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FCC PROPOSES CHANGES IN DEFINING COMMERCIAL RADIO MARKETS

The FCC is seeking comment on whether and how it should modify its existing definition of radio markets and the methods it uses in counting radio stations for purposes of applying its ownership rules.

In a Notice of Proposed Rulemaking adopted on December 6, the Commission said that its current method of defining a radio market based on “mutually overlapping” signal contours and of counting stations based on overlapping signal contours has sometimes led to results that are at odds with commercial market definitions and economic reality. For example, it cited a transaction in Wichita, Kansas where the FCC signal contour method produced a market with 52 commercial radio stations which would allow a single group owner to have up to 8 stations, but where commonly used commercial market classifications, such as Arbitron, defined the same market area as including only 24 stations which would have limited that owner to only 6 stations.

The Commission asked for comments on a series of alternative station-counting methods.

It suggested eliminating its current market definitions and instead relying on a commercially determined market definition service, such as Arbitron. The Commission said these market definitions attempt to accurately reflect the location of a station’s listeners and the identity of stations that are actually perceived by advertisers to be in a market.

The Commission noted that nearly 80% of the nation’s population is included in the approximately 850 counties in the United States included in Arbitron markets. However, it asked for comments on how under this system it would determine the dimensions of markets for stations in the approximately 2250 counties not located in Arbitron markets. It also asked for comments on what the effect on FCC determinations would be when the commercial market services make changes in its market definitions.

Alternatively, the Commission suggested that it could retain the current “mutual overlap” method of defining a geographic radio market, but revise the standard for determining how many stations are in the market and how many of these stations a particular owner is deemed to own.

Under the current system, the number of stations in a market is determined by counting all stations whose principal signal contours overlap to any degree the principal signal contours of any station whose contours define the market. However, in determining how many stations a particular licensee owns in the market, the FCC only counts stations whose principal signal contours mutually overlap. In other words, for purposes of ascertaining compliance with the numerical station limits, by a given party, the FCC counts only those stations whose contours overlap the area which the contours of all of the stations that define the markets have in common.

The Commission asked for comment on a number of alternative counting methods, including:

- * counting against an applicant's ownership allowance any station it owned in a market that was included in determining how many stations were in the market,

- * excluding from the count of the number of stations in a market, any stations owned by an applicant except the commonly owned stations that form the market,

- * counting as being in a market only those stations whose principal community contours overlap or intersect the overlap area of the principal city contours of the stations whose ownership is to be merged, or

- * counting only those stations that overlap a certain percentage of the contour of one or more mutually overlapping station.

The Commission said it did not propose to apply any counting methodology changes retroactively to any existing ownership combinations, and that as a general matter it would continue to process applications under existing standards unless and until they are changed in this proceeding.

Action by the Commission December 6, 2000, by Notice of Proposed Rulemaking (FCC 00-427) Chairman Kennard, Ness and Tristani, Commissioners Furchtgott-Roth and Powell concurring, and all Commissioners issuing separate statements.

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