THE EFFECTS OF DEREGULATION
ON BLACK RADIO OWNERSHIP

by
Charles Louis Nero Tarver

A thesis submitted to the Faculty of the University of Delaware in
partial fulfillment of the requirements for the degree of
Master of Arts in Communication

Spring 1994

© 1994 Charles Louis Nero Tarver
All Rights Reserved
THE EFFECTS OF DEREGULATION
ON BLACK RADIO OWNERSHIP

by

Charles Louis Nero Tarver

Approved: Nancy Signorile, Ph.D.
Professor in charge of thesis on behalf of the Advisory Committee

Approved: John A. Courtright, Ph.D.
Chairman of the Department of Communication

Approved: Carol E. Hoffecker, Ph.D.
Associate Provost for Graduate Studies
Acknowledgments

Thanks to Miriam, my wife, and sons Curtis, Chuckie and James Allen for putting up with a family member working on a thesis. Miriam’s skills as a copy editor helped turn ideas into language. I extend thanks to my mom and dad who still take an active interest in my work, asking questions, offering suggestions, and reading drafts.

Nancy Signorielli was surprised when I asked her to be my thesis advisor. She informed me that her expertise was television, not radio. I chose her because I had noticed a thoroughness in her work which helped me through this major project. When I wasn’t ducking them, committee members Juliet Dee and Jim Newton offered valuable advice and encouragement.

I extend thanks to family and friends who offered encouragement. The staff at WVUD, in particular engineer Rich McGuire, who provided assistance in interpreting technical information and shares my commitment to radio, and Alice Roberts, senior secretary, who offered encouraging words; and the Perkins Student Center Staff, in particular Marilyn Prime, who showed me it can be done.

I would also like to acknowledge John Oxendine of Broadcap, Fred Brown of the National Association of Black Owned Broadcasters, Joann Anderson and Louis Camphor III of the Minority
Telecommunications Development Program, who all offered suggestions that proved useful in developing the tracking system used in this study.

Finally, I would like to acknowledge Kernie Anderson, General Manager of WDAS AM/FM (Philadelphia), for letting me observe first-hand the operation of one of the country's most successful black-owned operations. WDAS has recently been sold to a non-black company. May it continue to be a fine radio station.
PREFACE

This thesis begins to answer questions I have had since childhood. While growing up I noticed a distinct difference in the quality of "black" radio stations and "white" radio stations. I wondered why black stations either signed off at sundown or could not be heard beyond the boundaries of major cities. Furthermore, why were they all clustered toward the low end of the dial, where tuning in stations was more difficult?

I wondered why WLIB (New York), which I listened to daily in Poughkeepsie, signed off at sundown, and why I could only hear WWRL (New York), which broadcast for 24 hours, when visiting an aunt in Mount Vernon. This seemed odd and unfair since WMCA (New York), which could also be heard in Poughkeepsie, broadcast for 24 hours and WABC (New York), which was also on the air 24 hours a day, could be heard all the way to Albany.

I soon came to question why WILD (Boston), WUFO (Buffalo), WAMO (Pittsburgh) and WANN (Annapolis)—all black stations—signed off at sundown. I also wondered why no black stations were among the distant signals—WKBW (Buffalo), WLS (Chicago), WOWO (Fort Wayne),
CKLW (Windsor/Detroit), WFIL (Philadelphia) and WRKO (Boston)—I would stay up listening to half the night.

FM was more puzzling. KJLH and KACE, FM stations I would listen to while visiting relatives in Los Angeles, were the most puzzling. I wondered why I could not hear them in certain parts of the city.

Out of curiosity I began reading everything I could find about radio. I soon discovered that what I thought were "black" stations were for the most part white-owned stations programmed for black audiences. I then discovered that there were indeed a few black-owned stations.

In addition to answering my childhood questions, this thesis begins the process of tracking black-owned radio stations beyond the lists compiled by agencies. It also offers a needed look at a neglected medium and the policies affecting that medium.

Current FCC policy threatens black ownership. The biggest threat comes from duopoly, which, according to recent reports, now accounts for 22% of the 12-plus audience and 31% of station revenue (Foiese, March 21, 1994). In 12 markets, duopoly now accounts for more than half of all audience and revenue. One of those markets is Boston, a major market with a significant African-American population and no 24-hour black-oriented station.
WDAS (Philadelphia), one of the nation’s most successful black-owned outlets, has been sold to a non-black company. In Los Angeles, site of the nation’s worst civil disturbance, signals from black-owned stations fail to adequately cover the city. One black-owned station, KJLH, provided around-the-clock rumor control during the disturbance. KJLH was the only station granted an interview by Rodney King during the disorder.

The Kerner Commission described radio as the medium best able to reach the black community. However, due to deregulation radio has become more of a marketing tool used to sell the community alcohol and athletic footwear than a community resource providing information vital for survival in today’s society.
TABLE OF CONTENTS

LIST OF TABLES ................................................................................. x
LIST OF FIGURES ........................................................................... xi
ABSTRACT ....................................................................................... xii

Chapter

1 INTRODUCTION ........................................................................... 1

Theoretical Perspective ................................................................. 1
Statement of Problem .................................................................. 2

2 HISTORICAL OVERVIEW ......................................................... 7

The Push for Minority Ownership ............................................... 22

3 STRUCTURAL ISSUES RELATED TO MINORITY OWNERSHIP .... 30

FCC Minority Ownership Incentives .......................................... 30

Comparative Hearings ................................................................. 30
Tax Certificates and Distress Sales ............................................ 31

Lending Institutions .................................................................. 33
Rating Services .......................................................................... 34
Advertisers ................................................................................. 35

The Carter Administration ............................................................ 35
The Reagan Bush Years ............................................................... 36
Challenges to minority ownership ............................................. 41

The Deregulated Marketplace ..................................................... 48
Ownership Rules ........................................................................... 55
4 METHODOLOGY ................................................................. 58
    Station Classification .................................................. 59
    FCC Records ............................................................... 66

5 RESULTS ............................................................................. 71
    Number of Stations ..................................................... 71
    Station Quality ........................................................... 76
    Programming ............................................................... 83
    Diversity of Voices ..................................................... 86
    Status of Minority Ownership Policies .......................... 87

6 DISCUSSION ....................................................................... 88
    Current Trends ........................................................... 94
    Cause for Concern ....................................................... 95

REFERENCES ........................................................................ 99
**LIST OF TABLES**

1. Coverage table for FM stations ...................................................... 63
2. Distress Sales and Tax Certificates .................................................... 75
3. Breakdown of black-owned radio stations by class .............................. 79
4. Breakdown of MTDP stations by class .................................................. 79
5. Breakdown of FM stations by class ..................................................... 80
6. Breakdown of black-owned stations by format and class ......................... 85
7. Breakdown of MTDP stations by format and class ................................. 85
LIST OF FIGURES

1 FCC Tax Certificates Issued 1978 - 1992 .................................................. 40
2 FCC Distress Sales 1978 - 1992 .................................................................. 54
3 Black-owned radio stations by type ............................................................. 81
4 MTDP listed black-owned radio stations by type ............................................. 82
ABSTRACT

This paper uses political economic media theory to examine the effect of the Federal Communications Commission's (FCC's) deregulation policies on black radio ownership. The underlying research question is: Has deregulation mitigated the FCC's policies designed to promote minority ownership? The paper suggests that deregulation has nullified the FCC's distress sale policy, weakened the tax certificate policy, and undercut the FCC's rationale that minority preferences lead to diversification of broadcast voices.
Chapter 1

INTRODUCTION

Theoretical Perspective

This thesis uses political-economic media theory to examine the effect of a deregulated marketplace on black radio ownership. The theory focuses on the "interplay between the symbolic and economic dimensions of public communication" (Golding & Murdock, 1991, p. 15). Research is directed "to the empirical analysis of the structure of ownership and to the way media market forces operate" (McQuail, 1988, p. 64). Political economic media theory suggests that the consequence of relying on market forces is a reduction of independent media sources, a concentration on large markets, risk avoidance and neglect of poorer sectors of the potential audience.

Questions related to the structure of the media are rarely analyzed. Content and effects issues are far more popular. Yet, media decisions rest on society's economic base (McQuail, 1988). "The underlying logic of cost operates systematically, consolidating the position of groups already established in the main mass-media markets and excluding those groups who lack the capital base required for successful entry" (Murdock & Golding, 1977, p. 37).
The theory suggests that African-Americans and other minorities may be shut out of the market. Blacks are generally concentrated in urban centers (large markets) which may be saturated with existing stations. Moreover, they are among the poorer members of the audience and may lack the capital or credit rating needed to purchase any available station.

