For Jany

Background on Localism in Broadcasting

Localism has been a cornerstone of broadcast regulation for decades.¹ Broadcasters must use the medium to serve the public interest, and the Commission has consistently interpreted this to require licensees to air programming that is responsive to the interests and needs of their communities of license. Even as the Commission deregulated many behavioral rules for broadcasters in the 1980s, it did not deviate from the notion that they must serve their local communities. Rather, the Commission simply found that market forces, in an increasingly competitive environment, would encourage broadcasters to accomplish this goal, and that certain rules were no longer necessary.²

Overview

The concept of localism derives from Title III of the Communications Act, and is reflected in and supported by a number of current Commission policies and rules. Title III generally instructs the Commission to regulate broadcasting as the public interest, convenience, and necessity dictate, and section 307(b) explicitly requires the Commission to "make such distribution of licenses, frequencies, hours of operation, and or power among the several States and communities as to provide a fair, efficient, and equitable distribution of radio service to each of the same."

Pursuant to its localism mandate, when the Commission allocates channels for new broadcast service, its first priority is to provide general service to an area, and its next highest priority is to provide local service to a community.⁴ Thus when the Commission awards a license to provide service using an allocation, the license is local, relating "to the principal community or other political subdivision which it primarily serves." Once awarded a license, a broadcast station must then maintain its main studio in or near its community of license.⁶ A station "must equip the main studio with production and transmission facilities that meet the applicable standards, maintain

¹ See, e.g., Deregulation of Radio, 84 F.C.C.2d 968, 994 ¶ 58 (1981) ("Radio Deregulation Order") ("The concept of localism was part and parcel of broadcast regulation virtually from its inception.").

² See, e.g., Revision of Programming and Commercialization Policies, Ascertainment Requirements, and Program Log Requirements for Commercial Television Stations, 98 F.C.C.2d 1075, 1091-02, \P 31-32 (1984) ("Commercial TV Deregulation Order").

³ 47 U.S.C. § 307(b).

⁴ Revision of FM Assignment Policies and Procedures, 90 F.C.C.2d 88, 92 ¶ 11 (1982) "FM Allocation Priorities Order,"), on recon., 56 RR 2d 448 1984); Amendment of Section 3.606 of the Commission's Rules & Regulations, 41 F.C.C. 148, 167 (1952) ("TV Allocation Priorities Order"). The Commission's first FM allocation priority is first-time aural service, followed by second full-time aural service and first local service; the latter two have "co-equal status." FM Allocation Priorities Order, 90 F.C.C.2d at 92. The Commission's first television allocation priority is "[t]o provide at least one television service to all parts of the United States"; its second is "[t]o provide each community with at least one television broadcast station." TV Allocation Priorities Order, 41 F.C.C. at 167.

⁵ 47 C.F.R. § 73.1120.

⁶ *Id.* § 73.1125.

continuous program transmission capability, and maintain a meaningful management and staff presence." The main studio also must contain a public inspection file, the contents of which must include a list of programs that have provided the station's most significant treatment of community issues during the preceding three month period." In addition, as a general matter, when a broadcast station seeks to renew or transfer its license, it must give local public notice to its community.

General History

In 1946, the Commission issued its first major policy statement on programming, commonly known in the industry as the "Blue Book." Although the Blue Book did not articulate quantitative standards, nor was it adopted or enforced, the Blue Book delineated four programming goals to which the Commission proposed to give "particular consideration": (1) local and network programs that were carried on a sustaining (i.e., noncommercial) basis; (2) local live programs reflecting local interests, public expression, activities and talent; (3) programs devoted to discussion of public issues; and (4) station efforts to limit the amount of its advertising time.

