Radio Deregulation: Has It Served Citizens and Musicians?

A Report on the Effects of Radio Ownership Consolidation following the 1996 Telecommunications Act

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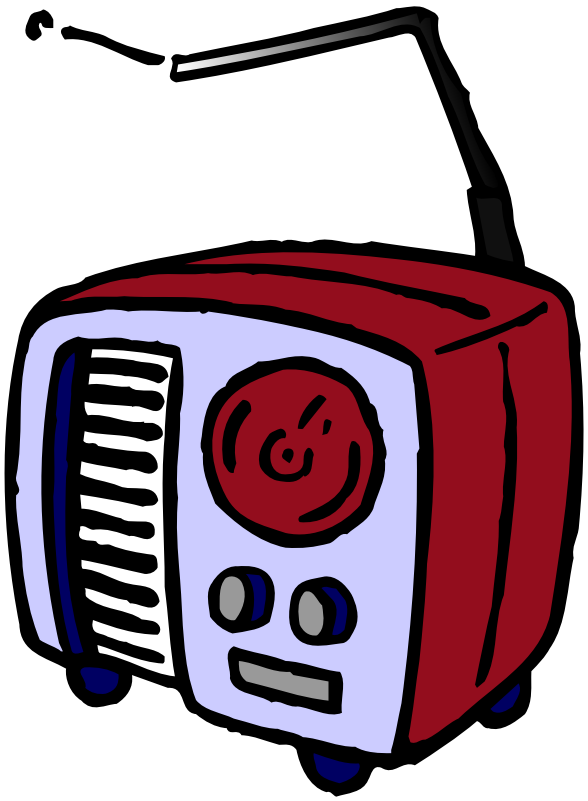

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Radio Deregulation: Has It Served Citizens and Musicians?

EXECUTIVE SUMMARY

This report is an historical, structural, statistical, and public survey analysis of the effects of the 1996 Telecommunications Act on musicians and citizens.

Each week, radio reaches nearly 95 percent of the U.S. population over the age of 12 (see Chapter 5, p. 69). But more importantly, radio uses a frequency spectrum owned, ultimately, by the American public. Because the federal government manages this spectrum on citizens' behalf, the Federal Communications Commission (FCC) has a clear mandate to enact policies that balance the rights of citizens with the legitimate interests of broadcasters.

Radio has changed drastically since the 1996 Telecommunications Act eliminated a cap on nationwide station ownership and increased the number of stations one entity could own in a single market. This legislation sparked an unprecedented period of ownership consolidation in the industry with significant and adverse effects on musicians and citizens.

What Did the Telecommunications Act of 1996 Aim to Accomplish?

The FCC is mandated by Congress to pursue the "core public interest concerns of promoting diversity and competition." [1] According to a 1996 speech by Reed Hundt, the FCC Chair who led the Commission during the Act's passage, the public had much to gain from the legislation:

> "We are fostering **innovation** and **competition** in radio. …The Commission's goal in this proceeding is to further competition, just as we seek to promote competition in other communications industries we regulate. But in our broadcast ownership rules we also seek to promote **diversity in programming** and **diversity in the viewpoints** expressed on this powerful medium that so shapes our culture." [2]
> [emphasis added]

1 FCC Notice of Proposed Rulemaking, November 8th, 2001.

2 "The Hard Road Ahead," Speech delivered by FCCChairman Reed Hundt, December 26, 1996. Appendix I of Patricia Aufderheide's, *Communications Policy and the Public Interest*, Guilford Press, 1999, p. 289.

This report supplies a comprehensive analysis of statistical radio industry data and a survey of public views on radio, raising serious concerns about the state of commercial radio. Deregulation has not met the aspirations and stated goals of Congress and the FCC.

Methodology for Statistical Analysis

Using data from BIA Financial Networks, we analyzed changes in the radio industry's structure from 1996 to 2002. We recorded the number of station acquisitions and the number of parent companies over time, and then focused on the holdings of the large parents. We estimated market shares nationwide using revenue estimates from BIA and Arbitron listenership estimates contained in the BIA database.

We also estimated market share by geographic market and programming format.[3] We used three classifications to categorize formats: two based on BIA data and one based on information from an established trade journal, *Radio and Records*. We employed two measures of choice in the radio programming available to consumers: “format variety,” which refers to changes in the number of formats available per market, and "format redundancy,” which refers to the phenomenon of one parent owning two or more stations with the same format, in the same market.

As one of the relevant labor forces in the radio industry, we studied the effects of deregulation on musicians. Using chart data from 1994, 1998, and 2002 published in *Radio and Records* and another industry publication, *Billboard Airplay Monitor*, we measured overlap in the songs played by different music formats. Also, using a classification method for record labels that we developed, we calculated the percentage of songs on the radio charts released by the recording industry’s six (now five) major label conglomerates.

Methodology for Public Opinion Survey

The Future of Music Coalition commissioned a public opinion survey to measure citizens’ satisfaction with commercial radio. From May 13, 2002 to May 20, 2002, Behavior Research Center, a private research firm, conducted in-depth telephone interviews with a random sample of 500 respondents throughout the U.S., aged 14 years or older. The survey asked respondents fifteen questions about radio designed to measure listening habits and opinions on available programming and their views on issues such as radio station ownership and “pay-for-play” practices.

Based on data from the total sample, one can say with 95 percent confidence that the range of error attributable to sampling and other random effects is 4.5 percentage points.

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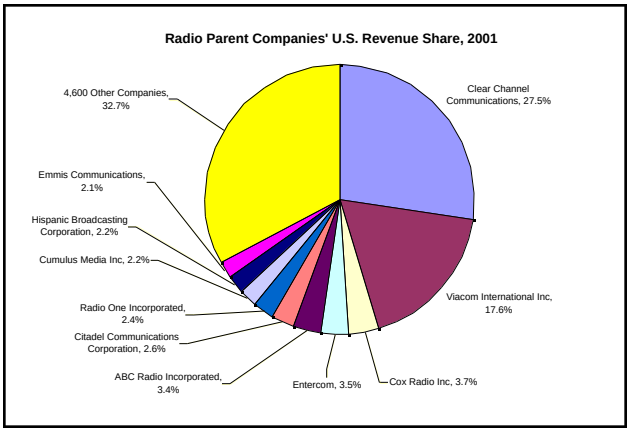
3 Formats – such as Top 40, Country, News, or Talk – describe the type of music, discussion, or information offered by radio stations.

Major Findings

EVIDENCE OF CONSOLIDATION

1. **Ten parent companies dominate the radio spectrum, radio listenership and radio revenues.** Deregulation has allowed a few large radio companies to swallow many of the small ones. Together these ten parent companies control two-thirds of both listeners and revenue nationwide. Two parent companies in particular, Clear Channel and Viacom, control 42 percent of listeners and 45 percent of industry revenues (see Chapter 3, pp. 24-25).



2. **Consolidation is particularly extreme in the case of Clear Channel**. Since passage of the 1996 Telecommunications Act, Clear Channel has grown from 40 stations to 1,240 stations -- 30 times more than congressional regulation previously allowed. No potential competitor owns even one-quarter the number of Clear Channel stations. With over 100 million listeners, Clear Channel reaches over one-third of the U.S. population (see Chapter 3, p. 24).

3. **Oligopolies control almost every geographic market.** Virtually every geographic market is dominated by four firms controlling 70 percent of market share or greater. In smaller markets, consolidation is more extreme. The largest four firms in most small markets control 90 percent of market share or more. These companies are sometimes regional or national station groups and not locally owned (see Chapter 3, pp. 31-35).

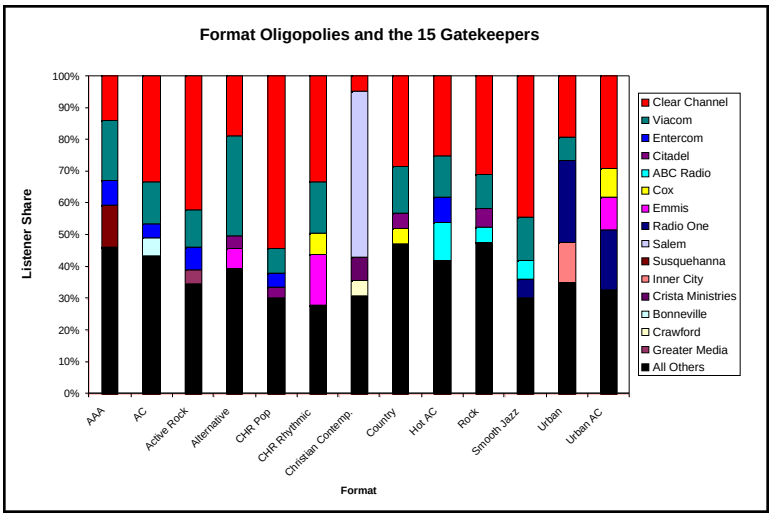
4. **Virtually every music format is controlled by an oligopoly**. In 28 of the 30 major music formats, nationwide, four companies or fewer control over 50 percent of listeners (see Chapter 3, pp. 36-39).

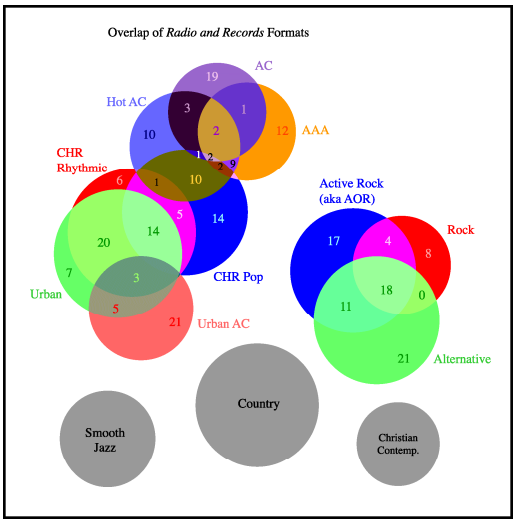
EFFECTS OF CONSOLIDATION

5. **A small number of companies control the news Americans hear on the radio**. Four parent companies control two-thirds of the nation's News format listeners. Two such firms, Viacom and Disney's ABC Radio, also control major television networks (see Chapter 3, p. 38).

6. **Format consolidation leads to fewer gatekeepers**. A small number of companies control what music is played on specific formats. Coupled with a broad trend toward shorter playlists, this creates few opportunities for musicians to get on the radio. Further, overwhelming consolidation of these formats deprives citizens the opportunity to hear a wide range of music (See Chapter 4, pp. 61-63).

7. **Increased format variety does not ensure increased programming diversity**. From 1996 to 2000, format variety – the average number of formats available in each geographic market – increased in both large and small markets (see Chapter 3, p. 44-45). Yet format variety is not equivalent to true diversity in programming. Formats with different names have similar playlists. Analyzing data from charts in *Radio and Records* and *Billboard Airplay Monitor*, revealed considerable format homogeneity – playlist overlap between supposedly distinct formats: as much as 76 percent (see Chapter 4, p. 56). Furthermore, radio companies regularly operate two or more stations with the same format in the same geographic market. Such format redundancy undermines a common economic assumption that station owners with multiple stations in a market would program differently, in order to avoid competing against themselves. We found 561 instances of format redundancy nationwide, amounting to massive missed opportunities for format variety, which might in turn enhance programming diversity (see Chapter 3, p. 50).





8. **A "twin bottleneck" limits musicians' access to radio**. Radio's oligopolies interact with a five-company recording industry oligopoly, hurting musicians and citizens. Eighty to 100 percent of radio charts are dominated by songs released by the five (previously six) major label conglomerates. This "twin bottleneck" makes access to the airwaves even more difficult for musicians – and reduces choice for citizens (see Chapter 4, pp. 63-67).

CITIZENS' VIEWS ON RADIO AND CONSOLIDATION

9. **Radio reaches a large portion of adults on a weekly basis, but time spent listening is at a 27-year low**. In September 2002, Duncan's American Radio reported that the "average persons rating" – the percentage of the U.S. population listening to the radio in any average quarter hour – has experienced a near-17 percent drop in listening over the last 13 years.

10. **Citizens favor preservation of independent and locally owned stations**. Eighty percent of survey respondents support action to prevent further consolidation. Thirty-eight percent would go

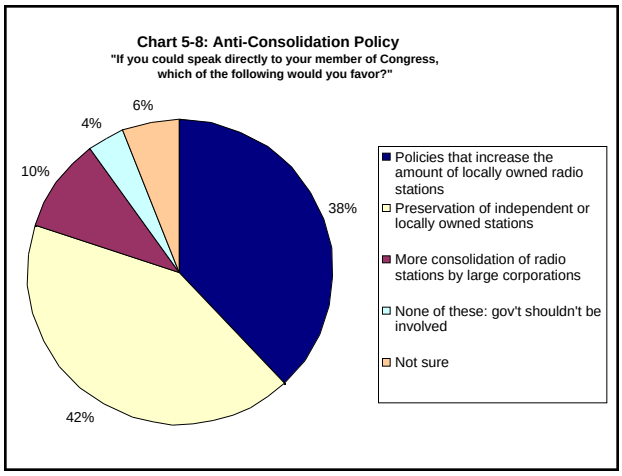
a step further, supporting congressional action that encourages more local ownership of radio stations (see Chapter 5, p. 81-82).

11. **Radio listeners want less advertising**. Industry wide, the amount of advertising per hour has grown significantly over the last several years. A 2000 study found that advertising "clutter" had increased six percent nationwide in 1999, though by 2000 the amount of ads had leveled off. [4] When asked about the quantity of ads, 60 percent of survey respondents said that radio has too much advertising (see Chapter 5, p. 85).

12. **Radio listeners want to hear a wider range of music that includes local musicians**. Twenty-five percent of survey respondents said they hear too little of the music they like; 38 percent said that local artists are underexposed on the radio (See Chapter 5, p. 85).

13. **Radio listeners want longer playlists with more variety**. Seventy-eight percent of those surveyed would rather hear programming from a longer playlist – one with more songs – than from a shorter one. Fifty-two percent of those surveyed said that less repetition, more new music, or more local acts would most make radio more appealing (See Chapter 5, pp. 76-77).

14. **Citizens support action to stop "indie" promotion**. Sixty-eight percent of those surveyed support congressional involvement to curb the use of payola-like systems that use third parties to let record companies pay radio stations for airplay (see Chapter 5, pp. 80-81).



15. **Citizens support efforts to grow low power FM radio**. Seventy-five percent of survey respondents said they would welcome low power radio stations into their communities (see Chapter 5, p. 82-84).

Conclusions

The radical deregulation of the radio industry allowed by the Telecommunications Act of 1996 has not benefited the public or musicians. Instead, it has led to less competition, fewer viewpoints, and less diversity in programming. Deregulation has damaged radio as a public resource.

This research makes an overwhelming case that market consolidation intended by the act does not serve the diverse needs of Americans citizens. Substantial ethnic, regional and economic

4 "Study Finds Fewer Ads on Radio," *Billboard Magazine*, May 5, 2001 and Kathryn Kranhold, "Advertising on Radio Increases 6%; San Francisco area sees 20% Rise", *Asian Wall Street Journal*, April 13, 2000.

5 Comments at the Conference of the National Association of Broadcasters, September 13th, 2002.

populations are not provided the service to which they are entitled. The public is not satisfied and possible economic efficiencies of industry consolidation are not being passed on to the public in the form of improved local service.

In September 2002, the FCC announced a period of open review of the current ownership rules, suggesting it may consider further deregulation of the radio industry. FCC Chairman Michael Powell described this as "the most comprehensive undertaking in the area of media ownership in the commission's history." We welcome this review period and offer these findings to the debate as cautionary data. "Open review" should not imply open season for increased corporate media control. Facilitating continued consolidation will speed the unfolding tragedy of our rapidly closing public airwaves. The FMC sincerely believes that deregulation should not receive a further endorsement from Congress or the FCC.

About the Future of Music Coalition

The Future of Music Coalition is a Washington, DC-based not-for-profit collaboration between members of the music, technology, public policy and intellectual property law communities. The FMC seeks to educate media organizations, policymakers and the public about music/technology issues while bringing together diverse voices to develop creative solutions to challenges in this space. The FMC also aims to identify and promote innovative business models that will help musicians and citizens benefit from new technologies.

About the Primary Authors

Kristin Thomson is a community organizer, social policy researcher, entrepreneur and musician. After graduating with a BA in Sociology from Colorado College in 1989, Kristin moved to Washington, DC where she worked for two years as a national action organizer for the National Organization for Women. She left NOW in 1992 to make a full-time commitment to Simple Machines, an independent record label she co-ran with Jenny Toomey. In 2001, Kristin graduated with a Masters in Urban Affairs and Public Policy from the University of Delaware. Currently, she manages research projects for the FMC and works for the DC-based public relations firm Bracy Tucker Brown.

Peter DiCola is a graduate student pursuing a law degree and a PhD in economics at the University of Michigan in Ann Arbor. His research interests include labor economics, public finance, industrial organization, and intellectual property law. Peter's interest in the radio and music industries began at college, where he spent a year booking independent rock, jazz and electronic music at the Terrace Club in Princeton, NJ. He also worked as a DJ at WPRB-Princeton for three years. Before entering graduate school, Peter was a consultant with Mercer Management Consulting in Chicago. His projects there involved organizational design and statistical survey research. Peter joined the FMC in 2000 to study the effects of technological change on the musicians' labor market. He currently serves as Director of Economic Analysis for the FMC in addition to his graduate studies.

Introduction
The Parable of the Public Park

Imagine the most beautiful park America ever saw – a national treasure, complete with hills to climb, gardens to explore, and paths to walk. The park also featured a fishing pond, a ball field, and a playground. From sunrise to sunset, all members of the community – young and old, poor and rich – came to the park's green fields to engage in a huge variety of activities. One family had a picnic while a group of friends went roller-skating. Coeds sunbathed while elderly couples chatted in the shade of umbrellas. Some people cheered pick up games of basketball while others met to discuss community issues. Elsewhere, people read quietly or napped alone among the trees. The park was the place to be. Citizens, businesses, landscape architects, and government planners had worked together to design it. The public – all its diverse groups – loved the park and used it so consistently it became the community's meeting place.

With so much foot traffic, vendors set up carts near the park to offer snacks and drinks. Artists began to sell their wares. Souvenir shops sold t-shirts and trinkets. In the park's early days a balance was preserved between citizens and vendors. The park had a rule that each vendor could only sell from a few carts or tables. At first, everyone could live with the rule. But as time went on, more and more citizens and vendors used the park every day. They needed a new plan for organization and maintenance. Eventually, the vendors complained of losing money – the chaos hurt their businesses.

After some thought, the government decided to remove the limit on carts and tables. Instead they divided the park into quadrants. The vendors would control each quadrant in exchange for maintaining the park. The government assumed that the vendors would organize the park wisely, responding to their customers' concerns. The citizens were too large a group to run the park efficiently, and the government didn't want to manage it for them. The new system seemed to work for a while. The vendors maintained the park and offered services to citizens. Citizens used the park for the same mix of social activities. But soon things started to change. Some vendors had more success than others. The successful ones grew, taking advantage of their size to cut costs and attract customers. As sales increased the vendors had an overwhelming desire to control more and more of the park. They bought out the unsuccessful vendors. Soon only a few remained. They qualified as corporations now, selling from many carts and tables at once.

These were heady days for the corporations. They were selling tons of hotdogs and t-shirts. One corporation noticed that more people were buying hot dogs and t-shirts at the softball games than at the tennis courts. Recognizing the opportunity to make more money, they dug

up the tennis courts and made more softball fields. Another corporation noticed the first corporation's success with this strategy. They decided to level their picnic area to make space for more lucrative softball fields and hot dog stands. Now that citizens couldn't bring their own food to the picnic area they would buy even more hot dogs. Citizens hadn't been paying all the expense for maintaining the picnic areas anyway; now they'd go without picnics in the park. Within a couple of years most of the green areas of the park were transformed to softball fields and hot dog stands.

All this worked out great for the folks who liked softball. Everywhere you looked there were bases and batting cages. You could also find a hot dog really easily. But fewer people came to the park for the other activities they had enjoyed. The park had no more tennis courts, green fields, jogging trails, trees, fishponds or picnic areas. It had no art except the designs on t-shirts and no food besides hot dogs. Many people forgot how they had used the park. They sought out other environments. Picnickers moved to street cafes, tennis players joined gyms. People removed themselves from the site of democratic and social interaction that the park had once been.

Our once-beautiful public park is radio in 2002.

Chapter 1
The Radio Consolidation Research Project

Radio, in the words of media scholar Robert McChesney, is "the quintessential people's medium".[1] A public asset that has been managed on citizens' behalf by the Federal Communications Commission since 1934, radio is fundamentally inexpensive to produce and receive, allows for "real-time" communication in a regional area without regard to economic or literacy constraints, and can offer a wide range of news, entertainment, and discussion to a broad swath of the American public. Even faced with competition from television, the Internet and print media, radio reaches 95 percent of American adults every week.[2] But recently the most democratic and diverse of all media has changed.

Why has radio changed? Why has it gone from diverse to bland, from democratic to concentrated? Why have elements of American culture like jazz, bluegrass, zydeco, and blues, as well as classical and opera, been driven from the commercial airwaves? Why do so many stations play the same set of songs? Why does radio – a medium that for decades cherished concepts of live and local – sound the same regardless of where you travel in the country? Why has one company been permitted to grow from owning 40 stations to over 1,220 stations in under a decade? Why has the federal government stymied non-commercial alternatives to commercial stations, particularly Low Power FM and webcasting? Why has almost every market in the country seen articles in their local press complaining about the state of radio in their community? Where should we begin?

The critical event that changed radio was the passage of the Telecommunications Act of 1996. Broadcasters successfully lobbied Congress to both eliminate national ownership caps and increase the number of stations one company could own in a specific market. An unprecedented land grab followed, as in our parable. Of the approximately 11,000 stations in the country, over 2,100 stations changed hands in 1996 alone.[3] In short, deregulation has brought sweeping change to the radio industry. In this report, we study the effects of deregulation on the radio industry itself, on musicians, and on citizens.

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[1] Robert McChesney, "Forward: Radio and the Responsibility of Radio Scholars," *Journal of Radio Studies*, Vol. 8, No. 2, 2001, v.

[2] Arbitron, "2001 Radio Today: How America Listens to Radio," 3.

[3] Mark Fratrik, "Radio Transactions 2001: Where Did All The Deals Go?" BIA Financial Networks, 2002, 8.

Research Goals

The goal of this research project is to analyze the impact of recent legislative and policy changes in relation to radio on three groups of stakeholders; the radio industry, musicians, and the general public.

There are three major components to this research project. First, the study analyzes existing information and data collected by federal agencies, radio and music industry analysts, trade organizations, researchers and journalists to provide a comprehensive picture of the radio industry both before and after the passage of the 1996 Telecommunications Act. This will allow us to answer two research questions; first, whether there has been a consolidation of radio station ownership in the past ten years and, if so, what the effect of radio station consolidation has been on the radio industry.

Second, we are interested in cataloging the effects of radio consolidation on musicians and artists. We have conducted an analysis of radio charts in three selected genres over the past ten years. In particular we are interested in exploring whether the opportunities for commercial radio play have changed over the past ten years, and whether musicians have been assisted or harmed as a result of deregulation.

Finally, we are interested in understanding the effects of radio consolidation on the public. To that end we drafted and conducted a nationwide telephone survey to poll the public about its opinions about and satisfaction with commercial radio in the United States.

Methodology for Statistical Analysis

Using data from BIA Financial Networks, we analyzed changes in the radio industry's structure from 1996 to 2002. We recorded the number of station acquisitions and the number of parent companies over time, and then focused on the holdings of the large parents. We estimated market shares nationwide using revenue estimates from BIA and Arbitron listenership estimates contained in the BIA database.

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Based on data from the total sample, one can say with 95 percent confidence that the range of error attributable to sampling and other random effects is 4.5 percentage points.

Limitations on Research

The FMC recognizes that there are some limitations on this research. We hesitate to draw a direct causal relationship between the deregulatory efforts that occurred in 1992 and 1996 and specific effects on musicians and citizens, but we are confident in concluding that the dramatic shifts in the radio landscape over the past ten years have had a noticeable impact. Second, the FMC's ability to conduct a comprehensive analysis has been limited by access to accurate and reliable data, especially in regard to data collected on commercial radio airplay and retail record sales. We discuss how this limitation affects our conclusions as it applies in upcoming chapters.

Organization of Report

This report is divided into six chapters. This chapter provides an introduction to the project, including a statement of the research goals, questions, and limitations. Chapter 2 offers a brief history of radio and its regulation, as well as a summary of current policies and outcomes. Chapter 3 presents a detailed analysis of current industry data, outlining the effects of market consolidation on the radio industry. Chapter 4 moves on to focus on the impact of consolidation on musicians, with a discussion about the interplay between the radio and music industries. Chapter 5 presents the findings of a public opinion survey that the FMC commissioned that asks citizens' satisfaction with commercial radio. Chapter 6 summarizes our findings and provides recommendations to policymakers and points to areas for further research.

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In 2001 Kristin received a Masters in Urban Affairs and Public Policy from the University of Delaware. During her graduate program she was a recipient of a School of Urban Affairs and Public Policy Fellowship, and the Urban Affairs Association Award that recognized her thesis, *The Internet as an Agent of Change*, as a valuable contribution to the body of usable social knowledge. Currently, Kristin manages research projects for the FMC and works for the DC-based public relations firm Bracy Tucker Brown.

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Peter joined the FMC in 2000 to study the effects of technological change on the musicians' labor market. In 2001 he received a grant from the Olin Center for Law and Economics to study compulsory licenses for sound recordings and how such licenses would affect consumers and musicians. He currently serves as Director of Economic Analysis for the FMC in addition to his graduate studies.

Chapter 2
The Regulation of Radio

Chapter 2 is a short history of radio and its regulation. After describing the theoretical, political and economic forces that led to the creation of the Federal Communications Commission in 1934, we will review the shifting economic and theoretical debates that led to the passage of the Telecommunications Act of 1996 and its subsequent outcomes for radio.

A Brief History of Radio and Its Regulation

Radio's history begins at the turn of the 20th century. Initially envisioned and developed as a "wireless telegraph", radios and broadcasting fascinated the American public. By 1908, amateur enthusiasts were able to purchase a kit to build their own inexpensive crystal radio set, and many spent hours tinkering and scanning the airwaves for other broadcasters. In the first decade of the 20th century, estimates on the number of amateur operators were as high as several hundred thousand. Schools set up wireless clubs, and hobbyists from distant places became friends through frequent communication.

Following World War I, popular interest in radio flourished. RCA entered the business of manufacturing home radio receivers selling $83 million in their first three years. Meanwhile, hundreds of broadcasting enthusiasts established their own local radio stations. The vast majority of these were nonprofit stations, typically associated with a college or university. According to a 1926 AT&T survey, less than 5 percent of U.S. radio stations at the time were commercially operated.[1] That changed quickly and, by 1930, revenue from advertising on commercial radio reached $100 million.

As interest in radio continued to increase in the late 1920s, the federal government came under pressure to establish order over the spectrum. Congress responded with the Radio Act of 1927. The Act articulated the fact that the spectrum was a limited public resource, and empowered the Federal Radio Commission (FRC) as a temporary body in charge of allocating and managing the public spectrum.

The Act also determined that the spectrum would be managed according to a "trusteeship" model. Broadcasters received fixed-term, renewable licenses that gave them exclusive use of a small slice of the spectrum for free. In exchange broadcasters were required to serve the "public interest, convenience and necessity."

[1] Robert McChesney, *Rich Media, Poor Democracy*, (New York: New Press, 2000), 192.

What is the "Public Interest?"

While the 1927 Radio Act provided structure and oversight to the public spectrum, it failed to clearly define the "public interest," generating serious debate. At face value, the words "public interest" suggest that legislators wanted broadcasters to use the spectrum to meet a social need; requiring broadcasters to deliver programming and information that would benefit the American public, even if that programming was not *economically* beneficial to the commercial broadcaster.

Most noncommercial broadcasters – who equated serving the public interest with meeting a social need – assumed the FRC would favor nonprofit organizations over commercial enterprises in the allocation of licenses. However, the interpretation of the public interest favored by legislators in the late 1920s was quite different. By their definition, government merely had a responsibility to create conditions under which healthy businesses could grow and serve the broadest range of consumers. Regulation was designed to give large-scale businesses an opportunity to operate under very stable conditions. If this interpretation were to lead to monopolies and cartels, the negative consequences of concentrated power were dismissed in an effort to cultivate a developing industry that could serve the public. [2]

Despite the populist ring of the words "public interest," legislators in the 1920s believed commercial entities could meet the needs of consumers. But even decades later, the term "public interest" continues to spark debate. "It has been the notorious fudge factor in the FCC's rule making over the years," notes Patricia Aufderheide. "Failure to serve the public interest has been a stick with which to beat recalcitrant operators; it has been a modesty curtain behind which entire changes of regulatory ideology have taken place; it has been the favorite invocation of every stakeholder in the regulatory process."[3]

Historical Limits on Ownership

Knowing that the 1927 Radio Act was only a temporary measure, both commercial and nonprofit broadcasters pushed hard for policy reforms from 1928 to 1934. Nonprofits pressed legislators to reserve a portion of the spectrum for noncommercial and educational interests, often pointing to England's BBC as a successful example of radio managed by the federal government. Commercial interests argued that only capitalist broadcasters should answer the needs of the public, in response to free market consumer choices. They also suggested that, as a result, the nonprofits had no other compelling interest to broadcast than to spread "propaganda."[4]

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[2] Patricia Aufderheide, *Communications Policy and the Public Interest*, (New York: Guilford Press, 2001), 13.

[3] Ibid.

[4] Robert McChesney, "The Battle for the US Airwaves, 1928-1935," *Journal of Communication* 40, no. 4 (Autumn 1990): 34.

After seven years of debate, the Radio Act of 1927 was replaced by the Communications Act of 1934. The Act established the Federal Communications Commission (FCC) as the permanent regulatory body for the public spectrum. Preserving core language from the 1927 Act, the 1934 Act maintained that the fundamental requirement of broadcast stations was to operate in the "public interest, convenience, and necessity." The Act also established boundaries with respect to the First Amendment, declaring that the FCC could exert no control over radio content. "No regulation or condition shall be promulgated or fixed by the Commission which shall interfere with the right of free speech by means of radio communication," it said, unless the station broadcast 'obscene, indecent or profane language'".[5]

The 1934 Act also established two characteristics of particular importance to radio broadcasting: localism and diversity in programming.[6] To achieve these two goals a number of conditions were placed on broadcast license applicants. First, regulators had ultimate control over the number of stations that could be on the air. Second, the government set limits on the number of stations any one person or corporation could control.

While these rules were touted as an effort to promote localism and diversity of viewpoints, there was an unspoken reason for them as well; they gave government a check on broadcasters' potential monopoly power. "Legislators feared," Nina Huntemann writes, "that monopoly or near-monopoly control would stifle diversity and squelch any democratic capability."[7] Thus, the fear of monopoly power provided the basis for the initial regulatory limits on ownership, the importance of localism, and the emphasis on diversity in programming.

The Communications Act of 1934 was a crucial piece of legislation. Not only did it lead to the creation of the FCC, it established theoretical constructs that guided management of the radio spectrum for more than 50 years. Congress embraced the commercial application of the trusteeship model, reflecting an underlying belief that commercial broadcasters would serve the public interest through the pressures of capitalist market forces. But regulators also maintained control over the use of broadcast licenses through requirements regarding localism and diversity in programming, and restrictions on the number of stations a particular entity could own.

Although changes were made to limits on ownership and FCC regulatory control in years hence, the Communications Act remained essentially intact until it was thoroughly overhauled in 1996. But why was it overhauled at all?

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[5] Communications Act of 1934, Title III Section 306
http://showcase.netins.net/web/akline/1934act.htm (accessed online August 28, 2002).

[6] Benjamin Bates and Todd Chambers, "The Economic Basis for Radio Deregulation," *Journal of Media Economics*, 12:1 (1999), 22.

[7] Nina Huntemann, "Corporate Interference: The Commercialization and Concentration of Radio Post the 1996 Telecommunications Act," *Journal of Communication Inquiry* 23:4 (October 1999), 394.

Changes in the Regulatory Landscape

During the 1970s, three separate conditions began to influence policymakers. First, an ideological shift during the Carter era led the federal government to question the effectiveness of regulation in general. At the urging of economists and industry, government began to deregulate a number of sectors, including the airline and telephone industries. The economic rationale was simple; in a capitalist marketplace, industries self-regulated in response to market forces. If they did not serve customers adequately, either they improved their business to meet customer demands, or competitors stepped in to provide attractive options. Removing regulation, which economists said often protected poorly performing businesses from legitimate market forces, would encourage more valid competition in each sector's marketplace.

Second, an FCC rule change in the early 1980s increased the number of stations that could operate on the spectrum, which led to a significant rise in the number of broadcast stations on the air.

Table 2-1: Number of Radio Stations in the US, 1970-1990 [8]

Year	AM	FM	FM Educ	TOTAL
1970	4,323	2,196		6,519
1980	4,589	3,282		7,871
1990	4,978	4,357	1,435	10,770
2000	4,685	5,892	2,140	12,717

This increase led to two additional arguments that undercut the fundamental rationale for regulation. First, the sheer volume of stations and owners on the air led the broadcast industry to declare that sufficient competition existed to an extent that radio could regulate itself.[9]

Second, the broadcast industry took advantage of its growth to argue that, if ownership regulations were relaxed, program diversity would rise.[11] That theory was based on an argument made by economist Peter O. Steiner in 1952. Steiner hypothesized that a single owner with multiple stations in a local market would provide more program diversity in a given market than would five separate owners. Steiner suggested that a single station owner

[8] "Broadcast Station Totals," Federal Communications Commission, Audio Services Division. http://www.fcc.gov/mmb/asd/totals/ (accessed April 21, 2002).

[9] Bates and Chambers, 23.

[10] Ibid.

[11] Ibid., 24.

would be less inclined to program to compete for the same batch of listeners. Thus, he surmised, the local owner would program his stations to appeal to a variety of different listeners. [12]

Benjamin Bates and Todd Chambers explain how commercial broadcasters used this argument to promote deregulation. "The marketplace theory held that an increase in the number of stations promoted service to narrower segments of the community and that the competition for audience would ensure that audiences interests were served".[13] In other words, increased competition was expected to promote diversity in programming as new stations would naturally cater to specific niche markets in order to gain the greatest audience share.

But this rationale put a twist on the definition of "diversity." Until 1981, the FCC required stations to vary its programming each week, including establishing time for community affairs programs and opposing voices. After a rule change in 1981, however, diversity was defined merely by the number of stations. "True diversity, it was argued, was achieved through a multiplicity of sources, rather than within each source".[14] According to the marketplace theory, diversity would be measured by the number of choices that the public had in local radio stations, not on whether each station provided diverse programming.[15]

There was a third element at work as well; the overall financial health of the radio industry. In the early 1990s a study by the FCC's Mass Media Bureau found that increased competition from cable and broadcast television and hundreds of new FM stations that had been authorized by the FCC during the 1980s had made half of the radio stations unprofitable. The study indicated that, from 1989 to 1990, AM station profits had dropped 50 percent while FM station profits had fallen 33 percent.[16] Even though the radio industry returned to profitability by the mid-1990s, commercial broadcasters used this bleak period to argue that existing regulations on ownership kept them from taking advantage of economies of scale. Radio station owners argued that if they were allowed to buy a few more stations they could spread their fixed costs over more holdings, and that relaxing ownership caps would make this possible.[17]

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[12] Christopher Sterling. "Radio and the Telecommunications Act of 1996: An Initial Assessment," *Journal of Radio Studies*, IV (1997), 5.

[13] Bates and Chambers, 23.

[14] Ibid, 24.

[15] Ibid.

[16] Federal Communications Commission, "Radio Multiple Ownership Rules," 1992 noted in Bruce Drushel, "The Telecommunications Act of 1996 and Radio Market Structure," *Journal of Media Economics*, 11:3 (1998), 4.

[17] Drushel, 4-5.

These elements – overall government interest in deregulation, an increase in the number of stations and the economic health of the radio industry – became the bedrock of the argument for deregulation.

But not everybody agreed. Critics of deregulation countered that the broadcasters' rationale was flimsy. They said that, because radio competition is more of a local issue than a national one, growing the number of stations nationwide would not necessarily ensure competition. Additionally, critics argued that even a radio landscape with boosted competition would not ensure owners would act in the public interest. Even if economic arguments for deregulation proved valid, regulation could prove useful to ensure that the social values of radio – promoting diversity and serving the public interest – were adequately met.[18]

Deregulation Begins

By the 1980s, radio regulation abandoned the trusteeship model it had employed for most of the 20th century as commercial licensees pushed for less regulation and greater reliance on the power of the free market to determine winners and losers.

The change in regulatory theory began in 1981 when an FCC Report and Order loosened national ownership restrictions. The FCC argued that local and national ownership limits were preventing radio station owners from sustaining and growing their businesses. The industry had persuaded both Congress and the FCC that the relevant market for radio was the local market and that there would be no particular economic harm from allowing geographically dispersed radio stations to be owned by the same owners.[19] Consequently, the FCC gradually raised the ceiling on the number of stations a particular owner could control nationwide; from 7 AM and 7 FM in 1953, to 12 AM and12 FM in 1984, to 18 AM and 18 FM in 1992, to 20 AM and 20 FM in 1994. At the local level, owners remained restricted to one station per band.[20]

Still, broadcasters pressed for even fewer restrictions. Broadcasters argued that they faced new threats: competition from cable and the Internet. They wanted local ownership caps lifted so they could take advantage of economies of scale. They claimed that the ability to consolidate would be their only bulwark against these competitive pressures. "Broadcasters… argue[d] that the days of free over-the-air broadcasting [were] over if the Commission [did] not further reduce or eliminate its multiple ownership rules," writes Levi.[21]

[18] Bates and Chambers, 21.

[19] Lili Levi, "Reflections on the FCC's Recent Approach to Structural Regulation of the Electronic Mass Media," *Federal Communications Law Journal*, Vol. 52 (April 2000), 586.

[20] Local caps were raised from one station to two stations per band (AM or FM) in 1992.

[21] Ibid., 595.