While this thesis makes an analysis based on political economic media theory, it does not take a deterministic perspective but rather suggests that:

Economics is but one of many levers—perhaps the most powerful—that influence the media. Such control is not always exercised directly, nor does the economic state of media organizations always have an immediate impact on their output. (Murdock & Golding, 1977, p. 20)

**Statement of Problem**

In 1978 under the Carter administration, the FCC adopted a number of policies—comparative hearings, distress sales, and tax certificates—designed to promote minority ownership of broadcast stations. At that time fewer than one percent of the nation's broadcast outlets—56 out of 7,000—were owned by minorities (NBMC, 1983 p. 37). Under the FCC's plan the cultural tastes and preferences of minorities were to influence programming decisions resulting in increased service and diversity.

One year later, in 1979, the same FCC adopted a "Notice of Inquiry and Notice of Proposed Rule Making" to begin the process of deregulating radio. The FCC issued the inquiry under the premise that regulation should
be kept relevant to the state of the technology and the maturity of the industry. Radio was to be deregulated in the areas of nonentertainment programming, ascertainment (survey of listener's concerns), commercialization and program logs.

The policies appear to be inconsistent. One set of policies, deregulation, allows the *marketplace* to determine the nature of broadcasting. The other, which promotes minority ownership, is a government intervention designed to foster a specific goal.

According to political-economic media theory, deregulated markets result in reduction of independent media sources, concentration on the largest markets, avoidance of risk taking and neglect of smaller and poorer sectors of the potential audience (McQuail, 1988). These consequences would preclude or at the least make difficult the FCC's goal of promoting minority ownership.

Murdock and Golding (1977) point out two major consequences of relying on marketplace forces.

First the range of material available will tend to decline as market forces exclude all but the commercially successful.

The second general consequence is that this evolutionary process is not random, but systematically excludes those voices lacking economic power or resources. This process of deletion is by no means random however. On the contrary, the underlying logic of cost operates systematically, consolidating the position of groups already established in the main mass-media markets and excluding those groups who lack the capital base required for successful entry. (Murdock and Golding, 1977, p. 37)
Marketplace forces by their very nature work against diversity and access. African-Americans and other minorities lack the capital base required for successful entry into broadcasting. In the long run, the FCC’s policy of relying on marketplace forces could result in marketplace dominance by mega-corporations. Minorities and other small broadcasters would be denied access.

Deregulation restructured the marketplace. The underlying research question examines the link between deregulation and minority ownership of radio stations. This leads to questions such as: 1. How many African-American-owned radio stations exist? 2. Does deregulation make it more difficult for minorities to own radio stations? 3. Are minorities left with the worst properties? 4. Does deregulation force minority owners to make programming decisions motivated by profit rather than preference? 5. Do profit-driven decisions meet the FCC’s call for diversity of programming? 6. Do profit-driven decisions meet the needs of the communities that the FCC hopes minority broadcasters will serve? 7. Has deregulation mitigated the FCC’s policies that were designed to promote minority ownership?

Consequently, while the Federal Communications Commission (FCC) adopted regulatory policies (government interventions) designed to increase minority ownership, at the same time it created an economic structure (deregulation) with the potential to keep African-Americans, other minorities, and smaller broadcasters, locked out of the marketplace. In
addition deregulation may force minorities, who are able to amass the capital needed to purchase stations and enter the marketplace, to make profit-driven programming decisions. In short, these profit-driven decisions may fail to serve their intended communities and work against the FCC's goal of diversity of broadcast voices.

This study will look specifically at radio and seek to explore these issues in greater depth from a statistical perspective. It will examine whether or not the marketplace as restructuring by deregulation has forced African-Americans and other minorities to compete with heavily capitalized media groups. This thesis will examine whether or not relying on the marketplace has meant a move toward the consolidation of ownership in the hands of established groups and the exclusion of groups lacking the capital base required for entry. It will also examine the extent to which risk avoidance has limited programming to forms that are commercially successful.

Because there have never been laws or policies prohibiting black ownership of broadcast stations, it is difficult to show past discrimination. Likewise it is impossible to estimate the number of African-American broadcasters who have been discouraged from pursuing broadcast ownership. Consequently, this thesis is a historical analysis of black radio seeking to ascertain whether the FCC's deregulatory policies have nullified its minority ownership policies.
This analysis begins in Chapter 2 by describing the history of black radio. Chapter 3 explores the economic and structural issues that both help and hinder minority ownership of radio stations. The thesis then in Chapters 4 and 5 provides empirical evidence to support the theoretical position and examines the physical attributes (technical quality and program formats) of black-owned stations. Chapter 6 discusses the consequences the marketplace standard has had on black radio ownership and examines current trends.
Chapter 2

HISTORICAL OVERVIEW

There have never been laws prohibiting blacks from owning radio stations. Yet, the structure of The United States and the broadcast system resulting from that structure have proven to be sufficient deterrents.

There is no evidence of exclusion of minority persons from the broadcast marketplace because they are minority persons. There is little doubt, however, that the marketplace is less accessible to anyone who is not familiar with, and active in, the broadcast industry, who has limited assets, or who plans to pursue nontraditional operating and marketing strategies. To the degree that these characteristics describe the minority entrepreneur, impediments to his or her entry into the market do exist. (FCC, 1978, p. 15)

KDKA Pittsburgh the oldest radio station in the country. It made its debut on November 2, 1920, covering the presidential election won by Warren G. Harding (Newman, 1988). KDKA’s claim of being the first station was challenged by WWJ, Detroit; WHA, Madison; and KQW, San Jose—the forerunner to San Francisco’s KCBS. Scholars Joseph E. Baudino and John M. Kittross (1977) awarded the claim to KDKA. KDKA is credited as the oldest station because it developed the concept of mass communication as we know it. Prior to that, radio broadcasting consisted of
point-to-point communication, often used to relay messages to ships at sea or entertain the few hobbyists with homemade radio receivers.

Westinghouse Engineer Frank Conrad teamed up with Pittsburgh’s John Horne Department Store to promote the mass sale of radio receivers (Newman, 1988). They used ads in the *Pittsburgh Sun* to extend the interest in wireless beyond that of amateur radio enthusiasts. These radio sets, which were said to be easy to use, were sold for $10.00 by the department store. The concept of using radio as a tool to communicate from one to many was born.

Radio’s early owners were entrepreneurs who could afford to invest in the development of both the transmitting and receiving ends of the medium. “The majority of stations in the early 1920s were owned by receiver manufacturers and department stores that sold the apparatus. Other major station owners were newspapers and colleges” (Keith & Krause, 1989).

During this period, African-Americans were less than a century out of chattel slavery. The majority lived in the South as land tenants. (Barlow, 1989; Newman, 1988). Black Americans had yet to produce a consumer class and a black entrepreneurial class was non-existent.

Entrepreneurs, of whom blacks were few in number, were responsible for radio’s early development. AT&T began the process of using radio to advertise goods and services and developed the first network. Newman writes:
[AT&T's] interest lay not in selling sets but in opening its transmission studios to the public on a fee basis.

The experiment began at station WEAF, New York City. Not surprisingly, the first broadcast to the world was an advertisement. A ten-minute “message” promoting the sale of apartments in Jackson Heights, New York, was aired by the Queensboro Corporation. (Newman, 1988, p. 38)

AT&T used its telephone lines to set up a number of ad-hoc networks. The company, which had interests in broadcasting and telephones sold its radio interests before being forced to sell by pending anti-trust laws. AT&T was then free to use its telephone lines to interconnect radio stations.

The first major broadcast network was established in 1926 by the Radio Corporation of America (RCA) and was named the National Broadcasting Company (NBC). The network consisted of two dozen stations—several of which had been acquired from AT&T, which was encouraged by the government to divest itself of its broadcast holdings. Among the outlets RCA purchased was WEAF, which became its flagship station. (Keith & Krause, 1989, p. 4)

Radio's so called Golden Age, the network era (1926 - 1949) (Greenfield, 1989) was not hospitable to African-Americans; its programs typically presented extensions of the blackface minstrel stereotype (Barlow, 1989; Newman, 1988). The first program to enjoy network popularity was Amos 'n' Andy. It featured two white men, Freeman Gosden and Charles Correll, playing two black characters who ran a broken down operation called "The Fresh Air Taxi Company. The show began on WGN as Sam 'n' Henry on January 12, 1926. It became Amos 'n' Andy after moving to WMAQ in 1928.
That year NBC signed the comic duo to a $100,000-a-year contract. The program became so popular that theater owners complained that ticket sales were down dramatically on Tuesday evenings when the show was broadcast. The duo of Gosden and Correll, were even invited to perform at the White House for President Herbert Hoover (Barlow, 1989; Newman, 1988; Greenfield, 1989; Keith & Krause, 1989).


