on every issue, because we won't. I know that broadcasters have disagreed with a few of the votes that I have cast during my two years at the Commission. But every segment of the industry we regulate should have confidence that the Commission will give them a fair hearing, and none should be under the impression that the FCC is out to get them.

Unfortunately, the relationship between broadcasters and the FCC has become strained of late. Based on what I heard at the NAB Show last month, I wonder if it's time to call Dr. Phil and see if he is available to mediate.

This isn't the way it should be. So I've been giving some thought on how to improve the situation. And this morning, I wanted to discuss with you four areas where I think we can make things better: recognizing broadcasting's value, treating broadcasters fairly in the upcoming incentive auction, revitalizing AM radio, and beginning to reform our media ownership rules.

First, the FCC needs to do a better job of making it clear that we appreciate the benefits of broadcasters' one-to-many architecture. I've said it before, and I'm sure I'll say it again: I view broadcast and broadband as complements, not substitutes. Both broadcast and broadband have an important role to play in our media landscape. A one-to-one architecture is great for certain things, and a one-to-many architecture is better for others. For example, when the Philadelphia Eagles play the Kansas City Chiefs in next year's Super Bowl, broadcast will be a much more efficient way to bring that clash of two football powerhouses to the American people than will broadband. And when I send gloating texts and tweets after Kansas City's resounding victory, a broadband connection will be more useful.

Broadcast also matters when it comes to public safety emergencies. When the power goes out, when wireless networks go dark, when Internet access is disrupted, where do people turn for life-saving information? Their local broadcasters. We see it time and time again. Whether it is Superstorm Sandy

on the East Coast, tornadoes in Oklahoma, or wildfires in the West, Americans rely on broadcasters in times of need.

Don't get me wrong: The Internet has been and will continue to be transformative. Broadcasters have moved aggressively to establish a web presence, and I'm sure that you will continue to explore opportunities related to over-the-top video. But I don't see it as the FCC's role to push you in that direction. And it certainly isn't my place to tell you how to run your business. Instead, the FCC should level the playing field for all segments of the communications industry and let the market sort out the winners from the losers. Indeed, for all of the talk of over-the-top programming, it's still over-the-air programming that draws the largest crowds.

Second, the Commission needs to ensure that television broadcasters are treated fairly in the upcoming spectrum incentive auction. As you may know, we have a big vote coming up at our monthly meeting. On May 15, the Commission will adopt a set of rules for the incentive auction. Getting this right won't be easy. Having pored over the item's hundreds of pages, I can tell you that we have many difficult decisions in front of us.

I'm often asked how I will judge whether the incentive auction is a success. To me, there are three critical components. We must raise money for the critical national priorities identified by Congress in the Spectrum Act, including deficit reduction and construction of a nationwide, interoperable public safety broadband network. We must deliver more spectrum for mobile broadband. And we must preserve a vibrant, free, over-the-air television service.

Let me speak for a moment about that last, but not least, priority. It's important that the Commission do its best to ensure that those television stations not participating in the auction are held harmless. For example, Congress provided \$1.75 billion to reimburse broadcasters for their relocation expenses. The Commission needs to think long and hard about whether to adopt any repacking plan that would cost more than \$1.75 billion.

If broadcasters that stay in business are repacked and are required to pay some of their relocation costs, can we say that the incentive auction is truly voluntary? Think about the following scenario. I come and tell you that you aren't going to be allowed to stay in your house and you have two choices. You can either sell me your house or I'll seize it but give you a replica of your house for free on the lot next door. Now imagine that I present you with a different choice: You can either sell me your house or I'll seize it and give you a replica of your house on the lot next door so long as you kick in \$40,000 to help defray the construction costs. To be sure, you might not be happy with either choice. But doesn't one sound much fairer to you than the other?

The FCC should also make it as easy as possible for those broadcasters that want to participate in the incentive auction in any way. For instance, we should make the rules regarding channel sharing simple to follow. Channel sharing can allow broadcasters to stay in business while still receiving a cash infusion that can be used to improve their services or facilities. The option might not meet the needs of every broadcaster. But for those interested in exploring that opportunity, the FCC should do what it can to help that happen.

Switching from television to radio, my third idea involves AM radio. You didn't think that I'd get through my remarks without mentioning AM radio, did you? Specifically, the FCC needs to adopt reforms following up on last fall's AM Revitalization Notice of Proposed Rulemaking.