The relaxation of rules would not threaten diversity and competition, proponents said, so long as those principles were evaluated within the context of all media.[22] In 1996, commercial broadcasters got what they wanted.

Telecommunications Act of 1996: Key Components

The Telecommunications Act of 1996 provided the first major overhaul to media communication policy since the creation of the FCC in 1934. The stated goal of the Act was to eliminate the artificial regulatory barriers that prevented marketplace competition from providing consumers with innovative and competitively priced communication services.[23]

For radio, the most sweeping amendments in the 1996 Telecom Act were changes to the number of stations an owner could control, both locally and nationally. The national cap was eliminated entirely and local ownership rules were relaxed, allowing a single entity to control up to eight stations in the nation's largest markets.

Table 2-2: Local Radio Station Ownership Rules According to the 1996 Telecom Act

In a market with…	A single entity can control…
…45 or more stations	…up to 8, no more than 5 in same band (AM or FM)
…30-44 stations	…up to 7, no more than 4 in same band
…15-29 stations	…up to 6, no more than 4 in same band
…14 or fewer stations	…up to 5, no more than 3 in same band

Note: in no case can a single owner control more than half the stations in the market

This was a windfall for some station owners, in particular those with enough capital to acquire as many stations as possible without violating local ownership rules. Within a month of Telecom Act's passage, two radio groups had acquired 52 and 46 stations respectively, more than twice the previous national limits.[24] By the end of 1996, 2,157 stations had changed hands.[25]

While the relaxation of ownership caps is the most cited policy amendment – and clearly the change with the most tangible results – there are two other components of the 1996 Telecom Act that are important to acknowledge.

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[22] Ibid.

[23] Other Act provisions eliminated rate control on cable TV services, allowed local phone companies to enter the long distance marketplace and let cable companies get into the phone business. Drushel, 3.

[24] Sterling, 4.

[25] Mark Fratrik, "Radio Transactions 2001: Where Did All The Deals Go?" BIA Financial Networks, 2002, Figure 2, 8.

First, the station license term was lengthened. The new law amended Section 307(c) of the 1934 Act to lengthen a radio station's license term from seven to eight years. Prior to 1981, licenses were good for three years. Second, license renewal guidelines were amended. While previously radio broadcasters regularly engaged in costly legal battles to protect their licenses during renewal periods, the new law effectively guaranteed FCC license renewal so long as: "(a) the station has served the public interest, convenience, and necessity; (b) there have been no serious rule violations; and (c) the licensee has committed 'no other violations' of the Telecom Act of FCC rules 'which taken together, would constitute a pattern of abuse.'[26]

This new subsection shifted the renewal process from one where competitors could challenge existing stations to one where stations were virtually guaranteed renewal. Just as profound was the ineffectual process now available to challengers. If the existing licensee failed to meet the broad standards, the FCC could issue an order denying renewal. Only then could challengers file a competing application. Thus, no challenging applicant could even be considered until and unless the FCC declined to renew an existing applicant, even if the challenging applicant could better serve the public interest.[27]

The 1996 amendments to license renewal laws virtually ruled out the possibility of licensees being challenged by competitors on the grounds of their public behavior. "The assured renewal and virtual lapse of ownership restrictions… have raised concerns among the relatively few remaining 'public interest' critics of commercial radio," notes Sterling, "who argue the changes put broadcast owners beyond the reach of listeners or the FCC."[28]

Predictions about the Effects of the Telecommunications Act of 1996

Even before President Clinton signed the Telecommunications Act into law on February 6, 1996, numerous predictions were made regarding its effect on the radio industry.

Fewer Owners

Industry analysts predicted that the number of individual radio station owners would decrease. Those in the industry with enough capital would begin to snatch up valuable but under-performing stations in many markets – big and small.

Greater Financial Benefits for Radio

Station owners, given the ability to purchase more stations both locally and nationally, would benefit from economies of scale. Radio runs on many fixed costs; equipment, operations and staffing costs are the same whether broadcasting, to one person or 1 million. Owners knew

[26] Sterling, 2.

[27] Ibid., 3.

[28] Ibid., 6.

that if they could control more than one station in a market, they could consolidate operations and reduce fixed expenses. Lower costs would mean increased profit potential.

More Competitive Marketplace

More financially sound radio stations would be able to compete more effectively against new media competitors: cable TV and the Internet.

More Diversity

Applying Steiner's hypothesis, increased ownership consolidation on the local level would lead to an increase in the number of radio format choices available to the listening public. A single owner with multiple stations in a local market would provide more programming diversity in a given market than would five separate owners.

What Really Happened

Six years have passed since the Telecom Act, enough time to evaluate early predictions and note actual outcomes for the radio industry, musicians and citizens.

More Stations, Fewer Owners

One prediction came true: the 1996 Act opened the floodgates for ownership consolidation to occur. From March 1996 to March 2002 the number of commercial stations increased by 5.6 percent – rising from 10,257 to 10,807 – while the number of owners declined by 33 percent – from 5,133 to 3,408.[29] Over the same period the size and holdings of a number of the largest station group owners increased drastically. In 1996, the two largest group owners had fewer than 65 stations each. As detailed in Chapter 3, the two largest current owners – Clear Channel and Viacom/Infinity – control over 1,200 and 180 stations, respectively. Today's top ten station owners control over 2,200 stations nationwide, reaching approximately 65 percent of available listeners and control about 67 percent of the radio revenue.

Benefits From Economies of Scale Aren't for Everyone

Only the few radio station owners with enough capital to buy additional stations have benefited from deregulation. Station owners have consolidated their operations on a local level, frequently running a number of stations out of a single building, sharing a single advertising staff, technicians and on-air talent. In some cases, radio station groups have further reduced costs by eliminating the local component almost entirely. Using satellite feeds and regional content managers, some stations consist simply of a broadcast tower and a

[29] George Williams and Scott Roberts, "Radio Industry Review 2002: Trends in Ownership, Format, and Finance," Media Ownership Working Group Paper #11, Federal Communications Commission, September 2002, Appendix A. http://www.fcc.gov/ownership/studies.html (accessed October 2, 2002).

part-time technician who controls feeds from regional or national offices, rebroadcasting them to local audiences. These group owners are benefiting from economies of scale, but what are the drawbacks? Local DJs and program directors are being replaced by regional directors or even by voice-tracked or syndicated programming, explaining a marked decrease in the number of people employed in the radio industry. Listeners are losing as well. With an emphasis on cost-cutting and an effort to move decision-making out of the hands of local station staff, much of radio has become bland and formulaic.[30]

As we describe in Chapters 3, 4 and 5, this emphasis on bottom-line programming may have made some stations more profitable, but the reduction in localism and programming diversity have had a negative impact on the industry, musicians and citizens.

Less Regulation Has Not Lead to Greater Market Competition

The economic argument for the need for increased competition in the radio industry is specious. Prior to 1996, radio was among the least concentrated and most economically competitive of the media industries. In 1990, no company owned more than 14 of the 10,000 stations nationwide, with no more than two in a single local market.[31] But as detailed in Chapter 3, local markets have consolidated to the point that just four major radio groups control about 50 percent of the total listener audience and revenue. Clearly, deregulation has r*educed* competition in the radio industry in an important sense.

More Diversity?

Our results raise questions about Steiner's theory. As we will discuss at length in Chapter 3, format variety has increased, but in many cases this increase is superficial. Further, in conflict with Steiner's theory we found that in many markets individual station owners operate multiple stations that compete directly for a specific niche of listeners. This format redundancy has led to over 600 missed opportunities for more diversity on the air.

[30] See the following articles for more information about voice-tracking, loss of localism, and regional-based programming: Anna Mathews, "Think Your DJ is Local? Think Again." *Wall Street Journal*, February 25, 2002. Randy Dotinga, "Good Morning [Your Town Here]," *Wired.com*, August 6, 2002. http://www.wired.com/news/business/0,1367,54037,00.html . Denny Lee, "Disc Jockeys Are Resisting Taking the Local Out of Local Radio," *New York Times*, August 25, 2002. Eric Boehlert, "Radio's Big Bully," *Salon.com*, April 30, 2001, http://www.salon.com/ent/feature/2001/04/30/clear_channel/index.html. Greg Kot, "Rocking Radio's World," *Chicago Tribune*, April 14, 2002. Jeff Leeds, "Clear Channel: An Empire Built on Deregulation," *Los Angeles Times*, February 25, 2002. Todd Spencer, "Radio Killed the Radio Star," *Salon.com*, October 1, 2002 http://www.salon.com/tech/feature/2002/10/01/nab/print.html
Dale Smith, "Hello Honolulu and Amarillo, my Austin Secret is… I'm Your DJ," *Austin American-Statesman*, July 22, 1999.

[31] Drushel, 4.

Summary

The regulatory history of radio in the United States laid a foundation for our questions regarding the effect of the Telecommunications Act of 1996 on citizens and musicians.

Even in the beginning, radio was regulated to cultivate a commercial broadcast industry that could grow to serve the greatest number of Americans possible. As the decades have passed, calls for deregulation have come most from incumbent broadcasters interested in lifting local and national ownership caps building protections against the competitive pressures of other media.

While the effects of deregulation have been widely studied and discussed, scrutiny is focused on the profitability of the radio industry. The effect of increased corporate profitability on citizens is rarely, if ever, discussed.

Literature Review

Numerous research reports and journal articles published in the wake of the Telecommunications Act have informed the work included in this report. In some cases the literature examined economic and political theories that precluded deregulation, while in other cases the studies provided research models about the effects of deregulation that we modified and retested with current data.

Media scholar Robert McChesney's books *Telecommunications, Mass Media and Democracy* and *Rich Media, Poor Democracy* both illustrate the political, theoretical and historical forces that determined the character of the contemporary radio industry. Patricia Aufderheide's *Communications Policy and the Public Interest* provides a clear and detailed analysis of the problems with vague definitions of public interest, and the subsequent use of the term by all parties to strengthen their position in the policy debate surrounding the passage of the 1996 Telecom Act.

A 1999 paper published by Benjamin Bates and Todd Chambers outlines the economic rationale used to justify radio deregulation. The authors note the emergence of the marketplace model as the primary theoretical argument for deregulation, yet it was clear to them as early as 1999 that the 1996 Telecom Act had an opposite effect. "The initial results of the 1996 Act suggest that the radio market leaders are consolidating properties, raising advertising rates, and automating formats," they wrote. We revisit their conclusions in this report.

Nina Huntemann's work provides another analysis of the effects of the 1996 Act, in particular the impact on minority ownership, programming diversity and community radio. Her preliminary results, published in 1999, indicated a rapid decline in local music and news following passage of the Act. She found formats attracting desirable demographics were replacing formats that appealed to working-class, urban and non-white audiences. We

explored the issue of format variety and programming diversity at length in chapters three and four in an effort to further confirm Huntemann's findings.

In 2001, Steven Berry and Joel Waldfogel approached the topic of format variety from an economic perspective, publishing a paper that questioned whether mergers increased product variety. The authors concluded that consolidation reduced station entry in the marketplace and increased the number of formats available relative to the number of stations. We revisit Berry and Waldfogel's hypothesis, extending a data set used by the authors from 1997 to 2002. While their theory regarding the increase in the number of formats is still true, we posit that there is a difference between the number of formats available and true programming diversity.

Other scholars have focused on changes to the marketplace structure in the top 50 radio markets (Drushel) and the impact of ownership rules on smaller radio markets (Williams). These authors found that, even shortly after passage of the Act, many radio markets had transformed from competitive to oligopolistic. In smaller markets, the effects of deregulation were greatly magnified. In Chapter 3 of this report, we revisit those findings using current data.

Other researchers have examined the effects of deregulation on radio formats. Todd Wirth studied the top 14 radio formats to determine the extent to which a few radio station groups dominated particular music formats nationwide. Wirth found that, in spring 1999, 10 of the 14 most popular music formats were 50 percent controlled by four radio station groups, establishing "format oligopolies." We pushed this research further by using more current data and testing the theory using multiple definitions of music formats. As noted in Chapter 3, format oligopolies are even stronger now than in 1999.

Clearly there is a need for more thorough research about the effects of deregulation on the public. "Anecdotal evidence from various markets suggests that the restructuring of some markets has allowed some radio groups to monopolize audiences, raise advertising prices, and not serve the public interest," write Bates and Chambers. "Largely unstudied is the issue of how well audiences are served by radio and its programming." In the following chapters of this report we explore the effects of deregulation on musicians and citizens.

Chapter 3
The Radio Industry After Deregulation

The radio industry has changed drastically as a result of deregulation. This chapter documents the most important changes following passage of the Telecommunications Act of 1996 and suggests implications of these changes for the American public.

Much of our analysis used a database called Media Access Pro (Radio Version) which is maintained and sold by BIA Financial Networks (BIA). This comprehensive database includes information about every radio station in the U.S. We also used information on radio stations playlists from the industry trade journal *Radio and Records*. Data from BIA and *Radio and Records* are used by radio companies, stations, record labels, and companies that advertise on radio. But the same information from both sources can lead to analysis of interest to the public as well, as it did in the recent FCC Working Group studies of the radio industry.[1]

This chapter consists of three parts. **Part I: Ten Parent Companies Have Emerged to Control Radio** discusses how a few large companies have come to dominate the U.S. radio industry.

Part II: Almost Every Geographic Market and Radio Format Is an Oligopoly examines how geographic markets and programming formats (news, contemporary hit radio, Spanish language, etc.) are dominated by a small number of companies.

Part III: Format Variety Does Not Imply Programming Diversity examines format variety. We define format variety as the number of formats that the public in a given geographic market has to choose from. We distinguish between format variety and programming diversity, and introduce other concepts relevant to format variety: *faux-mat variety*, *format homogeneity*, and *format redundancy*.

[1] For an FCC study using BIA data, see George Williams and Scott Roberts, "Radio Industry Review 2002: Trends in Ownership, Format, and Finance," Media Ownership Working Group Paper #11, Federal Communications Commission, September 2002. For an FCC study using *Radio and Records* data, see George Williams, Keith Brown, and Peter Alexander, "Radio Market Structure and Music Diversity," Media Ownership Working Group Paper #9, Federal Communications Commission, September 2002. Both studies are available electronically at http://www.fcc.gov/ownership/studies.html (accessed October 1, 2002).

Part I: Ten Parent Companies Have Emerged to Control Radio

This chapter focuses on the most direct and immediate effects of deregulation on the radio industry. We begin by providing some context for the sweeping changes that the radio industry has seen in the last six years. Then we take a closer look at the parent companies that control radio. The major points made are these:

- Deregulation caused a huge increase in station acquisitions. Following deregulation, more radio stations have been bought and sold per year than ever before.
- The radio industry now features more stations and fewer owners than it did prior to deregulation.
- 21 parent companies each own more than 40 stations, the pre-1996 limit on nationwide station ownership.
- 10 large parent companies have emerged to dominate the nationwide industry. Together they control about two-thirds of both listeners and radio revenue nationwide.
- Two parent companies stand out above all others: Clear Channel and Viacom. Clear Channel enjoys a 27 percent share of listeners nationwide; Viacom owns a 15 percent share.
- Nationwide, radio has become an oligopoly as measured by revenue. Radio is very close to becoming an oligopoly as measured by listeners as well.
- Special dangers come with the existence of oligopoly power in radio. We list four major concerns: (1) less focus on consumers; (2) higher advertising prices; (3) concentrated control of information; and (4) less access and less leverage for musicians.
- Bigger might not be better for the radio companies themselves. Preliminary research suggests that larger companies aren't any more profitable than smaller companies. This casts doubt on a purported benefit of deregulation.

The public does not have access to information on the internal operations of radio companies. But we would like to have access to such data for the sake of determining the positive or negative effects of deregulation. We can't know directly whether radio companies are now taking advantage of economies of scale.[2] But we do know that some radio companies have become very large. Several companies have been busy growing, acquiring hundreds of stations, following the logic of economies of scale and seeking greater profitability with greater size.

We can know what consolidation looks like from the outside. A great deal of data about the structure of the radio industry is publicly available – or at least available for purchase like

[2] As we described in Chapter 2, Congress and the advocates of deregulation expected that radio companies would purchase more stations once the nationwide cap on ownership was eliminated and the local caps were raised. The Telecommunications Act sought to enhance the economic efficiency of the radio industry. Larger firms can spread out their costs and centralize operations. The gains from doing so are known as "economies of scale."

BIA's database. We begin our study with some big-picture observations on the U.S. radio industry before and after deregulation. Then we focus on the new large radio companies.

How Many Stations?

What was up for grabs after deregulation? Chart 3-1 shows that the number of stations in the U.S. continues to grow each year. The increase in the number of commercial FM stations has driven the increase in the total over the past decade. Put another way, this means that most of the new licenses granted by the FCC in recent years have been for commercial FM stations.[3]

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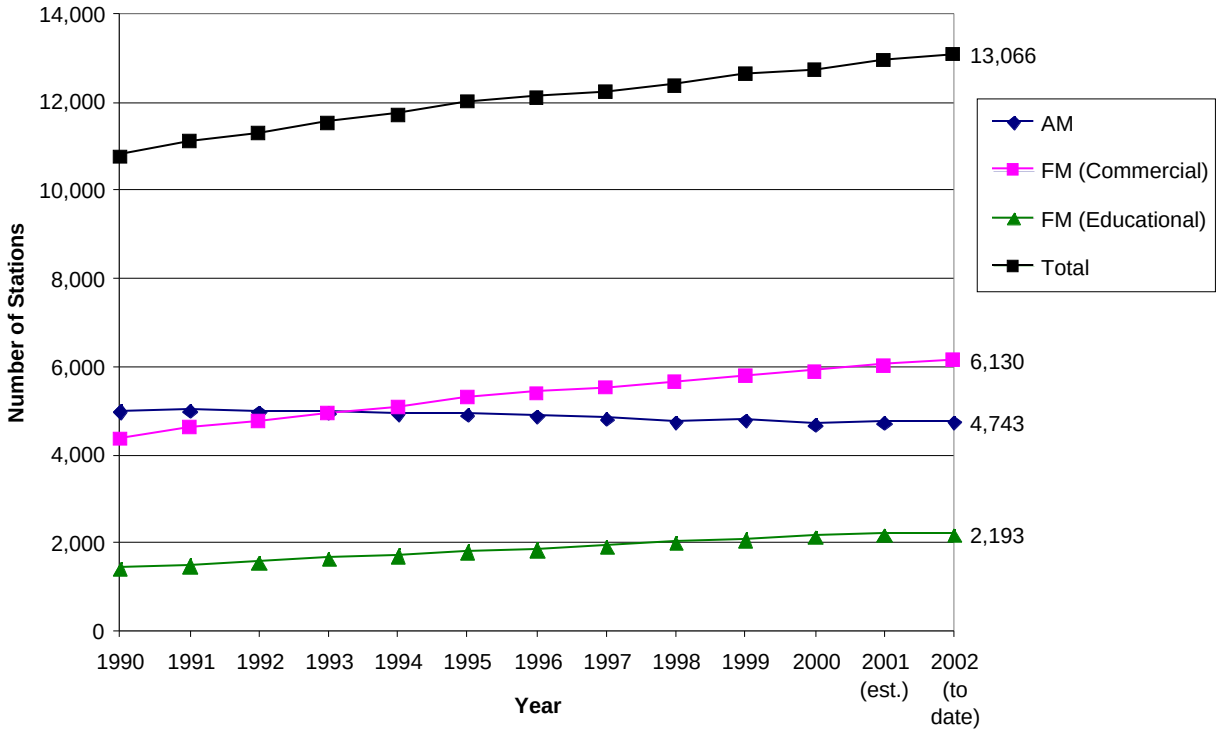
Chart 3-1: Number of U.S. Radio Stations 1990-2002



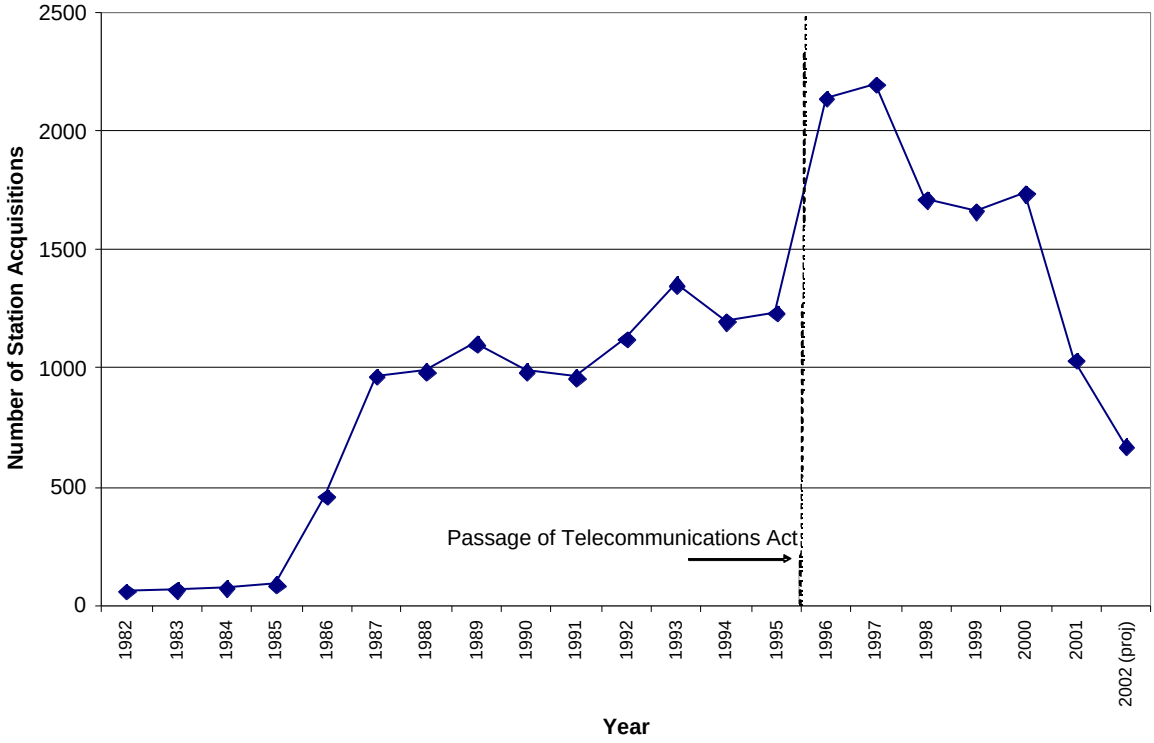
The U.S. currently has 13,066 licensed stations: 4,743 AM and 8,323 FM stations. There are 2,193 non-commercial (also known as public or educational) FM stations and 86 non-commercial AM stations. There are 10,787 commercial stations, including both AM and FM.

[3] Source data: Federal Communications Commission http://www.fcc.gov/mb/csrptpg.html (accessed August 27, 2002) and Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

The Spike in Acquisitions

We use the term "acquisitions" to refer to the number of radio stations changing hands through purchase, merger, swap, or other transfer, in a given year.[4] Acquisitions measure economic activity in the market for radio stations. They do not measure consolidation per se, but do suggest how quickly it has happened. Chart 3-2 plots the number of acquisitions per year over the last two decades.[5]

Chart 3-2: Acquisitions of Radio Stations 1982-2002



A considerable increase in station acquisitions occurred in 1996 following passage of the Telecommunications Act. The plot also shows the effect of Congress relaxing the cap on nationwide ownership in years prior to 1996 before removing it altogether in 1996. The increase in acquisitions beginning in 1986-1987 demonstrates the effect of gradual deregulation in the late 1980s.

[4] We calculate acquisitions at the station level. To illustrate: if one station is sold to a new owner, we count this as one acquisition. If a company owning five stations merges with a larger company (the surviving entity), this counts as five acquisitions. Thus, one transaction could count as more than one acquisition, depending on the number of stations involved. Our choice to use station level data maintains consistency throughout this study and keeps the focus on the communities of consumers, employees, and firms surrounding each station.

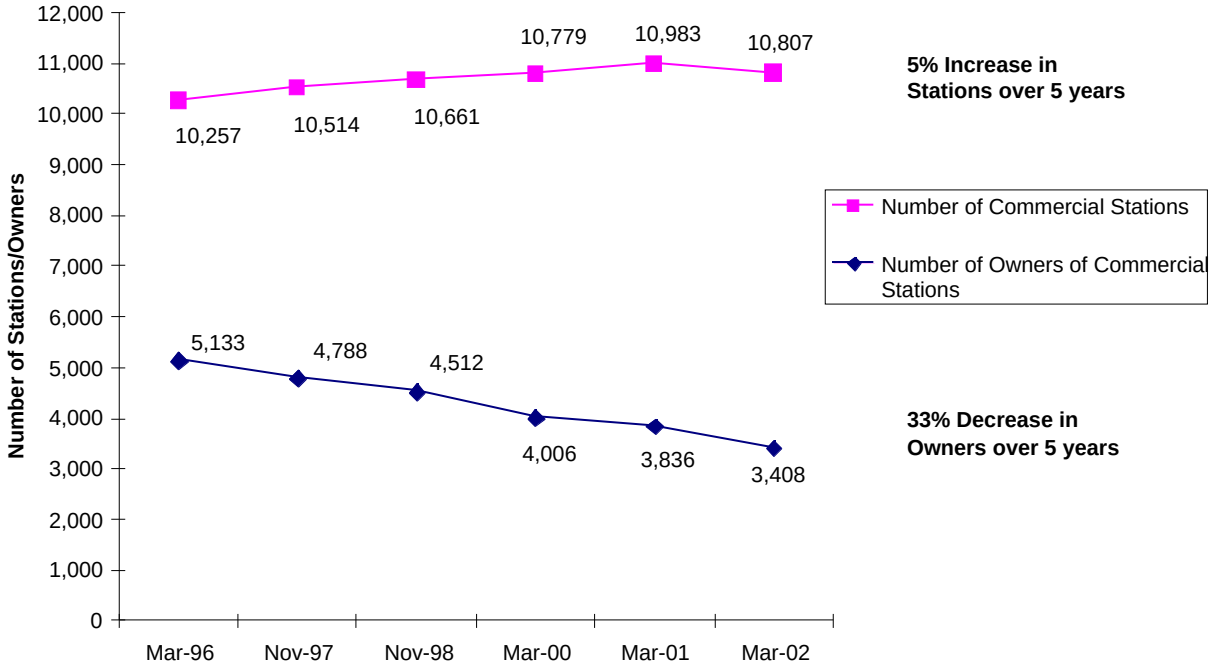
[5] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002. We report a pair of caveats about BIA's historical acquisition data. First, BIA does not guarantee that each station's transaction history is complete. While some transactions going back to the 1920s *are* captured in BIA's database, there may remain an undercollection problem for data previous to the late 1980s. Second, a maximum of eight historical transactions per station are maintained in the database. Only a handful of stations in the nationwide database hit this limit, so this seems unlikely to skew our results in Chart 3-1.

The number of acquisitions in 2001 shows a return to pre-Telecommunications Act levels of activity. The projected figure for 2002 represents a return to levels lower than any year since 1986.[6] The "shakeout" is close to complete in the radio industry.[7]

More Stations, Fewer Owners

The flurry of buying and selling following deregulation does not represent consolidation in and of itself. Instead of a few firms taking control of the industry, it might have been possible for thousands of stations to change hands among many small companies. However, the ownership of radio stations has consolidated considerably. Chart 3-3 shows the increase in the number of stations against the decrease in the number of owners.[8]

Chart 3-3: Commercial Stations vs. Owners 1996-2002



[6] A time delay on the collection and entry of acquisition data by BIA may exist. This would result in a projection for the number of 2002 acquisitions that was too low.

[7] We do not mean to imply that no further purchases or mergers could transpire. Many parent companies owning just one or two stations still exist. We merely use the term "shakeout" to reflect the fact that fewer purchases and merger are transpiring in 2001-2002.

[8] Source data: Federal Communications Commission, http://www.fcc.gov/mb/policy/radio.html (accessed August 27th, 2002), updated with Working Group Paper #11, cited at footnote 2. The decline in commercial stations from 2001 to 2002 is due to readjustments in BIA's classification of commercial vs. non-commercial stations.

While the number of stations has increased slightly, the number of commercial station owners has declined by over 1,700, a 33 percent decrease over five years. Fewer companies now have possession of more radio stations because consolidators have spent the last six years gaining greater control of the radio industry.

Focus on the Parent Companies

Some radio companies undertook bigger buying sprees than others, and now, a few companies own far more radio stations than others.

Radio stations have both licensed *owner* and *parent* companies. An *owner* is the company in whose name the station has been licensed with the FCC. Often, an owner will be a subsidiary of a larger conglomerate. A parent is that larger conglomerate holding company that may control one or more owners of radio stations. In cases where an owner is not controlled by a larger parent company, the owner and the parent are the same.

We focus on parent companies, not owners.[9] Because parent companies often operate more than one owner of radio stations, to measure consolidation it makes sense to count ownership at the top corporate level. If we didn't reflect the fact that those owners were part of the same conglomerate, we would understate the extent of consolidation. Also, the parent company is generally the source of corporate strategy; parent companies have final control and make key decisions. Last, parent companies are players in the larger media world. It's essential to pay attention to which multinational corporations own what businesses and what *sorts* of businesses to call attention to the larger context of consolidation.

For example, Infinity Broadcasting is a licensed owner of radio stations. The name Infinity is well known in radio circles. Viacom International, Inc. is the parent company of Infinity Broadcasting. Viacom owns the CBS television network, and the MTV, VH1, and BET cable networks, among many other media properties. This matters much to explain radio consolidation in the context of the broader, international media consolidation.

Meet the Parents

Which companies are the largest radio parents? Table 3-1 shows the number of stations owned by 21 parent companies that each owned more than 40 stations as of May 2002.[10] The

[9] One of the strengths of BIA's database is that it contains complete information about both parent companies and nominal owners for each station.

[10] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002. While the BIA database includes an aggregate figure for number of stations owned by each parent company, that statistic includes stations outside the 50 United States, so we have calculated our own figures from BIA's station-level data. Throughout this study, we exclude radio stations in Puerto Rico, the U.S. Virgin Islands, and Guam.

radio holdings of these exceed the national cap of 40 that existed prior to the Telecommunications Act of 1996.

Table 3-1: Station Ownership in May 2002

Parent Company	Number of U.S. Stations	% Above Previous Limit
Clear Channel Communications	1233	2983%
Cumulus Media Inc.	248	520%
Citadel Communications Corporation	206	415%
Viacom International Inc.	183	358%
Entercom	103	158%
American Family Association Inc	103	158%
Salem Communications Corporation	82	105%
Cox Radio Inc.	79	98%
Waitt Radio Inc.	73	83%
ABC Radio Inc. (Walt Disney Co.)[11]	64	60%
Radio One Inc.	64	60%
Saga Communications Inc.	62	55%
Regent Communications, Inc.	61	53%
NextMedia Group	56	40%
Hispanic Broadcasting Corporation	55	38%
Educational Media Foundation	54	35%
Entravision Communications Company LLC	53	33%
Forever Broadcasting Inc.	44	10%
Beasley Broadcast Group	43	8%
Triad Broadcasting Company	42	5%
Family Stations Inc.	42	5%

This group of parent companies has acquired over 2,600 radio stations since 1996, approximately 20 percent of all licensed stations in the U.S. [12] These companies now own a total of 2,950 stations nationwide.

Clear Channel Communications has accumulated more than 30 times the number of stations congressional regulation would previously have allowed. No competitor owns even one-quarter the number of Clear Channel stations. [13]

[11] ABC Radio Inc. is 80% owned by the Walt Disney Company; Hearst owns the other 20%. "The Big Ten," *The Nation*, January 7/14, 2002, p. 30 (fold-out chart).

[12] We calculated a figure of 2,614 stations acquired by determining the number of stations (owned by the 21 companies as of May 2002) that were last acquired between January 1996 and May 2002. Here we are counting *stations* based on their most recent acquisition date; we are not counting acquisitions. Thus, the figure does *not* reflect each station being acquired multiple times. We reiterate that some acquisitions may have occurred through mergers.

[13] In 1999, Clear Channel acquired all stations owned by AMFM Inc., the last major transaction resulting in today's parent company. Before that mega-merger, Clear Channel had merged with Jacor Communications in 1998. Also before that mega-merger, AMFM had changed its name (from Chancellor Media) after merging with Evergreen in 1997 and purchasing Capstar in 1998. Source: Media Access Pro, BIA Financial Networks.

The Top 10 Parents: Their Share of the Nationwide Market

Station ownership only begins the story of how a few parent companies have gained control of a large share of the radio market. Table 3-2 reports the Arbitron-rated[14] listenership for the Top 10 parent companies ranked by the number of listeners.[15]

Table 3-2: Top 10 Parents, Listeners and Listener Share, Winter 2002

Listener Rank	Parent Company	Arbitron Listeners (in Millions)	Nationwide Share of Listeners
1	Clear Channel	103.4	27.0%
2	Viacom	59.1	15.4%
3	Cox	13.2	3.5%
4	Entercom	13.1	3.4%
5	ABC Radio	12.6	3.3%
6	Radio One	11.3	2.9%
7	Emmis	10.6	2.8%
8	Citadel	10.5	2.7%
9	Hispanic Brdcstg.	8.7	2.3%
10	Cumulus	7.2	1.9%

The Top 10 parents own a 65 percent share of listeners across the country. Clear Channel is the largest player, with over a quarter of total listenership.[16] With over 100 million listeners, Clear Channel's radio stations reach over one-third of the U.S. population. Even with far fewer stations than Clear Channel, Viacom holds the number-two position with 60 million listeners with its holding of only 183 stations.

Radio stations receive the bulk of their revenue from advertisers; more than individual listeners, advertisers are the direct customers of today's radio firms. While advertisers base

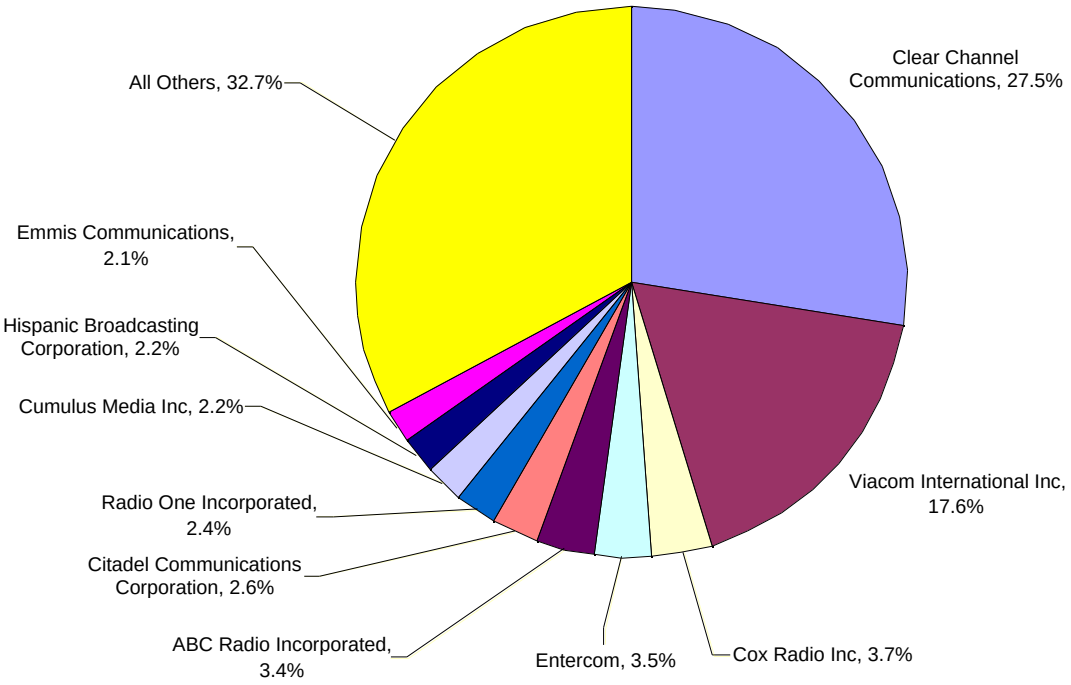
[14] The Arbitron Company conducts surveys of radio listenership, much like Nielsen conducts surveys of television viewership. They produce estimates of statistics such as number of listeners and ratings share, which appear in BIA's database. Arbitron identifies over 280 geographic markets (cities and metropolitan areas) in which it conducts surveys. These markets are ranked according to population, from New York City (#1) to Casper, Wyoming (#285). We regularly use and refer to these 280-plus "Arbitron-rated" markets in our analysis. These Arbitron-rated markets basically correspond to the Metropolitan Statistical Areas (MSAs) used by the federal government, with some adjustments based on industry practice and marketing considerations. For more information on Arbitron and its methodology see http://www.arbitron.com/downloads/purplebook.pdf (accessed September 22, 2002).

[15] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002. The statistic for listeners is known in the radio industry as "Metro Cume Listeners." Generally speaking, the BIA database has metro cume listener figures only for stations in the Top 289 Arbitron-rated markets. Many stations with religious formats do not appear to report listenership or revenue figures to BIA.

[16] One individual can be counted by Arbitron as a listener for more than one station. The "metro cume listeners" statistic is defined as the number of different listeners who tune in for a minimum of 5 minutes within a 15-minute period during some part of the day measured by Arbitron. Clarification from Donna Grigsby, BIA Financial Networks, personal communication, May 22, 2002. See also the Arbitron documentation cited in Footnote 10.

their placement decisions partly on listenership and ratings, meaning that revenue and listenership are highly correlated, other factors inform their advertising decisions as well, making revenue figures worth observing.

Chart 3-4: Parents' U.S. Revenue Share, 2001



Consolidation has paid off for the top parents. Chart 3-4 shows the industry's "revenue pie."[17] Clear Channel's revenue share nearly equals the share controlled by over 4,600 other parent companies taken together.

Table 3-3: Top 10 Parents, Revenue and Revenue Share, 2001

Revenue Rank	Parent Company	Revenue (in $Millions)	Nationwide Revenue Share
1	Clear Channel	$3,250	27.5%
2	Viacom	$2,081	17.6%
3	Cox	$431	3.7%
4	Entercom	$408	3.5%
5	ABC Radio	$404	3.4%
6	Citadel	$313	2.6%
7	Radio One	$288	2.4%
8	Cumulus	$260	2.2%
9	Hispanic Broadcasting	$256	2.2%
10	Emmis	$251	2.1%

[17] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

Table 3-3 shows the Top 10 parents' revenue and revenue share.[18] Together, the Top 10 collect 67 percent of the radio industry's revenue. Clear Channel (over $3 billion in revenue from radio) and Viacom (over $2 billion) are the market leaders.