Black writer William Branch recalled that as a child he would sit with his family in front of the radio set laughing wildly at the antics of Amos and Andy, but Branch also remembered that his father never laughed. Later he learned why. Amos and Andy was supposedly “us.” (1988, p. x)

Many members of the black community protested what they saw as a negative depiction; yet others supported what they considered “true to life” and “clean minded” humor (Barlow, 1989). Gosden and Correll actively supported African-American charities and never used the epithet “nigger” in their routines.

Two of the nation’s major black newspapers of record gave voice to these differing views. “Robert Abbott, editor of the Chicago Defender, was an open supporter of the two comics and wrote glowing accounts of their service to the Afro-American community in his newspaper” (Barlow, 1989, p. 8).
On the other hand Robert Vann, editor of the *Pittsburgh Courier*, which rivaled the *Chicago Defender* in status and circulation, was highly critical of the program.

Vann launched an editorial offensive against the "Amos 'n' Andy" show. He objected to the program's demeaning characterization of Afro-Americans, and was particularly indignant that two white men were getting rich from their second rate interpretations of Afro-American life and humor. The editorial barrage from Vann's typewriter also noted that the "Amos 'n' Andy" theme song was taken directly from D.W. Griffith's, "Birth of a Nation"—a film known for its racist depiction of black people. (Barlow, 1989, p. 8)

The public outcry against the soap opera reached its height with a petition campaign to terminate the program, sponsored by the *Courier* in 1931. Over 740 thousand signatures were gathered and turned over to the National Association for the Advancement of Colored People (NAACP), which in turn presented them to the Federal Radio Commission (FRC) along with a formal request that the FRC remove "Amos 'n' Andy" from the airways. (Barlow, 1989 p. 9)

The petition was ignored. *Amos 'n' Andy's* popularity not only continued, it spawned a host of copy cat comedies, which stereotyped African-Americans and newly arrived immigrant groups. "Life with Luigi" satirized Italians, "Frank Watanabe and Honorable Archie" mimicked Japanese immigrants and "Duffy's Tavern" stereotyped the Irish.

Early radio strategy was to program for the mass audience. The staples were comedy, drama, musical variety, science fiction, soap operas, adventure, sports and news. The mass audience was perceived as white and
English speaking. African-Americans and the foreign born were summarily ignored and insulted by early radio.

Yet the goal of providing programming of universal appeal fell short. Several groups felt left out. They did not experience the intimate, individual communication that Marshall McLuhan saw as the essence of the medium's appeal. (Newman, 1988, p. 42)

So while no laws prohibited African-Americans from owning radio stations, the industry gave blacks a clear message that the medium was not for them. First, advertisers did not view African-Americans as a viable audience. Second, early radio stations were located in urban centers, while three out of four of the nation's black families lived in the rural south. Finally, African-American ownership of radio receivers was below the national average. For many African-Americans radio was a communal experience. They often gathered as a community around whatever radio receiver was available.

The demand for black-oriented radio, and people interested in meeting that demand, existed from the start of the broadcast industry. While the networks and major stations carried some programming which appealed directly to African-American audiences, most of these programs were produced by radio brokers on smaller independent stations owned by whites.

Jack L. Cooper, considered the founder of black appeal radio, literally, "broke into the field." Newman (1988) tells how Cooper subverted the color line. As the story goes, Cooper was the Chicago Defender's
Washington correspondent. An avid radio listener, he noticed that blacks were allowed to perform on the air—sing & play music—but never spoke. Cooper compared this to "taxation without representation." In 1925, he sneaked onto a WCAP music program by pretending to be a "delivery boy." Once he gained access, he convinced the band leader to allow him to do a comedy routine. Cooper was hired for five dollars a week to write and deliver the routine (Barlow, 1989, Newman, 1988). No one knew he was black because he was doing comedy in dialect. Frustrated by his WCAP experience, Cooper returned to Chicago in 1926, and began to help produce a religious program on WWAE—a small local outlet (Newman, 1988).

Cooper later met Joseph Silverstein, owner of the World Storage Battery Company and a small radio station WSBC. The two discovered that their plans overlapped. Silverstein wanted to use his station to reach Chicago's ethnic groups, including African-Americans. Cooper was looking for an outlet. Cooper produced the first radio programs for black audiences on WSBC.

On Sunday, November 3, 1929, at 5:00 p.m., WSBC premiered "The All Negro Hour," starring Jack L. Cooper and his gang. Though advance publicity was sparse for the 60-minute variety show, the Defender reported that it was received enthusiastically in the black community. (Newman, 1988, p. 57)

WSBC was ideal for launching a black appeal program. The station operated at 250 watts on 1210khz. It shared the frequency with two other part-time outlets, WEDC and WCRW. While its weak signal failed to
cover the entire metropolitan area, its location on the near South Side made it perfect for beaming programs to Chicago's ethnic communities (Newman, 1988).

During the 1920s, African-Americans made economic and political strides. Migration from the rural South created urban black communities. In northern cities such as Chicago, blacks could vote, and earned more money than they had as tenant farmers. Black America developed a consumer class. Black culture also experienced a rebirth. "In 1928 prominent black Chicago banker Jesse Binga reported that blacks had $4 million on deposit in banks, paid taxes on $4 billion worth of property, and had contributed $2 million to charity (Newman, 1988, p. 61).

Businesses interested in tapping this new wealth saw radio as an appropriate vehicle.

Black-appeal radio's development depended upon the presence of certain factors, the most important being a viable listening audience/consumer market. People had to tune in shows, and they had to support sponsors at the cash register. (Newman, 1988, p. 93)

Nevertheless racism still prevented African-Americans from taking an ownership role in radio. Cooper continued to work as an independent producer and expanded his programs on WSBC, airing a variety of music, news and public affairs programs. One of his more popular shows was a public affairs program that searched for missing persons. During the migration North many families were separated. Cooper's program reunited
families. (Barlow, 1989; Newman, 1988). Cooper used several stations to do what could have been done more effectively with the ownership of a single station. While no laws prevented Cooper from broadcast ownership, he nonetheless was left to pursue his dream by leasing time on a number of Chicago outlets.

The zenith was reached in 1947 when shows produced by Jack L. Cooper Presentations comprised 40 hours of air time weekly on four or more stations. According to an undated Defender article in his files, Cooper had 154 programs on the air at one time. On WSBC, Cooper controlled $19 \frac{1}{2}$ hours out of 56 total hours on the air. (Newman, 1988, p. 67)

Chicago soon became the capital of black radio. In 1945 Al Benson began his radio career as Reverend Arthur B. Lerner with a 15 minute remote broadcast from his church aired on WGES. WGES shared facilities with WSBC. Benson was also a producer who leased radio time. By 1948, the former pastor surpassed Jack L. Cooper in popularity and air-time. He aired 10 hours daily over three stations: WGES, WAAF, and WJJD, all owned by whites. Again ownership would have been a superior option.

Benson's popularity soon outpaced Cooper's because he aired blues recordings. He developed a large following among the newly arrived Southerners. Cooper on the other hand continued airing the big band music that was more popular among longtime urban blacks.

In quoting author Norman Spaulding, a former disc jockey, (Newman, 1988) writes that Benson's:
"[S]chedule became so heavy selling his time and broadcasting that he was eventually forced to broadcast from his home and later—around 1949—to hire young protégés who became salesmen and on-the-air personalities under his auspices." Spaulding estimated that Benson earned $2 million between 1945 and 1965. (p. 83)

Benson's programs became so popular that he attracted national advertisers, including: Coca Cola, Schlitz Beer and Continental Bakers. Benson later founded Parrot Records and became a prominent concert promoter.

WGES, Benson's primary station, was sold in 1962. He moved operations to WHFC, which was later bought by the Chess brothers who owned Chess records, Parrot's major competitor. The station became WVON, The (Voice of the Negro) Chicago's black station of the 1960s. The Chess brothers used WVON as a vehicle to promote their record company. The last thing they wanted was the owner of a competing record company broadcasting on their station or in their primary market. Benson was paid over $25,000 a year not to broadcast on WVON or on any other station within 300 miles of Chicago (Newman, 1988).

While no laws prohibited blacks from broadcast ownership, here were two independent African-American radio producers with the expertise to become broadcast owners. Cooper, beginning in 1929, was shrewd enough to make money during the depression years of the 1930s. Benson owned a record company and promoted concerts. Yet, these two entrepreneurs were
limited to attempting to piece together broadcast schedules on numerous small stations. One can only ask, why?

As owners of broadcast stations, we know that the broadcast industry evolved in the early 20th century at a time when African-Americans lived under de jure segregation in the south and de facto segregation in the north. Therefore, we African-Americans had no equal opportunity to become the leaders of that industry, which was mature before its doors were ever open to us. By the time the doors were opened, not only racial discrimination but its tandem economic stratification prevented our advancement. (NABOB, 1990, p. 27)

African-Americans did not enter the field of radio broadcasting as owners until after the decline of radio's Golden Age. The first black-owned radio station in this country, WERD-AM Atlanta, began broadcasting on October 4, 1949, the year advertising revenues for television surpassed those for radio for the first time (Keith, 1986). J.B. Blayton an African-American entrepreneur purchased WERD, a 900-watt AM station, for $50,000. After it made a profit, Blayton sold the station to whites in the 1950s (Barlow, 1989).