In 1960, the Commission issued a *Programming Statement* that: (1) determined that each licensee has an obligation to operate in the public interest by engaging in "diligent, positive and continuing effort . . . to discover and fulfill the tastes, needs, and desires of his community or area for broadcast service;" (2) articulated fourteen major elements of programming, including public affairs programming and the opportunity for local self-expression, "usually necessary to meet the public interest, needs and desires of the community"; and (3) concluded that there was no longer a public interest basis for distinguishing between "sustaining" and commercially-sponsored programs in evaluating a station's performance. ¹¹ Throughout the 1960s, the Commission began implementing a general obligation that broadcasters ascertain the needs of their communities: In 1965 and 1966, the Commission amended its broadcast licensing forms to include questions designed to elicit information about the licensee's ascertainment efforts. ¹² In 1968, the Commission issued a *Public Notice* to publicize and clarify licensee obligations, ¹³ but case law continued to cloud the precise nature of licensees' ascertainment obligations. ¹⁴

As a result of a request by the Federal Communications Bar Association, the

⁷ Amendment of Sections 73.1125 and 73.1130 of the Commission's Rules, the Main Studio and Program Origination Rules for Radio and Television Broadcast Stations, 3 FCC Rcd 5024, 5026 \P 24 (1988).

⁸ Id. § 73.3526(e)(11)(i) (commercial TV issues/program list); id. § 73.3526(e)(12) (commercial AM and FM issues/program list).

⁹ Id. § 73.3580.

¹⁰ Report on Public Service Responsibility of Broadcast Licensees (Mar. 7, 1946) ("Blue Book").

Report & Statement of Policy Re: Commission En Banc Programming Inquiry, 44 F.C.C. 2303, 2314 (1960) ("En Banc Programming Inquiry").

^{12 [}cite.]

^{13 [}cite.]

^{14 [}cite.]

Commission issued an ascertainment primer for new licensees in 1971, and a primer for renewal applicants in 1975. These primers explained that licensees were required annually to place in their public inspection files a list of up to ten problems in their service areas and programs used to treat those issues. In addition, the Commission required broadcasters to maintain programming logs. ¹⁶

During the 1970s, the Commission adopted guidelines on the amounts of news, public affairs, and other non-entertainment programming that licensees could offer. These guidelines were adopted as part of an amendment to the Broadcast Bureau's "delegations of authority." If license applicants adhered to the guidelines, Bureau staff could routinely process the applications under delegated authority; if not, the Commission reviewed and decided upon the applications. ¹⁷

In 1979, the Commission began a radio deregulation proceeding designed to explore the continuing necessity of non-entertainment programming and commercialization guidelines, ascertainment requirements, and log-keeping requirements for commercial radio stations. In a 1981 decision, the Commission determined that these guidelines were unnecessary and eliminated program logs and the ascertainment requirement to the extent that it required a particular process for producing responsive programming. In recognition of the growth and fragmentation of the radio industry, the Commission allowed stations to specialize their programming based on the needs of their audiences, as opposed to the community at large, so long as the needs of other community groups were being reflected in the programming of other stations in the community. The Commission granted similar relief to television station licensees in 1984. In 1984.

License Renewals

The Commission ensures that broadcasters serve their local communities by adopting general regulations, and also by evaluating the applications of individual

¹⁵ See generally Primer on Ascertainment of Community Problems by Broadcast Applicants, 27 F.C.C.2d 650 (1971).

¹⁶ See, e.g., Amendment of Program Logging Rules for Television Broadcast Stations, 5 F.C.C.2d 185 (1960)

The radio guidelines called for AM stations to offer 8% non-entertainment programming, and FM stations to offer 6%. Programming that qualified for these limits included news, public affairs, and other non-entertainment programming. The TV guidelines called for stations to air at least "five percent total local programming, five percent informational (news and public affairs) programming, ten percent total non-entertainment programming." *Delegations of Authority to the Chief, Broadcast Bureau*, 59 F.C.C.2d 491, 493 (1976) ("TV Delegations"). Applications for renewal that did not meet these standards could not be acted on by a delegation of authority from the Commission, but rather had to be acted on by the Commission itself.

 $^{^{18}}$ Radio Deregulation Order, 84 FCC 2d at 997-98, $\P\P$ 66-69; Commercial TV Deregulation Order, 98 F.C.C.2d at 1099, \P 49.