A Nationwide Radio Oligopoly

With respect to listenership, the radio industry is now very close to becoming an oligopoly. With respect to revenue, it already is one.[19] Oligopolies concern economists and policy makers because they may have *market power*, that is, the power to influence prices on their own. In a competitive market, companies can only charge what the market will bear, where supply meets demand. In an oligopolistic market, companies have more freedom to make their pricing decisions. Prices and profits might be higher, quantity or quality might be lower, and consumers might be less well off.[20]

Another common concern with oligopolies is that companies might collude, working together to keep prices high and quantity low. When this happens, the oligopoly is known as a cartel. This could result in an even worse situation for consumers. Consider the power of the OPEC oil cartel over its international customers. But companies in an oligopoly don't have to collude to harm consumers. They could tacitly agree to keep prices high or quantity low, based on historical norms or anti-competitive strategies. At the opposite extreme, companies might engage in destructive behavior as they vie for customers. This could result in wasteful, inefficient behavior.

In the radio industry, the prospect of oligopoly raises unique concerns that the reader should keep in mind:

- Radio companies could ignore the preferences of listeners as they operate solely for the sake of increasing their advertising revenue. Instead of a public resource, radio could become a giant audio billboard.

[18] Ibid.

[19] The term "oligopoly" requires some explanation. It extends the idea of monopoly to an industry that isn't controlled by *one* company, but instead is dominated by a *small number* of companies. Thus an oligopoly is a small number of companies that together possess a dominant market share in an industry. The radio industry is an oligopoly because a small number of firms control most of a scarce resource: the public airwaves. Control comes from a combination of private acquisitions and government regulation, since the FCC limits the number of radio licenses available in the U.S.

[20] Economic predictions of what will happen in an oligopoly are generally ambiguous. A lot depends on the real-world context. The inability to describe oligopolies with certainty – e.g. the inability to say that companies will charge prices that are too high, or to say how likely it is that they will do so – arises largely because the firms interact strategically. They can anticipate and respond to each other's business moves, resulting in complicated analysis. For an introductory explanation of oligopolies and their complications, on which this discussion relies in part, see William J. Baumol and Alan S. Blinder, *Economics: Principles and Policy* (6th ed.), Dryden Press, Fort Worth, 1994 and Luís M. B. Cabral, *Introduction to Industrial Organization*, M.I.T. Press, Cambridge, 2000.

- A few companies with a great deal of control over the information Americans receive threaten the goal of a well-informed democracy.
- Radio companies could use market power to charge artificially high prices for advertising harming companies from other industries that advertise on radio, especially local businesses.[21]
- Control by an oligopoly means that musicians – and other labor forces including DJs, engineers and radio journalists – have less access to radio and less leverage in dealing with radio companies. The concentrated accumulation of capital makes things more difficult for labor.

Oligopoly power is often measured using companies' market shares. The combined market share of the four largest firms in an industry is known as the *four-firm concentration ratio*. An oligopoly, in the technical definition we use in this study, is a market in which the four-firm concentration ratio is greater than 50 percent. This definition provides an objective measure and indicates when the potential harm of oligopoly becomes a realistic possibility.

Different standards exist for measuring the degree of danger that oligopolies present. A market with a four-firm concentration ratio of 40 percent or *less* can be described as an unconcentrated oligopoly, or *loose oligopoly*. Nearly every radio market discussed in this study – nationwide, geographic, or format – exceeds this threshold. A market with a four-firm concentration ratio between 40 percent and 67 percent can be described as an oligopoly, raising the prospect of the economic harms we described above. A market with a four-firm concentration ratio greater than 67 percent can be described as a highly concentrated oligopoly, or *tight oligopoly*. Tight oligopolies present the dangers described above but to a greater extent and with greater likelihood.[22]

Historically, tight oligopolies have raised strong regulatory concerns. The Department of Justice's *Horizontal Merger Guidelines* indicate that oligopolies raise concern about anti-competitive behavior, but tight oligopolies are cause for even greater concern.[23] In this chapter we use a 50 percent threshold to identify oligopolies. This approach has the benefit of simplicity; it also follows a convention of previous radio research. However, it is useful to keep the concept of a tight oligopoly in mind, because oligopoly power – and its associated economic harms – is a matter of degree. Many radio markets are tight oligopolies, presenting a particularly high potential for harm.

[21] Our concern for local businesses comes from the fact that most radio advertising is purchased locally, and most local markets are highly consolidated (as we show in Part II of this chapter). This could give radio stations considerable market power. But the industry has tried to allay this concern. For the report of a study showing a decline in advertising prices conducted by Jerry Hausman of MIT at Clear Channel's request, see http://www.radioandrecords.com/Subscribers/TodaysNews/archive/arch040302.htm (accessed August 28, 2002).

[22] A helpful and comprehensive summary of oligopoly measures, their meaning, and how they correspond to one another can be found in Mark Cooper, "Democratic Discourse in the Digital Information Age: Legal Principles and Economic Challenges at the Millennium," Consumer Federation of America, 2002.

[23] See Cooper, "Democratic Discourse," citing the U.S. Department of Justice, *Horizontal Merger Guidelines*, revised April 8, 1997.

Referring to Tables 3-2 and 3-3, the **top four radio firms** – Clear Channel, Viacom, Cox, and Entercom – **now control 49.3 percent of U.S. radio listeners**. By measure of listeners, radio virtually qualifies as an oligopoly under the technical definition. Measuring market share by revenue, we see from Table 3-3 that **the same four firms control 52.3 percent of radio revenue nationwide**. This qualifies the radio industry as an oligopoly under the technical definition. The large radio firms possess significant market power, especially Clear Channel and Viacom. Those two firms have a dominant share compared even to the rest of the Top 10. They raise the dangers of oligopoly power we have described.

Strategies of the Top 10 Parents

Beyond looking at listener and revenue share, it is interesting to compare the characteristics of the Top 10 companies' holdings and the choices they made about which stations to purchase following the Telecommunications Act of 1996. The Top 10 have very different property holdings in terms of the size of the markets in which they own stations. Table 3-4 displays the differences, showing the Top 10 parent companies' presence in different market size categories among the 289 Arbitron-rated markets.[24] By "presence" in a market we mean that a parent company owns at least one station in that market. Table 3-4 also shows the number of rated markets entered.[25]

Table 3-4: Top 10 Parents, Presence in Arbitron-Rated Markets

Listener Rank	Parent Company	Presence in Arbitron-Rated Markets					No. of Rated Mkts Entered
		#1-10	#11-25	#26-50	#51-100	#101-289	
1	Clear Channel	100%	100%	88%	82%	54%	190
2	Viacom	100%	86%	64%	4%	1%	41
3	Cox	10%	29%	8%	16%	2%	18
4	Entercom	10%	21%	32%	12%	1%	19
5	ABC Radio	100%	71%	32%	12%	1%	35
6	Radio One	70%	43%	20%	6%	1%	22
7	Emmis	30%	14%	4%	0%	1%	7
8	Citadel	10%	0%	16%	36%	10%	41
9	Hispanic Bdcsting	60%	21%	12%	4%	1%	16
10	Cumulus	10%	0%	4%	10%	24%	53

Table 3-4 shows that Clear Channel has a 100 percent presence in the #1 through #10 Arbitron-rated markets; with at least one station in all 10 of those markets. It also has a 100

[24] Note that San Juan, Puerto Rico, the 13th-rated market, is excluded from the analysis, while we have included Eureka, CA; La Crosse, WI; Danville, IL; and Waterbury, CT wherever possible (sometimes data are missing for those 4 markets).

[25] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002. We exclude San Juan, Puerto Rico, the #13 Arbitron-rated market. The BIA database does not contain revenue data for stations in Eureka, CA; La Crosse, WI; Danville, IL; and Waterbury, CT. These four markets were not given rankings, so we assigned those ranks 286 through 289, respectively. The BIA database does not contain listener data for La Crosse or Danville.

percent presence in the #11 through #25 markets – 14 out of the 14, excluding Puerto Rico. In the #26 through #50 markets, it owns at least one station in 22 out of 25, or an 88 percent presence. In the #51 through #100 markets, it owns at least one station in 41 out of 50, or an 82 percent presence. Finally, in the #101 through #289 markets, Clear Channel owns at least one station in 103 out of 189, so it has a 54 percent presence in that market size category.

This demonstrates some important facts about the business strategies that have emerged along with consolidation. Clear Channel has very broad coverage. They have a significant presence in all size categories of Arbitron-rated markets, in addition to almost 200 stations in small towns outside Arbitron's rating system. Their strategy appears to focus on breadth, specifically the ability to offer advertisers something approximating nationwide exposure.

The radio portfolios of Viacom and Disney's ABC Radio, in contrast, show a great deal of focus. They generally own multiple stations in the highest-rated markets. These two large media conglomerates have considerable coverage of the Top 50 markets in particular. This demonstrates why the smaller radio holdings of Viacom and Disney provide much more revenue per station on average than Clear Channel's.

Most of Cumulus Media's stations are outside of the Top 100, located in small to mid-size markets. This strategy implements the pre-1996 sentiment among deregulation advocates. Many proponents of deregulation asserted that small market stations had to take advantage of economies of scale to survive financially.

Speculating about business strategies may seem far removed from considering the concerns of the public. However, these issues are highly relevant to a discussion of the effects of consolidation on citizens and listeners. Geography and market size are major aspects of radio companies' strategies. Thus, big cities and small towns likely figure into the Top 10 parents' plans differently. The public in big cities and small towns will benefit or lose out with radio, depending on their roles within corporate strategies.

Consider the figures in Table 3-4. Only three of the Top 10 parent companies – Clear Channel, Cumulus and Citadel – have significant holdings outside the Top 100 Arbitron markets. Independent owners may still have a chance to thrive in small markets. But this may also simply show that the attractive and valuable stations in small towns have already been acquired by Clear Channel and Cumulus. There may be nothing left for the rest of the Top 10 to buy, perhaps evidenced by the recent drop in acquisitions displayed in Chart 3-2. Having so many small markets dominated by one or two large parents increases the potential danger of those parents exerting oligopoly power.

Bigger Doesn't Seem to Be Better

Efficiency gains – financial gains for businesses – were the major benefits sought by policies including the Telecommunications Act of 1996. Radio stations needed to improve their bottom line. The hoped-for efficiency gains were supposed to result from economies of scale. In other words, larger radio companies were expected to reap rewards on the cost side by centralizing their operations and spreading out costs over more stations.

But what if these efficiency gains have not come to fruition? What if bigger radio companies aren't "better" by their own measures – meaning they aren't more profitable? If bigger *isn't* better, the public may have paid a great cost in terms of the quality, diversity, and localism of radio for the sake of efficiency – efficiency that hasn't necessarily materialized. Radio consolidation wouldn't have succeeded, even by its own narrow financial measure of profitability.

Unfortunately, the ideal data to address this issue is not publicly available. Radio companies' internal financial and operations data would best provide a complete picture. However, a statistic used in the radio industry known as the "power ratio" offers insight. The power ratio equals the station's revenue share divided by its audience share.[26] Advertising is the source of the vast majority of radio station revenue, and listeners are what make advertisers more or less willing to buy airtime. The power ratio is similar to a profitability[27] measure for the radio business, indicating how well a station is able to turn listenership into advertising revenue. Table 3-5 displays the effect of parent size (as measured by number of stations) on power ratio.[28]

[26] Audience share is the 12+ Arbitron ratings for a station, averaged over the last 4 quarters, divided by the Local Commercial Share. 12+, total day ratings are Arbitron's broadest measure. Local Commercial Share is the percentage of listening in a particular market of stations in that market (as opposed to stations located in neighboring markets). For instance, some listeners in Ann Arbor, Michigan, can receive both Ann Arbor-based and Detroit-based stations on their radios. Local Commercial Share in Ann Arbor would reflect the percentage of Arbitron listeners that listen to Ann Arbor-based stations. Clarification from Donna Grigsby, BIA Financial Networks, personal communication, May 22, 2002.

[27] We say the power ratio is "something like a profitability measure" because it does not measure profitability in the formal economic sense. If a station is more profitable that another, this means that the ratio between its revenue and its costs is greater than the other station's ratio. Since the power ratio includes no information about costs, per se, it cannot be said to measure true profitability. Interpreting the power ratio as profitability requires the assumption that costs are related to the number of listeners – e.g. through higher programming quality required to attract more listeners. In fact, one must assume that the station's costs are *directly proportional* to the number of listeners. Only then would the power ratio relate more closely to each station's revenue/cost ratio, and thus describe something closer to profitability. The basic idea of this assumption is that better programming or more advertising (to attract more listeners) costs more money. The basic idea seems reasonable – but it seems unlikely that there's some smooth, predictable relationship between a station's spending and its listenership. So we discuss the power ratio as an approximate, preliminary indicator of profitability.

[28] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002. Power ratio data was available for 3,987 stations out of a total of 13,067. This still provides a large sample. The caveat in footnote 8 above regarding missing data and possible bias applies here as well.

Table 3-5: Power Ratio by Parent Size

Stations owned	Number of Parents	Number of Stations	Average Power Ratio
100 or more stations	5	1,530	1.06
50 to 99 stations	11	372	1.04
25 to 49 stations	21	343	1.06
10 to 24 stations	75	563	1.05
5 to 9 stations	107	345	0.99
Fewer than 5 stations	610	834	1.00
ALL Parents	***829***	***3,987***	***1.04***

Table 3-5 shows a weak relationship, if any, between parent size and power ratio. Parents owning fewer than 50 stations perform similarly to parents owning more than 100, in as much as a station's performance is measured by the power ratio. The advantage of having more than 10 stations, versus having fewer than 10, appears to be approximately 5 percent better performance. This suggests that large parent companies may be no more profitable than small to mid-size parent companies. It also suggests that, for a parent company, being large may be only slightly more profitable than being small or being an independent owner.

Consider the power ratio for some specific companies. Among the big parent firms, Viacom stations average a 1.15 power ratio, demonstrating the success of their focused strategy.[29] Clear Channel averages a 1.07 power ratio, less than 3 percent above the average of all firms, across all sizes. Disney's ABC Radio averages a 0.94 power ratio.[30] Radio One's stations average a mere 0.70 power ratio. The other Top 10 parents fall somewhere close to the industry average. These data suggest that bigger may not be better – even according to the industry's own profit-focused metrics.

Part II: Almost Every Geographic Market and Radio Format Is an Oligopoly

Studying the radio industry in smaller parts provides a more subtle understanding of the effects of consolidation in the radio industry. Our major conclusions are as follows:

- Virtually every geographic market is dominated by four firms controlling 70 percent market share or greater.
- In smaller markets, consolidation is more extensive. The largest four firms in most small markets control 90 percent market share or more.
- Relevant to programming formats, oligopolies have become the rule. Four firms that control a 50 percent share or more dominate nearly every programming format.

[29] Though this could also reflect some other organizational strength.

[30] This appears to be a function of Disney's focus on AM radio. AM stations overall average a 0.91 power ratio, while FM stations enjoy a 1.08 power ratio.

- When formats are sorted into broader "format categories," the market power looks even stronger.
- Each of 13 *Radio and Records*-based formats analyzed is controlled by an oligopoly.

This section continues to employ the technical definition of oligopoly from Part I (see pp. 26-27). We show that the oligopolies existing in the geographic markets and the radio formats are even stronger than the national oligopoly. The consequences of geographic and format oligopolies have more acute effects for the listening public, small businesses, and musicians.

Consolidation within Geographic Markets

A single radio station may broadcast only to a relatively small regional area, containing one (or more) cities and metropolitan areas, called "geographic markets." What matters to public and to local businesses are the radio stations in their particular geographic market. Here we examine the new, post-deregulation structure of each of Arbitron's geographic markets.

We categorized Arbitron-rated geographic markets by five size distinctions: those ranked #1 through #10, those ranked #11 through #25, and so on.[31] Table 3-6 shows the average number of stations for each market size category. It also displays the average number of commercial stations and provides an example market for each category.[32]

Table 3-6: Average Number of Stations and Commercial Stations by Market Size Category

Market Size Category	Avg. Number of Stations in Market	Avg. Number of Comm. Stations	Example Market
Markets #1-10	75	56	Houston (#7): 68 stations, 55 comm.
Markets #11-25	53	44	Minneapolis (#16): 55 stations, 44 comm.
Markets #26-50	41	33	New Orleans (#44): 40 stations, 35 comm.
Markets #51-100	34	27	Toledo (#81): 35 stations, 27 comm.
Markets #101-289	19	16	Columbus, GA (#178): 19 stations, 16 comm.

Houston, the #7 ranked market according to Arbitron, is a typical large market. Houston has 68 radio stations, including 55 commercial stations. Columbus, GA, the #178 ranked market, is a typical small market. Columbus has 19 stations, 16 of those commercial. Arbitron provides ratings only for commercial stations.

Table 3-4 shows that each parent company owns stations in only some of the Arbitron-rated geographic markets. The largest, Clear Channel, owns stations in 194 of 289 total markets. None of the other Top 10 parents have a presence in more than 53 markets. Because each parent company operates in only a fraction of the geographic markets, and because a high

[31] Again, we exclude San Juan, Puerto Rico (the #13 market) from the analysis and assign rankings #286 through #289 to Eureka, CA; La Crosse, WI; Danville, IL; and Waterbury, CT.

[32] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

level of consolidation exists in the national radio market, the level of consolidation in individual geographic markets (i.e. cities and metropolitan areas) is likely to be even higher in most geographic markets.[33]

That last point just comes from the mathematics of dividing up a whole into parts. As an analogy, consider a carton of Neapolitan ice cream separated into three discrete sections: 1/3 chocolate, 1/3 vanilla, and 1/3 strawberry. An equal distribution exists in the whole carton, but when you take a single scoop of ice cream from the carton, that scoop will be mostly one flavor. Scoop on the left side, you get mostly chocolate. Scoop on the right side, you get mostly strawberry. Scoop in the middle, and you get mostly vanilla, maybe with some chocolate and strawberry, too. In each scoop of ice cream, the fraction of one flavor will be greater, perhaps much greater, than 1/3. This is a result of each flavor being contained in a different portion of the carton.

Consider the nationwide radio market as one might a carton of ice cream. The flavors represent the big parent companies and each scoop represents a geographic market. In each market, the share controlled by one or more parent companies is likely to be greater than its nationwide share. This is a result of each parent company operating in a different set of geographic markets within the nationwide market. Since the nationwide market is an oligopoly and each parent operates in a different set of geographic markets, we can expect that each geographic market is an *even more concentrated oligopoly*. This is precisely the case.

Table 3-7 provides the average four-firm concentration ratio for each market size category.[34] It also displays the most and least concentrated markets within each category.

Table 3-7: Average, Maximum, and Minimum of Top 4 Firms' Listener Share by Market Size Category

Market Size Category	Avg. Share of Listeners Held by Top 4 Firms	Market with Maximum Four-Firm Concentration Ratio	Market with Minimum Four-Firm Concentration Ratio
Markets #1-10	77.1%	Detroit, MI (#10) 86.0%	Dallas, TX (#5) 69.5%
Markets #11-25	84.7%	Tampa, FL (#21) 94.6%	Atlanta, GA (#11) 68.7%
Markets #26-50	85.8%	Middlesex, NJ (#36) 100%	Columbus, OH (#35) 65.4%
Markets #51-100	92.5%	Many, 100%	Albuquerque, NM (#86) 71.1%
Markets #101-289	93.9%	Many, 100%	Flagstaff, AZ (#157) 60.3%

Each geographic market is highly concentrated, with four firms controlling a very large share of each market. The top four firms in each city/metropolitan area generally control between 75 percent and 95 percent of the listeners in that market. Every geographic market qualifies

[33] The local ownership caps – on a sliding scale from 5 to 8 (explained in Chapter 2) – are more than high enough to allow four or fewer firms to control a dominant share of listeners and revenue in each local market.

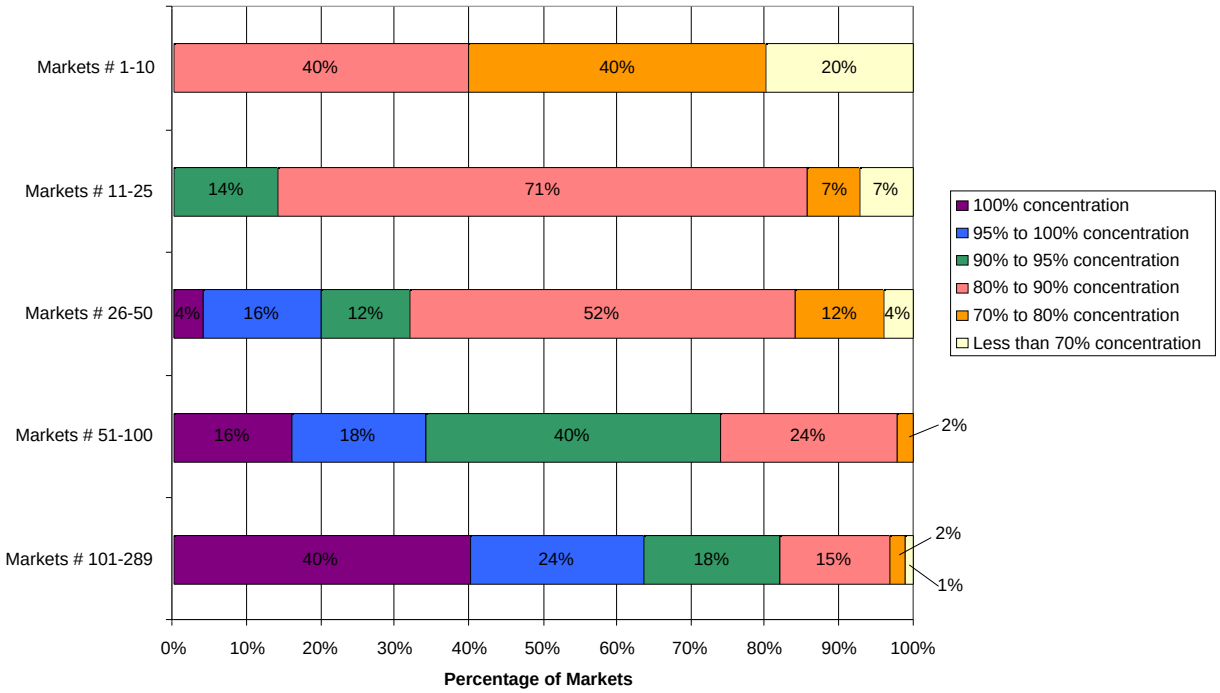
[34] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

as an oligopoly in the common definition. In each market the four-firm concentration ratio is much greater than 50 percent.

The 1996 Telecom Act eliminated not only the national ownership caps, but *local* ownership caps as well. As a result, each geographic market is controlled by a very strong oligopoly. The stronger the oligopoly, the greater the potential harm to the public and to local businesses.

Chart 3-5 provides another way to look at the same data, detailing the extent of consolidation in each market size category.[35]

Chart 3-5: Concentration by Market Size Category



The chart is comparable to a weather map; market size categories are like regions of the country and concentration is like precipitation. (On this weather map, it's raining pretty hard everywhere.) Darker colors signify more intense concentration of ownership, just like weather maps convey whether there's a drizzle or a monsoon.

In 16 percent of markets ranked from 51 to 100, the top four firms control 100 percent of listeners. In 18 percent of the markets in that category, the top four firms control between 95 percent and 100 percent of the listeners, and so on. Almost every individual geographic market is 70 percent consolidated or more, yet ownership in many small markets is now extremely concentrated as well.

[35] Ibid.

What do these figures[36] suggest about the market power that benefits the oligopolistic radio parents? BIA's database includes statistics that break down local and. national advertising on radio. Nationwide, 82 percent of radio advertising comes from local clients.[37] Radio advertisers generally do not bid for advertising nationwide, which would drive prices down to competitive[38] levels. Rather, most advertisers are local, facing advertising prices set within their own locality. The high level of consolidation in every geographic market means more danger of radio companies charging local businesses higher prices.

In every geographic market, local businesses seeking to advertise on the radio have limited choices because they face an oligopoly. A distressing situation exists for local advertisers, including many small businesses.

Strong oligopolies in geographic markets could also harm the general public. The four-firm concentration ratio in localities reaches 80 percent, 90 percent, even 100 percent. Thus, only a few companies in each city or metropolitan area decide what almost all local listeners hear. This reduces choice and diversity in programming. When oligopolistic companies are large national parents, local programming gets squeezed in favor of rigid national playlists. Centralized programming has become prevalent, with many syndicated talk or music shows broadcast simultaneously on stations across the country. In many small markets, Clear Channel DJs have been replaced by "voice tracking" – the practice of editing broadcasts from another (usually large) market to create the illusion of the DJ being local.[39]

Oligopolies in geographic markets do not benefit the public. They threaten radio's traditional status as the foremost "live and local" medium for social and cultural exchange within communities.

[36] The consolidation figures as measured by revenue or Arbitron share are quite similar, both in terms of averages and in terms of the percentage of markets with the top four firms controlling a 70% share or greater.

[37] The local/national figures vary by market category as follows: Markets 1-10, 74%; Markets 11-25, 75%; Markets 26-50, 80%; Markets 51-100, 82%; Markets 101-285, 83%. Source data: Media Access Pro, BIA Financial Networks, data as of May 16th, 2002.

[38] Here, by "competitive" we refer to the economic concept of perfect competition, or something approaching it, in which a multitude of firms compete against one another. This is the storied "supply meets demand" scenario. In this theoretical context, no one firm can charge a premium above cost. Perfect competition represents the ideal situation for "consumers," in this case radio advertisers, who might pass some of the benefits onto the public.

[39] Denny Lee, "Disc Jockeys Are Taking the Local Out of Local Radio," *New York Times*, August 25, 2002, available at http://www.nytimes.com/2002/08/25/nyregion/25RADI.html (accessed September 15, 2002).

Consolidation Within Formats

Another way to analyze the national radio industry is to study specific programming formats, such as Rock, Smooth Jazz, Sports/Talk or Top 40.[40] Stations with the same format compete with each other for listeners. In a very real sense, each format is a market within the national market. To some individuals the market for a particular programming format may be more important than the national market.

Primarily, musicians should be concerned about format oligopolies. Each musician's recordings typically fall into certain genres more than others. Thus many musicians are affected by consolidation in specific formats because consolidation reduces the number of gatekeepers controlling access to the airwaves. If one parent company dominates the Country format, it wouldn't matter whether the nationwide market contained many firms. For a Country musician, one firm would decide whether his or her music would be played on the radio.

Format consolidation also matters for consumers. Few firms controlling a format may mean less competition and less innovation in playlists, resulting in less diversity and less interest. This lack of innovation and diversity in playlists – what we call format homogeneity or "creeping sameness"– has become a reality. Format oligopolies reinforce creeping sameness, diminishing the quality of radio for consumers.

Almost Every Format is an Oligopoly

In Table 3-8 we list the level of consolidation (measured as the share of listeners controlled by the top four firms) for the 30 largest music formats as reported to BIA.[41] The formats are ranked by listenership. We denote stations with secondary and/or tertiary formats[42] by combining the format names with a slash.[43]

[40] Each radio station reports its format, i.e. the type of programming and/or the genre(s) of music it plays on the air, to BIA on a semi-annual or quarterly basis.

[41] We judged the largest 30 formats by listenership, but we eliminated three formats with fewer than 8 stations within them, making consolidation a forgone conclusion: Urban Contemporary Hit Radio (Urban CHR), Contemporary Hit Radio/Dance (CHR/Dance), and New Adult Contemporary/Jazz (NAC/Jazz). Here we address only music formats; we address non-music formats (e.g. News, Talk, and Sports) below. The analysis includes all commercial AM and FM stations. Very few data are missing for FM stations, but the data for AM stations are available less consistently. The aforementioned caveat applies about the availability of data for religious-format stations. "Listeners" refers throughout this section to the "Metro Cume Listeners" statistic described above. Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

[42] Radio stations list up to 3 formats: a primary format, a secondary format, and a tertiary format. Reporting a secondary and/or tertiary format could reflect the fact that a station splits its day between different formats (e.g. Classical 6am to 11am, Jazz 11am to 1pm, and Rock 1pm to 3am), or it could reflect the fact that a station plays music from multiple formats throughout the day.

[43] Some explanation of radio industry abbreviations may be helpful: "CHR" = Contemporary Hit Radio, "AC" = Adult Contemporary, "AOR" = Album Oriented Rock, and "AAA" = Adult Album Alternative. A resource for

Table 3-8: Format Consolidation in the Top 30 Self-Reported Music Formats, by Listener Share

Self-Reported Format	Listeners (in Millions)	Top 4 Firms, by Listeners	Top 4 Share
Country	33.9	Clear Channel, Viacom, Citadel, Cox	52.6%
CHR	27.3	Clear Channel, Viacom, Entercom, Citadel	73.5%
Oldies	21.9	Viacom, Clear Channel, Cox, Entercom	67.8%
AC	21.7	Clear Channel, Viacom, Bonneville, Entercom	51.1%
Classic Rock	19.8	Clear Channel, Viacom, Citadel, Susquehanna	55.0%
Urban	15.5	Radio One, Clear Channel, Inner City, Viacom	64.9%
Alternative	13.5	Viacom, Clear Channel, Emmis, ABC Radio	71.5%
Hot AC	11.6	Clear Channel, ABC Radio, Viacom, Entercom	58.4%
Urban AC	10.3	Clear Channel, Radio One, Emmis, Cox	71.9%
Rock	9.2	Clear Channel, Viacom, Entercom, Greater Media	65.5%
AOR	9.0	Clear Channel, ABC Radio, Citadel, Cox	51.4%
Soft AC	8.2	Clear Channel, Viacom, Bonneville, Cox	66.4%
Top 40	7.4	Clear Channel, Jefferson-Pilot, Bonneville, Viacom	73.1%
CHR/Rhythmic	6.8	Clear Channel, Viacom, Cox, Radio One	75.0%
Smooth Jazz	6.1	Clear Channel, Viacom, Radio One, ABC Radio	69.7%
Spanish	5.1	SBS, Entravision, Lotus, Big City Radio	77.1%
Mexican	4.8	HBC, Liberman, Entravision, SBS	80.7%
Classical	4.5	New York Times, Bonneville, Mt Wilson FM, WttW	63.8%
Classic Hits	4.1	Greater Media , Clear Channel, Bonneville, Viacom	57.7%
Modern Rock	4.0	Clear Channel, Entercom, Susquehanna, Citadel	54.2%
80s Hits	4.0	Clear Channel, Viacom, Cox, Beasley	61.4%
Lite AC	3.9	Clear Channel, Entercom, Viacom, South Central	88.7%
Modern AC	3.5	Clear Channel, Viacom, ABC Radio, Bonneville	71.4%
Gospel	3.2	Radio One, Clear Channel, Mortenson, Viacom	56.1%
Soft Rock	3.0	WEAZ-FM Radio, Viacom, Clear Channel, Cox	68.9%
Christian Contemp.	2.7	Salem, Crista Ministries, Crawford, Clear Channel	68.9%
Adult Standards	2.6	Clear Channel, Cleveland Classical, Crawford, Cumulus	38.2%
Nostalgia	2.3	Clear Channel, Sandusky, Renda, Entercom	49.9%
AAA	2.3	Susquehanna, Clear Channel, Greater Media, Viacom	55.8%
Spanish AC	1.9	HBC, Big City Radio, Entravision, Lotus	92.8%

Every format but two (Adult Standards and Nostalgia) is controlled by an oligopoly. The top four firms have a greater than 50 percent share in the other 28 self-reported formats. Fourteen formats are more than 67 percent consolidated, making them tight oligopolies. Clear Channel stands among the top four in 26 of the 30 formats displayed here; Viacom in 20 out of 30.

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To simplify the self-reported program formats, outside observers have offered different categorization schemes.[44] BIA uses a simpler set of 19 format categories that account for

learning what the various formats mean (according to the radio industry, anyway) can be found at http://www.nyradioguide.com/formats.htm.

[44] Measuring format consolidation based on self-reported formats has an important limitation that could lead one to overstate the extent of consolidation: the frequent sub-classification of radio formats. Stations that once classified themselves as Adult Contemporary (AC), may now classify themselves as Hot AC, Rock AC, Urban AC, Mix AC, Soft AC, Light AC, Bright AC and so on. Such "new" formats may or may not actually play different songs.

every radio station.[45] Table 3-9 shows the level of consolidation by top four share of listeners.[46]

Table 3-9: Format Consolidation in the 19 BIA Format Categories, by Listener Share

BIA Format Category	Listeners (in Millions)	Top 4 Firms, by Listeners	Top 4 Share
Adult Contemporary	58.7	Clear Channel, Viacom, Entercom, Bonneville	54.1%
CHR/Top 40	50.7	Clear Channel, Viacom, Cox, Citadel	69.0%
News	38.0	Viacom, Clear Channel, ABC Radio, Entercom	66.6%
Urban	37.9	Clear Channel, Radio One, Emmis, Inner City	64.2%
Rock	36.5	Clear Channel, Viacom, Greater Media, Entercom	55.4%
Country	34.0	Clear Channel, Viacom, Citadel, Cox Radio	52.5%
AOR/Classic Rock	29.3	Clear Channel, Viacom, Citadel, ABC Radio	52.1%
Oldies	22.6	Viacom, Clear Channel, Cox, Entercom	65.8%
Spanish	22.1	HBC, SBS, Entravision, Liberman	76.2%
Talk	10.8	Clear Channel, Viacom, ABC Radio, Inner City	66.9%
Religion	9.5	Salem, Clear Channel, Radio One, Crawford	49.2%
Sports	9.2	Viacom, Clear Channel, Susqhna., ABC Radio	64.3%
Jazz/New Age	9.0	Clear Channel, Viacom, Emmis, Jefferson-Pilot	70.2%
Nost./Big Band	6.1	Clear Channel, Cox, Entercom, Greater Media	40.6%
Classical	4.5	New York Times, Bonneville, Mt Wilson FM, WttW	63.4%
MOR	2.0	Clear Channel, ABC Radio, Cumulus, Barnstable	71.4%
Miscellaneous	0.8	Cox, ABC Radio, Citadel, Clear Channel	68.7%
Easy Listening	0.7	Plymouth Rock, Alpine, WMUU, Glen Barnett	60.9%
Ethnic	0.2	Inner City, Radio WAVS , New Wave, 2 firms tied	86.9%

Four firms control at least a 50 percent share of all of BIA's format categories except two, Religion and Nostalgia/Big Band. Most of the BIA format categories are more than 60 percent consolidated.

Table 3-9 includes some non-music format categories. Four parent companies control two-thirds (66.6%) of the nation's News format listeners. Two of those firms, Viacom and Disney's ABC Radio, also control major television networks. This look at the consolidation data highlights the increased concentration of power to describe current events, as well as the increasing power of horizontal monopolies, within the mass media.

Another classification scheme comes from the trade publication, *Radio and Records*, which provides detailed information about what songs radio stations play. Currently, *Radio and Records* tracks 13 formats and publishes charts showing the Top 30, Top 40, and Top 50 songs in several formats each week. The magazine also includes weekly playlists of stations that report to them. We constructed lists of reporting stations that *Radio and Records* considers part of each format.

[45] The BIA categorization includes non-music categories such as News, Talk, Religion, Sports, and Miscellaneous.

[46] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

For stations that report to *Radio and Records*, we compared their self-reported format to their *Radio and Records* categorization, creating what we refer to as the 13 "*Radio and Records*-based" categories.[47] These categories exist primarily as FM formats, though we have included any AM stations that fit into them as well. We report the top four firms' listener share within each of these categories in Table 3-10.[48]

Table 3-10: Format Consolidation in the 13 *Radio and Records*-based Categories, by Listener Share

"R & R" Category	Listeners (in Millions)	Top 4 Firms, by Listeners	Top 4 Share
AC	38.5	Clear Channel, Viacom, Bonneville, Entercom	56.3%
CHR Pop	37.3	Clear Channel, Viacom, Entercom, Citadel	69.8%
Country	33.9	Clear Channel, Viacom, Citadel, Cox	52.6%
Rock	28.8	Clear Channel, Viacom, Citadel, ABC Radio	52.3%
Hot AC	19.3	Clear Channel, Viacom, ABC Radio, Entercom	57.9%
Alternative	17.8	Viacom, Clear Channel, Emmis, Citadel	60.5%
Urban	15.5	Radio One, Clear Channel, Inner City, Viacom	64.9%
CHR Rhythmic	14.4	Clear Channel, Viacom, Emmis, Cox	71.8%
Urban AC	13.1	Clear Channel, Radio One, Emmis, Cox	67.1%
Active Rock	9.2	Clear Channel, Viacom, Entercom, Greater Media	65.5%
Smooth Jazz	6.1	Clear Channel, Viacom, Radio One, ABC Radio	69.7%
AAA	3.6	Viacom, Clear Channel, Susquehanna, Entercom	53.8%
Christian Contemp.	2.7	Salem, Crista Ministries, Crawford, Clear Channel	68.9%

Every one of the *Radio and Records*-based categories is a format oligopoly, dominated by four firms with over 50 percent listener share.

Our assertion that essentially every radio format is a format oligopoly is robust, supported by three categorizations – self-reported format, BIA format category, and *Radio and Records*-based categories.

[47] We determined which self-reported formats translate into which *Radio and Records* formats by comparing two pieces of information for each station tracked by *Radio and Records*: (1) the self-reported format from BIA's database and (2) the *Radio and Records* category. To create a translation from self-reported formats to *Radio and Records* formats, we determined which self-reported formats were most commonly classified in which *Radio and Records* formats. (A self-reported format had to be classified as a particular *Radio and Records* format at least twice to be used in the translation.) We then used this translation to classify as many stations as possible, i.e. including those stations that do not actually report to *Radio and Records.* The 13 *Radio and Records*-based categories (and the self-reported formats from BIA's database included within them) are: AC (AC, Soft AC, Soft Rock, Lite Rock, Lite AC, AC/Soft Rock), CHR Pop (CHR, Top 40, Adult CHR, CHR/Top 40), Country (Country), Rock (AOR, Classic Rock), Hot AC (Hot AC, Modern AC, 80s Hits, Mix AC), Alternative (Alternative, Modern Rock, New Rock), Urban (Urban), CHR Rhythmic (CHR/Rhythmic, CHR/Dance, Rhythmic/CHR, Urban CHR), Urban AC (Urban AC, Rhythm and Blues, R&B Oldies), Active Rock (Rock), Smooth Jazz (Smooth Jazz), AAA (AAA, Adult Rock, Progressive), and Christian Contemporary (Christian Contemporary).