The oldest station continuously owned and operated by African-Americans is KPRT-AM in Kansas City. It was purchased by Edward Pate and Andrew "Skip" Carter, a radio engineer who began operating the station during the summer of 1951 as daytime KPRS. WCHB in Inkster, Michigan, just outside of Detroit, was the first black-owned station to be built from the ground up. It was built by a dentist, Dr. Haley Bell, his wife Mary Bell and their son-in-law, Dr. Wendell Cox. The station began operating in November of 1956. KPRT-AM and KPRS-FM are still owned and operated by the

In the late 1940s owners of smaller radio stations looked to the African-American population (15 million) as a potential source of listeners. The first stations to adopt fulltime black-oriented formats were owned by whites. These stations were able to go a step further than the piecemeal efforts of Cooper and Benson.

There were three principal factors involved in the sudden emergence of this market. The urban migration of Afro-Americans was situating them in the major metropolitan radio markets. Education and income levels among Afro-Americans were on the rise as were the numbers of Afro-Americans who owned radio receivers. At the same time, commercial radio was facing bleak economic prospects due to the arrival of television. Given this situation, a number of radio station owners began to cultivate the new Afro-American urban market in order to avoid going out of business. (Barlow, 1989, p. 38)

In 1949, WDIA dropped its classical music format to become the Mid-South's first black-oriented station. The station took on special significance when it changed from a 250-watt daytime operation to a 50,000-watt full-time station (Barlow, 1989; Newman, 1988). The popularity of a 15-minute program featuring school teacher Nat D. Williams was the spark that ignited WDIA. Williams went on to develop a black-oriented format that included music, news and public affairs programs. WDIA launched the careers of B.B. King, Johnny Ace, Bobby Blue Bland, Rufus Thomas and Elvis Presley. Barlow (1988) in referring to the efforts of Nat D. Williams says:
Yet in spite of his many contributions to the community and to WDIA, Williams never held a formal management position with the station. Throughout its heyday in the 1950s, the owners and the managers of WDIA—the mid-South's first Afro-American oriented radio station—were all white males. (p. 42)

With one exception, WERD Atlanta, other stations that switched to the black-oriented format were white owned and managed. They included: WOBS, Jacksonville, Florida; WBOK, New Orleans; WSOK, Nashville; WLOU Louisville; WCIN, Cincinnati; KXLW, St. Louis; WABQ, Cleveland; WWRL New York, and WDAS, Philadelphia (Barlow, 1989, Newman, 1988). WOOK, Washington, DC., adopted the black-oriented format a year before WDIA did (Barlow, 1989).

In 1949 there were only four radio stations in the entire country with formats that directly appealed to Afro-American consumers. By 1954 there were no less than 200 stations in this category, and that number rose to 400 by 1956. This dramatic rise in Afro-American oriented formats coincided with the emergence of rhythm and blues as a national phenomena [sic]. (Barlow, 1989, p. 44)

When owners discovered they could make a bundle from "soul" music formats, these stations became heavily music formatted. Young people were the primary target audience. "Only 5 percent to 10 percent of the broadcast time on the all-black format radio outlets in the sixties was devoted to news and public affairs" (Barlow, 1989, p. 50). This represented a major shift in the focus of black-oriented programming as initiated by early black
radio pioneers. The focus of these outlets shifted from community centered programs of all types to an almost exclusive focus on music.

The number of stations serving the black community surged during the sixties. In 1965 it is estimated that there were more than 100 commercial stations carrying the “soul” format full-time. Another 500 had some black oriented programming. By the end of the sixties there were more than 300 fulltime black oriented stations on the air. Music was their primary draw.

In 1965, there continued to be only a handful of Afro-American owned radio stations in the country, less than 1 percent of the total. With the onset of the seventies, there was little change in this percentage, in spite of the rapid growth in the number of all-black format stations. Even though there were over 300 of these outlets in existence by 1970, only 16 of them were actually owned by Afro-Americans. (Barlow, 1989, p. 51, 52)

At the onset of the soul music period, black disc jockeys had an unusual amount of control over what was programmed on the stations. Following the payola scandal (DJs illegally accepted money and favors in exchange for promoting records) programming control was seized by station owners. In addition to minimizing payola this “top 40” approach maximized owners’ profits. Disc jockeys were limited to reading commercials and playing approved lists of records. It effectively eliminated black DJs’ ability to introduce new music to their audiences and narrowed the types of black music heard on radio. White owners and managers made program decisions that affected the African-American community.
In the forefront of this change over to a top forty format were five soul radio chains, all owned and operated by white business interests. Rollin, Inc., owned stations in Chicago, Illinois (WBEE); Indianapolis, Indiana (WGEE); Newark, New Jersey (WNJR); and Norfolk, Virginia (WRAP). Rounsaville Radio had outlets in Cincinnati, Ohio (WCIN); Louisville, Kentucky (WLOU); Nashville, Tennessee (WVOL); and New Orleans, Louisiana (WYLD). Sounderling Broadcasting Corporation owned properties in Oakland, California (KDIA); Washington, DC. (WOL); and even WDIA in Memphis, Tennessee—which they purchased in the late sixties. Speidel Broadcasters controlled the most stations, all six located in the southeast region of the country. The fifth soul radio chain was the United Broadcasting Company, with stations in Baltimore, Maryland (WSID); Cleveland, Ohio (WJMO); and Washington, D.C. (WOOK). (Barlow, 1989, p. 53)

Black audiences noticing the changes organized protests against the stations. These protests took two forms. Some were in support of black disc jockeys' complaints about hiring practices, while others targeted the lack of meaningful programming on the soul stations.

An important industry trend affecting program decisions was the growing importance of audience research. After television bumped radio into secondary status, owners began looking for ways to maximize profits. Providing advertisers with proof of a sellable audience became paramount. Black audiences became important for several reasons. First, advertisers and owners realized that African-Americans were becoming more affluent. Second, African-Americans were more loyal and used radio more than general audiences (Surlin, 1972a, 1972b; Glasser and Metzger, 1975, 1981).
Finally, rating services changed their methodology to better account for black listeners.

The Push for Minority Ownership

Following the release of the Report of the National Advisory Commission on Civil Disorders (The Kerner Report, 1968) media access and ownership began to be seen as one of the areas in society most in need of correction. In the 28 pages of the report examining the media, the Commission faulted the media for their failure to accurately report on the disturbances which disrupted America's cities. "We have found a significant imbalance between what actually happened in our cities and what the newspaper, radio and television coverage of the riots told us happened" (Kerner, 1968, p. 363).

The Commission's report goes beyond the disturbances to the very structure of the media.

Our second and fundamental criticism is that the news media have failed to analyze and report adequately on racial problems in the United States and, as a related matter, to meet the Negro's legitimate expectations in journalism. By and large, news organizations have failed to communicate to both their black and white audiences a sense of the problems America faces and the source of potential solutions. The media report and write from the standpoint of a white man's world. (Kerner, 1968, p. 366)
While most of the commission's media *analysis* focused on news as covered by television and print, it did acknowledge radio's unique relationship to the black community.

The fact that radio is such a constant background accompaniment can make it an important influence on people's attitudes, and perhaps on their actions once trouble develops. (Kerner, 1968, p. 376)

The report credits radio with a unique ability to set tone beyond that of mere news coverage and recommends that disc jockeys and talk show hosts be included in strategies to restore order.

Radio disc jockeys and those who preside over the popular "talk shows" keep a steady patter of information going over the air. When a city is beset by civil strife, this patter can both inform transistor radio-carrying young people where the action is, and terrify their elders and much of the white community. "Burn, baby, burn," the slogan of the Watts riot, was inadvertently originated by a radio disc jockey. (Kerner, 1968, p. 376)

That DJ is identified by Barlow (1988) as Magnificent Montague of KGFJ, Los Angeles, who used the phrase to introduce the "hot" new records featured on his show.

Following the Kerner Report, the courts instructed the FCC to use the comparative hearing process to promote racially diverse ownership of the nation's broadcast facilities [(TV 9, Inc. v. FCC, 495 F. 2d 929 (D.C.Cir. 1973), cert. denied 419 U.S. 986 (1974)].
Black ownership increased substantially between 1978 and 1982—from 65 to 117 radio stations (McKee, 1983). Black radio’s popularity grew as well. During the late 1970s and early 1980s, the nation was dancing to a disco beat. Artists played primarily on black radio stations made the outlets extremely popular. This popularity came just as the FCC was deregulating radio.

