

**KEYNOTE ADDRESS OF FCC COMMISSIONER AJIT PAI
AT THE NORTH AMERICAN BROADCASTERS ASSOCIATION'S
SYMPOSIUM ON THE FUTURE OF RADIO & AUDIO**

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I was excited to receive your invitation to come to Toronto and give this morning's keynote address. You see, for me, this is a homecoming of sorts. When I was four, my family lived right here in the 416. I confess that I don't remember much of my time here. But I'm reliably informed that we lived near the Ontario Science Centre, which I insisted on visiting every chance I got. I went to preschool in Don Mills. And my dad worked not far from here, at the Hospital for Sick Children. Right after *Star Wars* debuted in May 1977, we moved to Vancouver and then to the United States, and I haven't been back since. Until now, that is—in galactic lingo, you might say, it's the belated Return of the Pai.

A lot has changed in the intervening four decades. The Blue Jays and Raptors burst onto the local sports scene. Late-night comedians in the United States started paying more attention to Toronto city politics than anyone would have thought possible back in the 1970s. And the city has become much more diverse. When my parents came to Canada, less than 15% of the city's population belonged to a visible minority group. Today, about half do. And around one-third of Torontonians are of Asian descent, including Ontario's distinguished Commissioner on the Canadian Radio-television and Telecommunications Commission, Raj Shoaan.

But much has also stayed the same. No matter the team's performance on the ice, the Maple Leafs remain the number one team in the hearts of most Toronto sports fans. This city is still the economic and media capital of Canada. It is still cold in the winter, as evidenced by today's weather. And most importantly, the True North remains strong, free, and the United States' closest ally.

Over-the-air radio in Toronto also remains vibrant. I had a chance to see that firsthand yesterday when I visited CFTR(AM), 680 News. 680 News provides Torontonians with news 24 hours a day, seven days a week. And with a daily audience of over 600,000 and a weekly reach of over 1.3 million, 680 News is one of the most-listened-to AM stations in North America. So if anyone ever tells you that AM radio doesn't have a future, just point them to 680 News. But more on the AM band later.

Today's symposium will address the future of radio in a country with a rich radio tradition. The first scheduled radio program *in the world* was broadcast by XWA in Montreal on May 20, 1920. It was a concert by vocalist Dorothy Lutton. She sang from the Marconi Wireless Telegraph Company's factory in Montreal. Among those listening was the Royal Society of Canada. Its members gathered in Ottawa at the Chateau Laurier Hotel for the broadcast. Canadian Prime Minister Sir Robert Borden and future Prime Minister Mackenzie King were both present. The concert was such a hit that many Canadians quickly lined up at stores to buy radios for their homes.

Sports also played an important role in radio's development. Hockey was to Canadian radio what baseball was to American radio. The iconic broadcast—Hockey Night in Canada—began as a radio program. In 1931, the Canada National Railway radio network began airing Maple Leafs games on Saturday nights. According to one estimate, the program debuted to an audience of 100,000. But by 1934, it was drawing 2.5 to 3 million listeners. Indeed, in 1934, a survey found that what was then called the General Motors Hockey Broadcast had a 74 market share in Montreal. That's an audience that any radio or television broadcaster would kill for today.

But Canadians soon discovered that radio was good for more than entertainment. The turning point was the Moose River Mine Disaster of 1936. When three men were trapped in a Nova Scotia gold mine 43 meters below ground, Canadian broadcaster J. Frank Willis went to the scene to report on the

event. He broadcast two-minute updates every half-hour for 56 straight hours in North America's first live 24-hour news event. When asked how he managed to do it, Willis responded: "You did without [sleep]. And you got your second wind, and then you got your third wind, and then you found yourself in a semi-comatic state. You were alert enough in certain ways, you could still do the old biz, you know, picking up any news that was going—but in the meantime, you were not physically that well." As a sleep-deprived parent of a toddler and an infant, I know how he feels, though for much more mundane reasons.