[48] Source data: *Radio and Records* website, www.radioandrecords.com, and Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

Musicians Face 15 Gatekeepers, Not 52

Chart 3-10 shows that Clear Channel stands among the top four parents companies in every one of the 13 formats. Viacom is in 11 of the 13 top four firms. From the perspective of musicians, these findings are most important.

Hypothetically, if each format is to be controlled by a four-company oligopoly, 52 possible companies (13 formats times 4 companies per format oligopoly) constitute these format oligopolies. Yet with all the cross-format strength of the largest parent companies, only 15 companies appear in Chart 3-10 as dominant players within music formats.

Instead of 52 gatekeepers, musicians face only 15. This makes it much harder to gain airplay because only a large promotion budget can get a musician and a song through the bottleneck. Though many small radio companies exist outside these format oligopolies, the format oligopolies control over 60 percent of music radio listeners. Coupled with the growing practice of centralized programming, the reduced number of gatekeepers makes access to the airwaves far more difficult for musicians, especially local musicians. Chapter 4 focuses entirely on the effects of the radio industry's new structure on musicians.

What It All Means: Oligopolies and "Competition"

Rather than "oligopoly," the term most often used by proponents of deregulation in the public debate is "competition." But the concept of competition can be quite confusing in this context because it has at least three different meanings.

First, competition has a formal *economic* sense, referring to a multitude of companies that make up an industry yet without any individual power to affect prices. All the firms are small and produce similar products. Also known as "perfect competition," economic competition is where supply meets demand and consumers are as well off as possible.

Competition may also be used to describe the actions that companies take as they try to maximize profits. In this sense, companies "compete" against each other to win over consumers. The term "compete" in this second sense has nothing to do with the formal economics of the first sense. Company A competes with Company B regardless of the number of companies that make up the total marketplace. Companies that "compete" with each other for profit may be described as competitive, the way a *horse race* is competitive.

Finally, we sometimes see a third meaning of the word "competitive" in common usage, referring to a company able to survive the rigors of its industry. Being competitive in this sense means simply means staying afloat. We call this the third, *survival* sense of the word.

For example, the soft drink industry is not *economically competitive* because two companies dominate it, Coca-Cola and Pepsi. But Coca-Cola and Pepsi certainly could be said to compete – in the horse race sense of the word – against each other to win business. When

those two companies are doing well, one might wonder whether RC Cola will stay *competitive* in the third, survival sense.

With the Telecommunications Act of 1996, Congress sought to promote competition in radio. Congress hoped for economic competition (in the first sense) and survival competition (in the third sense). They wanted the public to reap the benefits of supply meeting demand. But they were also concerned that radio companies could not survive without being allowed to grow larger.

With respect to economic competition (the first sense), radio is less competitive after deregulation. With its high degree of oligopolistic control, radio is anti-competitive, economically speaking. Radio is unlikely to come close to providing the public benefits that are supposed to come with the theoretical notion of perfect competition.

Certainly the radio industry *is* competitive in the second, horse race sense. The parent companies, especially the Top 10, compete very hard to attract advertisers and investors. But this doesn't help the public if companies focus on competing with each other instead of serving the public. Allowing big companies to compete, in the horse race sense, in more markets nationwide does not imply that radio will have more economic competition. Rather, it implies the opposite.

Radio companies may now be more competitive in the survival sense – perhaps they can stay afloat more surely. It's possible that a lot of radio companies would have gone out of business without deregulation or its promise. Yet many of the large radio companies have undertaken huge layoffs since deregulation, since that sort of cost-cutting was precisely the object of deregulation.

The grand economic benefits promised by competition (in the first sense of the word) have not come to fruition. Stimulating horse race style competition has obscured the fact that we have less true economic competition than before deregulation.

Part III: Format Variety Does Not Imply Programming Diversity

In a 2001 statement, the FCC named two major aspects of its mandate from Congress to regulate the radio industry: (1) to promote competition and (2) to promote diversity.[49] Parts I and II showed that competition – in the true economic sense of having a vast multitude of companies in each industry – has decreased as a result of deregulation. In Part III we turn to the question of diversity. Radio should present a diversity of voices and opinions. We find that:

[49] In a Notice of Proposed Rulemaking regarding radio on November 8, 2001, "[t]he FCC said it intends to be more responsive to current marketplace realities while continuing to address its core public interest concerns of promoting diversity and competition." The quote comes from the FCC's accompanying press release, found at http://www.fcc.gov/Bureaus/Mass_Media/News_Releases/2001/nrmm0115.html (accessed August 28, 2002).

- *Format variety* increased between 1996 and 2000, but has stagnated in 2001 and 2002.
- When format variety is measured by format categories instead of stations' self-reported formats, the increases are smaller.
- Some stations have changed the name of their format slightly, for marketing purposes, without changing their playlists. We refer to this superficial differentiation as *faux-mat variety*.
- Formats with different names may have highly similar playlists, reducing diversity of programming. We refer to this phenomenon as *format homogeneity.*
- Parent companies often operate two (or more) stations with the same format in the same geographic market. We refer to this phenomenon as *format redundancy*; hundreds of instances of this exist nationwide.
- Further, more detailed research using more comprehensive data is needed to properly examine how format variety increases and how it relates to actual programming diversity.

We assert that many kinds of diversity in radio are important – including diversity of programming and diversity of ownership. The onset of format oligopolies has reduced diversity in these senses, even while format variety has increased.

Format Variety Defined

Format variety refers to the number of different formats (or categories of formats) available to citizens in a geographic market. The term provides one measure of how well consumers in various cities and metropolitan areas are being served by radio. According to this view, being well-served is synonymous with having the largest possible array of choices.

We do not wish to take this view too far. Using format variety as a proxy for consumer satisfaction would be a mistake. The set of things one has to choose from and the degree of one's happiness are not the same thing at all. One can imagine many situations in life in which one must choose between two unattractive options. In such a situation, a third unattractive choice hardly helps. Thus, format variety measures only choice, not satisfaction. We leave the question of consumer satisfaction to our nationwide survey results in Chapter 5. Here, we wish only to evaluate whether radio is offering a greater choice of formats to consumers in various communities.

Furthermore, format variety is not the same as *programming diversity*. Many commentators have referred to format variety as "format diversity." But this terminology blurs an important distinction. We consider programming diversity a much broader concept. For news and information formats, programming diversity means the number of differing viewpoints that can be heard on the air. For music formats, programming diversity could be indicated by the number of songs available to listeners in a given geographic market. Diversity in songs, artists and viewpoints matters more than diversity in format names.

Deregulation advocates claimed that format variety would increase as a result of consolidation because a radio station owner with more than one station in a market wouldn't want its stations compete against each other (in the horse race sense). Commentators within the radio industry have published studies showing this to be the case.[50] Still, at least one statistical analysis, using data from 1989 to 1997, indicated that format variety probably increased as a result of consolidation, but questioned whether different formats actually feature different playlists.[51]

Now, in 2002, we can revisit this issue of format variety. With the benefit of more time and better information, we used quarterly or semiannual data on station formats from 1996 to 2002 from the BIA database to examine format variety in the six years since the most significant deregulation, the Telecommunications Act of 1996.

First we present our own calculations of the traditional measures of format variety.[52] We then outline our three major critiques of this approach, providing our own new types of data analysis to shed further light on the format variety issue.

[50] See, e.g., Mark Fratrik, "Has Format Diversity Continued to Increase?" BIA Financial Networks, June 2002.

[51] Steven T. Berry and Joel Waldfogel, "Do Mergers Increase Product Variety? Evidence from Radio Broadcasting," *Quarterly Journal of Economics*, August 2001.

[52] Our analysis used information regarding the 7,878 stations in the 288 Arbitron-rated markets within the U.S. (not including Puerto Rico, the Virgin Islands, and Guam). For purposes of format variety, we look at all such stations: AM and FM, commercial and non-commercial. We could have looked at format variety among commercial stations only, but we wanted to use as much information as we had available.

From 1996 through 2000, the BIA database lacks information on over 1.200 stations that, according to BIA, were licensed by 1996. Most, but not all, of the stations for which data is missing were non-commercial operators. Beginning in the first quarter of 2001, however, BIA's database does contain format data on those stations for which it had been missing. BIA did not respond to a written inquiry regarding the discrepancy between the 1996 data and the 2002 data.

It is essential to look at the years 1996-2000 and 2001-2002 separately to study format variety over time. We studied both time periods, in order to: (1) observe *changes* in format variety over as many years as possible; and (2) provide the best measure of the actual *level* of format variety today, using the complete data that BIA's database contains for 2001-2002. Readers should not be misled into thinking that a sudden upsurge in the number of formats – caused by the additional stations now contained in the database – actually occurred. In other words, to study time trends, one must compare apples to apples. Comparing incomplete data to complete data would distort the true changes going on in the radio industry.

In measuring format variety, we want as broad a measure as possible to represent the choices open to consumers in a given geographic market. We did not use the *Radio and Records*-based format categorization scheme because it can not be used to classify each station. For instance, *Radio and Records* does not publish playlists for Spanish format stations.

Traditional Measures of Format Variety

In measuring format variety, we faced the same question as in the section on format oligopolies: how should we categorize formats? For purposes of measuring how format variety has changed over time, we use two categorization schemes: self-reported formats and BIA's format categories. These categorization schemes are the same used in Part II to analyze format oligopolies.

Self-reported formats are what the stations themselves provide to BIA. They can be quite specific, occasionally including a secondary and/or tertiary format in addition to a primary format. For example, a station might classify itself as News/Talk/Sports. BIA classifies all stations into one of 20 categories, ignoring secondary and tertiary formats.[53] Thus, using BIA format categories to measure variety provides a less inclusive, more conservative measure than self-reported formats.

This means that higher format variety in a given region will be calculated using self-reported formats because there are more differences between stations. Using BIA categories, a station with a News/Talk/Sports format is the same as a station with a News/Talk format; using those self-reported formats, they are different.

A pair of illustrations might assist the reader in comparing the two measures. Suppose first that a geographic market has no stations in the Spanish format category at all. But this market has two Top 40 stations, which are classified as Contemporary Hit Radio/Top 40 in the BIA format categorization scheme. Imagine that one of the Top 40 stations switches its format to Tejano. This would mean one more self-reported format, because Top 40 and Tejano are obviously not identical descriptions. This would also mean one more BIA format category represented, because Tejano is classified in the Spanish format category. Format variety would increase under both measures in this example.

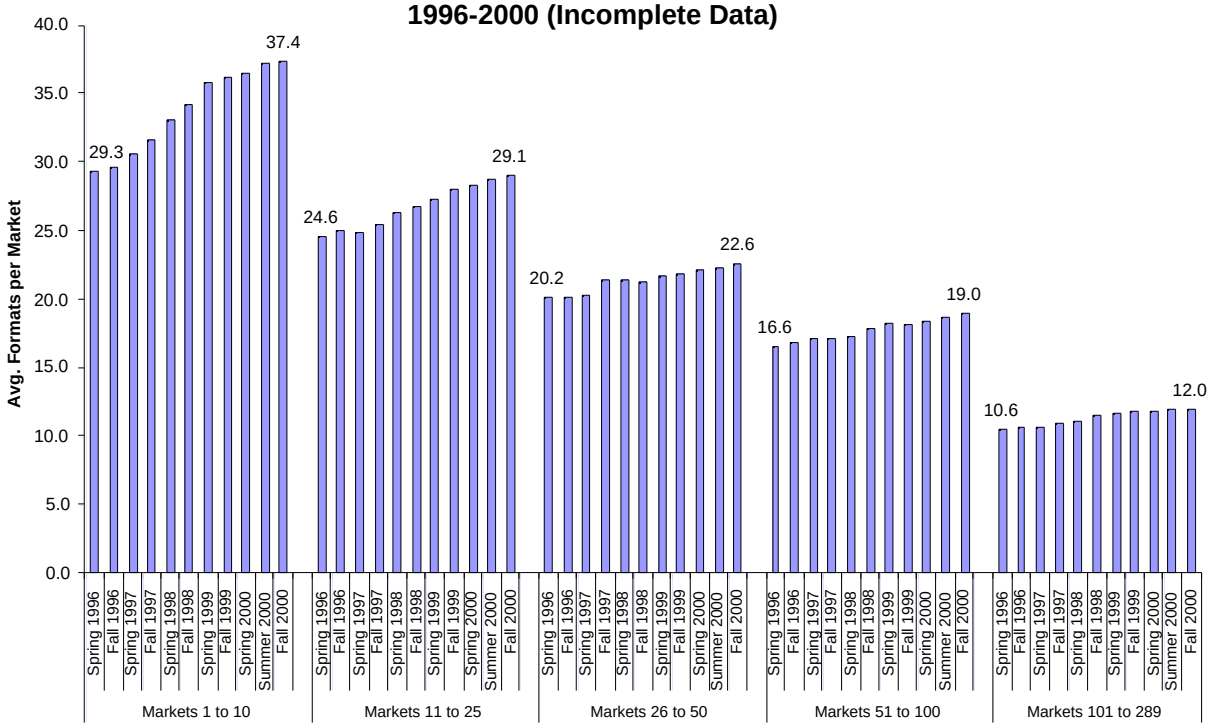
Now, for a second illustration, suppose that another geographic market has two stations reporting the Hot Adult Contemporary (Hot AC) format. These stations are classified in the Adult Contemporary format category under BIA's classification scheme. If one of those stations switched its format to Bright Adult Contemporary (Bright AC), not previously existing in this market, then format variety as measured by self-reported formats would increase. There are more self-reported formats in the market now because Hot AC and Bright AC are not identical. But format variety as measured by BIA format categories would not change – Bright AC still falls into the Adult Contemporary format category. So we see that using BIA format categories to measure variety produces a less inclusive, more conservative measure.

[53] The 20 BIA format categories are: Adult Contemporary, Album Oriented Rock/Classic Rock, Classical, Contemporary Hit Radio/Top 40, Country, Easy Listening/Beautiful Music, Ethnic, Jazz/New Age, Middle of the Road, Miscellaneous, News, Oldies, Nostalgia/Big Band, Public/Educational, Religion, Rock, Spanish, Sports, Talk, and Urban. We have not included stations under construction or "dark" (off the air) stations in the analysis.

To measure format variety in different markets, we began by counting the number of formats present in each geographic market. Then, we split the markets up into the five market size categories we used earlier (see Table 3-4): the #1 through #10 markets comprised the first group, the #11 through #25 markets comprised the second group, the #26 through #50 markets comprised the third group, the #51 through #100 markets comprised the fourth group, and the #101 through #289 markets comprised the fifth and final group.

Format variety equals the average number of formats per market for each market size category. Chart 3-6 displays the average number of self-reported formats for each market size category from 1996-2000.[54] Recall that during this time period, data on over 1,200 stations are missing from BIA's database.

Chart 3-6: Self-Reported Format Variety
Average Number of Formats per Market
1996-2000 (Incomplete Data)



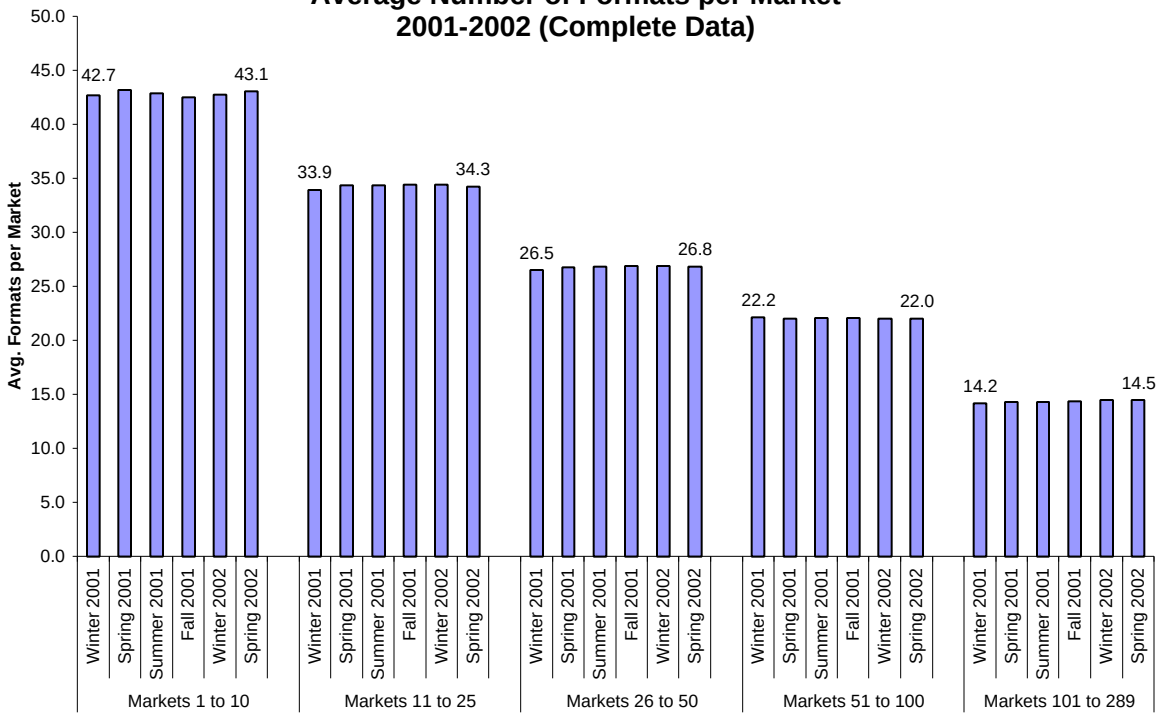
We see that format variety, as measured by self-reported formats, increased considerably from 1996 to 2000, during the first four years after consolidation. The ten largest markets experienced the greatest increase over these four and a half years: a 28 percent increase overall and a 5.6 percent annual growth rate in the average number of self-reported formats per market. The mid-sized markets, those ranked 26 to 50, showed the smallest increase in average formats per market: a 12 percent increase overall and a 2.5 percent annual growth rate.

[54] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

While many factors may have caused this increase, consolidation is the most likely cause. Theoretically, deregulation allowed parent companies to employ different radio formats in a single market in order to capture multiple audiences using the different formats. It's possible that deregulation facilitated this increase in format variety. We suggest other explanations below.

Chart 3-7 shows the average number of self-reported formats per market from 2001-2002 using complete data.[55] Comparing Charts 3-6 and 3-7, notice the huge jump in the numbers for each market size category once missing data for over 1,200 stations are added.

Chart 3-7: Self-Reported Format Variety
Average Number of Formats per Market
2001-2002 (Complete Data)



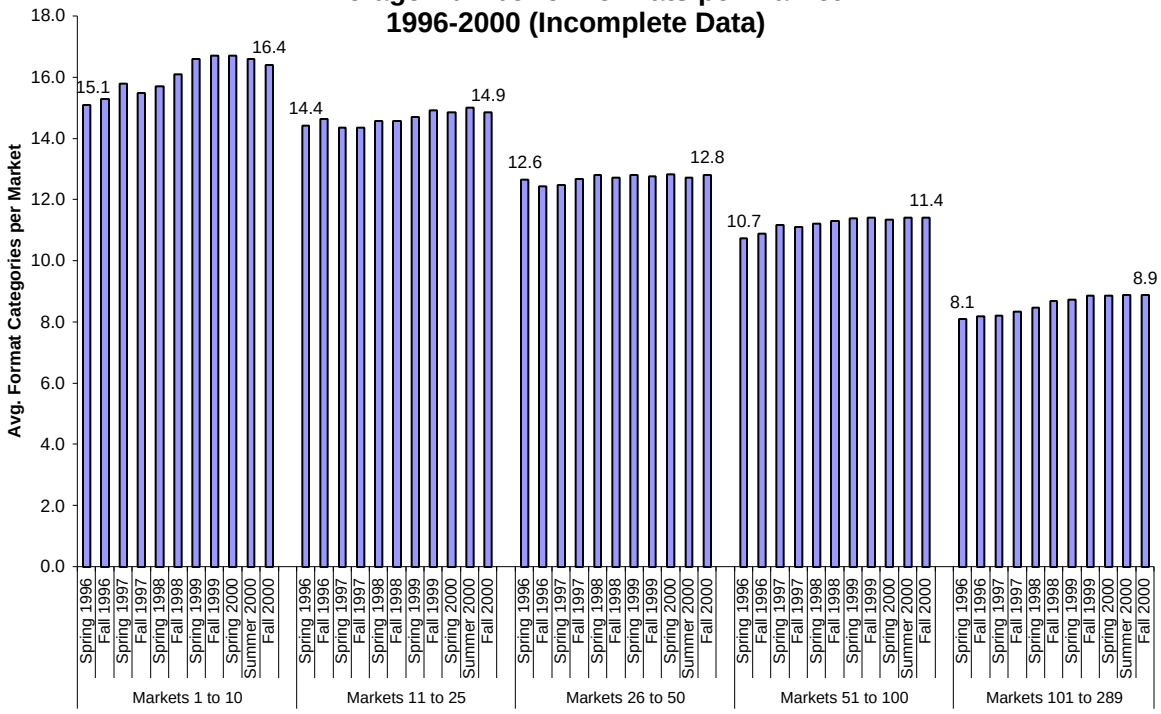
These figures more accurately represent the amount of choice available to radio consumers in markets of various sizes because they use complete data. Chart 3-7 reveals virtually no change in format variety over time. Over the last year and a half, the once-apparent increase in format variety has stagnated.

Charting format variety using BIA's 20 format categories may provide a more accurate picture of the concept, since BIA categories ignore subtle differences in the names of self-reported formats, and is thus less likely to distinguish between stations that likely have

[55] Ibid.

similar playlists. Chart 3-8 shows the change in the average number of BIA format categories represented in each of the market size categories.[56]

Chart 3-8: BIA Format Category Variety
Average Number of Formats per Market
1996-2000 (Incomplete Data)



Using BIA formats instead of self-reported formats reveals a different picture of change in format variety from 1996 to 2000. The increase is less than in the analysis of self-reported formats. The greatest increase came in the smallest markets, ranked 101 to 289. Those markets experienced 9.9 percent growth from spring 1996 to Fall 2000, achieving a 2.1 percent yearly growth rate. Mid-size markets (ranked 26 to 50) exhibit the smallest increase: 1.6 percent over the four and a half year period, for an annual growth rate of 0.4 percent.

Chart 3-9 shows change from 2001 to 2002, in the average number of BIA format categories represented in each market size category.[57]

[56] Ibid.

[57] Ibid.

Chart 3-9: BIA Format Category Variety
Average Number of Formats per Market
2001 to 2002 (Complete Data)

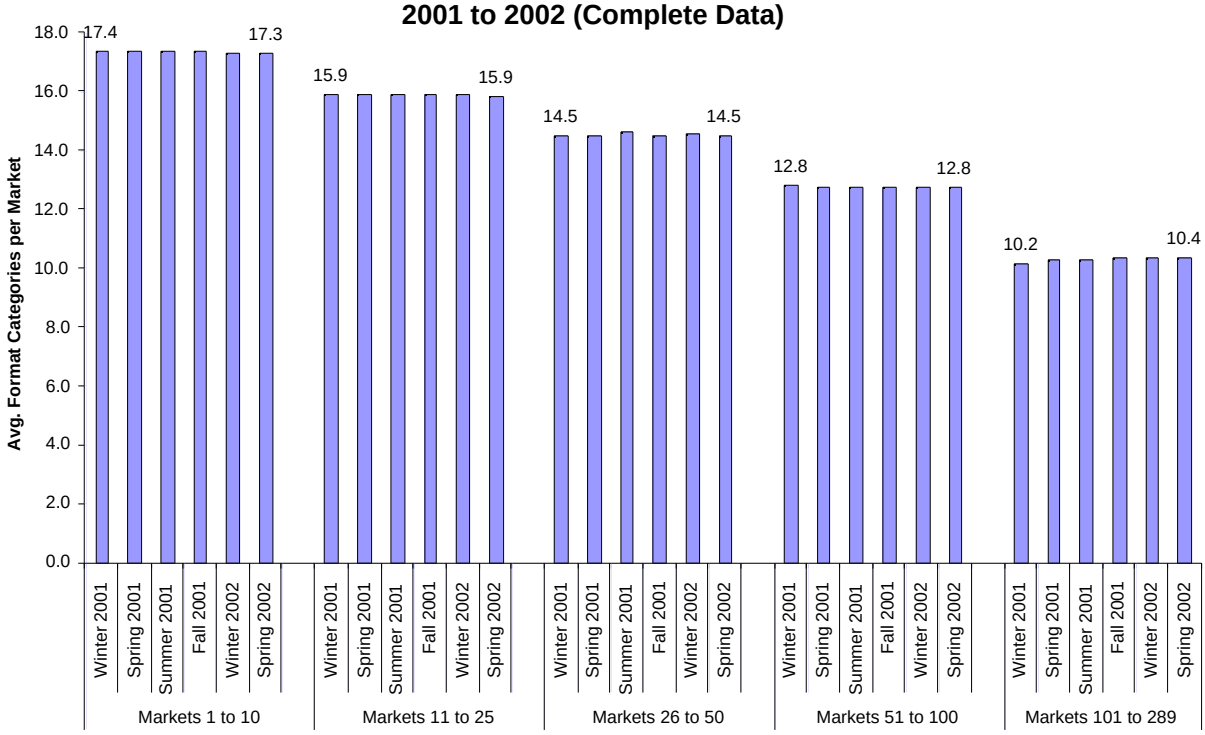


Chart 3-9 shows the same stagnation from 2001-2002 shown in Chart 3-7 using self-reported formats. Format variety actually decreased by 0.6 percent in the top ten markets. In the remaining 100 largest markets, format variety showed no net change from Winter 2001 to Spring 2002. We observed a 2.0 percent increase in format variety in the smallest markets, but for the most part the bars in Chart 3-9 are flat. For nearly every station that brings a new format to a given market, another disappears.

Format variety is best measured using both self-reported formats and BIA formats. Using either, a post-regulation increase in format variety has tailed off considerably over the last year and a half.

Other Perspectives on Format Variety and Programming Diversity

Changes in format variety do not necessarily reflect change in programming diversity.

Here we address five major outcomes relevant to the post-deregulation increase in format variety: (1) reduced diversity of ownership; (2) *faux-mat variety*, or changes in format names without changes in programming; (3) format homogeneity, meaning sameness among different radio formats; (4) the need for more evidence about the causes of increased format variety; and (5) the practice of *format redundancy*: parent companies owning stations with the same format in the same market.

Diversity of Ownership

When a parent company enjoys oligopolistic control of a market – and we showed earlier in this chapter that *every single Arbitron-rated market is subject to oligopolistic control* – perhaps they will operate stations with different formats. Yet many kinds of diversity are important in radio programming, and even when format variety increases, programming diversity may still decrease.

Having one to four dominant parent companies in each market means that fewer people make programming decisions. Each market has fewer new music or programming philosophies. More opportunity for bias in reporting in local or national news persists. Format variety, as traditionally measured, may increase, but in an important sense programming diversity also follows naturally from a multiplicity of owners. With the loss of thousands of local owners over the past six years, the wealth of programming diversity that used to come from independent radio companies has been lost.

Faux-Mat Variety and Format Homogeneity: The Sameness of Formats

Radio playlists determine programming diversity. The sub-classification of radio formats has become a frequent phenomenon; for example, in addition to the Adult Contemporary (AC) format are Hot AC, Rock AC, Urban AC, Mix AC, Soft AC, Light AC, Bright AC, and so on. These sub-classified formats may or may not actually feature a different set of songs. We refer to the practice of subtly changing a format name without actually changing the playlist as *faux-mat variety*.

A separate but closely related phenomenon is format homogeneity. Format homogeneity occurs when stations with completely different formats – even two nominally distinct format *categories* – use highly similar playlists. Often, formats with different names aren't substantively different. Formats such as CHR/Rhythmic and Urban share 38 songs out of the Top 50 most played, an overlap of 76 percent.[58] We have a complete discussion of how we calculate the overlap between formats in the next chapter (see Chapter 4, pp. 54-56) – here we merely call attention to its implications for programming diversity. While CHR/Rhythmic is considered part of the Contemporary Hit Radio/Top 40 format category, Urban is a completely different format category. A market that gains an additional CHR/Rhythmic station, when it already had an Urban station playing roughly the same songs, didn't actually gain any programming diversity. Yet both measures of format variety presented above would indicate an increase.

[58] Source data: *Radio and Records*, charts for the week ending August 2, 2002, http://www.radioandrecords.com (accessed July 31, 2002).

What Really Caused Format Variety to Increase?

While consolidation may have caused some of the increase in format variety, newly licensed stations likely contributed as well. According to BIA's database, 555 new stations have been licensed in the 288 Arbitron-rated markets since 1996.[59] Format variety may have increased simply because new stations received licenses from the FCC. Many such new stations may have selected formats that added to the number of self-reported formats or BIA format categories represented in various markets.[60]

Radio stations don't change their formats particularly often, and are doing so with declining frequency. We refer to this phenomenon as "format stickiness." In 1999, 14.2 percent of stations changed formats; in 2001 this figure was down to 9.7 percent.[61] This indicates that consolidation promotes variety less effectively than proponents of deregulation have claimed.

Format Redundancy: The Prevalent Opposite of Format Variety

Deregulation advocates maintained that consolidators with more than one station in a given geographic market will format those stations differently, to avoid competition among their own stations. One economic theory says that the parent company will capture a larger total market by doing so.

However, it can be highly profitable for a parent company with two stations programmed with the same format in the same market to *keep things that way.* Cornering the market on a popular format could capture all of the advertising revenue relevant to a specific audience niche.[62] Switching formats might also involve high costs and the loss of an established audience. We use the term *format redundancy* to refer to a parent company operating two or more stations in the same market, with the same format.[63] Using stations' self-reported formats, we found 561 such instances involving 1,190 stations in Arbitron-rated markets, as

[59] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

[60] The sources of increased format variety are difficult to isolate and identify. Radio markets involve the complex interactions of three broad categories of stations: (1) stations consolidated into large parent companies since 1996, (2) stations that have had the same owners since before 1996, and (3) newly-licensed stations. Determining which kinds of stations caused what increases in format variety can prove very problematic. Thus, it becomes difficult to pinpoint whether consolidation has caused the increase in format variety, and whether it has done so directly or indirectly. Furthermore, Charts 3-6 through 3-9 do not show whether commercial or non-commercial stations have caused the increase in format diversity that we have observed. More detailed research in this area would be highly valuable.

[61] Ibid.

[62] A more rigorous theoretical version of this argument exists in the formal economics literature. See Berry and Waldfogel (2001) for a brief review of the theoretical predictions for the effect of consolidation on product (e.g. format) variety.

[63] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

of May 2002. Clear Channel practices format redundancy in 68 instances involving 143 stations.

Using BIA format categories[64] we found 854 instances of parent companies operating stations in the same BIA format category in the same geographic market, as of May 2002. These instances involved 1,887 stations. Clear Channel alone adopted this practice 135 times, involving 287 stations.[65]

Radio's parent companies could greatly increase format variety simply by refraining from competing with themselves. From a bottom-line standpoint, radio companies avoid more format variety because it's risky and not necessarily profitable. This is especially unfortunate considering the FCC's mandate to serve the public interest. Stations should serve the public with true variety and diversity, not serve their profit margin with redundancy.

It's possible that only a tiny number of consumers have an interest in certain formats, and the market works so society can determine such things. Then again, some formats may never have been offered to the public in some geographic markets. Perhaps consumers never had a choice to begin with. Perhaps the consumers who would like the formats not being offered do not seem profitable to advertisers. Or certain music formats are not marketed because such record companies have limited budgets.

If a parent company decides it is more profitable to compete with itself in a single format rather than operate a Country station in New York, a Big Band station in Washington, D.C., or a Classical station in any of the 126 markets without one[66], then that's what it will do – and consumer choice will suffer.

Summary

Our analysis of the radio industry following deregulation found discouraging consequences for the public interest. Part I tracked the rise of the Top 10 parent companies that now dominate radio with a two-thirds share of the market. Two companies – Clear Channel and Viacom – stand out as dominant players. Part II showed that large radio companies now possess oligopolies in every geographic market and in almost every radio format. We asserted that competition – the kind that benefits the public – has decreased as a result of deregulation. Part III argued that traditional measures that indicate that format variety has

[64] Ibid.

[65] Radio companies sometimes broadcast the same programming signal on two or more stations to ensure that an entire city or metropolitan area can receive a clear broadcast signal. This particular kind of format redundancy might actually benefit the public, if the station's programming is desirable to listeners. We still counted these instances as format redundancy, since two or more scarce FCC licenses are being used for one playlist or one programming schedule. These instances still detract from programming diversity in a meaningful sense.

[66] Ibid.

increased do not support that programming diversity has increased. We called attention to post-deregulation outcomes affecting future format variety and programming diversity.

The new structure of the radio industry has not met the FCC's goals of competition and diversity in radio. Chapter 4 details how its new structure works against musicians. Chapter 5 explains how the new structure has failed consumers. The only beneficiaries of radio's deregulation are the few large radio companies that resulted from it.

Chapter 4
Radio Consolidation's Effect on Musicians

Concern for musicians is mostly absent from debates relevant to radio industry deregulation. Musicians – especially independent musicians without major label record deals – did not have a voice in Washington at the start of radio's deregulation in the 1980s. Nor did they have a seat at the table during the legislative negotiations resulting in the Telecommunications Act of 1996. Yet the consolidation of ownership of radio stations has profound implications for musicians. As we show in this chapter, musicians face:

- **Creeping Sameness:** an increasing homogeneity of radio formats resulting in fewer opportunities for musicians to get airplay;
- **Fewer Gatekeepers:** the emergence of an exclusive set of radio executives with the power to decide – and restrict – what music reaches the airwaves; and
- **Twin Bottlenecks:** further reduction of musicians' access to radio because of oligopolies in both radio and recording companies.

We describe the negative impact of these three major trends on musicians, demonstrating their extent through quantitative analysis. The structures in the radio industry that consolidation has created or reinforced do not serve the interests of musicians and citizens.

Format Homogeneity

Radio formats such as Soft Rock, Smooth Jazz, Hot AC, or Country categorize stations by their songs and programming. Formats provide general information to advertisers about what sort of people might listen to a particular station, and to listeners about what they will hear on the air.

But it is not as if radio formats are like labels on cans of soup. Food labels are required by law to describe contents accurately, including ingredients and nutritional information. In contrast, radio formats follow no standard guidelines and do not (or cannot) comprehensively represent what is on a station's playlist. In this section, we consider to what extent radio stations with different music formats play different songs. We also consider the economic implications of this format homogeneity for musicians.

We begin by acknowledging the difficulty of putting music into categories. Music is essentially a collage; almost all songs are a hybrid of different music genres. Radio programmers probably have difficulty assigning rigid classifications to fluid compositions. Should one classify "Louie, Louie" as Rhythm and Blues or as Classic Rock? Furthermore many fans couldn't care less about the classifications or overlaps. Some might even resent the attempt to draw boundaries between music genres. We share these concerns, but as researchers we are interested in how consolidation has affected programming diversity.

Measuring Format Homogeneity

Formats with different names may overlap significantly. The difference between the Modern Rock format and the Alternative format might be small. Format categories don't *quantify* the extent to which their formats are similar. However, there is a way to do that.

By studying the songs played most often in certain formats, we can measure how similar those formats actually are. Trade journals that document the radio industry – *Radio and Records* and *Billboard Airplay Monitor* – chart which songs are played most often in several formats. They do this by surveying the playlists of hundreds of stations across the country every week.[1] These charts list the top 20, top 30, top 40, or top 50 songs in a format for a given week. While each station generally plays more than 20 to 50 songs in a given week, charts provide a reasonable approximation of the similarity of formats with different names.[2]

No comprehensive historic database of airplay charts exists. It is impractical and overly costly to analyze the full history of playlist data. This makes a truly comprehensive analysis of format homogeneity difficult. Instead, we used a simple but scientific approach.

Using *Radio and Records* we compiled charts based on radio playlists from three different years covering an 8-year span: 1994, 1998 and 2002. From *Billboard Airplay Monitor* we compiled charts from two different years: 1998 and 2002. Using one weekly issue from each of those years we tabulated all the songs from all charts that each magazine tracked during one week. For example, *Radio and Records* currently publishes 13 charts a week. We listed all the songs on all the charts in one edition of *Radio and Records*. We then compared the charts to each other to gauge the extent of overlap between the various formats.

Economists Steven Berry and Joel Waldfogel included the concept of format homogeneity as part of a *Quarterly Journal of Economics* study of whether radio station mergers encouraged product variety. Berry and Waldfogel studied top 30 playlist data from *Radio and Records* for the week of February 27, 1998. "Data on the top 30 songs aired in each format," they

[1] The number of stations reporting their playlists each week varies by format. To give a pair of examples, it varies between a minimum of 28 stations (for the AAA format) and a maximum of 151 stations (for the Country format) in the current *Radio and Records* charts.

[2] To give the reader a notion about the songs that are left out: the songs lowest on the charts are played anywhere from 4 to 10 times a week by each station surveyed for the *Billboard* charts. So the songs that don't make the Top 40, Top 50, etc. are played fewer than 10 times per week.

wrote, "show that some formats add more variety than others. For example, 14 of the 'Rock' top 30 also appear in the 'Alternative' top 30, while none of the Country or Jazz top 30 appears in any other formats' top 30. Still, no two formats have more than 20 songs overlapping their top 30s."[3]

Overlap of almost half of the songs being played between formats suggests that increased format diversity does not necessarily increase musical variety. Using data from *Radio and Records* and *Billboard Airplay Monitor* at three different time points provides a strong case that theoretically distinct formats are in fact highly similar. Even without fully comprehensive playlist data, the remarkable homogeneity of radio formats is apparent.