During this same period, there was greater emphasis on radio’s sound. Black audiences made the switch from AM to FM just slightly behind their white counterparts. FM was superior for music, it had fewer commercials, and was allowed by the FCC to devote less time to nonentertainment programming. By 1978 it dominated radio listening (Keith, 1986). More and better sounding music was its primary draw.

In market after market, black-owned and operated stations began vying for the number one position. Most notable among them was Innercity Broadcasting’s WBLS-FM New York. In 1972 Innercity acquired WLIB-AM from owner Harry Novick for $2.1 million. A year later the group acquired the FM station for $1.3 million (Gupta, 1982). They changed the call letters to WBLS and the format from jazz to a mix of jazz and rhythm & blues. By the end of the 1970s WBLS-FM began challenging longtime ratings leader WABC-AM for the position of most listened-to radio station in America. Innercity adjusted the format by adding white (crossover) artists to the music rotation and secured the number one position. The station’s aural logo changed from the “Total Black Experience in Sound” to “The Total Experience
in Sound." In an effort to define the new sound, equally popular with whites, WBLS-FM program director Frankie Crocker coined the term urban contemporary.

This success spawned a host of imitators. One of them, WKTU-FM, owned by the San Juan Racing Association, posted the fastest ratings rise of any station in the history of radio programming (Duncan, 1982). WBLS and WKTU battled for number one during the deregulation process. In 1981 RKO hired black programmer Barry Mayo to format its New York FM station, WRKS (Kiss FM) and jumped into the fray. By the end of deregulation Innercity Broadcasting made additional program changes at WBLS-FM and regained the top spot. They did this by dropping jazz, ballads, and other program elements and sticking to the disco hits. The range of material available had declined to exclude all but the commercially successful.

Much the same thing was occurring around the country, in market after market. Likewise, in Philadelphia, WDAS-FM, a black-owned (Unity Broadcasting) station originally acquired from a distress sale, changed its format from jazz station to a mix of jazz and R&B. It was challenged first by CBS owned WCAU-FM. A more successful challenge came from The Philadelphia Bulletin's WPBS-FM which when sold to LIN Broadcasting, changed its call letters to WUSL-FM and adopted an urban contemporary format (dance, rap, hip-hop, R&B). WUSL-FM began using the aural logo "Power 99" to emphasize its signal strength advantage over WDAS-FM.
In Washington, DC Howard University's WHUR-FM also made strides for the number one position. The station which was donated to the university by The Washington Post began as a jazz station. By the mid 1970s activist attorney general manager Phil Watson was replaced by Kathy Liggins who had a business background.

The jazz trademark was dropped and the public affairs offerings were curtailed. The music playlist gravitated toward the Afro-American artists highlighted in Billboard's black music charts. (Barlow, 1989, p. 59)

As it rose toward number one WHUR-FM was challenged by NBC owned WKYS-FM (Kiss). NBC hired black programmer Donnie Simpson and toppled WHUR. WHUR made further changes to its format.

In Los Angeles, black-owned KJLH-FM (Taxi Productions), KACE-FM (All Pro Broadcasting) and KUTE-FM (Innercity) all hampered by signal problems, suffered ratings declines when Emmis Broadcasting's KPWR-FM adopted a churban (combination contemporary hit radio [CHR] and urban) format along with the aural logo "Power" to emphasize the station's signal advantage. Innercity sold KUTE-FM to a non-minority owner. KJLH-FM and KACE-FM adjusted their formats to meet the competition.

Black radio's popular new sound drew criticism from many sectors of the African-American community, most of it directed at owners. Black musicians claimed that the inclusion of crossover artists excluded them from music rotations. Citizens groups complained of losing cultural institutions. Barlow (1988), with some explanation of market forces, gives voice to critics
who saw Innercity’s success with WBLS-FM as a “sellout.” “In the end, the dictates of the marketplace determined the music format which now only paid lip service to the cultural and social diversity of New York’s black population” (p. 58).

In a more radical assessment, George (1988) quotes longtime black radio programmer, Jack “The Rapper” Gibson:

Come back HOME where you BELONG and quit tryin’ to BE somethang that you’ll NEVER be, leave that urban contemporary or what-ever you wanna call it ALONE. THE RAPPER is commin’ at you ONE on ONE, behind this LAST book (that so many of you LIVE and DIE by) showed BLACK RADIO took an ass kickin’. (p. 184)

In somewhat unsophisticated and uncompromising language, Gibson points to marketplace effects, yet, he and George blame the owners and fail to see structural issues. Bachman (1980), quoting former FCC Commissioner and former National Association for the Advancement of Colored People (NAACP) Executive Director Benjamin Hooks, sums up the sentiment of many in the African-American community.

I understand the bottom line is making money. But if all you (black owners) are going to do is give a chocolate coating to the old white plantation notion of blacks that we’ve had all along, frankly, the black community would be better off without you. (p. 133)

Bachman (1980) further asserts that black people want more than just 24 hours of soul music. He offers Arbitron ratings as proof, yet doesn’t
cite figures. Instead he quotes an advertisement placed by a citizen's group in a New Jersey newspaper.

Stations . . . feed our communities and our children monotonous music, skimpy news, and very little relevant programming. The only thing our children can aspire to are songs about drugs, getting high, abnormal love affairs, with nothing about what's going on and what needs to be done to better our community. We are protesting not only against fascism and racism involved with removing all legitimate community opinion from this radio station . . . but also against the pattern of paternalistic mediocre broadcasting that has set in on so-called "soul stations" around the country. Are the Black and Puerto Rican communities to be continually insulted by programming that imagines all we can do is wiggle our backsides and chugalug brew [sic]. (p. 131)

Finally, black owners able to afford stations enter into a more competitive marketplace, often at a disadvantage, even in competing for black audiences. The most extreme example is in Los Angeles, the nation's second largest market where black-owned stations KJLH-FM (Taxi Productions) and KACE-FM (All Pro Broadcasting) compete against a stronger white-owned KKBK-FM (Evergreen). KKBK is consistently the ratings winner.

Chapter 3 will discuss how structural forces are a critical factor in African-American access to broadcast ownership. Chapter 3 will also illustrate how the rate of increase for black radio ownership slowed considerably during the Reagan and Bush administrations. Chapter 4 will provide empirical evidence to document that the percentage of African-American-owned radio stations has changed very little since the FCC adopted
its minority ownership rules in 1978 and that there is evidence to suggest that the number and percentage of black-owned radio stations is now declining.
Chapter 3

STRUCTURAL ISSUES RELATED TO MINORITY OWNERSHIP

There are two key structural issues related to minority ownership of broadcast stations—FCC minority incentives and the deregulation practices of the 1980s. This chapter will describe and explore those issues.

**FCC Minority Ownership Incentives**

**Comparative Hearings**

In the past 15 years there have been three primary kinds of incentives in place: 1) comparative hearings (The FCC requires a hearing to evaluate potential licensees whenever two or more persons seek the same broadcast license.), 2) distress sales, and 3) tax certificates. The court held that:

> [W]hen minority ownership is likely to increase diversity of content, especially of opinion and viewpoint, merit should be awarded. The fact that other applicants propose to present the views of such minority groups in their programming, although relevant, does not offset the fact that it is upon ownership that public policy places primary reliance with respect to diversification of content, and that historically has proven to be significantly influential with respect to editorial comment and presentation of news. (NABOB, 1990, p. 6,7)

Following this case, the FCC treated minority status as a “qualitative enhancement.” During comparative hearings between broadcasters, when all other qualifications were roughly equal, the FCC awarded the station to
the contestant who was a member of a minority group. The FCC’s minority preference policy was upheld by the Court of Appeal in West Michigan Broadcasting Co. v. FCC.

In 1978 the FCC further adopted policies designed to foster minority ownership of broadcast stations. In 1975 the FCC was instructed by the courts to use comparative hearings to promote racially diverse ownership of broadcast facilities (TV 9, Inc. v. FCC, 1974).

**Tax Certificates and Distress Sales**

The FCC released a *Statement of Policy on Minority Ownership of Broadcasting Facilities* (1978) which stated:

Despite the fact that minorities constitute approximately 20 percent of the population, they control fewer than one percent of the 8500 commercial radio and television station(sic) currently operating in this country. Acute under representation of minorities among the owners of broadcast properties is troublesome because it is the licensee who is ultimately responsible for identifying and serving the needs and interest of his or her audience. Unless minorities are encouraged to enter the mainstream of the commercial broadcasting business, a substantial proportion of our citizenry will remain under served and the larger, non-minority audience will be deprived of the views of minorities. (FCC, 1978, p. 1)

The FCC adopted two policies to promote minority ownership: (1) tax certificates and (2) distress sales, defined below.