¹⁹ Commercial TV Deregulation Order, 98 F.C.C.2d at 1107-08, ¶ 71. See also 47 C.F.R. § 73.3526(11)(i) (commercial television issues/program lists); *id.* at § 73.3526(12) (commercial radio issues/programs lists); *id.* at § 73.3527(8) (noncommercial issues/programs lists).

stations at the time they seek to renew their licenses. In the past, the Commission conducted "comparative hearings" to select which applicant for a station would best serve the public interest, and granted the license for a relatively short period (e.g., three years). The licensee did not necessarily have an expectancy of renewal. Now, although the Commission can and does establish certain threshold eligibility requirements for broadcast licenses, it must resolve competing applications for most new broadcast licenses via competitive bidding instead of hearings.20 In addition, the Telecommunications Act of 1996 changed the maximum license terms to eight years,²¹ and the Commission implemented eight-year terms through its regulations.²² As for renewals, the 1996 Act amendments foreclose the Commission from considering Section 309(k)(1) instructs the Commission to grant an competing applications. application for renewal if its finds that "(A) the station has served the public interest, convenience, and necessity; (B) there have been no serious violations by the licensee of this Act or the rules and regulations of the Commission; and (C) there have been no other violations by the licensee of this Act or the rules and regulations of the Commission which, taken together, would constitute a pattern of abuse."23 Section 309(k)(2)authorizes the Commission, if an applicant for renewal does not meet these standards, to deny its application, or condition it, including reducing the license term.²⁴ Section 309(k)(4) explicitly states: "In making the determinations specified in paragraph (1) or (2), the Commission shall not consider whether the public interest, convenience, or necessity might be served by the grant of a license to a person other than the renewal applicant."25

DTV Obligations

In 1999, the Commission issued a *Notice of Inquiry* concerning the public interest obligations of broadcast television licensees.²⁶ The inquiry focused on the nature of television broadcasters' public interest obligations as they transitioned to digital television ("DTV"). Based on the record in the *Public Interest NOI*, the Commission adopted two *Notices of Proposed Rulemaking*. One considered several concrete proposals to enhance television broadcasters' disclosures of their public interest activities;²⁷ the other considered television broadcasters' obligations with respect to

²⁰ 47 U.S.C. § 309(j)(1). Two types of broadcast licenses that are exempt from this mandate are those for "initial licenses or construction permits for digital television service given to existing terrestrial broadcast licensees to replace their analog television service licenses," and those for noncommercial educational broadcast stations. *Id.* § 309(j)(2).

²¹ Id. § 307(c)(1).

²² 47 C.F.R. § 73.1020.

²³ Id. § 309(k)(1).

²⁴ Id. § 309(k)(2).

²⁵ Id. § 309(k)4).

²⁶ Public Interest Obligations of TV Broadcast Licensees, 14 FCC Rcd 21633 (1999) ("Public Interest NOF").

²⁷ Standardized and Enhanced Disclosure Requirements for Television Broadcast Licensee Public Interest Obligations, 15 FCC Rcd 19816 (2000) ("Enhanced Disclosure NPRM").

children's programming in the DTV environment.²⁸ Based on the time that had passed since the Commission released its *Public Interest NOI* and the associated *Notices*, it requested in its recent DTV periodic review that parties update the record in all three of these earlier proceedings.²⁹

In the *Public Interest NOI*, the Commission reviewed the requests of certain groups that the agency regulate the way in which television broadcasters determine the needs and interests of their communities, and report on how they fulfill those needs and interests. Based on the comments received, the Commission released the *Enhanced Disclosure NPRM*, which proposed to replace the issues/programs lists with a standardized form. The proposed form would ask broadcasters to report on their efforts to identify the programming needs of various segments of their communities, and list their community-responsive programming by category. The *Enhanced Disclosure NPRM* also proposed that broadcasters would make these forms, as well as the rest of their public inspection file, available on the Internet, and sought comment on a proposal to encourage stations to use their websites to conduct online discussions and facilitate interaction with the public.³³

In the *Public Interest NOI*, the Commission noted the concerns of some that programming, particularly network programming, often is not culturally diverse enough to respond to the needs and interests of certain segments of a broadcaster's community.³⁴ The Commission noted that DTV broadcasters could use the flexibility of digital technology to serve better the needs of all in their communities in any number of ways, perhaps by entering into channel leasing arrangements with programmers that intend to serve a previously underserved audience, by otherwise "narrowcasting" to such audiences on different programming streams, or by even taking advantage of enhanced audio capabilities to air different soundtracks in different languages simultaneously.³⁵

Political Programming

Broadcasters have concrete, defined political programming obligations. Under section 312(a)(7) of the Act, the Commission is expressly empowered to revoke the license of a broadcast station that does not allow "reasonable access" to or the "purchase of reasonable amounts of time" on its facilities by a "legally qualified candidate for

²⁸ Children's Television Obligations of Digital Television Broadcasters, 15 FCC Rcd 22946 (2000).