Radio and Records playlist data may be used to illustrate the extent of homogeneity. Currently, *Radio and Records* tracks the most-played songs in 13 formats, accounting for a significant proportion of radio listening: 63 percent of *all* radio listeners and approximately 75 percent of music radio listeners.[4]

We calculated chart overlap between different pairs of formats, counting the songs that two formats' charts have in common. Table 4-1 shows every pair of formats that had eight songs in common or more during the week we collected data.[5]

[3] Steven T. Berry and Joel Waldfogel, "Do Mergers Increase Product Variety? Evidence from Radio Broadcasting," *Quarterly Journal of Economics*, August 2001, 1014, footnote 15.

[4] The 13 formats currently charted by *Radio and Records* are: Adult Album Alternative (AAA), Adult Contemporary (AC), Active Rock, Alternative, Contemporary Hit Radio – Pop (CHR Pop), Contemporary Hit Radio – Rhythmic (CHR Rhythmic), Christian Contemporary, Country, Hot Adult Contemporary (Hot AC), Rock, Smooth Jazz, Urban, and Urban Adult Contemporary (Urban AC).

[5] Source data: *Radio and Records* magazine online, www.radioandrecords.com (visited July 31, 2002). The charts are based on the number of times the stations surveyed played songs during a single week.

Table 4-1: *Radio and Records* Formats with at least Eight Overlapping Songs
August 2002 Playlist Data

Format 1	Total # songs on chart	Format 2	Total # songs on chart	Songs common to both charts	Overlap % [6]
CHR Rhythmic	50	Urban	50	**38**	**76%**
Active Rock	50	Alternative	50	**29**	**58%**
Active Rock	50	Rock	30	**22**	**44%**
CHR Pop	50	CHR Rhythmic	50	**21**	**42%**
Alternative	50	Rock	30	**18**	**36%**
CHR Pop	50	Hot AC	40	**16**	**32%**
AAA	30	Hot AC	40	**15**	**38%**
CHR Pop	50	Urban	50	**15**	**30%**
Urban	50	Urban AC	30	**9**	**18%**
AC	30	Hot AC	40	**8**	**20%**

Several pairs of formats exhibit significant overlap. For instance, CHR Rhythmic and Urban are barely different from each other, sharing 76 percent of their respective playlists. In contrast, the Christian Contemporary, Country and Smooth Jazz formats have little or no overlap with the remaining 10 formats in the analysis.

Venn diagrams may be used to graphically depict format redundancy. Venn diagrams represent sets – groups of things, such as songs played on the radio – as circles. One can observe not just circle A and circle B, but three specific regions: (1) the overlap between circle A and circle B, (2) the part of circle A that does not overlap with circle B, and (3) the part of circle B that does not overlap with circle A.[7]

Diagram 4-1 uses Venn diagrams to show overlap between the formats in the *Radio and Records* charts. This is a particularly powerful depiction because it exhibits instances in which songs appear on more than two charts – sometimes songs appear on three, four or more charts. Numbers displayed in each region represent the number of songs that fall into that region. Regions represent either the set of songs unique to a format or the set of songs common to two or more formats.

[6] We calculate "Overlap %" with the number of overlapping songs in the numerator and the *larger* of the two charts sizes in the denominator, if the chart sizes are different.

[7] For set theory enthusiasts, we should acknowledge a region (4), the area that is outside both circle A and circle B. Since our data from *Radio and Records* does not include all the songs that did *not* reach the charts, this theoretical "region" will not be relevant for the discussion here.

Diagram 4-1: Overlap of the 13 *Radio and Records* Formats[8]

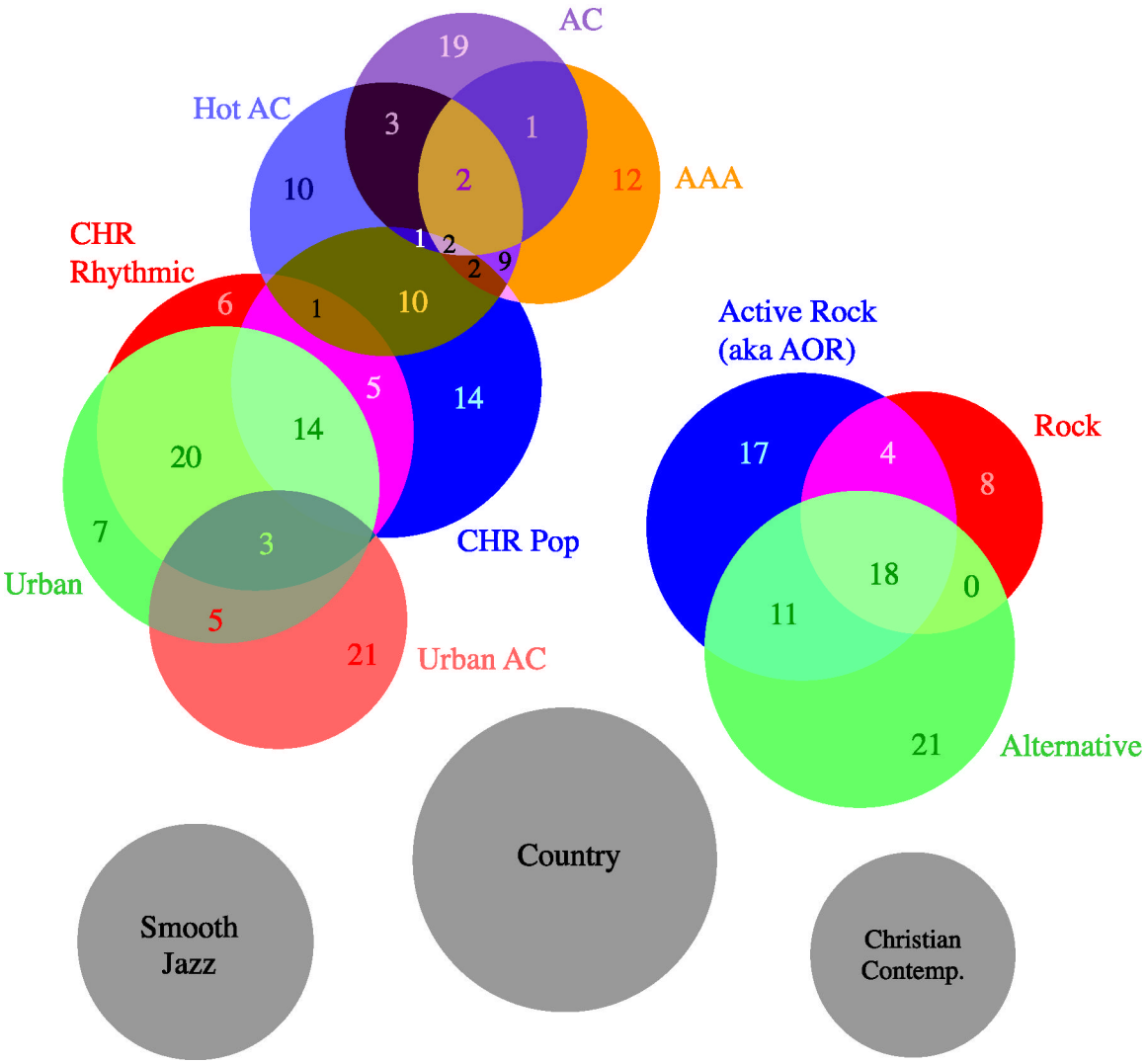


Diagram 4-1 reveals two particularly close clusters of formats. One cluster comprises the Rock, Active Rock and Alternative formats. The other cluster has two sets of three highly similar formats – AC, Hot AC, and AAA; and Urban, CHR Rhythmic, and Urban AC – connected by their overlap with the CHR Pop format. This graphic exhibit of format similarity shows one large seven-format cluster, one three-format cluster, and three formats with little or no overlap with others.

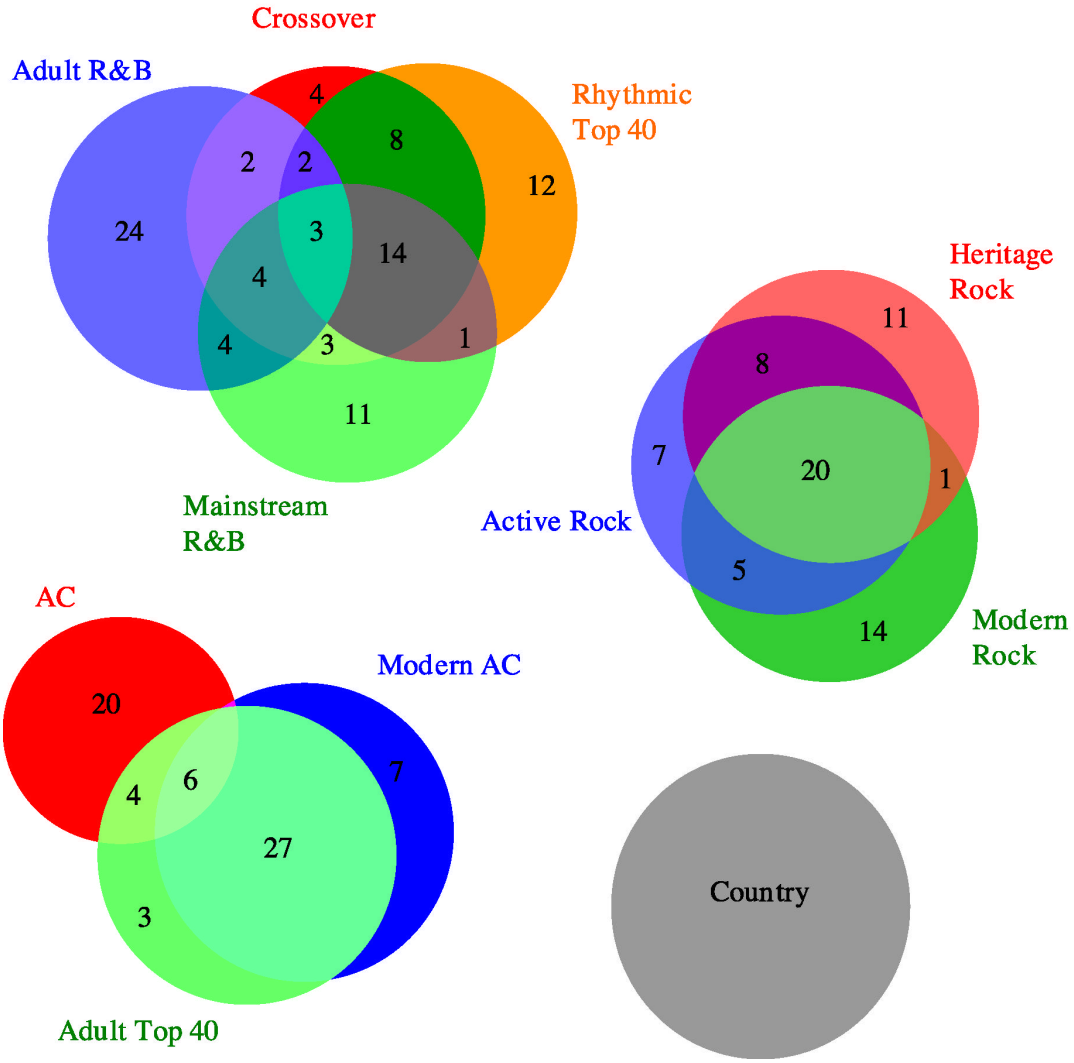
The seven-format cluster is a striking testament to the remarkable similarity of various radio formats with very different sounding names. A pop song targeted to either adult listeners or

[8] Notes: Data from the week ending August 2, 2002. The size of each circle in the diagram is proportional to the size of its corresponding format's chart (charts list 20, 30, 40 or 50 songs. Most of the charts have either 30 or 50 songs – only Christian Contemporary has 20 songs and only Hot AC has 40 songs. Not every overlap between two formats is demonstrated here, but almost all of the largest (five songs or more) overlaps are.

urban listeners would typically appear in this cluster, often in two or more of the formats' charts. The three-format cluster shows that, while one might think that the Alternative format was developed to provide an alternative to something, over half of the Top 50 songs in that format also chart in the Active Rock and Rock formats.

Billboard magazine also publishes charts listing songs played most often in several different formats. *Billboard* tracks a differently named set of 11 formats.[9]

Diagram 4-2: Overlap of the 11 *Billboard* Formats[10]



[9] The 11 formats tracked by *Billboard* are: Active Rock, Adult Contemporary (AC), Adult Rhythm & Blues (Adult R&B), Adult Top 40, Country, Crossover, Heritage Rock, Mainstream Rhythm and Blues (Mainstream R&B), Modern Adult Contemporary, Modern Rock, and Rhythmic Top 40. *Billboard* tracks the Top 40 songs played in each of these formats, except for AC, for which *Billboard* only tracks the Top 30.

[10] Source data: *Billboard* Airplay Monitor charts, March 2002. *Billboard*'s Airplay Monitor comes in four weekly editions: Rock, R&B, Top 40, and Country. We have collected chart data from all four for one week.

Diagram 4-1 and Diagram 4-2 illustrate that music radio is significantly homogenous. Formats with different names often play the same songs. This means less access to the airwaves for musicians because spots in the Top 30, 40 or 50 of any format are more scarce than if they had no overlap.

The 13 formats tracked in *Radio and Records* contain a total of 510 slots. If the charts were truly and entirely diverse, 510 different songs would chart. But only 331 songs occupied those spots the week we collected data from those charts. In the 10 overlapping formats (i.e. not counting Christian Contemporary, Country and Smooth Jazz), there are a total of 410 slots, yet just 237 songs filled those slots. Thus, 173 slots on the charts of these 10 formats were occupied by artists whose songs "crossed over" into two or more formats. The numbers for the 11 *Billboard*-charted formats look even worse. Those 11 charts have 430 slots with only 253 songs filling them.

Music today is certainly diverse enough to fill 10 different radio formats with different styles and genres of music. Instead, we see hits and non-hits. A hit can be played in just about any format. Repeated exposure plays an important role in making a song into a hit. That few songs receive a large number of repeated spins may not identify such songs as hits; rather repetition may in fact transform songs into hits. A non-hit is any song that doesn't reach this level of repetition and success.

Has Format Homogeneity Increased Over Time?

Using data from *Radio and Records*, we compared overlap between pairs of formats in 2002 with overlap between the same pairs in 1994 and 1998. For each year, we collected data from the first week of August so that seasonal effects wouldn't skew our results. Our results indicate that some formats have become more similar in recent years; deregulation has not reduced format homogeneity.

The "rock" cluster of formats has become more homogenous over time. Only some formats within the "pop" cluster have become more similar; others have become less similar since 1994 and since 1998. We attribute most of any decrease in homogeneity to the shifting identity of the Hot Adult Contemporary (Hot AC) format. That exception aside, radio formats have generally become more similar since deregulation.

Table 4-2 shows the percentage overlap between formats for the pairs displayed in Table 4-1, with the addition of data from 1994 and 1998.[11]

[11] Source data: *Radio and Records* magazine online, www.radioandrecords.com (visited July 31, 2002); *Radio and Records*, August 7, 1998; *Radio and Records*, August 5, 1994. The charts are based on the number of times the stations surveyed played songs during a single week.

Table 4-2: *Radio and Records* Format Overlap Over Time
1994, 1998, and 2002 Playlist Data

Format 1	Format 2	1994 Overlap	1998 Overlap	2002 Overlap	Change 1994-1998	Change 1998-2002
CHR Rhythmic	Urban	63%	58%	76%	-5%	+18%
Alternative	Active Rock	n/a	48%	58%	n/a	+10%
Rock	Active Rock	n/a	66%	73%	n/a	+7%
CHR Pop	CHR Rhythmic	28%	32%	42%	+4%	+10%
Alternative	Rock	35%	40%	60%	+5%	+20%
Hot AC	CHR Pop	50%	80%	40%	+30%	-40%
Hot AC	AAA	n/a	37%	50%	n/a	+13%
CHR Pop	Urban	18%	10%	30%	-8%	+20%
Urban	Urban AC	n/a	53%	30%	n/a	-23%
AC	Hot AC	73%	27%	27%	-46%	0%

The "rock" cluster of formats – Rock, Active Rock, and Alternative – had an average of 12 percent more overlap in its charts in 2002 than in 1998. *Radio and Records* didn't track the chart for Active Rock in 1994, but by adding the 1994-1998 and 1998-2002 changes, we can see that the Rock and Alternative formats had 25 percent more overlap in 2002 compared to 1994. Since deregulation, format homogeneity has increased considerably among "rock"-oriented formats.

Many of the other formats – such as Urban and CHR/Rhythmic – have more overlap in 2002 than 1994 or 1998. Pairs of formats with less overlap typically involve the Hot Adult Contemporary format. Hot AC had 46 percent less overlap with AC in 1998 and 2002 than it did in 1994. It had 40 percent less overlap with CHR Pop in 2002 than it did in 1998. Still, this doesn't mean that format homogeneity decreased. Rather, it appears that Hot AC shifted its focus over the last eight years from a close similarity with AC, to a close similarity with CHR Pop, to a close similarity with AAA.[12] These changes don't really reflect differentiation. The only thing that changes is *which* format(s) Hot AC overlaps with most.

Similar formats may simply reflect consumer tastes. Perhaps consumers prefer format choices that are only slightly differentiated from one another. Proponents of consolidation regularly argue that consumers just want to hear hit songs, and don't care about diverse, differentiated playlists. Still, format homogeneity reduces diversity in programming. Consumer survey results in Chapter 5 will show the resulting dissatisfaction.

Another possible benefit of format similarity is the increase in "crossover" hits. It is certainly refreshing that songs can "cross over" between formats. Many musicians dislike rigid categorization of their music. Furthermore, the few artists who enjoy crossover success reach new audiences and have access to more listeners than ever before. With format homogeneity, the payoff for having a hit gets even bigger.

[12] For a list explaining the format abbreviations, see Footnote 4 above.

The prospect of crossover hits for a tiny number of artists, however, does not outweigh the harm done to the vast majority of musicians when radio airplay is so scarce. Format homogeneity, when combined with fewer gatekeepers and the twin bottleneck created by oligopolies in both radio and record labels, results in highly restricted access to the airwaves for musicians.

Format Oligopolies Mean Fewer Gatekeepers

The largest four parent companies in almost every geographic market control a 70 percent share (or greater) of listeners and revenue. This indicates that musicians in each locality across the U.S. may have more trouble getting on the air than they used to. Radio parent companies are eager to take advantage of economies of scale to cut costs, after all, why have three programming directors for three Top 40 stations, when there are cost savings in having just one?

This trend has distressing implications for musicians. If local artists want to be played on the radio, they need the attention and approval of at least one radio programming director. When radio companies take advantage of economies of scale, local markets have fewer programming directors. And let us be absolutely clear: this result was the *intention* of deregulation. Radio companies sought to cut costs by centralizing functions as described above. Congress sought to encourage centralization to improve radio's viability in an increasingly competitive media marketplace.

In other words, Congress passed a law that disadvantaged local musicians trying to get their music to the local listening public. This is just one way radio consolidation has hurt musicians.

Format Oligopolies and Restricted Access

Format oligopolies exist whenever a format is dominated by four parent companies with a market share totaling 50 percent or greater. Tables 3-8, 3-9, and 3-10 in the previous chapter exhibit the extent of consolidation within each format. With few exceptions, no matter how formats are defined or categorized, they are now controlled by oligopolies.

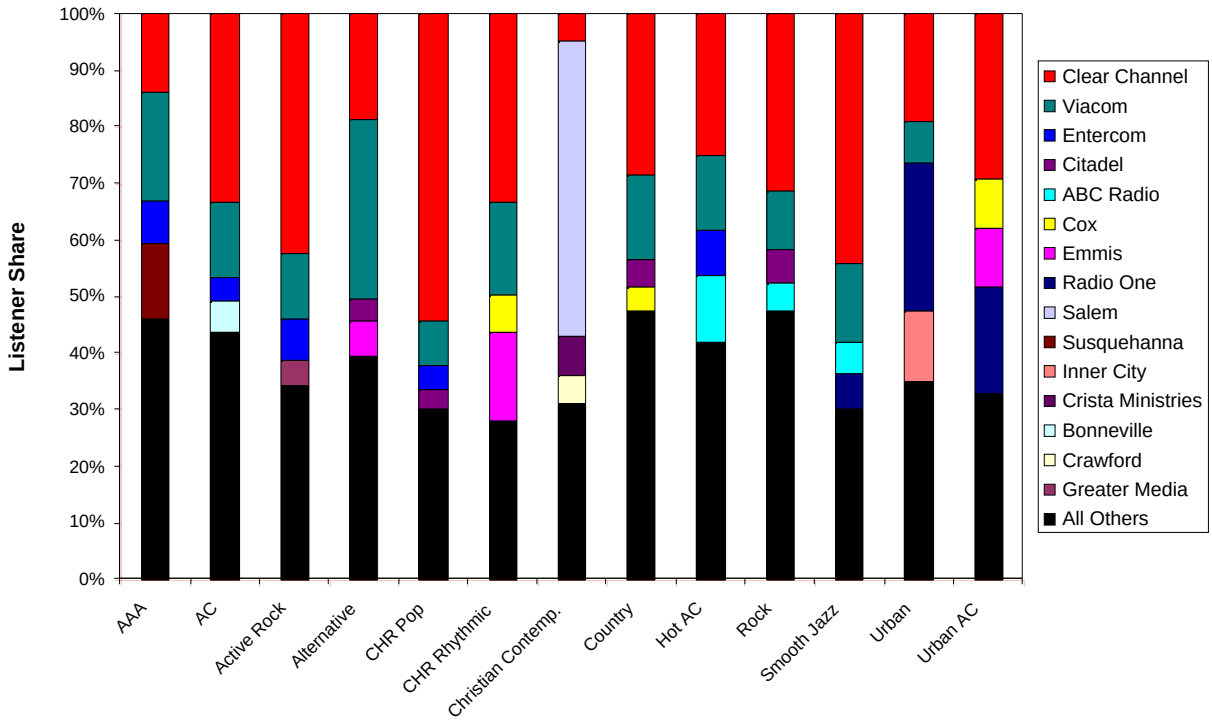
Chart 4-1 displays the same information as Table 3-9 in a more visual manner.[13] It shows each of the 13 *Radio and Records*-based format categories as a stacked bar.[14] The size of each color-coded region within each bar represents the market share of a parent company,

[13] Source data: Media Access Pro, BIA Financial Networks, data as of May 16, 2002.

[14] As explained in Chapter 3, we classified stations in the BIA database into 13 *Radio and Records* format categories. To do so, we determined the self-reported format of each station surveyed for each *Radio and Records* chart, and identified which self-reported formats best characterized each of the 13 *Radio and Records* formats.

measured by percentage of the format's total listeners. Within each format, only the market share of the top four firms are displayed.[15] Thus, Chart 4-1 should not be used to examine the extent of each parent company's holdings. It simply shows the four largest firms within each format, and the share those four firms control.

Chart 4-1: Format Oligopolies and the 15 Gatekeepers



Within each format, a small number of firms dominate. Even across formats, a small number of firms dominate. Only 15 gatekeepers maintain these 13 format oligopolies, as detailed in Chapter 3. The programming departments of 15 companies pass judgment on which music reaches the air across the entire U.S.

Such consolidated power over musicians' access to the airwaves has not existed since the earliest days of radio. Not since the 1920s, when the newly created NBC and CBS literally built the first national networks, has the U.S. seen so few gatekeepers in the radio industry.[16] Their control was reduced by the formation of the Federal Communications Commission in 1934. But now we have returned to a radio industry subject to oligopoly power.

[15] If a parent company listed in Chart 4-1 ranks 5th in listener share or lower within a format category, that information will not be reflected in the chart. Instead, that share will be attributed to the "All Others" category for that format. Because of this, Chart 4-1 won't necessarily demonstrate the full extent of each parent company's presence within the 13 *Radio and Records*-based format categories.

[16] Russell Sanjek and David Sanjek, *Pennies from Heaven* (New York: Da Capo, 1996), pp. 74-90.

If cost-cutting centralization proceeds within these 15 gatekeeper companies, their programming departments could become even smaller and more consolidated, leading them to employ highly similar playlists across formats. It's hard to imagine – especially for the programming department employees who have already lost their jobs – but format oligopolies make it a reality.

Even if each format is initially controlled by a single programming specialist, once a few parent companies acquire national format oligopolies, a handful of program directors could work nationally, specializing in a specific format. In other words, each parent company might employ a national programming expert assigned to Adult Contemporary, another to Rock, another to Country, and so on. But bottom-line pressures could continue, even after the national format oligopolies make regional programming directors obsolete. It would become more economical for the parent companies to hire a single program director for, say, three formats. This, in turn, could result in different formats having very similar playlists, because they are controlled by a single director.

Clear Channel employee Jeff Wyatt, program director of Washington, D.C.'s Hot 99.5, doubles as program director of D.C.'s WMZQ, which means he's responsible for the music, DJs and commercials that run on a Top-40 station and a Country station. "That's a typical Clear Channel arrangement," notes the *Washington Post*, "the eight stations in the D.C. area are programmed by just four people." [17]

Format oligopolies and format homogeneity are part of the *very same phenomenon.* Format oligopolies occur as soon as consolidation reaches a certain level. Bottom-line pressures push radio parent companies to employ fewer and fewer people to do the same job, resulting in fewer gatekeepers and different playlist formats featuring many of the same songs.

With deregulation, layoffs in radio have become commonplace. Why spare the programming directors, if not DJs? Radio's parent companies are cutting costs and centralizing operations wherever possible. Radio deregulation is making possible an industry in which 15 *people* – not 15 programming departments – control what music reaches the airwaves. For musicians, this means that access to the airwaves will be scarcer, and thus more expensive.

The Twin Bottleneck Restricts Access Even Further

The radio industry does not operate within a vacuum. The homogeneity of radio formats and the shrinking number of gatekeepers to the airwaves combine with a recording industry oligopoly to create a "twin bottleneck" for musicians looking to get on the air. Record releases from the recording industry oligopoly dominate the radio charts, further restricting access to radio for musicians.

[17] Paul Farhi, "Mega Hurts; Clear Channel's Big Radio Ways Are Getting a Lot of Static These Days," *Washington Post*, May 29, 2002.

In the recording industry, a small number of companies control a total market share of approximately 80 percent. We refer to the large parent companies with recording industry enterprises as *conglomerates*. Each conglomerate owns many *labels* as parts of a *major label group* through which it collectively releases recordings.

Just as we considered the parent companies the relevant entities in an analysis of the radio industry, we consider the conglomerates relevant entities in an analysis of the recording industry. The recording industry is an oligopoly by the definition introduced in Chapter 3; the four largest companies control more than 50 percent of sales. Until the end of 1998, six conglomerates controlled the recording industry. Since then, that number has declined to just five major label groups: AOL Time Warner's Warner Music Group, Bertelsmann AG's BMG Entertainment, EMI Group Plc.'s EMI Recorded Music, Sony Corp.'s Sony Music Entertainment, and Vivendi Universal's Universal Music Group.[18]

Each of the conglomerates owns businesses in various industries, including cable television, book publishing, electronics manufacturing and water utilities. To our knowledge, none of the conglomerates own U.S. radio stations.

To measure the prominence of songs released on major record labels in the radio charts, we need to decide which labels should be categorized as majors. The conglomerates release music under their own labels and many subsidiary labels. They also sign production and distribution (P&D) deals with some independent labels. These major-distributed independent labels often feature successful artists who have started their own label but retain a contractual relationship with one of the major conglomerates.

We classify a song as being released on a "major label" if it fits at least one of the following descriptions: (1) released on the conglomerate's own label, (2) released under a conglomerate's subsidiary's label, or (3) released under a major-distributed independent label. We consider any other label to be a "true" independent label. Our label classification scheme changes depending on the year, due to mergers and acquisitions.

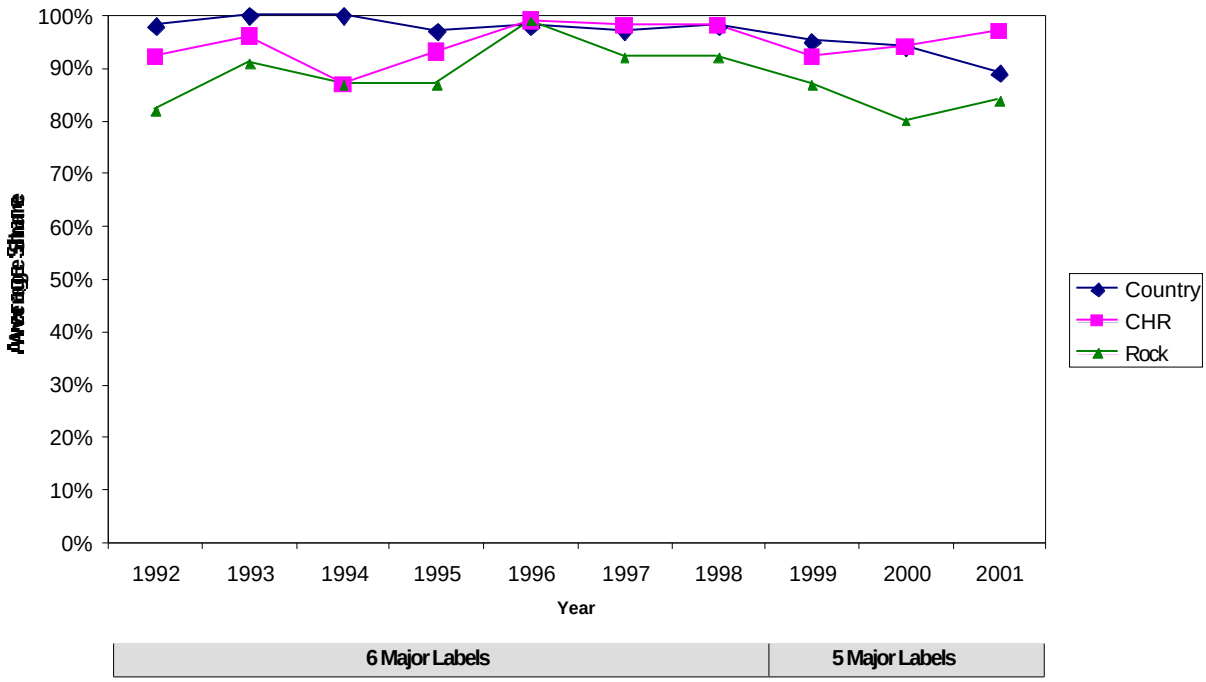
Information on the conglomerates is difficult to obtain. One cannot simply call the corporate offices of Sony, or even visit its website, to get a complete list of label names, subsidiaries, and affiliated independents. Appendix I consists of a detailed list of our classification scheme.

Because an electronic database of radio charts does not exist we used charts from the trade journal *Radio and Records*. Using five issues per year, each spaced four weeks apart, we tabulated the songs that made the charts from 1992 through 2002, between the end of February and the beginning of July. We collected data from three charts: Country,

[18] The sixth major record conglomerate was PolyGram Records. In 1998, Seagram – which owned Universal Music Group at the time – purchased PolyGram. In 2000, Vivendi merged with Seagram to form Vivendi Universal.

Contemporary Hit Radio (CHR), and Rock.[19] We then calculated what percentage of songs was released on a major record label and calculated an average for the five weeks surveyed during a given year. Chart 4-2 reports our results.[20]

Chart 4-2: Major Record Label Share of Radio Charts



Releases from major record labels had an overwhelming presence on radio charts over the last decade. In our sample of five weeks per year, major labels enjoyed an 87 percent to 100 percent share on Country and CHR stations. Their share of the Rock charts varies more widely, ranging anywhere from 80 percent to 99 percent. In all three formats, major labels predominate.

[19] From 1992-1994, we used the "Album Oriented Rock" chart because the "Rock" chart was not available. From 1992 to April 1995, *Radio and Records* listed the top 50 songs for Country, the top 40 songs for CHR, and the top 60 songs for AOR or Rock. From May 1995 on, *Radio and Records* has listed the top 50 songs in each format.

[20] Source data: *Radio and Records*, issues dated: February 28, 1992; March 27, 1992; April 24, 1992; May 22, 1992; June 19, 1992; March 5, 1993; April 2, 1993; April 30, 1993; May 28, 1993; June 25, 1993; March 4, 1994; April 8, 1994; May 6, 1994; June 3, 1994; July 1, 1994; March 3, 1995; March 31, 1995; April 28, 1995; May 26, 1995; June 30, 1995; March 1, 1996; March 29, 1996; April 26, 1996; May 24, 1996; June 21, 1996; February 28, 1997; March 28, 1997; April 25, 1997; May 23, 1997; June 20, 1997; February 27, 1998; March 27, 1998; April 24, 1998; May 22, 1998; June 19, 1998; February 25, 2000; March 24, 2000; April 21, 2000; May 19, 2000; June 16, 2000; March 2, 2001; March 30, 2001; April 27, 2001; May 25, 2001; and June 22, 2001.

Chart 4-2 calls attention to a twin bottleneck for artists. In addition to radio programmers, five recording conglomerates comprise *another set of gatekeepers* to radio.

Here's how the gatekeeping phenomenon occurs: to get a song on the radio, it must be produced, distributed and promoted by someone. That someone may be a major label or an independent. Copies of the song have to reach programming directors at radio stations. It helps if a promotional or marketing message accompanies the song.[21] Program directors then decide what gets played.

Because the recording industry is highly consolidated, only five gatekeepers decide which musicians are to receive mass production and expensive promotion. Because major label releases comprise 80 percent to 100 percent of the radio charts, signing to a major label has become an almost necessary step to getting one's song played on the radio. This is the first bottleneck.

Because of format homogeneity and format oligopolies, there are very few gatekeepers on the radio station side of the equation. Formats with different names employ highly similar playlists, and each format is dominated by four firms with a 50 percent market share or greater. Only a small number of parent companies – just 15 – populate the format oligopolies of music radio. Thus, an exclusive set of programming directors decides what gets airplay. Even with a major label recording contract, musicians might not make it through the gate. This is the second bottleneck.

The twin bottlenecks reinforce one other. Because formats are more homogenous, space on the airwaves has become scarce. Fewer and fewer songs reach the charts, due to the predominance of "crossover" hits. This increases the cost of promotion as it becomes more expensive to capture the attention of programming directors. Musicians need more resources than ever before to promote themselves to achieve the status they need to become eligible get on commercial radio.

Major record labels have large promotional budgets. Because the promotional money is there, radio companies have an incentive to make access to the airwaves more scarce, and thus more expensive. Format homogeneity artificially creates the scarcity they need to commodify airplay. Meanwhile, format oligopolies ensure that each powerful parent company can promise a large share of listeners. If radio companies can deliver more airplay

[21] As we know now, some major record labels pay "independent promoters" to seek airplay for their label's songs. Some evidence exists that these independent promoters pass the money (or other consideration, such as appearances by the artists or exorbitant trips to concerts) along to radio stations, resulting in a pay-for-play situation. This new "payola" scandal is not our concern here – our analysis of the twin bottleneck applies whether there's payola or not – but readers should be aware of this context. A payola scandal would only exacerbate the structures we describe that restrict access to the airwaves for musicians. See, for example, Chuck Phillips, "Logs Link Payments with Radio Airplay," *Los Angeles Times*, May 28, 2001, (registration required) http://www.calendarlive.com/top/1,1419,L-LATimes-Search-X!ArticleDetail-34419,00.html; Eric Boehlert, "Payola City," *Salon*, July 24, 2001, http://www.salon.com/ent/music/feature/2001/07/24/urban_radio/index.html.

and increased market share, major record labels must continue to spend even more promotional money.

Yet the high price for airplay reinforces the recording industry oligopoly as well. Musicians need the kind of promotional dollars that, in general, only a major record label can offer. Artists want a mainstream career have no choice but to solicit major labels, reinforcing the power of the major label groups.

A recent *LA Times* article describes the problem of access to airplay for artists not on major labels. Artist Matthew Harrison released a record in 2001 on the independent label Third Monk. The label's owner, Jeff Robinson, said he didn't have enough money to hire an independent promoter to influence radio station playlists. "They've got it locked up and there's absolutely no room to do what I'm trying to do," Robinson said. "And if you can't get exposure for your product, you'll never be able to sell any records."[22]

Direct payments from independent promoters directly benefit the bottom lines of radio companies at a rate of $100 million per year.[23] But even without payola, promotional money benefits radio companies. Clear Channel benefits from a concert enterprise, promoting performances by the biggest major label artists through ownership of the nation's largest concert promotion company, SFX, and hundreds of major venues across the country. Clear Channel can use its dominance in radio to enhance its dominance in concert promotion.

In the self-reinforcing structure we have described, music industry resources benefit a small number of musicians. Radio stations play songs by a smaller number of musicians. These forces work to polarize the distribution of income among musicians. A few "winners" reach the top and make more money than ever before, but the twin bottleneck made possible by deregulation shuts out more and more musicians from both major labels and radio.

Summary

We have seen that radio formats have become homogenous. Formats with different names, that would seem to distinguish *different* kinds of programming, actually serve as labels for playlists with many of the *same* songs.

Musicians have been harmed by consolidation because it restricts their access to radio. Musicians need access to radio to reach listeners – for the sake of promoting sales of their recordings and building careers as musicians. Musicians need an audience. Unfortunately, through three key structures – creeping sameness of formats, fewer gatekeepers, and twin bottlenecks – most musicians have no chance of reaching that audience through radio.

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[22] Jeff Leeds, "Small Labels Say Radio Tunes Them Out," *Los Angeles Times*, September 16, 2001.

[23] Greg Kot, "Rocking Radio's World," *Chicago Tribune*, April 14, 2002. http://www.chicagotribune.com/features/arts/chi-0204140469apr14.story (registration required; accessed September 21, 2002).

Chapter 5
Citizens' Satisfaction with Radio

In Chapters 3 and 4 we discussed the impact of radio consolidation on the industry itself and on musicians. Last, we turn to the ultimate consumers of radio: the listening public. The public's perspective – as opposed to mere speculation about their perspective – has been largely ignored in debates about media regulation. A public opinion survey commissioned in May 2002 examined citizens' satisfaction with radio and opinions on changes brought about by radio consolidation.