There are many issues at the FCC that are controversial. AM radio isn't one of them. The comment cycle has now closed, and commenters overwhelmingly support all of the ideas contained in the NPRM. Small broadcasters and large broadcasters alike want to revitalize AM radio. So do civil rights organizations and those favoring increased ownership diversity. Democrats and Republicans, liberals and conservatives, the list goes on. Indeed, I've been amazed by the chord that AM revitalization has struck throughout the United States. When I made this proposal in September 2012, I never imagined the

response we would receive. AM revitalization even made it to the front page of the *New York Times*—and “net neutrality” got bumped to that day’s business section!

Time isn’t on the side of this grand old band, so let’s commit ourselves to getting this done by Halloween.

Our proposals will not be a panacea for the real problems confronting AM broadcasters. But they will help. For example, I’ve heard from numerous AM broadcasters desperate for FM translators. That’s why we need to move forward with an FM translator window designed for AM broadcasters. If the FCC acts soon, that window could open next year.

In addition to asking for comment in our NPRM on specific proposals, the Commission also solicited other ideas on how to improve the AM band, both in the short term and the long term. And we received many suggestions from station owners, engineers, and listeners. We need to sort through them and figure out which ones merit action and which ones need further study.

Beginning this summer, I plan to hold a series of meetings with stakeholders to discuss these proposals. And I invite you to participate. If you have an idea for revitalizing the AM band, don’t be shy. It’s not too late to tell us what you think.

Fourth, we should modernize our media ownership rules, and let’s begin by eliminating the rule prohibiting cross-ownership of a newspaper and radio station. This rule is almost as old as I am—and almost as decrepit.

Now look, when it comes to the topic of media ownership, I’m a realist. The FCC’s media ownership order, passed on a party-line vote in March, kicked the can of reform down the road yet again (except for outlawing pro-competitive joint sales agreements, where the FCC arbitrarily sprung into action). And unless the courts intervene, I see no prospect that the FCC will bring all of its media ownership rules into the 21<sup>st</sup> century in the next couple of years. But I do see a glimmer of hope when it comes to the newspaper-radio ownership ban. The Commission has signaled an openness to getting rid of this anachronism. And as the Chinese philosopher Lao Tzu put it, a journey of a thousand miles begins with a single step.

As it turns out, Pennsylvania is a great place to discuss this issue because it is home to the nation’s oldest newspaper-radio combination. In 1922, the *Scranton Times* became the first newspaper in the country to purchase a radio station: WRAY-AM. Over the decades, the *Scranton Times* became the *Scranton Times-Tribune*, a newspaper known to many across the country from its appearances in the NBC sitcom “The Office.” And WRAY is now WELJ-AM and WELJ-FM. Under our cross-ownership rule, this combination couldn’t be created today. But because the FCC grandfathered arrangements like this when it prohibited newspaper-broadcast cross-ownership in 1975, the combination still exists.

As with Dunder Mifflin, the Scranton newspaper-radio combination presents the question: is it doing any good? Unlike Dunder Mifflin, the clear answer is yes. These institutions have served Scranton well. Just last week, for example, the *Times-Tribune* was named the second best daily newspaper in Pennsylvania by the Keystone Pro Chapter of the Society of Professional Journalists. And it won first place awards for online breaking news and environmental reporting.

This example is replicated in other places across the country, such as Topeka, the capital of my home state of Kansas. In fact, the FCC has no evidence at all justifying our newspaper-radio cross-ownership prohibition—and nobody even bothers trying anymore. In 2014, does anyone seriously believe that a newspaper-radio combination can dominate the media marketplace? Our prohibition is as obsolete as the Vet used to be. And just as Philadelphia came together to demolish the Vet and build a new stadium, I hope that the FCC can come together on a bipartisan basis to repeal the ban and build more modern media regulations. In this day and age, if you want to operate a newspaper, we should be thanking you, not throwing batteries at you.

This is just one example of how the FCC needs to do a better job of updating our rules to reflect the fast-changing media marketplace. I sometimes hear people complain about certain regulations that they say are outdated and unfairly benefit broadcasters. But modernizing our rules can't be a one-way street. We also need to reexamine all of the outdated rules that uniquely burden broadcasters, like our media ownership rules, and eliminate those as well. In short, our decisions should reflect a consistent regulatory philosophy instead of appearing to help or harm a particular segment of the industry.

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On all of these issues—recognizing broadcasting's value, treating broadcasters fairly in the incentive auction, revitalizing AM radio, and beginning to reform our media ownership rules—I'm hopeful that the relationship between broadcasters and the FCC will be a good one. We can't erase prior disagreements, but with open doors and open minds, we can get good things done. As I said earlier, I'm committed to making that happen. We may not agree on every issue, but I can promise that you will receive a fair hearing in my office—with one exception. With all due respect to Ambassador Rooney and Coach Cowher, there's no way that Pennsylvania broadcasters will ever convince me to back the Steelers against the Browns or the Chiefs.