Willis's reports from the mine site became so popular that they were carried throughout the United States and the United Kingdom. 100 million people reportedly heard part of his coverage. Those broadcasts changed the perception of radio throughout North America. What had been thought of as a medium for entertainment also became a critical outlet for news reporting. That's probably why the Canadian Press in 1950 voted the Moose River Mine Disaster as Canada's top radio news story of the first half of the 20th century, beating out such events as D-Day and the Liberation of Paris.

Today, radio stations throughout North America are carrying on the legacy of J. Frank Willis. I've seen it firsthand during my travels as an FCC Commissioner. From WTOP in Washington, DC to KBRW to Barrow, Alaska, from KDKA in Pittsburgh, Pennsylvania to WTAW in College Station, Texas, and yesterday at CFTR right here in Toronto, local broadcasters remain committed to serving their communities and providing listeners with valuable news and information.

In my view, that spirit, more than anything else, accounts for radio's enduring popularity. But many people these days just don't seem to appreciate radio's influence and importance in the current media landscape. So let me mention a couple of statistics. Each week, over 91% of Canadians and Americans listen to terrestrial radio. Although we are living in the digital age, that's more people than those who go online. And in both countries, the average listener tunes in for over 14 hours a week. So to anyone who wonders why I've devoted a substantial amount of attention to radio during my tenure at the FCC, I have a simple two-word answer: radio matters.

First and foremost, radio matters during public safety emergencies. The very first section of the Communications Act in the United States stresses the importance of "promoting [the] safety of life and property through the use of wire and radio communication." And when disaster strikes, terrestrial radio plays a vital role in supplying people with the information they need to stay safe and begin recovery efforts.

When the power goes out, when the Internet goes down, and when wireless networks fail, you can still turn on your battery-powered radio and establish that critical connection to the outside world. Residents in the Northeastern United States found that out as Superstorm Sandy made landfall in the fall of 2012. Radio listenership in the New York City market jumped dramatically, with audiences skyrocketing by 367% along the Connecticut coast and 245% on Long Island. And just last month, as Winter Storm Juno approached the Northeast, New Jersey's Office of Emergency Management listed the three most important items to have in an "emergency kit": food, water, and a battery-operated radio.

The resilience of terrestrial radio is not the only reason why it is such a valuable resource during a public safety emergency. Local broadcasters' commitment to serving their communities also makes a critical difference. Consider the story of CHSL-FM. That station is located in Slave Lake, a small town of just under 7,000 people in northern Alberta—hence its nickname of Lake-FM. In May 2011, a devastating wildfire hit Slave Lake, and Lake-FM gave local residents continuous updates.

Lake-FM itself was eventually consumed by the wildfire, and the station burned to the ground. But the station's personnel didn't give up. Lake-FM continued to transmit vital information to listeners through Internet streaming and updates on the station's website. And Courtney Murphy, the station's news director, also called into a radio station in a nearby town in order to reach listeners in Slave Lake. Why did she keep going? Courtney explained, "I was just concerned about each and every person in

Slave Lake and I didn't even have time to think that the place I love and work was burned to ashes." The Slave Lake wildfire involved the largest evacuation in Alberta to date, and one-third of the town was destroyed. But because of committed first informers like Courtney Murphy, there were no casualties among Slave Lake residents.

Of course, radio just doesn't matter during emergencies. Radio is there each and every day, delivering local news, providing a forum to debate issues of the day, covering community events, and serving the needs of language minorities.

So there is little debate about radio's storied past and there shouldn't be any dispute about radio's present importance. But what about the topic of today's symposium? What about radio's future?

I, for one, believe that radio will continue to occupy a vital part of North America's media landscape. Those who believe that broadband will prove to be a substitute for broadcast, in my view, are fundamentally mistaken. I've said it many times before, and I'm sure that I will say it many times again: broadcast and broadband are complements, not substitutes.

That having been said, radio broadcasters do face some notable challenges as we head into the future, and I'd like to discuss a couple of those with you this morning.