While radio plays a prominent role in people's lives, many listeners expressed dissatisfaction with various aspects of programming that have developed alongside increased consolidation, increased homogeneity, and decreased diversity.

Designing a Useful Survey

While after an extensive search we found no comprehensive public opinion surveys on radio from the past twenty years, this is not to say that the radio industry doesn't conduct market research. In addition to spending money on focus groups and telephone polls, there are companies that specialize in providing broad-based audience measures to radio businesses. Arbitron, for example, has tracked audience ratings for both radio and television for over fifty years. Arbitron numbers are highly influential in the radio industry as quick, frequent snapshots of the radio audience, but they provide very generic information about listenership, time spent listening, location, favorite formats and other marketing data.

There is no doubt that the radio industry invests heavily in market research, but this type of research is either station-specific or commercially focused. We are interested in how people feel about radio and radio programming. Does it meet their needs? Do they like what they hear? What might make radio better?

We used a public opinion survey to measure citizens' satisfaction with commercial radio. From May 13–20, 2002, Behavior Research Center, a private research firm, conducted in-depth telephone interviews with a random sample of 500 respondents throughout the U.S., aged 14 years or older. The survey asked respondents approximately 20 questions about radio designed to measure listening habits and opinions on available programming and the role of Congress in addressing issues such as radio station ownership and "pay-for-play" practices.

The complete survey questions, results and methodology appear in Appendix II.

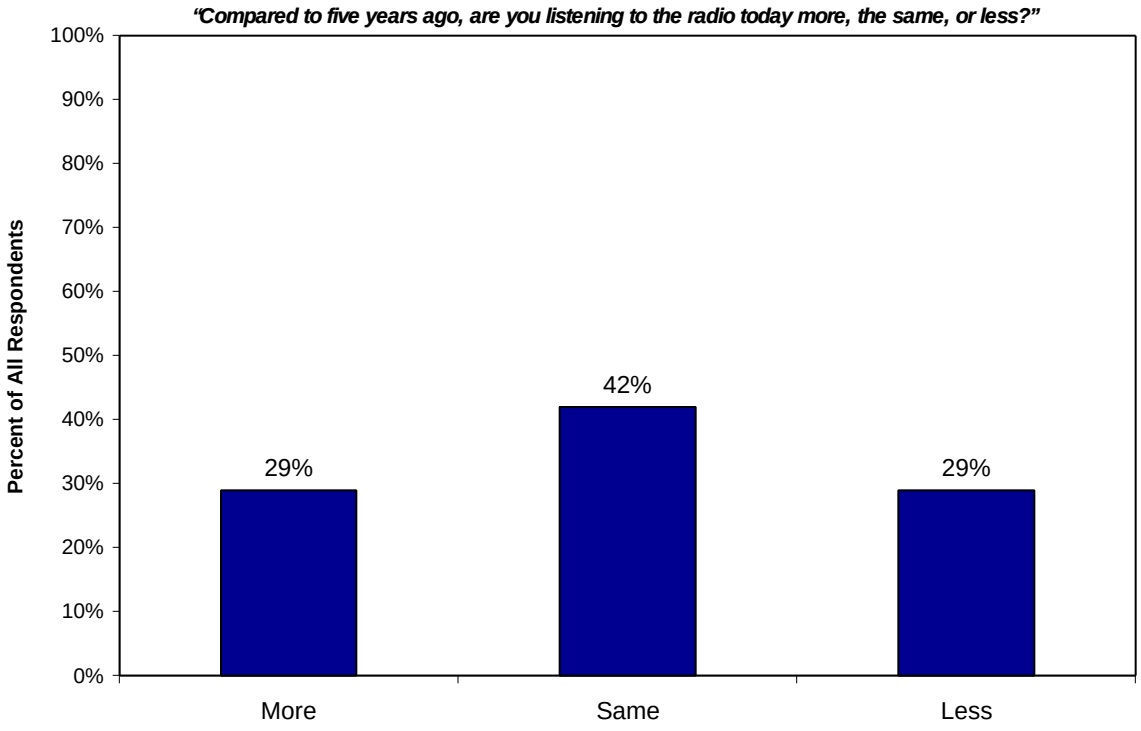
Who Listens, Who Doesn't and Why

We began with questions about general listening habits. According to Arbitron's 2001 figures, radio reaches nearly 95 percent of the U.S. population aged 12 and older each week; on average, Americans spend about 20.5 hours per week listening to their favorite stations.[1]

Our survey found similarly high numbers of radio listening. Eighty-three percent of respondents 15 years of age and older said that they listened to radio each week. Radio listening was higher among younger consumers and fell off among adults over the age of 45, particularly those 65 years of age and older.[2]

We also asked citizens whether their radio listening habits had changed in the past five years. Responses were split evenly between respondents that said they were listening "more" (29%) and listening "less" (29%).

Chart 5-1: Listening Habits



[1] "2001 Radio Today: How America Listens to Radio," Arbitron annual study, 2002, 3. According to Arbitron's 1998 data, radio reached 95 percent of adults and teens, but time spent listening was higher – 22 hours per week. Available online at http://www.arbitron.com/downloads/radiotoday01.pdf

[2] The 17 percent of respondents who said they "never" listen to the radio gave a variety of reasons for not doing so, but the dominant factors traced to being "too busy" (30%), relying on other entertainment or news sources (21%), and those that found radio too boring or not offering anything they liked (12%).

When change in listening habits is cross-tabulated with age, results show that listeners under the age of 30 were more likely to say that they were listening more. Listeners aged 30-49 were more likely to be listening to less radio.

Chart 5-2: Listening Habits by Age

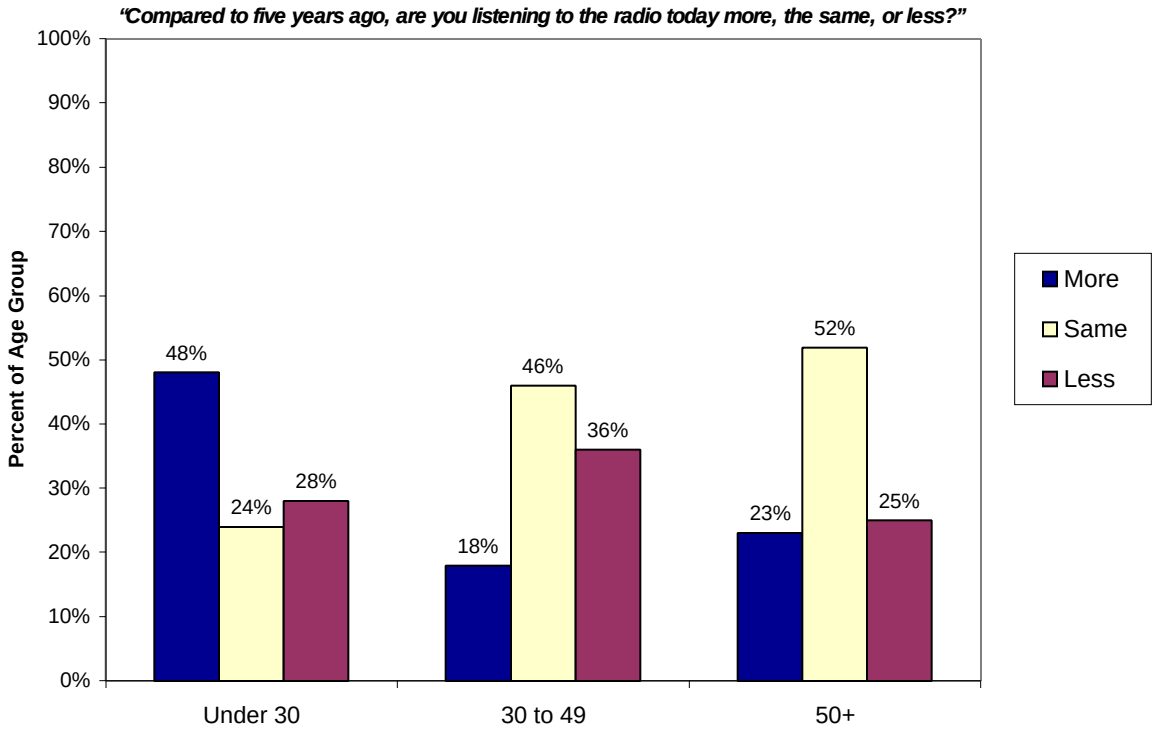


Table 5-1: Listening Habits by Station Type

"Compared to five years ago, are you listening to the radio today more, the same, or less?"

	More	Same	Less	("Less" to "More" Difference)
Listen To:				
Commercial FM	30	40	30	(0)
Commercial AM	29	46	25	(+ 4)
NPR	29	39	32	(- 3)
College	40	38	22	(+18)
Low Power FM	34	37	29	(+ 5)

These results indicate a different trend from a June 1999 Arbitron and Edison Media Research survey about the effect of increased radio advertising on listening. That study found

that time spent listening (TSL)[3] had been dropping since spring 1993. When cross-tabulated with age, time spent listening had decreased most among younger listeners; down 11 percent among teens aged 12 to 17 and down 14 percent among young adults aged 18 to 24.[4]

Some have speculated that time spent listening dropped because of an increase in on-air advertising following the 1996 Telecommunications Act. However, the Arbitron/Edison report indicates – and acknowledges – that time spent listening to radio began falling *before* the Telecom Act. From 1993 to 1996, there was a one-hour per week drop in time spent listening. This happened before the large surge in demand for radio ad time. From 1996 to 1999 average time spent listening dropped another hour. Thus, listening declined at the same pace prior to and immediately following passage of the Telecom Act.[5]

A more recent analysis confirms that the industry is experiencing an even more significant drop in listening. In September 2002, *Duncan's American Radio*[6] reported that the "average persons rating" – the percentage of the U.S. population listening to the radio in any average quarter hour – is at a 27-year low. Back in spring 1976, when Duncan began keeping records, the APR was 15.74. That figure peaked at 17.53 in spring 1989 but has fallen steadily since then and now sits at 14.55 – a near-17 percent drop in listening over the last 13 years. The index is based on Arbitron metro-area listening.[7]

These findings suggest two things. First, decline in listening may or may not be linked to the 1996 Telecommunications Act. Second, there is more to the erosion of listening than the increase in advertising suggested by Arbitron/Edison. While an increase in ads may have affected listenership, other factors are likely at work as well. Our survey targeted additional factors.

Why Listen More? Why Listen Less?

We asked people whether they were listening to more or less radio than five years ago. Twenty nine percent said they were listening more, and 29 percent said they were listening less.

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[3] TSL: an estimate of the number of quarter-hours the average person spends listening during a specified time period. [(Quarter-Hours in a time period) x (AQH Persons)] / Cume Audience = TSL. "Terms for the Trade" from Arbitron website, available for download at: http://www.arbitron.com/downloads/terms_brochure.pdf

[4] "Will Your Audience Be Right Back After These Messages?" Edison Research/Arbitron Spot Load survey, sponsored by Radio and Records, June 1999, 6. http://www.arbitron.com/downloads/spot.doc

[5] Ibid.

[6] Duncan's is a company that publishes marketing guides and economic analyses of commercial radio.

[7] "Radio Listening at 27-Year Low," Radio and Records website, September 4, 2002. http://www.radioandrecords.com

Radio listeners who said they are listening to less radio were asked why. Most respondents attributed the change to a lack of time (48%). Additionally, 21 percent said they did not like the music being aired, while 14 percent indicated that their music tastes had changed.

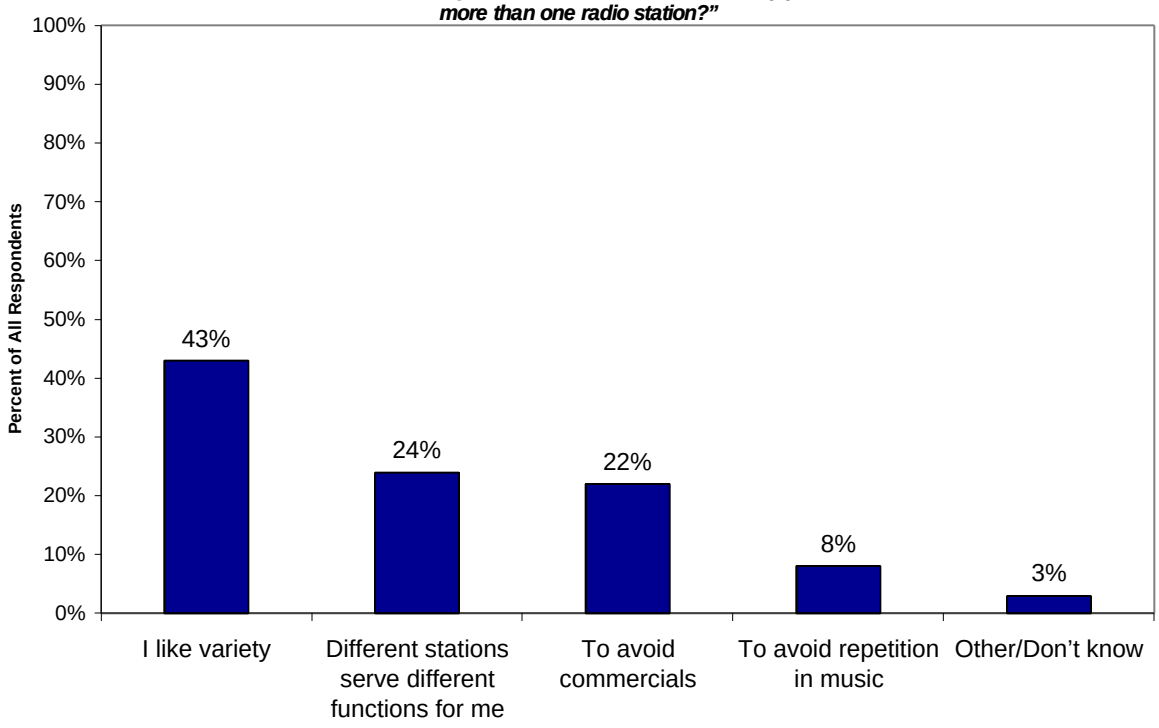
The largest group of respondents who said they were listening to more radio than five years ago said they liked what was on stations (34%). Others said they had more time to listen (19%), or that they listened in the car frequently (19%).

We asked people the number of radio stations they tune in to for at least 30 minutes per week. In a typical week, 73 percent of radio listeners said that they tune in to two or more stations. Five percent said that they listened to no station for 30 minutes at a time, switching around the dial or tuning in only briefly (clock radio alarm, weather/traffic).

We asked those who said they listen to multiple stations each week (73%) why they do so.

Chart 5-3: Listening to More than One Station

"Which of the following statements comes closest to why you listen to more than one radio station?"



Responses showed that listeners are more interested in finding variety on the dial than any other reason. As noted in Table 5-2, young listeners in particular – the age group most sought after by advertisers – are most likely to change stations in an effort to find variety.

Table 5-2: Listening to More Than One Station, by Age

"Which of the following statements comes closest to why you listen to more than one radio station?"

	Age			
	Total	Under 30	30 to 49	50+
I like variety	43%	48%	40%	41%
Different stations serve different functions for me	24	7	30	37
To avoid commercials	22	31	22	13
To avoid repetition in music	8	11	7	5
Other/Don't know	3	3	1	4
	100%	100%	100%	100%

Of the 28 percent of respondents who said they only listen to *one* station in a week, most said "it's the only station I enjoy" (68%). Other responses included: "it's the only station that provides me with what I need" (11%) and "it's the only station appropriate at work" (9%).

Only Half of Listeners Frequently Hear What They Like on the Radio

More than half of survey respondents (51%) said that, at most, they only occasionally hear the music they enjoy the most when listening to the radio. That percentage is about the same even for heavy radio listeners.

Chart 5-4: Hearing the Music You Like Most

"Thinking about the music you enjoy the most, do you hear it played on the radio frequently, occasionally, rarely or never?"

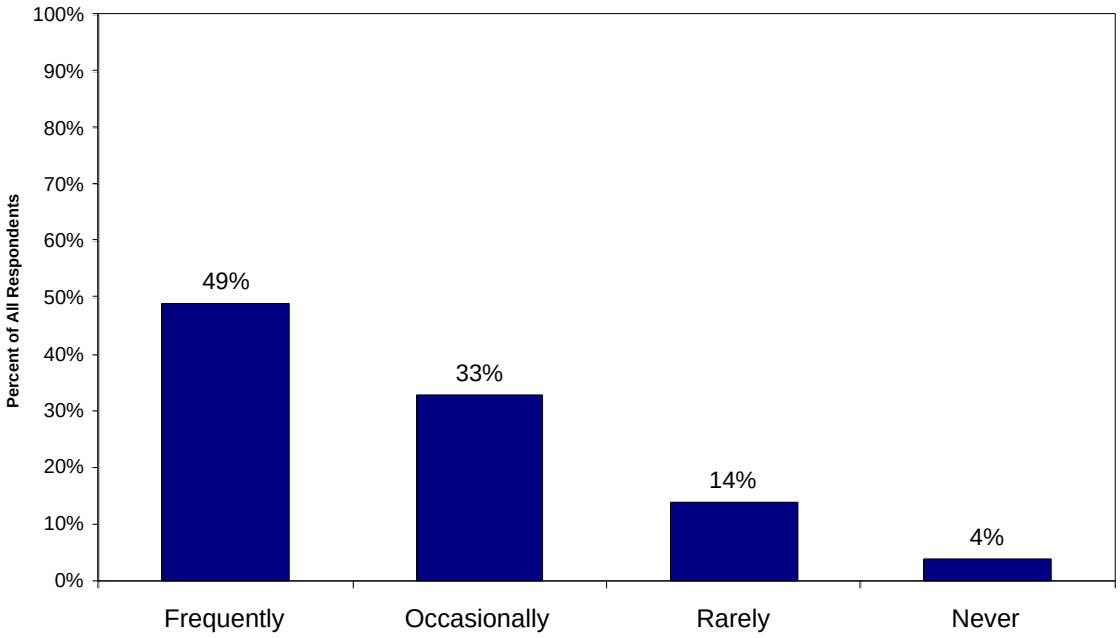
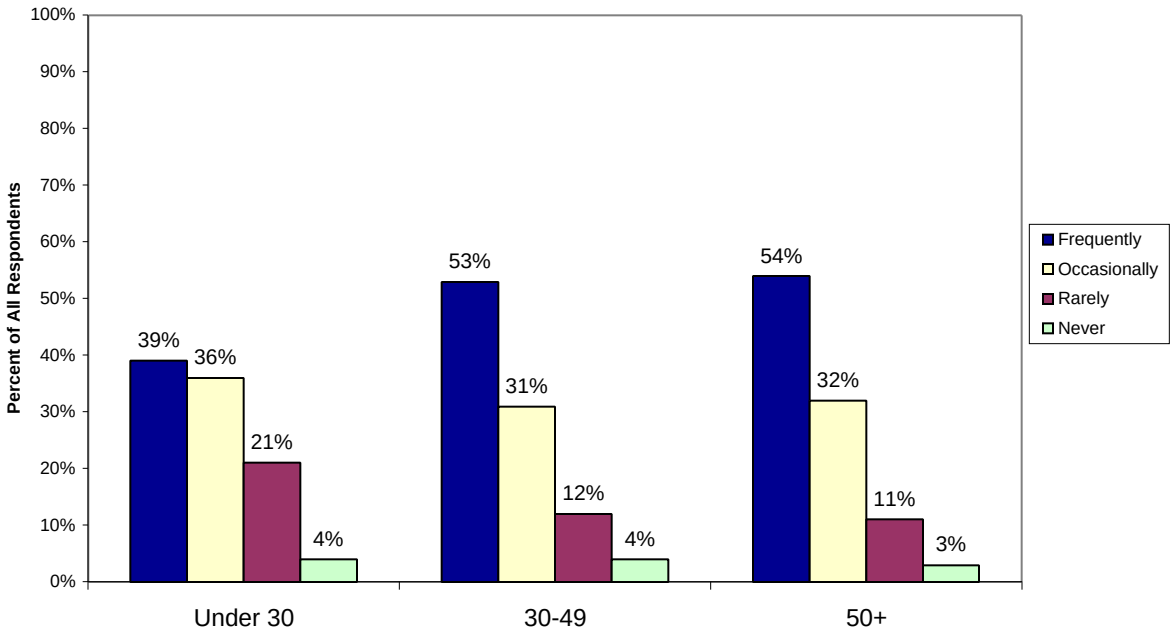


Chart 5-5: Hearing the Music You Like Most, by Age

"Thinking about the music you enjoy the most, do you hear it played on the radio frequently, occasionally, rarely or never?"



Younger listeners are least likely to hear music they like on the radio frequently (39%).

Table 5-3: Hearing the Music You Like Most vs. Satisfaction with Radio

"Thinking about the music you enjoy the most, do you hear it played on the radio frequently, occasionally, rarely or never?"

	Frequently	Occa-sionally	Rarely	Never
Satisfaction With Radio:				
Very satisfied	70	24	6	0
Satisfied	49	37	11	3
Not satisfied	18	28	41	13

Among those "very satisfied" with radio in their area, 70 percent said they "frequently" hear their favorite music on the radio. This figure drops below 50 percent of those who are only "satisfied" and then down to a dismal 18 percent among those who are "not satisfied." Based on the poll results, it looks like those who are unhappy with radio in general may be basing their dissatisfaction on their inability to hear music they like.

Listeners Want DJs to Have a Choice

In recent years, radio station groups have cut costs by using regional directors to program clusters of stations. The practice has taken programming decisions out of the hands of local DJs and program directors.

A recent article on Salon.com described this scenario:

> "The reality is, disc jockeys were cut out of music-making decisions at stations many years ago. Virtually all commercial radio airplay is determined by program directors, who typically construct elaborate schedules directing the DJs what to play and when. Today, thanks to consolidation, even station program directors often get their playlist cues from above -- from general managers, station owners or, in this age of consolidation, regional program directors."[8]

Survey respondents were asked:

> ***"Do you think local DJs should be given more air time to play songs they think their audience would like, or should they be required to play mostly the songs of artists and recording companies who have paid to get their songs played?"***

[8] Eric Boehlert, "Pay for Play," *Salon.com*, March 13, 2001
http://www.salon.com/ent/feature/2001/04/30/clear_channel/index.html

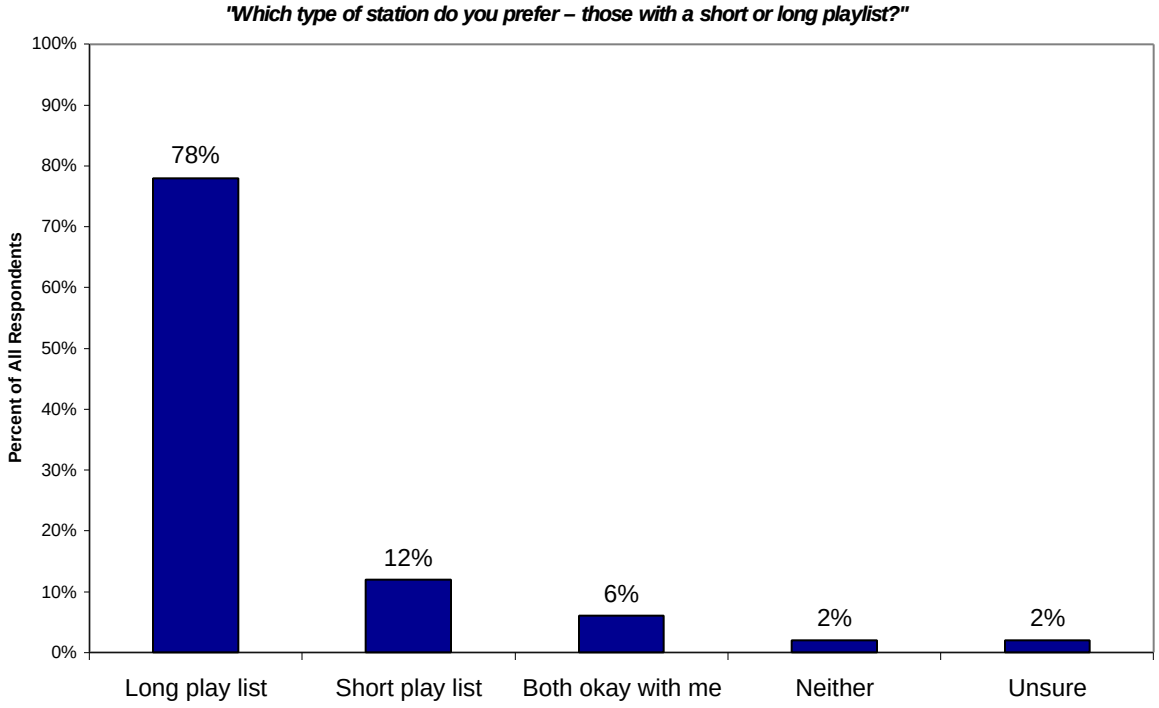
Seventy-six percent of radio listeners favored giving local DJs more airtime to play songs they think their audiences will like. Only 6 percent approved of radio station practices that require DJs to play the songs of labels that have paid for airtime.

Listeners Want Longer Playlists

Commercial radio playlists, tend to keep about 40 to 60 songs in rotation at a time. Other stations rely on a broader selection of songs and, as a result, have less repetition during the week. We asked:

"Many commercial radio stations today have a short playlist which means they play a limited number of songs and repeat them often during the week. Other stations have a long playlist, which means they play a greater variety and have less repetition during the week. Which type of station do you prefer – those with a short or long playlist?"

Chart 5-6: Playlist Preference



An overwhelming 78 percent of listeners surveyed said that they preferred radio stations that have long playlists to stations relying on short playlists. Cross-tabulated with age, 84 percent of listeners under 30 – a target demographic for radio – were in favor of stations with longer playlists.

Table 5-4: Playlist Preference by Age

"Which type of station do you prefer – those with a short or long playlist?"

		Age		
	Total	Under 30	30 to 49	50 +
Long play list	78%	84%	81%	69%
Short play list	12	12	10	15
Both okay with me	6	3	7	6
Neither	2	0	1	5
Unsure	2	1	1	5
	100%	100%	100%	100%

Preference for long playlists was strongest among those who listen to the radio more than eight hours per week.

Table 5-5: Playlist Preference vs. Listening Habits

"Which type of station do you prefer – those with a short or long playlist?"

	Play List Preference				
	Long Play List	Short Play List	Either Way	Neither/ Not Sure	Total
Total	78%	12%	6%	4%	(100%)
Hours Listen To Radio Each Week					
3 or fewer	71	15	6	8	(100%)
4 to 7	75	12	8	5	(100%)
8 to 14	85	8	4	3	(100%)
15+	81	13	4	2	(100%)

Not only do a majority of radio listeners want longer, more diverse playlists, but younger listeners and heavy listeners are the ones that want them most. Listeners under 30 and heavy listeners are critical to the overall financial success of radio.

Despite these findings, radio station programmers resist long playlists, believing that listeners like to hear only a select group of familiar songs. Such decisions are not made impulsively by programmers; station owners allegedly spend large amounts of time and money conducting focus groups and telephone polls to find out exactly what listeners like, what turns them off, or how quickly they tire of certain songs.

Testing is designed to keep radio stations firmly in the mainstream of musical tastes. But if listeners are given a choice between only two or three Top-40 songs, is this really a measure of their satisfaction, or just a measure of their opinions about limited choices? What would market research find if it tested people's interest with greater diversity of music?

Station owners and programmers have convinced themselves that their research is so precise that more diverse playlists would be a waste of time and money. Randy Michaels, former CEO of Clear Channel, recently commented on the science of radio programming in a *Chicago Tribune* article:

> "I think that putting stations in the hands of people who are committed to public service and who are top broadcasters is good for the public. When we were in the Mom-and-Pop era, half the radio stations were owned by people who were as interested in playing what they liked as opposed to really serving the public. When you have professional management, who is focused on serving the listener, then of necessity we are obsessed with what the public wants, and we work every day to give them what they want."[9]

Other program directors comment more bluntly about their expertise in program diversity. Take, for example, this letter from a commercial station director that ran in *Entertainment Weekly* in Summer 2002:

> "Satellite radio is not the answer to good radio, much like cable TV is not the answer to good TV. Both just give you more choices of crap.
>
> "Radio *is* categorized, and it ought to be. Only a slim number of people would like to hear Ja Rule, Rusted Root, Barry Manilow and Dwight Yoakam on the same radio station. If you are actually looking for a station that will play Norah Jones, B-Tribe, Ned Otter, etc., then look for your closest college radio station. Give them a good listen. I guarantee you that after 30 minutes of pure hell, you will switch back to a Clear Channel Radio station, because we play the hits."
>
> Steve Smith
> Production Director/Imaging Director, Clear Channel
> Lebanon, NH[10]

This is puzzling considering that radio listening has dropped 17 percent over the last 13 years.[11] In 2000, *Duncan's American Radio* suggested that radio could bring back audiences with "a commitment to localism – local operations, local research, local programming decisions, local promotion, local news and events."[12]

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[9] Greg Kot, "Rocking Radio's World," *Chicago Tribune*, April 14, 2002.

[10] Steve Smith, Letter to the Editor, *Entertainment Weekly*, July 8, 2002.

[11] "Don't Blame Satellite Radio for Lost Audience Share," *Radio and Records* website, September 16, 2002.

[12] Mark Schapiro, "The Day the Music Died," *Salon.com*, July 25, 2000, http://www.salon.com/business/feature/2000/07/25/sfx/

The drop in listening has led others to criticize the Clear Channel style of rejecting diversity. Alexandra Inzer, program director of independently owned WMPS (Memphis, TN) recently commented on the reduction of radio playlist diversity:

> "The problem with radio today is that corporations have paid a tremendous amount to buy these properties, so they can't afford to take a risk, which makes for really boring radio. Our approach is risky, and our audience is smaller because of it. But the ones who do like it stick with us. They have the station on for long periods because they're not going to hear the same songs over and over."[13]

Our survey respondents showed a strong preference for both variety in programming and for DJs being able to choose music they think their audiences would like. Program directors should reconsider operating procedures and expand what they offer listeners.

The New Payola

Payola – the practice of paying money to people in exchange for playing a particular piece of music – was publicly exposed in the late 1950s and 1960s when rock and roll disc jockeys became powerful music gatekeepers. Federal laws in the 1960s outlawed direct payment or compensation in exchange for playing of specific records unless DJs announced such payments on the air.

The various laws and hearings from the 1960s and 1970s muted the prominence of payola for a while. But the music industry adapted, finding less direct methods to promote their records to radio. Now, standard business practices employed by many broadcasters, record labels, and independent radio promoters result in what we consider a *de facto* form of payola.

The new payola works like this: radio station group owners establish exclusive arrangements with "independent promoters" who act as a liaison between the records labels and the radio stations. These promoters guarantee a fixed annual or monthly sum of money to the radio station group or individual station. In exchange for this payment, the radio station group agrees to give the independent promoter first notice of new songs added to its playlists each week. In turn, the labels pay the indie promoters to pitch their records to specific radio stations. Technically, the practice is legal because labels do not directly pay radio stations to play their songs. However, recent investigative news reports call attention to the fact that the practice gets the same results; certain indie promoters use the labels' money to pay the stations for playing songs on the air.[14]

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[13] Greg Kot, "Rocking Radio's World," *Chicago Tribune*, April 14, 2002.

[14] For more information about the new payola see: Eric Boehlert, "Pay for Play," *Salon.com*, March 14, 2001. http://www.salon.com/ent/feature/2001/03/14/payola/index.html . Anna Mathews, "Record Labels Say It Costs Too Much to Get Radio Airplay," *Wall Street Journal*, June 10, 2002. Eric Boehlert, "Record Companies: Save

Such "bottom-line" programming decisions force artistic merit and community responsiveness to take a back seat to additional revenue. Consequently, new and independent artists, as well as many established artists, are denied valuable radio airplay that they would receive if programming decisions were more objective. Furthermore, whatever form the payola takes, label contracts commonly apply these "promotional costs" to artists' sales royalties, significantly impacting the ability of artists to succeed financially.

Nobody Likes Payola

Forty percent radio listeners surveyed said they were aware that local commercial radio station playlists are influenced by money paid by record companies.

Table 5-6: Awareness of Payola Practices

"There have been news reports that local commercial radio station DJs don't usually control what music is played on their shows, and are no longer able to make choices based on the quality of the music. Instead, the play lists are influenced by money paid by some record companies to get their artists' songs on the air. Were you aware of this before I read it to you just now?"

	Aware	Unaware
Total	40%	60%

Awareness may be attributed in part to increased press coverage on the issue; in the past year significant pieces on payola-like practices have appeared in the *New York Times*, *LA Times*, *Chicago Tribune*, *Wall Street Journal*, on the TV news magazine shows *20/20* and *Bill Moyers' Now*, as well as on NPR radio and online at *Salon.com*.

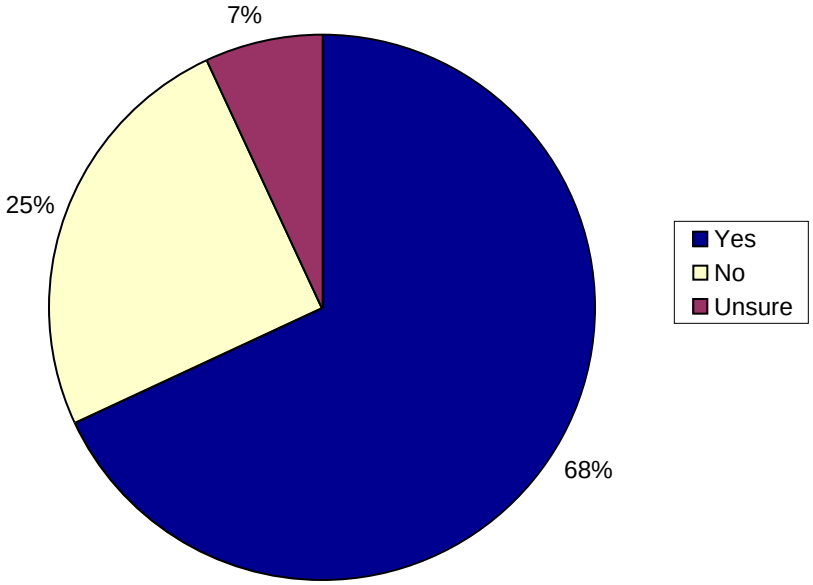
We asked survey respondents whether Congress should intervene to tighten laws regulating pay-for-play:

"If investigations prove that radio stations are being paid to play the music of certain record companies and artists instead of the songs of artists who cannot afford to pay the stations, do you think Congress should consider passing laws to assure that all artists have a reasonable chance of having their songs heard?"

Us From Ourselves!" *Salon.com*, March 13, 2002, http://www.salon.com/ent/feature/2002/03/13/indie_promotion/print.html .Greg Kot, "Rocking Radio's World," *Chicago Tribune*, April 14, 2002. Chuck Philips, "Music Industry to Call for a Federal Probe of Radio Payola," *Los Angeles Times*, May 23, 2002. Laura Holson, "Common Foe For Musicians and Labels," *New York Times*, June 17, 2002. Chuck Philips, "Clear Channel's Radio Pacts Irk Labels," *Los Angeles Times*, September 5, 2002.

Chart 5-7: Congressional Intervention to Address Payola-like Practices

"Do you think Congress should consider passing laws to assure that all artists have a reasonable chance of having their songs heard?"



Public support for congressional action was surprisingly strong. There exists a general distaste for payola-like practices, especially among younger listeners. A large majority of citizens favor government intervention to combat the new payola (68%).

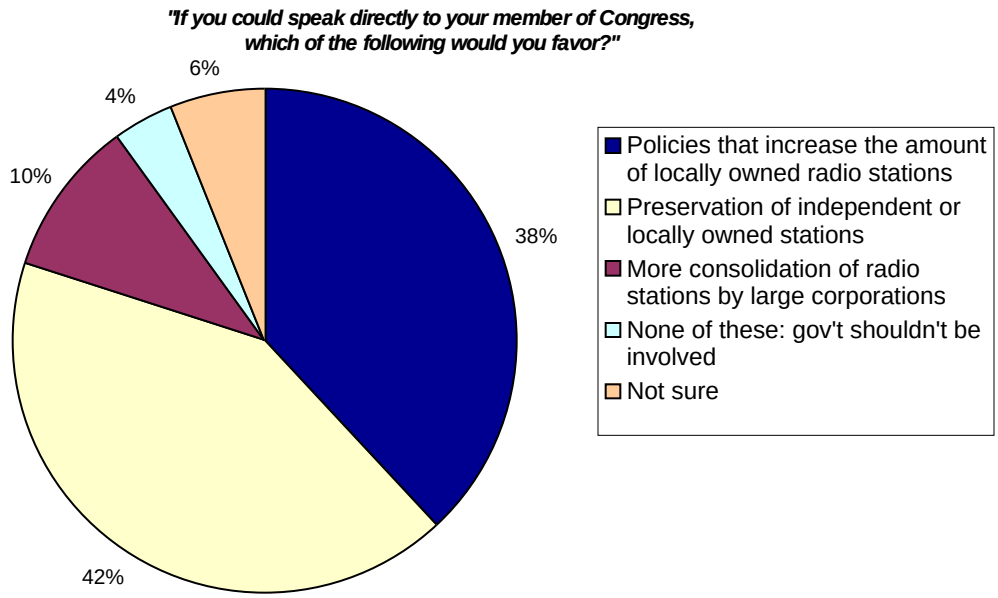
Citizens Want to Protect Locally-Owned Radio from Consolidation

Survey respondents were asked about the effects of radio consolidation that we examine in detail in this report. After providing a brief description of the effects of the Telecommunications Act of 1996, we asked whether government should play a role in regulating station ownership:

> ***"For many years the federal government limited the number of radio stations one company could own in a region. In 1996 Congress relaxed the limits and, as a result, many locally owned stations were purchased by large corporations. Now, a handful of large corporations own many stations in a particular region and across the country. At the same time, the number of locally owned or independent stations is declining.***
>
> ***"This issue is being debated right now in Congress. Some policymakers favor more consolidation of stations by big corporations. Others favor preserving and encouraging independent and locally owned stations. If you could speak directly to your member of Congress, which of the following would you favor?"[15]***

[15] The sequence of responses to this question was rotated.