(1) When an application is made to transfer or assign a broadcast license to a minority enterprise, the FCC will consider granting the seller a tax certificate under
Section 1071 of the Internal Revenue Code. A person holding such a certificate may defer payment of capital gains taxes upon sale of the station (FCC, 1979, p. 8).

(2) The FCC said that in certain limited instances it would permit a broadcast licensee whose license has been designated for hearing to sell his or her station at a “distress sale” price. Permission to sell at a “distress sale” price is available only if (1) minorities will participate significantly in the new ownership of the station and (2) the sale occurs before the hearing actually begins (FCC, 1979, p. 8).

The tax certificate and distress sale policies were the primary planks of the FCC’s effort to promote minority ownership. Other efforts included:

- **Reduction in financial qualification:** The FCC reduced the “working capital requirement”—that required an applicant for a broadcast station [be able to financially support the station] for a specified period of time—from one year to three months.

- **FCC list of potential minority owners:** The FCC established a list of minorities interested in purchasing broadcast stations. This list was to make sellers aware of minorities who were not part of the “old boy network.”

- **Time-sharing of broadcast stations:** In response to a request from the National Telecommunications and Information Administration (NTIA). The FCC examined the feasibility of part-time operation of facilities by minorities.

- **Expansion of the AM broadcast band:** In 1985 the FCC expanded the AM band, from 540kHz - 1605kHz to 540kHz - 1705kHz. It was hoped the expansion of the band would lead to more diverse programming.
Clear Channel AM radio change: The FCC authorized additional unlimited time AM stations to operate on frequencies once reserved for Clear Channel Stations—which operate at 50,000-watts on a protected frequency.

The first two changes, tax certificates and distress sales, were designed specifically to promote minority ownership of broadcast stations. The other changes were designed to expand the marketplace, thereby providing more opportunity for all broadcasters. Minorities were to be given special consideration during the comparative hearing process and were encouraged to apply for the new licenses.

In addition to these new policies the FCC took steps to address marketplace concerns affecting minority ownership. The agency studied lending institutions, the policies of the rating services, and the attitudes of advertisers.

**Lending Institutions.** In examining lending institutions, the FCC found several obstacles to minority broadcast ownership. First, the financial institutions most available to minorities were smaller institutions that favored balance-sheet lending. These institutions based their decisions on the strength of the borrower's assets and had little understanding of the cash-flow potential model used to finance broadcasting. Second, lending organizations best able to finance broadcast acquisitions make very few small loans. The FCC (1979) concluded:

> Because of the difficulties in the financing process, the minority radio station entrepreneur may be faced with the
decision of whether to accept insufficient financing, financing with unfavorable terms and conditions or no financing at all. (p. 16)

The FCC published and made widely available a model financial plan for minority broadcasters and included information regarding an executive order passed in 1969 by President Nixon establishing a Small Business Administration (SBA) program designed to stimulate minority business enterprises.

Rating Services. An FCC study of rating service methodology (1979) outlined eight problem areas affecting minority ownership. 1. Minority populations are understated in census data. 2. Fewer minorities than non-minorities have telephones. 3. Minority households are more likely to have unlisted telephone numbers than non-minorities. 4. Minority households tend to be larger than non-minority households. 5. Minority-formatted stations are scarce. 6. Minority-formatted stations often have low power and may be daytime-only 7. Many minority persons live in non-telephone households such as military bases. 8. Because of different lifestyles and employment patterns, minority persons are not available for interviews at the same times as non-minorities. Consequently because minorities are not properly counted, stations formatted to serve these populations operate at a disadvantage with respect to attracting advertisers.

Advertisers. This FCC report (1979) also examined the policies of advertising companies that hinder minority ownership. Advertisers make
purchasing decisions based on three criteria: (1) choice of target audience, (2) choice of creative concept, and (3) decision on media mix. Minority-owned stations can be excluded at any one of these points.

Minority owned stations are eliminated in the following manner: (1) Advertisers determine target audience based on product sales data, in-store surveys and product usage studies conducted by various consumer research organizations. According to the FCC report, these methods generate insufficient data for advertisers to make decisions with regard to sub-populations. (2) During the creative phase, advertisers choose concepts or spokespersons designed to appeal to general audiences. (3) The process of excluding minorities from advertising campaigns makes it difficult for minority-owned stations to attract advertisers (FCC, 1979).

The Carter Administration

During the Carter administration, the FCC's efforts to increase the number of minority owners were remedial, designed to correct past inequity. The Carter FCC believed:

Public policy issues relating to minority ownership represent an amalgamation of legal authority and more intuitive concepts of equity. Hence, public policy regarding minority ownership cannot be discussed solely in an abstract, technical or theoretical vacuum. It must be viewed in conjunction with the recognized need to promote greater diversity of opinion in the media, especially [sic] in light of this country's history of racial injustice. (FCC, 1978, p. 3)
Under the Carter FCC, while increasing diversity of opinion was important, it was part of a broader affirmative action policy.

In recent years, all Americans witnessed the struggle to eliminate the vestiges of racial discrimination in the nation. The mere dismantling of formal racial barriers, however, has not solved all problems created by generations of racial prejudice. Nor has it brought minority racial groups fully into the mainstream of our pluralistic society. (FCC, 1978, p. 6)

The policies as administered by Charles Ferris, FCC Chairman during the Carter administration, resulted in a significant increase in the number of minority-owned radio and television stations. The National Black Media Coalition found that by 1980 minorities (blacks and Hispanics) owned 135 out of 8,500 (1.5%) broadcast stations. (McKee, 1983) found that between 1978 and 1982 the number of black-owned radio stations increased from 65 to approximately 117. Twenty percent of those sales involved the tax certificate, while another 10% were distress sales.

The Reagan-Bush years

The Reagan-Bush administrations took a decidedly different approach to minority broadcast ownership. These administrations were hostile toward affirmative action. They changed the focus of affirmative action from “correcting past inequalities” to “burden of proof.” Under the Reagan and Bush policy each individual was required to prove that he or she was “a victim of past discrimination.” In the case of broadcast ownership, proof of past discrimination is difficult to establish.
In late 1986, in response to various court challenges by non-minority, would-be broadcasters who felt they were being discriminated against, the FCC suspended the application of its minority and gender-based preferences while conducting an inquiry into their constitutionality. This sudden change in FCC policy was instigated by the Justice Department, and was part of a wide-ranging Reagan Administration attack on affirmative action generally. (Hart, 1988, p. 61)

Thomas A. Hart, Jr. (1988), the attorney who coordinated “The Coalition to Reinstate the FCC’s Minority and Gender-Based Ownership Policies,” explains that the policies were not reinstated until January 14, 1988, when Congress attached a rider to the omnibus spending bill requiring the FCC to reinstate them.

In 1982, in an effort to improve the financial prospects of potential minority owners, the FCC changed the nature of the tax certificate and distress sale policies. (The 1978 policy had set the level of minority ownership at 50% or more before a company was eligible for a tax certificate or could take advantage of the distress sale policy.) The following rationale was used to allow for 20% minority ownership.

In limited partnerships, unlike in the corporate situation, the general partner customarily holds less than a 50 percent equity interest. Even so, the general partner is given exclusive authority to operate the partnership and can be said to control it. The limited partners who hold a majority share are often passive investors who do not exercise significant control over the partnership’s affairs.

Under these circumstances, a limited partnership in which the general partner is a minority should be able to meet the test of
showing that control would be in the hands of minorities. (FCC, 1982, p. 5)

The FCC expanded the criteria for a tax certificate and transformed it into a “creative financing tool” by allowing individual investors to obtain tax certificates. The number of tax certificates no longer represented the number of stations sold to minorities. During the market frenzy of the late 1980s the number of tax certificates soared. The number of minority-owned radio stations did not grow accordingly (see Figure 1).

This “capitalizing feature” of the tax certificate would enable investors to sell their interest at any time and apply for a tax certificate. Therefore, the capitalizing feature would also serve as a major incentive for investment in minority businesses after the entity has acquired a broadcast property, thereby stabilizing the capital base of existing minority-owned or controlled businesses. (FCC, 1982, p. 10)

This change effectively severed the one-to-one relationship between the FCC’s issuing of tax certificates and the sale of broadcast stations. Between 1978 and 1982, the FCC Tax Certificate and Distress Sales list represented a list of minority-owned broadcast stations. Today it represents nothing more than the number of tax certificates issued by the FCC. Tax certificates may be awarded for the sale of an entire station or for the sale of a share of stock in a minority-owned station.

While the FCC still calls it the Minority Ownership List, it is in truth a list of tax certificates and distress sales. The FCC and researchers still treat
the list as if it represents a compilation of minority owned stations. This has led to confusion regarding the number of minority-owned radio stations.