²⁹ Second Periodic Review of the Commission's Rules and Policies Affecting the Conversion to Digital Television, 18 FCC Rcd 1279, 1317-20, \P 107-112 ("Second DTV Periodic Review NPRM").

³⁰ 14 FCC Red at 21640-41, ¶ 15.

^{31 15} FCC Rcd at 19819-22, ¶¶ 7-14.

³² Id. at 19822-27, ¶¶ 15-20.

³³ *Id.* at 19827-31, ¶¶ 26-36.

^{34 14} FCC Red at 21647, ¶ 32.

³⁵ *Id*.

Federal elective office."³⁶ In addition, under section 315, "[i]f any licensee shall permit any person who is a legally qualified candidate for public office to use a broadcasting station, he shall afford equal opportunities to all other such candidates for that office in the use of such broadcasting station."³⁷

In the *Public Interest NOI*, the Commission noted that some broadcasters have aired many hours of political programming, including conventions, debates, issue fora, and campaigns, and that several television networks have provided free airtime to candidates for President in recent elections.³⁸ The Commission also noted, however, studies suggesting that many television broadcasters provided little or no political programming.³⁹ The Commission observed that, as a result, certain groups had recommended that broadcast stations provide a limited amount of time for "candidate-centered discourse" shortly before an election,⁴⁰ and that the Commission prohibit television broadcast stations from adopting blanket bans on the sale of airtime to state and local candidates.⁴¹

Network-Affiliation Rules

A number of Commission rules govern the relationships between television networks and their affiliated stations. The general goal of these rules is to ensure that the local stations remain ultimately responsible for programming decisions, notwithstanding their affiliation with a national programming network. Under the "right to reject" rule, for example, the Commission will not license a station that has an agreement with a network that "prevents or hinders the station from: (1) [r]ejecting or refusing network program which the station reasonably believes to be unsatisfactory or unsuitable or contrary to the public interest or (2) [s]ubstituting a program which, in the station's opinion, is of greater local or national importance." The "time option" rule states that the Commission will not license a station that has an agreement with a network that "provides for the optioning of the station's time to the network organization, or which has the same restraining effect as time optioning," meaning an agreement that "prevents or hinders the station from scheduling programs before the network agrees to utilize the time during which such programs are scheduled, or which requires the station to clear time already scheduled when the network organization seeks to utilize that time." By

³⁶ 47 U.S.C. § 312(a)(7).

³⁷ *Id.* § 315(a).

³⁸ 14 FCC Rcd at 21647-48, ¶ 35.

³⁹ *Id.* at 21648, ¶ 36.

⁴⁰ *Id.* at 21648-49, ¶¶ 37-38 (explaining that one group recommended five minutes during the evening hours for thirty days before election, and that others had recommended twenty minutes in even-numbered years and fifteen minutes in odd-numbered years (when there are fewer elections) for thirty days before election).

⁴¹ *Id.* at 21649, ¶ 38.

⁴² 47 C.F.R. § 73.658(e).

⁴³ 47 C.F.R. § 73.658(d).

ensuring that stations themselves retain the power to make programming decisions, these rules are intended to promote localism.