Chart 5-8: Anti-Consolidation Policy



Forty-two percent favored action by Congress to encourage preservation of locally owned, independent stations. Another 38 percent favored policies that would go a step further and stimulate an increase in the amount of locally owned radio stations. Thus, 80 percent of respondents favored some type of government action to either preserve or increase the number of locally owned stations.

At the time of its passage, the Telecommunications Act in 1996 was not met with much public opposition, perhaps because telecom policy was rarely mentioned by mainstream media. While Congress and the FCC have, for the most part, not shown a strong interest in re-regulating radio, instead expressing interest in further deregulation, our survey indicates strong public support for the preservation of local voices and ownership.

How Could Radio Be More Accessible?

Low power FM (LPFM) is a new radio service established by the FCC in January 2000. LPFM stations are exclusively noncommercial and intensely local. A low power radio license is available to entrepreneurs, community groups, high schools, labor unions churches and anyone interested in reaching out to their local community. No existing broadcaster is

eligible for an LPFM license.[16] As of September 2002, there are 40 low power radio stations on the air, with 400 additional construction permits granted. [17]

LPFM is a unique example of the FCC and policymakers working to expand legitimate access to the airwaves. In an era where commercial radio stations are worth millions of dollars, LPFM policies let citizens acquire a broadcasting license at a fraction of the big stations' cost.

Survey respondents' interest in LPFM varied based on prospective station formats.

Table 5-7: Interest in Low-Power FM Programming

"Next, I would like to read you a description of 'low power FM stations. Low power FM stations are non-commercial stations whose radio signal travels only a few miles and specialize in music and information of interest to people in the immediate area. They may offer special programming such as ethnic or eclectic music, business or farm news, talk shows on science, literature, religion, art, community matters and so on. Assume for a moment that a low power FM station began operating in your community. Would you tune in if it offered the following programming?"[18]

	% With An Interest In Listening To Each Station			
		Age		
	Total	Under 30	30 to 49	50+
Music by local musicians	65%	78%	69%	51%
Talk shows that address issues of importance in your community like local politics, education, or crime prevention	57	51	65	55
Educational and informational programming like health, science, or fitness	52	45	53	56
Music styles that aren't usually heard on commercial radio today such as folk, bluegrass, or world beat	49	39	52	55

Low power FM stations featuring the music of local musicians appealed to 65 percent of respondents, a figure that rose to nearly 70 percent among 30 to 49 year olds and to 78

[16] "Low Power Radio Matters to All of Us," Media Access Project website, accessed September 24, 2002. http://www.mediaaccess.org/programs/lpfm/fctsht.html

[17] FCC website, LPFM Station list query, accessed September 24, 2002. http://www.fcc.gov/mb/audio/lpfm/index.html

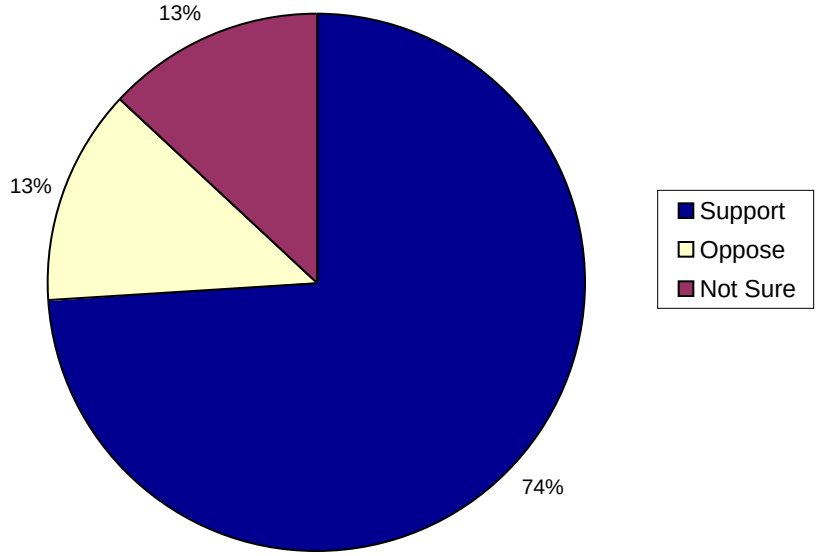
[18] The sequence of responses to this question was rotated.

percent in the youngest age set. Talk formats emphasizing community issues, politics, education and crime prevention also have appeal for 57 percent of respondents. Interest in educational programming averaged 52 percent across age groups, increasing among older listeners. LPFM featuring folk music, bluegrass and world beat is of interest to half of radio listeners and rises with age.

In addition, there's strong support for the expansion of LPFM, with 75 percent of radio audiences saying they would like to see these types of low power stations begin operating in their communities. Support cut across all age groups, gender and across light and heavy radio listeners. Seventy-four percent of radio listeners would like their elected officials to intervene to increase the number of low power FM stations allowed in this country:

Chart 5-9: Support for Low-Power FM Radio

"Would you like your elected officials to support or oppose legislation that would increase the number of low power FM stations allowed in this country?"



How Could Radio Improve?

Radio listeners surveyed were asked whether radio program appropriate amounts of advertising, music, talk and news.

A. Advertising

Table 5-8: Advertising

"When it comes to commercial radio stations, would you say they feature too much, too little or about the right amount of advertising?"

	Too Much	Right Amount	Too Little	Not Sure
U.S.	60%	34%	3%	3%

Sixty percent of radio listeners felt that radio had too many ads – a much larger response than other surveys have found. Dissatisfaction rose sharply among younger audiences and those who listened to radio for more than three hours a week.

B. Talk Shows

Table 5-9: Talk Shows

"When it comes to commercial radio stations, would you say they feature too much, too little or about the right amount of talk shows?"

	Too Much	Right Amount	Too Little	Not Sure
U.S.	26%	46%	14%	14%

Radio listeners were more divided on the issue of whether stations have too much time allotted to talk shows, with 26 percent saying "too much" and 14 percent saying "too little." The "too much" response was more common among younger people, lower income respondents and those living in the northeast region of the country.

C. Music of Local Artists and Bands, and Music of New Artists and Groups

Table 5-10: Music of Local and New Artists

"When it comes to commercial radio stations, would you say they feature too much, too little or about the right amount of:"

	Music of New Artists And Bands				Music of Local Artists and Groups			
	Too Much	Too Little	Right Amount	Unsure	Too Much	Too Little	Right Amount	Unsure
U.S.	14%	19%	56%	11%	6%	38%	42%	14%

The majority of radio listeners thought that commercial stations played the right amount of music by new artists and groups. In contrast, nearly 40 percent complained that the stations offer too little music by local artists and bands.

D. National and Local News

Table 5-11: National and Local News

"When it comes to commercial radio stations, would you say they feature too much, too little or about the right amount of (1) national news, (2) local news?"

	National News				Local News			
	Too Much	Too Little	Right Amount	Unsure	Too Much	Too Little	Right Amount	Unsure
U.S.	8%	26%	61%	5%	5%	24%	67%	4%

Few radio listeners believed that commercial stations offer too much national or local news, but nearly a quarter of all listeners thought they offer "too little." A majority had no problem with the balance of news offered by commercial radio.

We also asked respondents to identify which two of seven choices would do the most to make radio stations more appealing. While giving less air time to advertising was the most frequently selected single item, less song repetition, more new music and more local acts were, in total, selected by 60 percent of radio listeners.

Table 5-12: Improvements to Make Radio More Appealing

"Thinking about the music station you listen to most often, which two of the following things would do the most to make them more appealing to you as a listener?"

	Total	First Mention
More new music/less repetition (NET)*	(60%)	(36%)
Less music repetition	24	13
More new music	23	16
More local bands/artists	13	7
Less advertising (NET)	(36%)	(25%)
More songs I already like (NET))	(30%)	(21%)
More news coverage (NET)	(7%)	(4%)
Stop changing station formats without notice (NET)	(5%)	(3%)

* NET is the total percent of people giving one or more responses within each category

Responses showed concern for the quality and quantity of music on the radio. Listeners want less song repetition, more new music, less advertising and, more local acts.

If You Like Radio, You Buy CDs – If Not, You Start Downloading

Respondents were asked about their music consumption to obtain additional insight into interest in and support of music.

A. Buying CDs

Eighty-five percent of our survey respondents indicated that they buy CDs, including 26 percent who said they do so frequently. Additionally, the more a respondent listens to the radio, the greater the probability he or she would also purchase CDs. This pattern is particularly true of FM and NPR listeners and those who expressed a preference for long –song playlists.

Table 5-13: CD Purchasing

	Frequently	Occasionally	Rarely	Never	Total
U.S. Total	26%	39%	20%	15%	(100%)
Age:					
Under 30	41	32	18	9	(100%)
30 to 49	23	46	21	10	(100%)
50+	15	37	22	26	(100%)
Hours Listened:					
3 or fewer	20	40	21	19	(100%)
4 to 7	26	36	22	16	(100%)
8 to 14	27	46	15	12	(100%)
15+	32	34	20	14	(100%)
Bands Listened To:					
FM	25	41	20	14	(100%)
AM	16	40	24	20	(100%)
NPR	27	47	18	8	(100%)
College	23	43	18	16	(100%)
LPFM	20	37	21	22	(100%)
Play List Preferred:					
Long	29	40	20	11	(100%)
Short	17	29	24	30	(100%)
Both	19	47	16	18	(100%)

More frequent CD purchasing among those who listen to radio more hours per week may be related to exposure to a greater variety of songs and music, particularly among younger listeners.

B. Going to Live Concerts

Although 70 percent of radio listeners said they attend live music events from time to time, most do so only "occasionally" (30%) or "rarely" (31%). Only one in ten said they "frequently" attend such events. Frequent fans of live music tend to be younger consumers. Despite the generally high cost of musical events, attendance is not correlated with income, suggesting that people will make financial sacrifices for tickets to see their favorite artists.

Table 5-14: Live Concert Attendance

	Frequently	Occasionally	Rarely	Never	Total
U.S. Total	10%	30%	31%	29%	(100%)
Age:					
Under 30	22	29	27	22	(100%)
30 to 49	4	33	40	23	(100%)
50+	7	27	26	40	(100%)
Income:					
Under $45K	11	28	31	30	(100%)
$45K+	9	32	34	25	(100%)

C. Downloading Music from the Internet

Thirty-five percent of radio listeners said they download music from the Internet, 12 percent said they do so "frequently." Music downloading is an activity of younger consumers, but also of people less satisfied with the radio choices in their geographic area. Downloading music is most common among college radio listeners and students.

Table 5-15: Downloading Music off the Internet

	Frequently	Occa-sionally	Rarely	Never	Total
U.S. Total	12%	13%	10%	65%	(100%)
Age:					
Under 30	33	21	12	34	(100%)
30 to 49	5	12	13	70	(100%)
50+	2	7	5	86	(100%)
Satisfaction With Radio:					
Very satisfied	9	9	8	74	(100%)
Satisfied	10	16	11	63	(100%)
Not satisfied	29	6	8	57	(100%)
Listen To:					
College	21	12	7	60	(100%)
LPFM	14	15	7	64	(100%)
Commercial FM	12	11	11	66	(100%)
NPR	10	11	9	70	(100%)
Commercial AM	5	15	11	69	(100%)

Though the number of respondents who "frequently" or "occasionally" download music is still relatively low (25%) it's clear that younger listeners (54%) and those who are the least satisfied with radio (35%) are turning to the internet in an effort to find music that they like.

Summary

Results of this survey show that radio listeners are interested in programming variety, DJs involved in programming, less song repetition and increased exposure for local acts. Respondents also expressed support for public policies that would sustain local ownership, stem the influence of payola-like practices, and encourage the growth of alternative media outlets like low power FM.

In Chapter 3 we saw that radio consolidation was pervasive following the Telecommunications Act of 1996. An oligopoly controls virtually every format. Format diversity has increased by traditional measures, but many other perspectives indicate that radio has become in many ways less diverse. Far fewer companies participate in the radio industry; only a few have significant market share. Throughout Chapter 4, we saw that creeping sameness, fewer gatekeepers, and the twin bottlenecks of the music industry have accompanied radio consolidation. These forces combine to restrict musicians' access to the airwaves.

The sweeping changes experienced by the radio industry itself, and the harm it has brought to musicians, have also affected the public. Some respondents can't find the music they like on the air; this might provide evidence that the vaunted increases in format diversity are merely superficial. Many listeners aren't pleased with the narrowing set of choices offered to them.

From the perspective of musicians and citizens, deregulation appears to be a failed policy. Six years later, our analysis and our survey indicate many problems. But our survey results also point to a hopeful resolution. Strong majorities of respondents favored congressional intervention to preserve local radio, to combat the new payola practices, and to promote low-power FM as a positive solution.

Chapter 6
Policy Recommendations and Next Steps

We have presented evidence that radio deregulation has failed to meet its goals of promoting competition, supporting localism, fostering diversity in programming, and maintaining a diversity of viewpoints. We have argued that these goals are not luxuries but public interest necessities, historically determined and clearly prescribed under the FCC mandate. Nonetheless, we have shown that under federal stewardship these public interest goals have taken a back seat to the commercial concerns of the radio industry. This trend, if allowed to continue, will have profoundly negative effects for both citizens and musicians.

Several areas of our analysis point toward policy recommendations that could alleviate the harmful consequences of deregulation. Additionally, a profound need exists for continued quantitative research.

Specific Policy Recommendations

Our public opinion survey measured support for congressional oversight of local radio station ownership and new payola practices in the radio industry, as well as support for low power FM radio. The public strongly favors all three (see Chapter 5). Here, we summarize how these three initiatives would improve radio.

Retain Local Ownership Caps

Section 307(b) of the Communications Act of 1934 specifies that radio stations are licensed to particular communities and are charged with serving the needs of those communities. The principle of localism is deeply embedded in our understanding of radio, yet the medium's unique status as "live and local" has been weakened by consolidation. Currently, local caps on station ownership range from five to eight stations per geographic market depending on the size of a given market. Yet even with these caps, oligopolies control 70 to 100 percent of nearly every geographic market (see Chapter 3, p. 33-35). Only one or two firms dominate many geographic markets. Such local dominance potentially harms local citizens, musicians and businesses. Eliminating existing caps would worsen this situation, subverting the ideal of localism by allowing national radio groups acquire even more stations within a single market. We recommend that the FCC adopt a policy to keep existing ownership caps in place.

Support Low Power FM, College and Community Radio

The FCC and policymakers need to take steps to strengthen the variety of voices and viewpoints on the air by supporting the expansion of alternatives to commercial stations; specifically college and community radio and low power FM stations.[1]

Programming on college, community and low power FM stations often stands in sharp contrast to the formulaic programming found on commercial radio. Unlike commercial stations that play only hits, these stations typically play music that's new, underground, eclectic or local. They can also showcase musical genres – bluegrass, Cajun, opera – that could otherwise go unheard. Community-based radio provides more working musicians a place for their music to be heard. Additionally, such stations often provide a place for local, community-based programming. Whether for call-in talk shows on local issues, a polka hour, the farm report, sermons or college basketball games, community, college and low power stations provide programming that reflects the values, interests and needs of the community.

As addressed in Chapter 5, legislation passed in 2000 authorized a license structure for low power FM. This was the first time since the early 1970s that new licenses were made available to non-commercial broadcasters. However, the distribution of licenses has been constrained by critics – incumbent commercial broadcasters and National Public Radio – who claim that low power stations interfere with current licensees and steal their listeners. These claims are misplaced. First, the FCC adopted an extremely conservative technology proposal. According to a technical study submitted to the FCC by Media Access Project, less than 1.6 of listeners who receive a new service will experience interference. Those listeners may be able to resolve any problems by retuning their radios. Second, low power radio serves audiences that the current broadcasters have ignored.[2]

We encourage Congress and the FCC to continue to support and expand the low power FM initiative. Technical studies that test the legitimacy of the "interference" claims should continue and, whenever possible, licenses should be made available to nonprofit groups. While consolidation has reduced the number of voices and genres found on the air, low power FM provides communities an opportunity to bring important local issues and eclectic programming to the airwaves.

Combat the New Payola

As addressed in Chapter 5, a new form of payola currently permeates commercial music radio. Record companies pay independent promoters hundreds of millions of dollars each

[1] Internet radio, or webcasting, by small, independent companies can also provide programming diversity to citizens. Though webcasting is not directly relevant here, it merits some mention as another medium worthy of government support.

[2] Media Access Project, "Low Power Radio Matters to All of Us," http://www.mediaaccess.org/programs/lpfm/fctsht.html (accessed October 10, 2002)

year to ensure that the records they release are played on the radio. The independent promoters, in turn, establish exclusive relationships with key radio stations to which they pay a large portion of this income in the form of on-the-books "promotional expenses."[3] Admittedly, because there are no direct transactions between record labels and DJs, this new payola does not violate existing law. But critics of this arrangement suggest that it is nothing more than a *de facto* form of payola because it achieves the same results.

Pay-for-play works against the public interest. Advertising already uses enough airtime; our survey showed that the public does not want any more of its airtime to be on sale. Radio stations should play music their listeners want to hear, not what is paid for through independent promoters. Even when consumer tastes coincide with major label promotions, consumers have not received a fair choice if a large share of available music is squeezed out. Most important, radio stations and DJs cannot fulfill their former role of exposing the public to diverse music. Some of the homogeneity in radio described in Chapter 4 could be alleviated if the "twin bottleneck" – the dual oligopolies of radio and the recording companies – were weakened. Banning the new payola could accomplish much toward promoting true diversity in radio programming.

Other Policy Approaches to Consider

Our analysis shows that certain broad approaches warrant consideration. For instance, Congress and the FCC should consider re-regulation, that is, bringing back some form of nationwide ownership caps. Eliminating caps has transformed radio into a nationwide oligopoly, resulting in less economic competition and diversity in programming and viewpoints. Returning to pre-1996 policy is now highly unlikely, since the 21 radio companies that each own more than 40 stations would be forced to divest hundreds of stations. Still, alternative and less drastic approaches exist, such as caps on nationwide format share or geographic market share.

FCC regulations and antitrust policy should be considered policy tools to combat horizontal monopolies across media. Three of the largest radio parent companies – Clear Channel, Viacom, and Disney – also own other valuable media properties, including billboard, concert venue, television and motion picture enterprises. Centralized media control creates the risks of homogenous viewpoints and restricted access for musicians and small businesses. FCC regulations against cross-media ownership should be strengthened, not weakened. The Department of Justice and Federal Trade Commission should continue to monitor the media industries closely and aggressively challenge horizontal monopolies and anti-competitive behavior.

[3] Eric Boehlert, "Fighting Pay-For-Play," *Salon.com*, April 3, 2001, http://www.salon.com/ent/music/feature/2001/04/03/payola2/index.html.

Next Steps

As the final section of our report, we address the shortcomings of available data sources, including limitations on access. We conclude with an outline of important areas for further inquiry.

Limitations of Data Sources

This report – like many other analyses of the radio industry – relies largely on data from the radio companies themselves. Even the recent studies by the FCC Media Bureau's Working Group[4] regularly rely on information from BIA Financial Networks or *Radio and Records*.

A major limitation of using industry-based data for research is its expense. The best data sources are costly, especially for researchers from nonprofit organizations or academic institutions. High expense limits access and inquiry. Furthermore, many of the data sources are developed for radio companies, not research organizations. Such sources contain only information and statistics that the industry chooses to report, presenting a problem to anybody attempting to perform objective research in the public interest. Many products include expensive features – such as radio station contact information that add to their expense without adding utility for research. Unfortunately, financial cost determines what analyses may be done outside the industry.

A related issue is a lack of useful historical data documenting the radio industry. Information from *Radio and Records* and *Billboard Airplay Monitor* is available week by week, but not in an aggregate form. To collect this data requires huge expense not of money but of time. For this report we had the help of many generous volunteers. But even with help we do not yet have a complete data set to study changes in radio over the past two decades. We suggest this as a project for future inquiry by the FCC or another legitimate research organization.

Industry-based data does not include some statistics essential to a complete critical analysis of radio industry practices. For example, the industry-based data sets we used (BIA, *Radio and Records, Billboard Airplay Monitor*), despite many positive attributes, do not contain statistics on advertising minutes per hour for each station. Such information would improve our understanding of radio industry revenue and, more important, how listeners respond to changes in the amount of advertising on the air. While we cannot blame radio companies for not wanting to make this data available to competitors, this highlights a shortcoming in industry-based data.

As mentioned in Chapter 3, BIA's database does not include information about the cost side of the radio business. In this study, we were able to observe trends in revenue, ratings and formats, but we could not examine whether radio companies have become more profitable or identify ways they had changed their businesses since deregulation. For example, we could

[4] The FCC Media Bureau's Working Group released 12 papers, some of which relate directly or indirectly to the radio industry, on October 1, 2002. The studies are available at http://www.fcc.gov/ownership/studies.html (accessed October 1, 2002).

not measure how much smaller programming departments have become or whether radio companies are employing fewer DJs.[5] A lack of detailed cost data precluded a full structural analysis of the radio industry.

Last, there is no existing data source that connects disparate parts of the music industry: sales of recordings, radio airplay, performance revenue. Various data services (e.g., Mediabase, BDS, Insight2, SoundScan) exist, but do not interact to provide an aggregate resource. While an ideal study of the effects of radio consolidation on musicians would utilize airplay data, record sales data, and concert tour data, no such resource is available.

Another Policy Recommendation: Collect Better Data

These limitations of existing data sources suggest an imperative for the FCC: collect better data. Even FCC studies of the radio industry use the same limited sources we used for this report. Ideally, the FCC would support alternative measures of listening instead of relying on Arbitron or Nielsen estimates and methodology.[6] That would give researchers an opportunity to evaluate different measures, facilitating a more comprehensive understanding of the radio business.

To fully understand the effects of deregulation, we need measures that don't come from the industry itself. The industry generally measures variables relevant to profits and certain narrow views of consumer satisfaction. There's nothing wrong with such an approach to data collection, but it shouldn't be the only approach available to the public. Because commercial radio research focuses on attracting demographically attractive audiences, the industry may not consider the tastes of listeners considered too old, too young or too poor to be attractive.

The radio industry uses public airwaves. A public data source should help citizens and policy makers make informed choices about the future of that public resource. Many government agencies exist solely for data collection (e.g. the Census Bureau and Bureau of Labor Statistics). The FCC should consider the collection of more comprehensive data a policy imperative.

Areas for Future Research

Our findings call for further research on the radio industry, in order to consider concerns of citizens and musicians. The most significant and intriguing areas for further research include:

[5] In general, U.S. firms – including in the radio business – are not required by law to report the number of people they employ.

[6] The importance of having data from sources other than Arbitron and Nielsen is highlighted by a recent episode involving contrasting studies by Nielsen and the FCC. See Edmund Phelps, "Results of FCC's Media Studies Are Released," *Los Angeles Times*, October 2, 2002.

Citizens' perspective

- **…studying financial and cost data to determine if bigger is better.** A statistic called the power ratio is used to indicate the efficiency of larger radio companies relative to smaller ones (see Chapter 3, pp. 30-31). The power ratio is simply revenue share divided by ratings share. We found that stations owned by larger companies have very similar power ratios to stations owned by smaller companies, which suggests that "bigger isn't better" for corporations in the radio industry. This highlights the need for more analysis, using financial and cost data, to evaluate the relative efficiency of larger radio companies more thoroughly.

- **…measuring the economic harm made possible by oligopolies.** Radio's oligopolies enjoy significant market shares, suggesting potential for economic harm. For example, small business advertisers could be forced to pay higher-than-competitive-level rates for advertising, who in turn could pass costs on to consumers. The ways and extent to which new, oligopolistic industry structures have harmed citizens deserve serious consideration.

- **…detailed, multifaceted analysis of the format variety issue.** Causal analysis with more comprehensive data is necessary to determine what creates genuine format variety; for example, innovation by large companies, entry into markets by small companies, the number of commercial and non-commercial stations in a given market, and so on.

Musicians' perspective

- **…longitudinal study of format homogeneity.** Our research on radio formats used data from 1994, 1998 and 2002, gathered from *Radio and Records* and *Billboard Airplay Monitor*. Ideally, we would have collected data from more years to more rigorously study overlapping radio formats. Additionally, we would like to use playlist data from individual stations to learn how format homogeneity varies within regions and within formats.

- **…connecting airplay, sales, and tours using data from BDS, SoundScan and other sources.** A data set that compiles radio airplay data alongside record sales data and live performance grosses could facilitate research on the effect of radio consolidation on musicians' careers. Unfortunately, no comprehensive data source exists. A resource called Insight2 includes radio airplay data and record sales data. Augmenting those data with information on performance revenues would create a powerful research database.

We hope this report demonstrates the value of research that considers the needs of citizens and musicians. Radio policy should benefit the general public and the work forces involved in radio, not just the corporations that currently dominate the industry. Further public interest research should investigate whether recent radio policy has benefited both citizens and musicians.

Appendix I
Major Label Classification Scheme
by year, 1992-2001

"Label code" key:

Major label conglomerates:
B = Bertlesmann
E = EMI
M = MCA
P = Polygram
S = Sony
V = Vivendi Universal (previously Universal)
W = AOL Time Warner (previously Warner Bros.)

Other label codes:
BV = Buena Vista (owned by Disney)
I = Independent

"Rating":

Approximates the number of levels in the corporate structure between the parent company and the label in question. We used this rating for identification purposes only, not in our analysis in Chapter 4.

Notes:

- We provide a list of our classifications for each year because mergers and acquisitions periodically changed labels' ownership throughout the time period studied.

- If a song was jointly released on labels owned by the same major label conglomerate, we assigned the rating of the label with the lowest rating.

- If a song was jointly released on labels owned by two different major label conglomerates, we classified the song based on the more closely held label's conglomerate. In other words, we used the label code for the label with the smallest rating.

Major Labels and Subsidiaries: 1992

Label (1992)	Label Code	Rating
A & M	P	1
Arista	B	1
Atco	W	1
Atco/Eastwest	W	1
Atlantic	W	0
Bellamy Bros	I	1
Big Life/Mercury	P	1
BNA Entertainment	B	2
Capitol	E	1
Capricorn/WB	W	1
Captive/Virgin	E	1
Charisma	I	1
Chrysalis/ERG	S	0
Columbia	S	1
Curb	W	2
Curb/Capitol	E	1
Curb/Capricorn/WB	W	1
Curb/MCA	M	1
Def American/Reprise	W	1
DGC	I	1
Elektra	W	0
EMI/ERG	E	0
Epic	S	1
Epic Associated	S	2
Fever/Epic	S	1
Fiction/Elektra	W	0
Gee St./Island/PLG	P	0
Geffen	M	1
Giant	W	3
Giant/Reprise	W	1
Grand Slamm/IRS	I	1
Hollywood	BV	1
Imago	I	1
Impact	I	1
Interscope	I	1

Label (1992)	Label Code	Rating
IRS	I	1
Island/PLG	P	0
LaFace/Arista	B	1
Liberty	E	1
MCA	M	0
Mercury	P	1
Mercury/Morgan Creek	P	1
Modern/Atlantic	W	0
Morgan Creek	I	1
Motown	I	1
Paisley Park/WB	W	1
Pendulum/Elektra	W	0
Perspective/A&M	P	1
Polydor/PLG	P	0
Praxis/Zoo	I	1
Private Music	I	1
Quest/WB	W	1
Qwest/WB	W	1
Radioactive	I	1
RCA	B	1
Relativity	S	1
Reprise	W	1
Reunion/Geffen	M	1
Ruffhouse/Columbia	S	1
SBK/ERG	S	0
SBK/Liberty	E	1
Slash/Reprise	W	1
SOR	I	1
SRC/Zoo	I	1
Stardog/Mercury	P	1
Victory Music/PLG	P	0
Virgin	E	1
Warner Bros.	W	1
Wing/Mercury	P	1
Zoo	I	1

Major Labels and Subsidiaries: 1993

Label (1993)	Label Code	Rating
A&M	P	1
Arista	B	1
Asylum	W	3
Atlantic Nashville/AG	W	0
Atlantic/AG	W	0
Big Beat/Atlantic Group	W	0
BNA Entertainment	B	2
Capitol	E	1
Capricorn/Warner Bros.	W	1
Capricorn	I	1
Capricorn/Warner Bros.	W	1
Chaos	I	1
Charisma/Virgin	E	1
Chrysalis/ERG	S	0
Columbia	S	1
Curb	W	2
Curb/Capricorn/Warner Bros.	W	1
Curb/MCA	M	0
Death Row/Interscope/AG	W	0
Def American/Reprise	W	1
DGC	I	1
EastWest/Atlantic Group	W	0
Elektra	W	0
EMI/ERG	E	0
Ensign/Chrysalis/ERG	S	0
Epic	S	1
Epic Associated	S	2
Es Paranza/Atlantic Group	W	0
Gasoline Alley/MCA	M	0
Gasoline Alley/MCA	M	0
Gee Street/Island/PLG	P	0
Geffen	M	1
Giant	W	3
Giant/Reprise	W	1
Guitar	I	1
Hollywood	BV	1
Imago	I	1
Impact/MCA	M	0
Import	I	1
Interscope/Atlantic Group	W	0
Island/PLG	P	0
Jambco/Mercury	P	1
Jive	B	4
Liberty	E	1
Life/Bellmark	I	1
London/PLG	P	0
Luke	I	1
Maverick/Sire/Warner Bros.	W	1
MCA	M	0
Megaforce	I	1
Mercury	P	1
Metal Blade/Warner Bros.	W	1
Next Plateau/London/PLG	P	0
Paisley Park/Warner Bros.	W	1
Pendulum/Elektra	W	0
Polydor/PLG	P	0
Qwest/Warner Bros.	W	1
RCA	B	1
Relativity	S	1
Reprise	W	1
Reunion/RCA	B	1
Sailor/Polydor/PLG	P	0
Savage	I	1
SBK/ERG	S	0
SBK/Liberty	E	1
Sire/Reprise	W	1
SOR	I	1
Stardog/Mercury	P	1
Tommy Boy	W	3
Uptown/MCA	M	0
Victory Music/PLG	P	0
Virgin	E	1
Warner Bros.	W	1
Wing/Mercury	P	1
WTG/Epic	S	1
Zoo	I	1

Major Labels and Subsidiaries: 1994

Label (1994)	Label Code	Rating
4AD/Elektra	W	0
550 Music	S	2
550 Music/Epic	S	1
550/Epic	S	1
A&M	P	1
A&M/Hollywood	P	1
American/Reprise	S	1
Antone's	W	3
Arista	B	1
Asylum	W	3
Atlantic	W	0
Atlantic Nashville/AG	W	2
Atlantic/AG	W	0
Beggar's Banquet/EastWest/AG	W	0
Believe	I	1
Blackheart/WB	W	1
Blitzz/AG	W	0
Blue Note	E	1
BNA	B	2
Capitol	E	1
Capricorn	I	1
Capricorn/WB	W	1
Charisma/Virgin	E	1
Chrysalis/EMI	E	0
Chrysalis/ERG	S	0
Columbia	S	1
Curb	W	2
Curb/MCA	M	0
Death Row/Interscope	I	1
Decca	M	1
Delicious Vinyl/EW/AG	W	0
DGC	I	1
EastWest/Atlantic Group	W	0
Elektra	W	0
EMI	E	0
EMI/ERG	E	0
Epic	S	1
Epic Associated	S	2
Epic Soundtrax	S	2
Epitaph	I	1
Geffen	M	1
Giant	W	3
Giant/Reprise	W	1
Go! Discs/London/PLG	P	0
Hollywood	BV	1
Imago	I	1
Impact	I	1
Impact/MCA	M	0
Interscope/AG	W	0
Island/PLG	P	0
Jive	B	4
LaFace/Arista	B	1
Liberty	E	1
London/PLG	P	0
Mammoth/AG	W	0
Maverick/Sire/WB	W	1
MCA	M	0
MCA/Curb	M	0
Mercury	P	1
Mercury	P	1
Metropolitan	I	1
Modern/AG	W	0
Motown	P	1
Mute/Elektra	W	0
N.P.G./Bellmark	I	1
Next Plateau/London/PLG	P	0
Perspective/A&M	P	1
Qwest/WB	W	1
Radioactive	I	1
RCA	B	1
Real	I	1
Relativity	S	1
Reprise	W	1
Restless	I	1
Ruffhouse/Columbia	S	1
SBK/ERG	S	0
SBK/Liberty	E	1
Sire/Reprise	W	1
Sire/WB	W	1
Slash/Reprise	W	1
SOR	I	1
Stardog/Mercury	P	1
Uptown/MCA	M	0
Victory Music/PLG	P	0
Virgin	E	1
Warner Bros.	W	1
Wing/Mercury	P	1
Zoo	I	1
ZTT/Sire/WB	W	1

Major Labels and Subsidiaries: 1995

Label (1995)	Label Code	Rating
550 Music	S	2
A&M	P	1
American/Reprise	W	1
Arista	B	1
Asylum/EEG	W	0
Atlantic	W	0
Battery/Jive	B	4
Blitzz/Atlantic	W	0
BNA	B	2
Capitol	E	1
Capricorn	I	1
Captive/Virgin	E	1
Career	B	2
Columbia	S	1
Columbia/DKC	S	1
Columbia/Virgin	S	1
Critique	I	1
Curb	W	3
Decca	V	1
DGC/Geffen	V	1
DKC/Columbia	S	1
EastWest/EEG	W	0
Elektra/EEG	W	0
EMI	E	0
Emporia	I	1
Emporia West/Thump	I	1
Epic	S	1
Epitaph	I	1
Fontana/Mercury	P	1
Fort Apache/MCA	V	1
Geffen	V	1
Generama/Rhythm Safari/Priority	E	1
Giant	W	3
Hollywood	BV	1
Interscope/Atlantic	W	0
Island	P	1
Kudzu	I	1
LaFace/Arista	B	1
Liberty	E	1
Live	I	1
London/Island	P	1
Magnatone	I	1
Maverick/Sire/Warner Bros.	W	1
MCA	V	1
MCG/Curb	W	2
Mercury	P	1
Metal Blade/Warner Bros.	W	1
Metro Blue/Capitol	E	1
MJJ/Epic	S	1
Motown	P	1
Next Plateau/London/Island	P	1
Okeh/550 Music	S	2
Patriot	I	1
PMP/RAL/Island	P	1
Polydor Nash	P	2
Polydor Nashville	P	2
Radioactive	I	1
RCA	B	1
Relativity	S	1
Reprise	S	1
River North Nashville	I	1
Rocket/Island	P	1
Silvertone	B	4
Sire/Reprise	W	1
Slash/Reprise	W	1
Squint/Warner Bros.	W	1
Swell/Elektra/EEG	W	0
Trauma/Interscope	I	1
Uptown/MCA	V	1
Virgin	E	1
Warner Bros.	W	1
Wolfgang	I	1
WORK	S	1
WORK/Columbia	S	1
Yab Yum/550 Music	S	2
Zoo	I	1
ZTT/Sire/Warner Bros.	W	1

Major Labels and Subsidiaries: 1996

Label (1996)	Label Code	Rating
550 Music	S	2
A&M	P	1
Almo Sounds	V	3
Almo Sounds/Geffen	V	1
Apple/Capital	E	1
Arista	B	1
Asylum/EEG	W	0
Atlantic	W	0
Blue Gorilla/Mercury	P	1
BNA	B	2
BNA/RCA	B	1
Capital	E	2
Capitol	E	1
Career	B	2
Columbia/CRG	S	0
Curb	W	2
Curb/MCA	V	1
Death Row/Interscope	V	1
Decca	V	1
DGC/Geffen	V	1
Discovery	W	2
DKC/Columbia/CRG	S	0
DreamWorks/Geffen	V	1
EastWest/EEG	W	0
Elektra/EEG	W	0
Elektra/EEG	W	0
EMI	E	0
Epic	S	1
Eureka	B	4
Geffen	V	1
Giant	W	3
Giant/Reprise	W	1
Groove Nation/Universal	V	1
HiFi/Sire/EEG	W	0
Hollywood	BV	1
Interscope	V	1
Island	P	1
LaFace/Arista	B	1
Logic/RCA	B	1
London/Island	P	1
Los Hooligans/Epic ST	S	1
Magnatone	I	1
Mammoth/Atlantic	W	0
Maverick/Reprise	W	1
Maverick/WB	W	1
MCA	V	1
MCG/Curb	W	2
Mercury	P	1
Metal Blade/WB	W	1
MJJ/550 Music	S	2
Mother/Island	P	1
Polydor	P	1
Polydor/A&M	P	1
Quadra Sound/Big Beat/Atlantic	W	0
Qwest/WB	W	1
RainMaker/Interscope	V	1
RCA	B	1
Relativity	S	1
Reprise	W	1
Revolution	W	3
River North	I	1
Roswell/Capitol	E	1
Rowdy/Arista	B	1
Ruffhouse/Columbia	S	0
Ruthless/Relativity	S	1
Silvertone	B	4
Sire/EEG	W	0
Slash/Reprise	W	1
Strictly Rhythm	I	1
TAG	I	1
Tommy Boy	W	3
Trauma/Interscope	V	1
Universal	V	1
Virgin	E	1
Warner Bros.	W	1
Warner Sunset/WB	W	1
Way Cool Music/MCA	V	1
Work/CRG	S	0
ZTT/WB	W	1