Most pressing, in my view, are the problems facing the AM band. AM broadcasters confront the same basic difficulty in Canada as they do in the United States. Every day it seems harder to get a good AM signal, and we see the impact in the marketplace. In Canada, the decline in the number of AM stations has been especially dramatic, with many AM broadcasters converting to their facilities to FM. In both countries, AM listenership is down, and advertising revenue along with it. Today, the AM band accounts for only 10–20% of terrestrial radio listening.

That's why the FCC launched an AM Radio Revitalization Initiative in 2013. Our strategy is twofold. First, implement reforms to give short-term relief to AM broadcasters. We proposed a series of regulatory changes to help AM broadcasters address technical challenges, such as eliminating the ratchet rule, which stands in the way of AM stations improving their facilities. And we also proposed opening a window for AM broadcasters to obtain FM translators. In the United States, we've found that FM translators can deliver immediate and tangible help to AM broadcasters. It can be a bridge to the future as we work on long-term fixes for the AM band. But there just aren't enough of them to go around right now. So the Commission would like to give every AM station the opportunity to apply for its own FM translator.

Second, we are exploring ideas for solving the band's long-term challenges. For example, does all-digital transmission represent the future of AM radio? In the United States, the National Association of Broadcasters has been conducting all-digital AM tests. I have been following the results closely, and the initial signs are promising. Should we move to synchronous AM transmission systems? Essentially, that would involve improving AM signal quality through the use of small cells. I've met with many who have advocated these and other ideas over the course of the past couple of years, and I continue to keep an open mind.

AM revitalization is a cause with widespread support in the United States. Our initiative started under the leadership of Chairwoman Mignon Clyburn in October 2013 and had my complete support, even though we are from different political parties. The record contains nearly unanimous agreement with our short-term proposals from broadcasters, large and small, as well as civil rights groups who understand the importance of AM radio for minority broadcasters. Indeed, there has been no meaningful opposition. It's no secret that the FCC has been deeply divided on many key issues recently. AM revitalization is one area where we could come together to advance the common good. And now is the time to take concrete action because time isn't on the side of this grand old band.

But there's a more fundamental challenge to radio broadcasters in 2015. AM and FM stations face increased competition. In today's media marketplace, consumers have more choices than ever before, and that's certainly true when it comes to audio. Satellite radio, Pandora, Spotify, Rdio, Rhapsody, Slacker, iHeartRadio, the list goes on and on—and the alternatives I just mentioned didn't even exist a generation ago. Moreover, when it comes to the hunt for advertising dollars, the rise in competition isn't just from other sources of audio. A plethora of outlets for digital advertising are now available that didn't exist a decade ago.

Accompanying this rise in competition has been a profound change in consumer expectations. Consumers, especially younger ones, increasingly expect to hear their preferred content when they want on the device of their choosing. Broadcasters can no longer just sit back passively and expect their audience to come to them. Rather, to meet consumer demand, they need to be more aggressive, to package their content in different ways and deliver it through a variety of means. Internet streaming and podcasts are good examples of radio broadcasters reaching out to meet listeners where they are.

Mobile, of course, is a large part of where consumers are these days. In less than a decade, smartphones and tablets have gone from being something of a novelty item to indispensable parts of our daily lives. In particular, it seems as if most teenagers now have a mobile device surgically implanted into their bodies. And kids are getting started much younger. My three-year-old son, for example, can already skillfully navigate an iPad.

And where consumers go, advertising dollars will follow. A recent estimate saw mobile advertising growing quickly, from just 2.6% of total media advertising to 26.4% over just six years. Assuming that trend continues, a mobile strategy is a must for anyone counting on that revenue stream.

As a result, radio broadcasters are trying to figure out how best to reach mobile consumers. And that brings me to the issue of the FM chip. As you know, virtually every smartphone sold in North America today contains an FM chip. But unlike in Europe, that chip isn't activated in most phones. I find this perplexing. As a consumer, I would love to have the functionality of being able to listen to FM stations over the air through my smartphone.