In 2001, the Network Affiliate Stations Alliance (NASA) filed a petition asking the Commission to begin an inquiry into whether certain alleged practices of the top four television networks violated the Commission's network affiliation rules.⁴⁴ In response to a notice seeking comment on the petition, 45 NASA filed comments and a declaratory ruling request asking the Commission to "move forward promptly with a declaratory ruling as to specified affiliation agreement provisions whose lawfulness – disputed by the networks and NASA - turns on the proper interpretation of the Communications Act and FCC rules."46 Specifically, NASA alleged that the networks: (1) assert excessive control over affiliates' programming decisions; (2) assert excessive control over affiliates' digital spectrum; and (3) use their affiliation to interfere with or manipulate station sales in a manner inconsistent with section 310(d) of the Act.⁴⁷ In response, the top four networks argued that: (1) NASA's request for a declaratory ruling is actually a request for the Commission to amend the right to reject rule so as to give affiliates the "absolute" power to avoid their contractual obligations; (2) the evidence does not support NASA's argument that major networks have asserted excessive control over affiliates' programming decisions; (3) affiliates have sufficient operating cash flow and market strength to negotiate favorable financial terms with networks; and (4) the affiliation agreements contain language that expressly acknowledges that affiliate stations have a right to reject programming in accordance with Commission rules.⁴⁸

Payola

"Payola" has been defined as "the bribing of disc jockeys to promote records,"⁴⁹ and generally refers to "the practice of paying money to people in exchange for playing a particular piece of music."⁵⁰ Payola and related practices are inconsistent with localism when they cause radio stations to air programming based on their financial stakes at the expense of their communities' needs.

In the 1960s, Congress outlawed direct payment in exchange for playing records unless the payment was disclosed. For example, section 507 of the Act states that "any employee of a radio station who accepts or agrees to accept from any person (other than such station), or any person (other than such station) who pays or agrees to pay such

⁴⁴ Petition for Inquiry into Network Practices (filed March 8, 2001) ("NASA Petition").

⁴⁵ Comment Sought on "Petition for Inquiry into Networked Practices" filed by Network Affiliated Stations Alliance, DA 01-1264 (rel. May 22, 2001).

⁴⁶ Motion for Declaratory Ruling (filed June 22, 2001).

⁴⁷ *Id.* at 11.

 $^{^{48}}$ See, e.g., Fox Comments at 7-9, 11-14, 24-27; NBC Comments at 6-8, 12, 15-18; Viacom Comments (on behalf of CBS) at 21, 27; Walt Disney Comments (on behalf of ABC) at 8, 13,15,24-27.

⁴⁹ American Heritage Dictionary 912 (1985).

⁵⁰ Future of Radio Music Coalition, Radio Deregulation: Has It Served Citizens and Musicians? at 79 (2002) ("FMC Radio Deregulation").

employee, any money, service or other valuable consideration for the broadcast of any matter over such station shall, in advance of such broadcast, disclose the fact of such acceptance or agreement to such station." When payola causes stations to broadcast programming based on their financial interests at the expense of community responsiveness, the practice is inconsistent with localism.

While laws such as section 507 of the Act curbed the incidence of payola for some time, commenters such as the Future of Music Coalition (FMC) suggested that "standard business practices employed by many broadcasters, record labels, and independent radio promoters result in . . . a de facto form of payola." As explained by FMC, the new practice involves "independent promoters" acting as a liaison between the radio stations and the record labels, so that the labels do not pay the stations in violation of current law. Radio stations establish exclusive relationships with the promoters, pursuant to which the promoters pay a fixed sum at regular intervals to the stations in exchange for first notice of new songs that the stations add to their playlists. In other words, record labels pay promoters to market their music, and promoters pay stations for access to their playlists. Because stations tend to play mostly records that the promoter has suggested, artists and record labels often must pay promoters when they wish to be considered for airplay on the stations. ⁵³

LPFM

In order to enhance the availability of community-responsive programming, the Commission has also created new broadcasting services, including low-power FM (LPFM) service which the Commission authorized in 2000.⁵⁴ LPFM stations are small noncommercial stations that may broadcast at a maximum power of 100 watts, which corresponds to a coverage area of approximately a 3.5 mile radius from the transmitter.⁵⁵ Eligibility for licenses is limited to local entities for the first two years that licenses are available for application.⁵⁶ In addition, in the case of mutually exclusive applications for LPFM stations, the Commission will grant the license to the applicant with the greatest number of points. Applicants that have had an established community presence for two years preceding their application⁵⁷ and that pledge "to originate locally at least eight hours of programming per day"⁵⁸ earn points in this comparative evaluation.