Major Labels and Subsidiaries: 1997

Label (1997)	Label Code	Rating
143/Asylum/EEG	W	0
550 Music	S	2
A&M	P	1
Almo Sounds	V	3
American/Reprise	W	1
Arista	B	1
Asylum/EEG	W	0
Atlantic	W	0
Aware/Capitol	E	1
Bad Boy/Arista	B	1
BNA	B	2
Capitol	E	1
Capricorn/Mercury	P	1
Career	B	2
Chrysalis/EMI	E	0
Classified	I	1
Classified/Timber!/ Tommy Boy	W	3
CMC	B	1
Code Blue/Atlantic	W	0
Columbia	S	1
Crave	S	2
Curb	W	2
Curb/Universal	V	1
Decca	V	1
DGC/Geffen	V	1
DMC	I	1
DMG/Jive	B	4
DV8/A&M	P	1
EastWest/EEG	W	0
Elektra/EEG	W	0
EMI	E	0
Enclave	I	1
Epic	S	1
Eternal/WB	W	1
Eureka/Discovery	W	2
Flavor Unit/EastWest/EEG	W	0
Gasoline Alley/MCA	V	1
Geffen	V	1
Giant	W	3
Grand Royal/Capitol	E	2
Imago/WB	W	1
Imprint	I	1
Interscope	V	1
Island	P	1
Jive	B	4
LaFace/Arista	W	0
Lava/Atlantic	W	0
Mammoth/Atlantic	W	0
Maverick/Reprise	W	1
MCA	V	1
MCG/Curb	W	2
Mercury	P	1
Mute/Maverick/WB	W	1
Mute/Reprise	W	1
Nothing/Interscope	V	1
NPG/EMI	E	0
Outpost/Geffen	V	1
Polydor/A&M	P	1
Power	I	1
Radioactive	I	1
Razor & Tie	I	1
RCA	B	1
Red Ant	I	1
Reprise	W	1
Revolution	W	3
Rising Tide	I	1
Roswell/Capitol	E	1
SBK/EMI	E	0
Silvertone	B	4
SOR	I	1
Swell/Elektra/EEG	W	0
Track Factory/MCA	V	1
Trauma/Interscope	V	1
Universal	V	1
Virgin	E	1
Volcano	B	4
Warner Bros.	W	1
Warner Sunset/Atlantic	W	0
Warner Sunset/WB	W	1
Word	W	0
Work	S	1
Zoo	I	1

Major Labels and Subsidiaries: 1998

Label (1998)	Label Code	Rating
143/Asylum/EEG	W	0
41/Geffen	V	1
550 Music	S	2
A&M	P	1
Alert/Geffen	V	1
Arista	B	1
Arista/MCA	B	1
Asylum/EEG	W	0
Atlantic	W	0
Backstreet's Back	B	4
Bad Boy/Arista	B	1
Bang II	I	1
Beyond	V	3
Big Cat/V2	I	1
BMA	B	2
BNA	B	2
Capitol	E	1
Capricorn/Mercury	P	1
Cargo/MCA	V	1
Clean Slate/Work	S	1
CMC	B	1
Columbia	S	1
Crave	S	2
Curb	W	2
Curb/Universal	V	1
Decca	V	1
DGC/Geffen	V	1
Dimension/Capitol	E	1
DKC/Columbia	S	1
DreamWorks	V	2
Duck/Reprise	W	1
Echo/Elektra/EEG	W	0
Elektra/EEG	W	0
Elektra/Roswell/Capitol	W	0
Epic	S	1
Eureka	I	1
Geffen	V	1
Giant	W	3
Grass Roots/Columbia	S	1
H.O.L.A./Red Ant	I	1
HiFi/Sire/WB	W	1
Hollywood	BV	1
Hut/Virgin	E	1
Ignition	I	1
Imago/WB	W	1
Interscope	V	1
Jersey/MCA	V	1
Jive	B	4
LaFace/Arista	B	1
Lava/Atlantic	W	0
London/Island	P	1
Lyric Street	BV	1
Maverick/WB	W	1
MCA	V	1
MCG/Curb	W	2
Mercury	P	1
MJJ/Work	S	1
Mojo/Universal	V	1
Monument	S	3
Motown	P	1
N2K Encoded Music	I	1
Outpost/Geffen	V	1
Polydor/A&M	P	1
Quinlan Road/WB	W	1
Quintan Road/WB	W	1
RCA	B	1
Red Ant	I	1
Reprise	W	1
Republic/Universal	V	1
Revolution	W	3
Rising Tide	I	1
Rocket/Island	P	1
Roswell/Capitol	E	1
Silvertone	B	4
Sire	W	1
So So Def/Columbia	S	1
Sony Classical/Work	S	1
Stonecreek/Epic	S	1
Track Masters/Crave	S	2
Universal	V	1
Virgin	E	1
Walt Disney	BV	0
Warner Bros.	W	1
Warner/Sunset/Reprise	W	1
Wawazat!!	I	1
Wind-up	I	1
Yab Yum/550 Music	S	2

Major Labels and Subsidiaries: 1999

Labels (1999)	Label Code	Rating
550 Music/ERG	S	0
A&M	V	1
Almo Sounds/Interscope	V	1
Amaru/Death Row/Interscope	V	1
American/Columbia	S	1
Arista	B	1
Asylum/EEG	W	0
Atlantic	W	0
Aware/C2/Columbia	S	1
Aware/Columbia	S	1
Bad Boy/Arista	B	1
Blackbird/Sire	W	2
BNA	B	2
C2/Columbia	S	1
Capitol	E	1
Capricorn	I	1
Capricorn/Mercury	V	2
CMC	B	1
Columbia	S	1
Curb	W	2
Def Jam/IDJMG	V	0
Def Jam/RAL/Mercury	V	1
Delicious Vinyl/Trauma	I	1
DGC/Geffen	V	1
Dreamcatcher	I	1
DreamWorks	V	2
Edel America/Hollywood	BV	1
Elektra/EEG	W	0
Elementree/Reprise	W	1
Epic	S	0
Eureka	I	1
Flip/Elektra/EEG	W	0
Flyte Tyme/Interscope	V	1
Flyte Tyme/MCA	V	1
Geffen	V	1
Giant	W	3
Groovilicious/StrictlyRhythm	I	1
HiFi/Elektra/EEG	W	0
Hollywood	BV	1
Hollywood/Atlantic	W	0
Hollywood/Columbia	S	1
Immortal/Epic	S	0
Innocent/Virgin	E	1
Interscope	V	1
Island	V	1
Island/IDJMG	V	0
Jericho	I	1
Jive	B	4
Koch	I	1
LaFace/Arista	B	1
Lava/Atlantic	W	0
Lyric Street	BV	1
Maverick/Reprise	W	1
Maverick/Virgin	E	1
Maverick/WB	W	1
MCA	V	1
MCA/Epic	S	0
MCG/Curb	W	2
Mercury	V	2
Mercury/BNA	V	1
Mercury/IDJMG	V	0
Monument	S	3
Motley/Beyond	V	3
Pachyderm	I	1
Pendulum/Red Ant	I	1
Push/V2	I	1
Ravenous/Mercury/IDJMG	V	0
RCA	B	2
Refuge/MCA	V	1
Reprise	W	1
Republic/Universal	V	1
Restless	I	1
Revolution/Reprise	W	1
Roadrunner	V	2
Ruffhouse/Columbia	S	1
Skint/Astralwerks/Caroline	I	1
SMG/Columbia	S	1
Squint/Columbia	S	1
Tommy Boy	W	3
ToneCool/Rounder/Mercury	V	2
Top Dog/Lava/Atlantic	W	0
Transcontinental/Epic	S	0
Universal	V	1
University/Island	V	1
Uptown/Universal	V	1
V2	I	1
Virgin	E	1
Warner Bros.	W	1
Warner Sunset/Reprise	W	1
Web/Aftermath/Interscope	V	1
Wind-up	I	1
Work/ERG	S	0

Major Labels and Subsidiaries: 2000

Label (2000)	Label Code	Rating
550 Music/Epic	S	2
A&M/Interscope	V	1
Aftermath/Interscope	V	1
American/Columbia	S	1
Arista	B	1
Artemix	I	1
Asylum/EEG	W	0
Asylum/WB	W	1
Atlantic	W	0
Aware/Columbia	S	1
BlackGround	I	1
BNA	B	2
C2/Columbia	S	1
Capitol	E	1
Capricorn	I	1
Cash Money/Universal	V	1
Cherry/Universal	V	1
CMC	B	1
Columbia	S	1
Curb	W	2
Curb/Mercury	V	1
Def Soul/IDJMG	V	0
DGC/Geffen	V	1
DGC/Geffen/Interscope	V	1
DKC/Monument	S	3
Dragon/Def Soul/IDJMG	V	0
Dreamcatcher	I	1
DreamWorks	V	2
Duck/Reprise	W	1
EastWest/EEG	W	0
Electro/Jive	B	4
Elektra/EEG	W	0
Enclave/IDJMG	V	0
Epic	S	1
E-Squared/Artemis	I	1
Flip/Elektra/EEG	W	0
Flip/Interscope	V	1
Geffen/Interscope	V	1
Giant	W	3
Giant/Reprise	W	1
Grow Young With You	B	1
Hollywood	BV	1
Immortal/Epic	S	1
Interscope	V	1
Island/IDJMG	V	0
Jericho/Sire	W	1
Jive	B	4
Koch	I	1
LaFace/Arista	B	1
LaFace/Atlantic	W	0
Lava/Atlantic	W	0
Lyric Street	BV	1
Maverick	W	2
Maverick/WB	W	1
MCA	V	1
Mercury	V	1
Mercury/IDJMG	V	0
Monument	S	3
Motley/Beyond	V	3
Motown/Universal	V	1
Musicmaker.com	E	4
Outpost/Interscope	V	1
Pachyderm	I	1
Portrait/C2/Columbia	S	1
Portrait/Columbia	S	1
Push/V2	I	1
Radioactive/MCA	V	1
RCA	B	1
Renegade Nation	I	1
Reprise	W	1
Republic/Geffen	V	1
Republic/Geffen/Interscope	V	1
Republic/Universal	V	1
Restless	I	1
Roadrunner	V	2
Roswell/RCA	B	1
Ruff Ryders/IDJMG	V	0
Sparrow/Curb/Capitol	E	1
Spitfire	I	1
Tommy Boy	W	3
Top Dog/Lava/Atlantic	W	0
Track Masters/Columbia	S	1
Trauma	I	1
TVT	I	1
Ultimatum	I	1
Universal	V	1
V2	I	1
Virgin	E	1
Warner Bros.	W	1
Warner Bros./Curb	W	1
Wind-Up	I	1
Work/Epic	S	1

Major Labels and Subsidiaries: 2001

Label (2001)	Label Code	Rating
143/Lava/Atlantic	W	0
143/London Sire	W	2
3:33/Universal	V	0
A&M/Interscope	V	1
Arista	B	1
Artemis	I	1
Asylum/WB	W	1
Atlantic	W	0
Aware/Columbia	S	1
Bad Boy/Arista	B	1
BNA	B	2
Cabo Wabo/Beyond	V	3
Capitol	E	1
CMC/SRG	W	1
Columbia	S	1
Crystal Clear Sound	I	1
Curb	W	2
Def Jam South/IDJMG	V	0
Divine/Priority	E	1
Dreamcatcher	I	1
Dreamworks	V	2
Duck/Reprise	W	1
EastWest/EEG	W	0
Elektra/EEG	W	0
Epic	S	1
Flip/Elektra/EEG	W	0
Flip/Geffen/Interscope	V	1
Flip/Interscope	V	1
Fo' Reel/Universal	V	1
Giant	W	3
Giant/Reprise	W	1
Giant/WB	W	1
Gold Mind/EastWest/EEG	W	0
H2E/WB	W	1
Hollywood	BV	1
Immortal/Epic	S	1
Immortal/Virgin	E	2
Independent	I	1
Interscope	V	1
Island/IDJMG	V	0
J	B	1
Jive	B	4
Koch	I	1
LaFace/Arista	B	1
Lava/Atlantic	W	0
Loud/Columbia	S	1
Lyric Street	BV	1
Mammoth	BV	1
Maverick	W	2
Maverick/WB	W	1
MCA	V	1
MCA/Universal	V	1
Mercury	V	2
Monument	S	3
Murder Inc./Def Jam/IDJMG	V	0
Music Compan/Elektra/EEG	W	0
Nettwerk/Capitol	E	1
Nightbird/MCA	V	1
Playland/Priority	E	1
Portrait/Columbia	S	1
Rat Pack/EastWest/EEG	W	0
Rawless/Geffen/Interscope	V	1
RCA	B	1
Republic/Universal	V	1
Reprise	W	1
Reprise/WB	W	1
Republic/Universal	V	1
Restless	I	1
Roadrunner	V	2
Ruff Ryders/Interscope	V	1
Ruffhouse/Columbia	S	1
Ruffnation/WB/ University/Interscope	W	1
Rust/Atlantic	W	0
Sanctuary/SRG	W	1
Slip n' Slide/Atlantic	W	0
Sugar Hill/Vanguard	I	1
Tone-Cool	I	1
Top Dog/Lava/Atlantic	W	0
TVT	I	1
Universal	V	1
University/Interscope	V	1
V2	I	1
Vanguard	I	1
Velvet Hammer/Atlantic	W	0
VFR	I	1
Virgin	E	1
Volcano	B	4
Warner	W	0
Warner Bros.	W	1
Wildcard/Polydor/Interscope	V	1
Wind-Up	I	1

Appendix II

ATTITUDES ON THE RADIO INDUSTRY

May 2002

Prepared for

Future of Music Coalition
Washington, D.C.

Prepared by

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METHODOLOGY

The information contained in this report is based on 500 in-depth telephone interviews conducted with adults throughout the United States. Household selection on this project was accomplished via a random sample of adults residing throughout the United States.

All of the interviewing on this project was conducted between May 13th and May 20th, 2002, at the Behavior Research Center's central location computer-assisted telephone interviewing (CATI) facility, where each interviewer worked under the direct supervision of BRC supervisory personnel. All of the interviewers who worked on this project were professional interviewers of the Center. Each had prior experience with BRC and received a thorough briefing on the particulars of this study. During the briefing, the interviewers were trained on: (a) the purpose of the study; (b) sampling procedures; (c) administration of the questions; and (d) other project-related factors. In addition, each interviewer completed a set of practice interviews to ensure that all procedures were understood and followed.

Interviewing on this study was conducted during an approximately equal cross-section of evening and weekend hours. This procedure was followed to ensure that all households were equally represented, regardless of work schedules. Further, during the interviewingsegment of this study, up to five separate attempts, on different days and during different times of day, were made to contact each selected resident. Only after five unsuccessful attempts was a selected household substituted in the sample. Using this methodology, the full sample was completed, and partially completed interviews were not accepted nor counted toward fulfillment of the total sample quotas.

One hundred percent of the completed interviews were edited, and any containing errors of administration were pulled, the respondent re-called, and the errors corrected. In addition, 15 percent of each interviewer's work was randomly selected for validation to ensure its authenticity and correctness. No problems were encountered during this phase of interviewing quality control.

As the data collection segment of this study was being undertaken, completed interviews were turned over to BRC's in-house coding department. The coding department edited, validated and coded the interviews. Upon completion of coding, a series of validity and logic checks were run on the data to insure it was "clean" and representative of the sample universe. Following this procedure, the detailed computer tables for this project were generated.

When analyzing the results of this survey, it should be kept in mind that all surveys are subject to sampling error. Sampling error, stated simply, is the difference between the results obtained from a sample and those which would be obtained by surveying the entire population under consideration. The size of sampling error varies, to some extent, with the number of interviews completed and with the division of opinion on a particular question.

An estimate of the sampling error range for this study is provided in the following table. The sampling error presented in the table has been calculated at the confidence level most frequently used by social scientists, the 95 percent level. The sampling error figures shown in the table are average figures that represent the maximum error for the sample bases shown (i.e., for the survey findings where the division of opinion is approximately 50%/50%). Survey findings that show a one-sided distribution of opinion, such as 70%/30% or 90%/10%, are usually subject to slightly lower sampling tolerances than those shown in the table.

As may be seen in the table, the overall sampling error for this study is approximately +/- 4.5 percent when the sample is studied in total (i.e., all 500 cases). However, when subsets of the total sample are studied, the amount of sampling error increases based on the sample size within the subset.

Sample Size	Approximate Sampling Error At A 95% Confidence Level (Plus/Minus Percentage Of Sampling Tolerance)
500	4.5
400	5.0
300	5.8
200	7.1
100	10.1

EXECUTIVE SUMMARY

- Eighty-three percent of Americans listen to radio once a week.
- Seventy percent tune in to multiple stations each week in an effort to meet their information and entertainment needs.
- To meet their information and entertainment needs, radio listeners typically listen to 3.3 stations each week.
- Half report they hear “the music they enjoy the most” only occasionally, rarely or never on the radio.
- Commercial FM listening is dominant – attracting 75 percent of all radio listeners. Commercial AM, NPR and low power community FM stations each attract between 16 and 25 percent of the listening audience.
- Half say radio would be more appealing to them if it offered more new music, less repetition and more music of local bands and artists.
- Evaluating radio content, audiences complain most about their hearing too much advertising and, for some, too many talk shows. Additionally, a quarter say they get too little of the music they like, and four in ten complain the music of local bands and artists is not adequately provided. A quarter also believe radio stations offer too little news – both national and local.
- By a ratio of six to one, radio listeners prefer a long, rather than a short, “play list” that provides them a greater variety of songs and less repetition during the week.
- Six of ten are <u>unaware</u> of the practice by which record companies pay radio stations to play the songs of artists on their label. Four in ten are aware of this practice
- By a better than ten to one ratio (76% to 7%) radio listeners believe that D.J.s should be given more air time for songs they think will be of interest to their audiences rather than be required to mostly play songs of artists backed by recording companies.
- If it can be substantiated that radio stations are paid to give air time preference to the music artists supported by record companies, the public approves by a 68 to 24 percent ratio for Congress to pass laws to ensure that all artists have a more reasonable chance of having their songs heard.
- The above views appear to be independent of other consumer views that radio generally meets their information and entertainment needs.
- Views are mixed on the volume of advertising on radio. Thus, a majority believe that the volume of advertising on the radio is excessive, yet 37 percent disagree and another six percent actually suggest there could be more advertising.

- Seventy-four percent favor legislation to expand LPFM stations in the United States.

- Consolidation of stations is not popular. Eight of ten favor congressional action to protect or expand the number of independently owned local stations.

- Seventy-five percent would like to see low power FM stations expanded in their communities, especially if they offer (a) the music of local bands and artists, (b) talk shows on issues of local interest, and on local issues and (c) health, science or fitness programming.

- Non-radio music activities include:

  85 percent buying music CDs
  71 percent attending live musical events
  35 percent downloading music for the Internet

DETAILED FINDINGS

RADIO LISTENING

"How many hours during a given week, if any, do you listen to the radio?"

	LISTEN TO RADIO WEEKLY	
	As % Of	
	All Consumers	Radio Listeners
AGE		
15 to 20	12%	14%
20 to 29	14	16
30 to 44	20	24
45 to 64	27	32
65 +	10	14
Do Not Listen	17	0

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NON-LISTENERS

"What's the main reason you do not listen to radio?"

No time. I'm too busy	30%
Rely on other sources for my music and news.	21
Radio is boring – I don't like what's on.	12
I don't own a radio.	11
Miscellaneous other reasons	16
Not sure why	10

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	LISTENING TO RADIO			SATISFACTION WITH RADIO		
	More	Less	(Point Net)	Very	Not	(Point Net)
AGE						
Under 20	63%	21%	(+ 42)	18%	18%	(0)
20 to 29	35	33	(+ 2)	11	15	(- 4)
30 to 44	16	41	(- 25)	21	16	(+ 5)
45 to 64	22	25	(- 3)	30	12	(+18)
65+	25	23	(- 2)	31	9	(+22)

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AVAILABILITY OF PREFERRED MUSIC ON THE RADIO

"Thinking about the music you enjoy the most, do you hear it played on the radio frequently, occasionally, rarely or never?"

	FREQUENTLY	OCCA-SIONALLY	RARELY	NEVER
U.S. TOTAL	49%	33%	14%	4%
HOURS LISTENING:				
3 or less	48	34	15	3
4 to 7	49	35	13	3
8 to 14	45	32	15	8
15+	54	30	14	2
AGE:				
Under 30	39	36	21	4
30 to 49	53	31	12	4
50+	54	32	11	3
SATISFACTION WITH RADIO:				
Very satisfied	70	24	6	0
Satisfied	49	37	11	3
Not satisfied	18	28	41	13

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LISTENING HABITS

"Compared to five years ago, are you listening to the radio today more, the same, or less?"

	MORE	THE SAME	LESS	(NET TO "MORE")
TOTAL U.S.	29%	42%	29%	(0)
AGE:				
Under 30	48	24	28	(+20)
30 to 49	18	46	36	(-18)
50+	23	52	25	(- 2)
LISTEN TO:				
Commercial FM	30	40	30	(0)
Commercial AM	29	46	25	(+ 4)
NPR	29	39	32	(- 3)
College	40	38	22	(+18)

LPFM	34	37	29	(+ 5)

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"What would you say are the principal reasons you listen to <u>less</u> radio these days compared to five years ago? "

		AGE		
	TOTAL	UNDER 30	30 TO 49	50+
I have less time to listen	48%	58%	47%	41%
Don't like the music they offer	21	16	21	22
My tastes have changed	14	10	16	16
Rely on other sources	9	8	3	18
Information/news superficial/ not valuable	5	5	8	0
Radio is too vulgar	4	5	3	3
Not allowed at work	1	2	2	0
Not sure	4	7	5	0

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"What would you say are the principal reasons you listen to <u>more</u> radio today than five years ago?"

		AGE		
	TOTAL	UNDER 30	30 TO 49	50+
I like what's on stations	34%	38%	31%	30%
I have more time, retired, at home, not working	19	8	17	39
In my car a lot	16	21	16	8
My tastes have changed	16	25	5	8
Offer more/valuable information	6	2	12	11
Music motivates me	6	8	11	0
It's my only choice	1	0	0	4
Misc. other	1	0	4	2
Not sure	3	3	0	4

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USE OF VARIOUS RADIO BANDS

"Radio stations are generally classified as being in one of five groups. As I read each one, please tell me how many hours each week, if any, you listen to each:"

	% Listening	Among Listeners, # Of Hours Per Week
TYPE OF STATION		
Commercial FM	75%	8.9 hours
Commercial AM	25	8.8
Member supported public radio	22	5.0
Low power community FM stations	16	6.1
College stations	10	6.6

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*Overall, 33 percent listen to member supported public radio or to college stations, including five percent who listen to both on a weekly basis.

	AGE GROUP		
	Under 30	30 to 49	50 or older
% LISTENING TO EACH			
Commercial FM	75%	78%	71%
Commercial AM	11	22	40
Member supported FM	18	27	22
LPFM stations	20	15	13
College stations	13	10	8

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	# OF HOURS LISTENING TO EACH PER WEEK					
	Commer-cial FM	Commer-cial AM	Member Public Radio	College	LPFM	(Total)
AGE:						
Under 30	11.0	11.8	4.4	5.1	3.9	(36.2)
30 to 49	8.8	5.9	4.5	5.6	5.6	(28.7)
50+	7.1	9.6	8.0	8.6	8.6	(41.2)

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PLAY LIST PREFERENCES

"***Many commercial radio stations today have a short play list which means they play a limited number of songs and repeat them often during the week. Other stations have a long play list which means they play a greater variety and have less repetition during the week. Which type of station do you prefer – those with a short or long play list***?"

		AGE		
	Total	Under 30	30 to 49	50 or older
Long play list	78%	84%	81%	69%
Short play list	12	12	10	15
Both okay with me	6	3	7	6
Neither	2	0	1	5
Unsure	2	1	1	5
	100%	100%	100%	100%

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	PREFERENCE IS FOR		
	Long Play List	Short Play List	Both/ Neither/ Unsure
TOTAL	78%	12%	10%
GENDER:			
Men	81	10	9
Women	74	15	11
ETHNICITY:			
Caucasian	78	12	10
African American	79	16	5
Latino	71	16	13
Other	81	4	15
REGION:			
Northeast	78	13	9
South	76	15	9
Midwest	75	11	14
West	83	9	8

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	PLAY LIST PREFERENCE				
	Long Play List	Short Play List	Either Way	Neither/ Not Sure	
Total	78%	12%	6%	4%	(100%)
HOURS LISTEN TO RADIO EACH WEEK					
3 or less	71	15	6	8	(100%)
4 to 7	75	12	8	5	(100%)
8 to 14	85	8	4	3	(100%)
15+	81	13	4	2	(100%)

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AWARENESS OF PAY-FOR AIRTIME PRACTICES

"*There have been news reports that local commercial radio station DJs don't usually control what music is played on their shows, and are no longer able to make choices based on the quality of the music. Instead, the play lists are influenced by money paid by some record companies to get their artists' songs on the air. Were you aware of this before I read it to you just now*?"

	AWARE	UNAWARE
TOTAL	40%	60%
GENDER:		
Men	45	55
Women	36	64
AGE:		
Under 30	40	60
30 to 49	38	62
50+	42	58
REGION:		
Northeast	48	52
South	40	60
Midwest	34	66
West	42	58

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DJs' CHOICE IN PLAY LIST

"***Do you think local DJs should be given more air time to play songs they think their audience would like, or should they be required to play mostly the songs of artists and recording companies who have paid to get their songs played***?"

		AGE		
	Total	Under 30	30 to 49	50+
DJs should be given more discretionary air time	75%	78%	71%	75%
DJs should be required to play more of songs boosted by recording companies	6	6	8	4
Both okay	13	13	16	11
Unsure	6	3	5	10

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"***Do you think local DJs should be given more air time to play songs they think their audience would like, or should they be required to play mostly the songs of artists and recording companies who have paid to get their songs played***?"

	Give DJs More Discretion	Let Companies Pay For Air Time	Both Okay	Don't Know/ Unsure
Total	75%	6%	13%	6%
RESPONDENT LISTENS TO				
FM	75	6	14	5
AM	70	8	13	9
NPR	76	4	16	4
College	82	2	7	9
LPFM	77	4	17	2
HOURS LISTENED TO WEEKLY				
3 or less	75	3	16	6
4 to 7	71	8	13	8
8 to 14	75	4	16	5
15+	79	8	9	4

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ROLE OF GOVERNMENT IN CURBING PAYOLA-LIKE PRACTICES

"If investigations prove that radio stations are being paid to play the music of certain record companies and artists instead of the songs of artists who cannot afford to pay the stations, do you think Congress should consider passing laws to assure that all artists have a reasonable chance of having their songs heard?"

	YES	NO	UNSURE	
U.S. TOTAL	68%	25%	7%	(100%)
AGE:				
Under 30	78	18	4	(100%)
30 to 49	65	29	6	(100%)
50+	63	28	9	(100%)
GENDER:				
Men	65	31	4	(100%)
Women	71	20	9	(100%)
ETHNICITY:				
Caucasian	67	27	6	(100%)
African American	78	16	6	(100%)
Hispanic	72	22	6	(100%)
Other	62	28	10	(100%)
REGION:				
Northeast	84	12	4	(100%)
South	68	27	5	(100%)
Midwest	65	26	9	(100%)
West	63	31	7	(100%)

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USE OF MULTIPLE STATIONS COMMON

"During a typical week, how many different stations do you tune in and listen to for 30 minutes or more?"

		AGE		
	TOTAL	UNDER 30	30 TO 49	50+
None, I listen no station for 30 minutes or more	5%	3%	5%	8%
Only one station	28	19	25	37
Two	27	22	30	29
Three	22	28	23	15
Four	10	13	13	4
5 or more	8	15	4	7
	100%	100%	100%	100%
Mean of all listeners	3.3	3.7	3.3	2.9
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"Which of the following comes closest to the reason you generally listen to <u>one</u> radio station?" (ROTATE SEQUENCE)

<u>It's the only station that:</u>	
I enjoy	68%
Offers the info I need	11
Is appropriate at work	9
I don't have the patience to switch all the time	6
Other	2
Not sure	5

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"Which of the following statements comes closest to why you listen to <u>more than one</u> radio station?" (ROTATE SEQUENCE)

		AGE		
	TOTAL	UNDER 30	30 TO 49	50+
I like variety	43%	48%	40%	41%
Different stations serve different functions for me	24	7	30	37
To avoid commercials	22	31	22	13
To avoid repetition in music	8	11	7	5
Other/Don't know	3	3	1	4
	100%	100%	100%	100%

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MORE NEW MUSIC AND LESS REPETITION

"*Thinking about the music station you listen to most often, which **two** of the following things would do the most to make them more appealing to you as a listener*?" (ROTATE SEQUENCE)

	TOTAL	FIRST MENTION
MORE NEW MUSIC/LESS REPETITION (NET)*	(52%)	(36%)
Less music repetition	24	13
More new music	23	16
More local bands/artists	13	7
LESS ADVERTISING (NET)	(36%)	(25%)
MORE SONGS I ALREADY LIKE (NET))	(30%)	(21%)
MORE NEWS COVERAGE (NET)	(7%)	(4%)
STOP CHANGING STATION FORMATS WITHOUT NOTICE (NET)	(5%)	(3%)

* NET is the total percent of people giving one or more responses within each category.

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"*Thinking about the music stations you listen to most often, which **two** of the following things would do the most to make them more appealing to you as a listener*?"

	AGE			SATISFACTION WITH RADIO IN YOUR AREA		
	Under 30	30 to 49	50+	Very	Satis-fied	Not Satisfied
MORE VARIETY/LESS REPETITION (NET)	(67%)	(55%)	(35%)	(45%)	(52%)	(59%)
Less repetition	32	25	15	22	23	28
More new music	32	25	14	18	24	27
More local bands/ artists	15	15	8	11	13	11
LESS ADVERTISING (NET)	(43%)	(35%)	(30%)	(29%)	(39%)	(31%)
MORE SONGS I ALREADY LIKE (NET)	(27%)	(22%)	(40%)	(32%)	(31%)	(22%)
MORE NEWS (NET)	(3%)	(5%)	(12%)	(8%)	(7%)	(8%)
STOP CHANGING STATION FORMATS WITHOUT NOTICE (NET)	(4%)	(6%)	(6%)	(6%)	(4%)	(10%)
MISC. OTHER (NET)	(1%)	(1%)	(2%)	(3%)	(1%)	(1%)
NOT SURE	(2%)	(10%)	(14%)	(14%)	(7%)	(10%)
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	PROPORTION WHO IDENTIFY MORE NEW MUSIC AND LESS REPETITION AS APPEALS TO THEM
TOTAL	52%
GENDER:	
Men	55
Women	48
LISTEN TO:	
Commercial AM	43
Commercial FM	55
NPR	56
College	60
LPFM	63
PREFER:	
Short play list	38
Long play list	58
Both	31

CONSOLIDATION OF STATIONS NOT POPULAR AMONG RADIO AUDIENCES

"For many years the federal government limited the number of radio stations one company could own in a region. In 1996 Congress relaxed the limits and, as a result, many locally owned stations were purchased by large corporations. Now, a handful of large corporations own many stations in a particular region and across the country. At the same time, the number of locally owned or independent stations is declining.

This issue is being debated right now in Congress. Some policymakers favor more consolidation of stations by big corporations. Others favor preserving and encouraging independent and locally owned stations. If you could speak directly to your member of Congress, which of the following would you favor?" (SEQUENCE ROTATED)

	TOTAL	UNDER 30	30 TO 49	50+
Congress should support policies that encourage:				
Preservation of independent or locally owned stations	42%	33%	42%	49%
Policies that increase the amount of locally owned radio stations	38	41	38	34
More consolidation of radio stations by large corporations	10	16	10	5
None of these: gov't shouldn't be involved	4	3	6	4
Not sure	6	7	4	8

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LOW POWER FM STATIONS

"Next, I would like to read you a description of "low power FM stations. Low power FM stations are non-commercial stations whose radio signal travels only a few miles and specialize in music and information of interest to people in the immediate area. They may offer special programming such as ethnic or eclectic music, business or farm news, talk shows on science, literature, religion, art, community matters and so on.

Assume for a moment that a low power FM station began operating in your community. Would you tune in if it offered the following programming?"(SEQUENCE ROTATED)

	% With An Interest In Listening To Each Station			
		AGE		
	Total	Under 30	30 to 49	50+
Music by local musicians	65%	78%	69%	51%
Talk shows that address issues of importance in your community like local politics, education, or crime prevention	57	51	65	55
Educational and informational programming like health, science, or fitness	52	45	53	56
Music styles that aren't usually heard on commercial radio today such as folk, bluegrass, or world beat	49	39	52	55

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"***Would you like to see these types of low power FM stations in your community***?"

	Yes	No	Unsure
TOTAL	75%	17%	8%
AGE:			
Under 30	79	16	5
30 to 49	77	17	6
50+	68	18	14
GENDER:			
Men	75	16	9
Women	75	17	8
HOURS LISTEN TO RADIO WEEKLY:			
3 or less	76	14	10
4 to 7	73	18	9
8 to 14	75	18	7
15+	75	18	7
REGION:			
Northeast	77	16	7
South	80	14	6
Midwest	70	19	11
West	73	19	8

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"Would you like your elected officials to support or oppose legislation that would increase the number of low power FM stations allowed in this country?"

	SUPPORT	OPPOSE	NOT SURE
TOTAL U.S.	74%	13%	13%
REGION:			
Northeast	74	12	14
South	72	13	15
Midwest	78	11	11
West	72	16	12

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NON-RADIO MUSIC ACTIVITIES

(A) CD Purchasing

"***When it comes to music, do you frequently, occasionally, rarely or never buy music CDs***?"

	FRE-QUENTLY	OCCA-SIONALLY	RARELY	NEVER	
U.S. TOTAL	26%	39%	20%	15%	(100%)
AGE:					
Under 30	41	32	18	9	(100%)
30 to 49	23	46	21	10	(100%)
50+	15	37	22	26	(100%)
HOURS LISTENED:					
3 or less	20	40	21	19	(100%)
4 to 7	26	36	22	16	(100%)
8 to 14	27	46	15	12	(100%)
15+	32	34	20	14	(100%)
BANDS LISTENED TO:					
FM	25	41	20	14	(100%)
AM	16	40	24	20	(100%)
NPR	27	47	18	8	(100%)
College	23	43	18	16	(100%)
LPFM	20	37	21	22	(100%)
PLAY LIST PREFERRED:					
Long	29	40	20	11	(100%)
Short	17	29	24	30	(100%)
Both	19	47	16	18	(100%)

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(B) Attending Live Music Events or Concerts

"***When it comes to music, do you frequently, occasionally, rarely or never attend live music events or concerts***?

	FREQUENTLY	OCCA-SIONALLY	RARELY	NEVER	
U.S. TOTAL	10%	30%	31%	29%	(100%)
AGE:					
Under 30	22	29	27	22	(100%)
30 to 49	4	33	40	23	(100%)
50+	7	27	26	40	(100%)
INCOME:					
Under $45K	11	28	31	30	(100%)
$45K+	9	32	34	25	(100%)

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	FREQUENTLY PURCHASE MUSIC CDS
TOTAL	10%
LISTEN TO:	
College stations	21
LPFM	11
NPR	11
Commercial AM	10
Commercial FM	9
REGION:	
South	15
West	10
Northeast	8
Midwest	7

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(C) Download Music Off The Internet

"***When it comes to music, do you frequently, occasionally, rarely or never download music off the Internet***?"

	FREQUENTLY	OCCA-SIONALLY	RARELY	NEVER	
U.S. TOTAL	12%	13%	10%	65%	(100%)
AGE:					
Under 30	33	21	12	34	(100%)
30 to 49	5	12	13	70	(100%)
50+	2	7	5	86	(100%)
SATISFACTION WITH RADIO:					
Very satisfied	9	9	8	74	(100%)
Satisfied	10	16	11	63	(100%)
LISTEN TO:					
College	21	12	7	60	(100%)
LPFM	14	15	7	64	(100%)
Commercial FM	12	11	11	66	(100%)
NPR	10	11	9	70	(100%)
Commercial AM	5	15	11	69	(100%)
Not satisfied	29	6	8	57	(100%)

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ASSESSMENT OF COMMERCIAL RADIO CONTENT

Radio listeners were asked to give our interviewers their assessment of whether commercial radio stations featured too much, too little or about the right amount of each of the following: (order of presentation rotated)

Advertising
Music you like
Music of new artists and groups
Music of local artists and bands
Talk shows
National news
Local news

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(A) Advertising

*"When it comes to commercial radio stations, would you say they feature too much, too little or about the right amount of **advertising**?"*

	TOO MUCH	RIGHT AMOUNT	TOO LITTLE	NOT SURE
U.S.	60%	34%	3%	3%
AGE:				
Under 30	72	23	4	1
30 to 49	61	34	3	2
50+	49	43	2	6

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(B) Talk Shows

*"When it comes to commercial radio stations, would you say they feature too much, too little or about the right amount of **talk shows**?"*

	TOO MUCH	RIGHT AMOUNT	TOO LITTLE	NOT SURE
U.S.	26%	46%	14%	14%
AGE:				
Under 30	34	44	15	7
30 to 49	27	47	14	12
50+	19	46	13	22
REGION:				
Northeast	31	43	11	15
South	26	45	14	15
Midwest	24	48	14	14
West	27	44	16	13

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(C) Music of New Artists and Groups
Music of Local Artists and Bands

"When it comes to commercial radio stations, would you say they feature too much, too little or about the right amount of:"

	Music of Local Artists and Bands				Music of New Artists and Groups			
	Too Much	Too Little	Right Amount	Unsure	Too Much	Too Little	Right Amount	Unsure
U.S.	6%	38%	42%	14%	14%	19%	56%	11%
Age:								
Under 30	7	44	44	5	14	23	62	1
30 to 49	4	47	38	11	13	21	58	8
50+	8	25	43	24	15	15	49	21
Region:								
Northeast	10	38	36	16	17	17	55	11
South	5	35	46	14	15	24	53	8
Midwest	8	37	44	11	12	16	60	12
West	4	45	37	14	11	17	58	14

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	Commercial Stations Evaluated As Playing "Too Little" Of:	
	New Groups & Artists	Local Bands & Artists
U.S.	19%	38%
Listen To:		
NPR	22	49
College	32	44
LPFM	28	37
Commercial FM	20	38
Commercial AM	16	30
Prefer:		
Short play list	11	29
Long play list	21	42

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(D) National and Local News

"When it comes to commercial radio stations, would you say they feature too much, too little or about the right amount of (1) national news, (2) local news?"

	NATIONAL NEWS				LOCAL NEWS			
	TOO MUCH	TOO LITTLE	RIGHT AMOUNT	UNSURE	TOO MUCH	TOO LITTLE	RIGHT AMOUNT	UNSURE
U.S.	8%	26%	61%	5%	5%	24%	67%	4%
AGE:								
Under 30	8	32	58	2	8	26	64	2
30 to 49	7	31	59	3	3	27	67	3
50+	9	17	66	8	3	20	69	8
REGION:								
Northeast	8	23	65	4	4	19	73	4
South	13	20	63	4	6	22	67	5
Midwest	4	31	60	5	6	24	65	5
West	6	32	57	5	2	32	63	3

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