The 1982 change has also left minority broadcasters vulnerable in a number of other ways. While the general partner has controlling interest and therefore makes programming decisions, the need to satisfy the interests of limited partners may force the broadcaster to make decisions based on the bottom line. Programs serving minorities are not the most profitable. According to political economic media theory, broadcasters forced to make bottom-line decisions may choose not to serve minority communities. They are forced to serve a more pressing need, repaying limited partners.

The need to repay limited partners combined with the removal of the anti trafficking rule (a requirement that owners operate a radio station for at least three years before the station can be sold) has destabilized minority ownership. Furthermore the FCC's severely weakened minority ownership policies have been the target of court challenges by disgruntled would-be broadcasters claiming that the policies result in reverse discrimination.
Source: Minority Ownership Lists (updated September 1, 1992 by FCC Consumer Assistance and Small Business Division, Office of Public Affairs).

Figure 1. FCC Tax Certificates Issued 1978 — 1992
Challenges to minority ownership

Recent challenges to two essential pieces of the FCC plan to increase minority ownership—the distress sale policy and the comparative hearing policy—were narrowly upheld during the summer of 1990 by two 5-4 Supreme Court decisions in *Metro Broadcasting v. FCC* 1990 and *Astroline Communications Company v Shurberg Broadcasting of Hartford, Inc.* 1990. The Bush administration and before that the Reagan administration had urged the court to strike down the programs on the basis that they violate the equal protection component of the Fifth Amendment.

Hart (1988) writes: “Critics either assert that the premise of a connection between diversity of ownership and diversity of programming is false, or they attack the FCC’s policies on the grounds that they have been badly abused” (p. 58).

Book (1992), an attorney, uses the court’s “program diversity” ruling to mount an attack against the FCC’s minority ownership policies using both arguments.

This paper does not attempt to argue whether Metro Broadcasting’s Fifth Amendment rights are or are not fairly weighted, but to assert that the precedent set with the “program diversity” ruling, as defined by the Supreme Court in *Metro*, opens a Pandora’s box with consequences in future rulings that could test the FCC’s ability to deny licenses to groups that claim themselves as minorities with opinions and views being oppressed. (1992, p.4)
Book furthers her argument by citing Justice Sandra Day O'Connor, who accuses the FCC of "governmental stereotyping" by relating racial group or ethnicity to program choices.

The Commission, in Metro, still assumed that an owner's race will determine how that owner will operate his broadcast station. This assumption is made in the Commission's argument that diversified ownership will bring about program diversity. (Book, 1992, p. 16)

Book (1992, p. 16, 17) cites O'Connor's closing dissent:

1. In Winter Park Communications v. FCC, 1990 it was shown that programming is geared towards audience taste. The highest retention of audience brings about the most in advertising dollars. Members of minority groups are likely to do as other owners and seek broadcast programs that bring in the greatest listening or viewing audience and the most advertising dollars.

2. Station owners have only limited control over the content of programming. Whatever distinct programming may attend the race of an owner, if he is not actively employed in the managing of the station, his effect on programming would be limited.

3. The FCC had no clear factual basis for the nexus between ownership and programming when it adopted the policies and has since established none to support its existence.

Book (1992, p. 21) then cites a string of abuses:

One black owner of twenty-eight radio stations was granted licenses under the minority clause and purchased all of the radio stations in a span of twenty months using tax certificates. He denies having a "black" programming viewpoint; instead, he says he programs whatever will sell in the market he is servicing.
In one case in Florida, a set-up was used to obtain a license. A white male who feared losing the license in a comparative hearing used a minority as a front.

In another case, a white female was granted a license when she adopted her husband’s Hispanic surname.

In another case, a company was 49% owned by a white male, and the other 51% was owned by a group of minorities. The white male had the overriding vote and owned a bulk of the stock; however, the sale qualified for minority preferences.

The Commission has utilized measures such as holding policies that prohibit the sale or exchange of stock for a year after the sale to ward off abusers of the system. However, even the FCC admits that the loopholes exist and that the system can be beat.

Hirrel (1989) is more succinct in his attack, “The preference policies serve constitutionally permissible objectives only if they do in fact result in a greater diversity of broadcast voices. Yet all too often, a minority or female applicant receives a preference and sells out long before going on the air.” He says, “These policies clearly do not promote diversity of broadcast voices. They may result in enrichment of the minority or female applicants, but that is not an objective of the Communications Act or the Constitution” (1989, p. 25).

Countering the arguments about abuses, Hart (1988) writes, “Concern over the abuse of the minority preference policies, while justifiable in some cases, is perhaps the best indication that they have become strong enough to have a real positive effect” (p. 59). He goes on to say:
The potential for "shams" and "fronts" clearly exist under the minority preference policies, or in any licensing scheme for that matter, whether race-related or not. The challenge is to find a happy medium between making the incentives powerful enough to accomplish real good while simultaneously closing down the loopholes that make such abuse possible. (Hart, 1988, p. 60)

While the abuses chronicled by Hirrel (1989) and Book (1992) clearly exist, there have been benefits from the policies as well. Also, while it is true that the FCC has no clear factual basis for the nexus between ownership and programming, both Book and Hirrel reach the conclusion that no relationship exists. Neither provides tests to prove their assumption. Just as it is presumptuous to determine a relationship exists without a proper study, it is also presumptuous to determine that one does not exist.

The FCC promotes its minority ownership policies by assuming that minorities will make preference-driven programming decisions that will result in a diversity of voices. Yet it has never tested this assumption. Nevertheless there is some support for this premise in Minority Broadcast Station Ownership and Broadcast Programming: Is There a Nexus? a poorly distributed 1988 Congressional document that found some correlation between minority ownership and service to minority communities.

As a result there is constant dispute and open attack on the FCC’s minority broadcast policies. Critics opposed to the FCC’s minority ownership policies contend that minority owners make decisions based on the same
market criteria as non-minorities. They maintain that no relationship exists between race of owner and format choice and that the FCC's "program diversity" argument is invalid.

Minorities who own television stations are forced by the marketplace to follow program strategies very similar to majority owners (Stavitsky, 1992). Book (1992, p. 17), in citing Winter Park Communications v FCC1990, seeks to lump radio and television programming decisions into one group: "Members of minority groups are likely to do as other owners and seek broadcast programs that bring in the greatest listening or viewing audience and the most advertising dollars."

Radio, however, may best serve the FCC's call for diversity.

Greater local control and the narrowcasting nature of the medium often go(es) hand-in-hand with significant minority-sensitive programming. The programming records of WOL-AM in Washington, WDAS-FM in Philadelphia, and WYLD-AM and FM in New Orleans—all stations acquired by minority owners through the FCC's minority preference policies—are living examples of how minority ownership can and does lead to the development of diverse news, information, public affairs and entertainment programming that reflects minority viewpoints. (Hart, 1988, p. 59)

This Reagan-Bush anti-affirmative action stance weakened the rationale for the FCC's minority-ownership policies. Correcting past injustice was no longer considered a reason for promoting minority ownership. The only remaining justification for the FCC's minority ownership policies was the agency's goal of "increasing diversity of opinion," which was weakened
by the FCC's removal of the nonentertainment standard. The only remaining
defense for the policies is the assumption that minority owners will make
preference-driven decisions resulting in increased diversity among
entertainment formats. This standard is easily attacked.

Book attacks this weakened policy by quoting Justice Kennedy's
dissent.

The interest the Court accepts to uphold the Commission's
race conscious measures is program diversity. Furthering that
interest we are told is worth the cost of discriminating among
citizens on the basis of race because it will increase the
listening pleasure of media audiences. (Book, 1992, p. 17)

Following deregulation, the FCC's defense of its minority
ownership policies is now based on little more than what minority group the
potential owner belongs to and what type of entertainment he or she will
provide. This is a weak and precarious position.

The FCC has also allowed the comparative hearing process to be
weakened with respect to the comparative "integration" area. With the
removal of the anti-trafficking rule, an applicant must operate a broadcast
station for merely a year after receiving the license. The applicant is then free
to sell it to the highest bidder, a purchaser who may bear no resemblance to
the applicant who received the license as a result of the FCC hearing. In the
Bechtel v. FCC case the lack of effective FCC follow-up compelled the D.C.
Court of Appeals to remand a license grant to the FCC for a further
explanation as to why the comparative “integration” criterion is relevant (Carter, Dee, Gayner and Zuckerman, 1994, p. 376).

A radio station owner is “integrated into management” when his involvement amounts to full-time active participation in day-to-day operations. In *Bechtel v. FCC*, Susan Bechtel challenged an FCC decision to award the license for a new low-power commercial FM radio station in Selbyville, Delaware to Anchor Broadcasting Limited Partnership, a group of three limited and one general partner, all four of whom are black. Bechtel charged that the FCC’s grant of minority preference to Anchor was unconstitutional; however, because she had not raised this issue before the FCC, the Court of Appeals could not consider the constitutional question on review.