In 2000, Congress passed the Government of the District of Columbia Appropriations Act – FY 2001, which required the Commission to prescribe additional

⁵¹ 47 U.S.C. § 507. See also 47 C.F.R. § 73.4180.

⁵² FMC Radio Deregulation, at 79.

⁵³ Id.

⁵⁴ Creation of Low Power Radio Service, 15 FCC Rcd 2205 (1999).

⁵⁵ *Id.* at 2211, ¶ 13.

⁵⁶ 47 C.F.R. at § 73.853(b).

⁵⁷ *Id.* § 73.872(b)(1).

⁵⁸ *Id.* § 73.872(b)(3).

channel spacing requirements for LPFM stations, and thus provide existing FM stations greater interference protections.⁵⁹ This effectively limited the number of LPFM stations that can fit within the FM band plan. Congress instructed the Commission to conduct an experimental program, however, to evaluate whether LPFM stations would interfere with existing FM stations if the LPFM stations were not subject to the additional channel spacing requirements. The Commission selected an independent third-party, the MITRE Corporation, to conduct the field tests. MITRE recently submitted a report to the Commission, on which it is currently seeking comment.⁶⁰ After the close of the comment period and evaluation of the information received, the Commission is required to submit a report to Congress, including its "recommendations to the Congress to reduce or eliminate the minimum separations for third-adjacent channels."

Media Ownership and Localism

The Commission sought comment on broadcasting localism during the 2002 biennial review of its structural broadcast ownership rules. Through comments, the public voiced concerns that broadcast stations may be failing to meet the needs of their local communities. At a recent U.S. Senate Commerce Committee hearing on this issue, Committee Chairman John McCain stated in his opening remarks: "This Committee has spent considerable time examining and debating the role of ownership limitations to achieve public interest goals. . . Today's hearing is to consider whether Congress should use *other* means to achieve these goals, such as putting 'teeth' in the public interest standard."

Chairman Powell's Localism in Broadcasting Initiative

On August 20, 2003, Chairman Michael Powell announced his Localism in Broadcasting initiative, which included the formation of the Localism Task Force to "advise the Commission on steps it can take and, if warranted, will make legislative recommendations to Congress that would strengthen localism in broadcasting." Powell emphasized the distinction between the Commission's media ownership rules, and its behavioral rules that are better tailored to promote localism:

It is important to understand that ownership rules have always been, at best, imprecise tools for achieving policy

⁵⁹ D.C. Appropriations - FY 2001, Pub. L. No. 106-553, § 632, 114 Stat. 2762, 2762-A-111 (2000).

⁶⁰ Public Notice, Comment Sought on the Mitre Corporation's Technical Report, "Experimental Measurements of the Third-Adjacent-Channel Impacts of Low-Power FM Stations," DA 03-2277 (July 11, 2003).

See 2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules adopted Pursuant to Section 202 of the Telecommunications Act of 1996, Cross-Ownership of Broadcast Stations and Newspapers, Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets, Definition of Radio Markets, 17 FCC Rcd 18503 (2002).

⁶² Statment of Hon. John McCain, Chairman, U.S. Senate Commerce Committee, available at http://commerce.senate.gov/hearings/testimony.cfm?id=874&wit_id=2447 (emphasis added).

⁶³ FCC Chairman Powell Launches "Localism in Broadcasting" Initiative, News Release, Aug. 20, 2003.

goals like localism. That is why the FCC has historically sought more direct ways of promoting localism in broadcasting. These include things such as public interest obligations, license renewals, and protecting the rights of local stations to make programming decisions for their communities.⁶⁴

As part of the localism initiative, Powell announced the upcoming release of a Notice of Inquiry ("NOI") that will operate in conjunction with the work of the Localism Task Force. The NOI will seek comment on Commission rules and procedures aimed at promoting localism, and will ask, among other things, whether various rules continue to work effectively and whether they should be changed or supplemented. The inquiry will address longstanding issues including license renewals, network-affiliate rules, and newer issues such as "voice tracking" on radio. The record developed from this NOI, in conjunction with the research of the Localism Task Force, will provide the Commission with a basis on which to comprehensively advance localism on broadcast television and radio.

⁶⁴ *Id*.