Activating FM chips would have a public safety benefit as well. Last year, the head of our Federal Emergency Management Authority spoke about the benefits of having active FM chips in smartphones when disaster strikes. Without it, he said, if the wireless network goes down, "your smartphone becomes a brick."

As an FCC Commissioner, I also see this as a matter of smart spectrum policy. We are witnessing an explosion in mobile data use, and there is no end in sight. So in North America, wireless carriers, especially in urban areas, are in a constant battle to avoid network congestion. Among other things, they have an insatiable appetite for more spectrum. Last month, for example, the FCC concluded its most successful spectrum auction ever, garnering over \$40 billion for what we've called AWS-3 spectrum.

Given all of this, streaming FM stations on consumers' smartphones using cellular networks just doesn't make much sense. All of that data is unnecessarily using spectrum and contributing to network congestion when consumers instead could be using their phones to listen to that same content over the air with an active FM chip.

For these reasons, I'm glad that the market is beginning to move in that direction. In the United States, for example, Sprint offers a wide array of devices with activated FM chips. Virgin Mobile and Boost Mobile also provide this option. And last year, BlackBerry rolled out a software update that activated the FM chips in many of its smartphones.

Now, from time to time, there's been discussion about whether government should become involved in this issue by imposing a mandate upon wireless carriers to activate FM chips. And though my

position might disappoint some, I do not support such a mandate. As a strong supporter of the free market, I don't believe that it's the U.S. government's place to intervene in this area, especially given the robust competition we see between wireless carriers. If there is consumer demand for activating FM chips—and I believe that there is—I am optimistic that we will continue to see progress on this issue as a result of commercial negotiations and competitive pressure in the private marketplace.

So what, you might ask, is the government's role when it comes to radio? I thought that I would conclude my remarks with the perspective I've gained after two-and-a-half years on the job. Government certainly has a fundamental role to play when it comes to broadcasters' use of spectrum. We have to set rules of the road and enforce a licensing regime so that stations do not interfere with one another. We also must modernize our rules to keep up with the times. Obsolete regulations are barriers to improving service and increasing investment in the industry. For example, I've been an outspoken supporter of allowing radio stations and newspapers in the same market to do business together. This would help them lower upfront costs and allow them to distribute content over multiple platforms. Especially in smaller markets, this could be what helps them survive, if not thrive.

Government should also be on the side of innovation. We shouldn't stand in the way of technologies of the future. We should give the private sector ample room to engage in bold experimentation and permit those technical experiments to be made permanent when they prove themselves.

But at the same time, we must exercise an appropriate degree of caution when it comes to making across-the-board changes to the industry. Whenever possible, change should come from the bottom up rather than the top down. For example, Canada's unsuccessful attempt to transition AM and FM broadcasters to Digital Audio Broadcasting in the L-Band serves as a sober reminder that markets will not necessarily evolve as regulators envision.

Finally, when it comes to content, the government should take a hands-off approach. The government has no place in the newsroom or in a station's editorial decisions. Neither should regulators try to shape programming. The marketplace of ideas will always work better than government-managed debate, and radio broadcasters are in the best position to know what their audience wants to hear.

In 1936, J. Frank Willis didn't stay up for 56 straight hours during the Moose River Mine Disaster at the direction of a government regulator. Nor did the law require Courtney Murphy to continue reporting during the Slave Lake wildfire in 2011 after her station had burned down. No, Willis, Murphy, and countless other broadcasters have risen to the challenge during important events because of their determination, fortitude, and spirit of service.

And I have little doubt that radio in each of our countries will continue to deliver so long as regulators allow broadcasters to do what they do best. Strong AM and FM bands in Canada and the United States, well into the future? With all due respect to Tim Hortons, *that's* a real double-double!

Thank you for your kind invitation to join you this morning and best wishes for a successful symposium.