The Court of Appeals did however consider the “integration into management” question which Bechtel raised. Anchor’s general partner Dr. Herman Stamps pledged to move to Selbyville, Delaware and work full time as the station’s general manager. Stamps proposed to build a station which would serve 35,000 people. Bechtel proposed a station that would serve 40,465 (21% more) people, but she proposed to hire a professional station manager to run the station as opposed to being “integrated into management” herself. The FCC awarded the license to Anchor on the basis of Stamps’ promise to become his station’s general manager. Bechtel charged that the “integration-into-management” criterion is arbitrary and capricious. The Court of Appeals found her argument serious enough to remand the case
to the FCC: "[The FCC] must demonstrate why its focus on integration is still in the public interest, if indeed the [FCC] concludes that it is" (Bechtel v. FCC, 957 F.2d 873, p. 881, D.C. Cir. 1992). Upon remand, the FCC reaffirmed its decision to grant the license to Anchor, but the FCC has acknowledged that it is currently rethinking the entire issue of integration of ownership and management, and is now reconsidering its entire comparative license process (Bechtel v. FCC, 957 F.2d 873 (D.C. Cir. 1992); Bechtel v. FCC, FCC 3d (D.C. Cir. 1993; Case No. 92-1378) and Re-examination of the Policy Statement on Comparative Broadcast Hearings, 7 FCC Rcd. No. 2 2264 (1992).

If the FCC decides to drop the "integration-into-management" criterion for awarding broadcast licenses, the result will be to seriously undercut the impact of Metro in which the Supreme Court upheld comparative license hearing preferences for minorities and the preferences for minorities in distress sales. In other words, if the FCC drops "integration-into-management," what happens to minority ownership? The effect of the Bechtel case has been to throw the FCC's previous policies into chaos and uncertainty.

**The Deregulated Marketplace**

While the FCC was adopting policies designed to increase minority broadcast ownership, it was also beginning the deregulation process. The FCC's distress sale and tax certificate policies were adopted in 1978. In October of that same year, FCC staff were instructed to "study the possibility
of deregulating radio on either an experimental or general basis and to prepare recommendations" (FCC, 1984, p. 969).

In 1979, the FCC adopted a "Notice of Inquiry and Notice of Proposed Rule Making" to begin the process of deregulating radio. It issued the inquiry under the premise that regulation should be kept relevant to the state of the technology and the maturity of the industry. The conclusion:

It has become essential in view of the proliferation of radio stations and other broadcast services that radio licensees specialize to attract an audience so that they may remain financially viable. Consequently, policies that may have been necessary in the early days of radio may not be necessary in an environment where thousands of licensees offer diverse sorts of programming and appeal to all manner of segmented audiences. (FCC, 1984, p. 969)

The FCC's decision to deregulate was designed "to permit the discipline of the marketplace to play a more prominent role." The FCC report and order, adopted January 14, 1981, deregulated radio in the areas of "non-entertainment programming, ascertainment (survey of listeners' concerns), commercialization and program logs."

Other FCC rule changes extended the license period for radio stations from three to seven years and removed the "anti-trafficking" rule, the requirement that new owners operate a radio station for at least three years before the station can be sold. Removal of the anti-trafficking rule may serve to nullify the comparative hearing process. In Bechtel v. FCC (1994), the Court
of Appeals has ordered the FCC to rethink its "integration into management" policies as is discussed above.

The removal of nonentertainment and ascertainment requirements, combined with the extension of the license period, and a change to the anti-trafficking rule left radio at the mercy of commercial speculators who had no real interest in broadcasting. Radio stations were among the commodities bought and sold during the market frenzy of the 1980s. Prices skyrocketed and turnovers were brisk. Driving up the price of broadcast properties makes ownership more difficult for minorities and small owners. It also results in the concentration of media ownership by large corporations.

Small broadcasters who purchased stations at inflated rates during the 1980s find it increasingly difficult to stay in business. FCC Commissioner Quello, calling for a freeze on new FM stations, admits that broadcasters have a hard time staying in business in today's economy. "I am afraid that in the FCC's quest for competition and diversity, we have over saturated the market with radio stations to the point that over half cannot support themselves (McAvoy, April 26, 1993, p. 36)."

It is worth repeating Murdock and Golding's (1977) statement regarding the consequences of relying on marketplace forces. The range of material available will decline as market forces exclude all but the commercially successful. The position of groups already established in
the main mass-media markets will be consolidated. Those groups lacking the capital base required for successful entry will be excluded.

Quello admits to this but places the blame on the number of available stations rather than on the FCC’s reliance on marketplace forces. The FCC simultaneously adopted policies designed to foster minority ownership, and at the same time created a structure that makes minority ownership more difficult.

An article examining the effects of the FCC’s Duopoly rules (Viles, July 12, 1993) further emphasizes Murdock & Golding’s (1977) theory regarding consolidation of media ownership in the hands of established companies (e.g. Wall Street backed companies), while at the same time excluding smaller owners.

The market for radio stations has heated up considerably this year, fueled by new ownership rules that have created new demand for stations in medium-size and major markets.

But brokers and industry observers say the demand for smaller, less profitable stations continues to be almost nonexistent, largely because there is little bank financing available for low-dollar deals.

Demand...has pushed up prices in major markets, so that stations are now selling for eight to 10 times trailing cash flow. (Viles, July 12, 1993, p. 18)

Potential African-American broadcast owners lose out on two counts. First, the bulk of the nation’s black population is concentrated in the
top 75 markets where prices for properties are very high. Second, it is extremely difficult for most African-Americans to obtain financing. In short, African-American broadcast owners are forced to compete with better financed entrepreneurs in markets where the price of entry is astronomical and rises daily.

The FCC uses its goal of diversity of voices to justify its minority ownership policies—"it is upon ownership that public policy places primary reliance with respect to diversification of content, and that historically has proven to be significantly influential with respect to editorial comment and presentation of news" (NABOB, 1990, p. 6-7). Yet the FCC removed nonentertainment standards, leaving the very things that produce diversity to the demands of the marketplace. In order to survive, news, viewpoint and public affairs programs must now be commercially successful. The need to be commercially successful cheapens diversity by forcing all things to move toward the mainstream.

Deregulation has made the distress sale ineffective.

The disuse of the distress policy may be traced to several factors. These include the general antipathy of ideological commissioners and Republican presidential administrations toward affirmative action, court challenges, and the dearth of broadcasters facing renewal hearings. (Stavitsky 1992, p. 253)

Deregulation also works against the distress sale in two ways, both of which affect the supply of stations designated for license renewal hearings. First, as the station license period is now seven years, and as a result, there are
fewer challenges simply because there are fewer licenses up for renewal. Second, with the removal of the nonentertainment standard there is no basis on which to judge a station's performance.

Stavitsky (1992) reports: “Twenty-two distress sales were approved in 1980, the last year of the commission under the Carter administration. The 1980 total alone represents 58% of all distress sales approved” (p. 252), and the last distress sales were made in 1988 (see Figure 2).
Figure 2. FCC Distress Sales 1978 — 1992

Source: Minority Ownership Lists (updated September 1, 1992 by FCC Consumer Assistance and Small Business Division, Office of Public Affairs).
Ownership rules

Ownership rules have changed several times during the course of the FCC's minority ownership initiative and deregulation. In 1978, when minority ownership policies took effect, the 7-7-7 rule allowed broadcasters to own seven stations per broadcast service (AM, FM, TV). In 1985 this was expanded to 12-12-12, and in 1992 to 18 AM and 18 FM, with a provision to change to 20 AM and 20 FM after 18 months (TV has remained at 12 or 14 if 50% or more minority controlled). Companies may have an additional noncontrolling interest in 3 AM and 3 FM stations provided the stations are controlled either by a small business or members of a minority group (Broadcasting & Cable Yearbook, 1993).

Local multiple ownership rules have also changed. An FCC ruling (September 23, 1992) allows broadcasters to own and/or operate more than one station, per service, per market. The ruling has two parts. Duopoly allows broadcasters to own multiple stations per service per market. The Local Marketing Agreement (LMA) allows owners to operate multiple stations per service per market, usually with a purchase option. It is a contract for sharing the functions of programming staffing and commercial time sales, largely entered into by economically weak AM stations, much like newspapers' joint operating agreements within a market. An owner of one station in the market may enter into agreement with the owner of another station in the same market to operate both owner's stations. "Small market"
and "large market" rules have been designed to prevent broadcasters from owning or controlling more than 50% of a single market.

The rules radically change long standing FCC policy. The purchase option of local marketing agreements changes the FCC's policy of allowing a potential buyer to operate a station before being granted the license by the FCC. Duopoly changes the ruling of one station per service per market. This rule had previously been applied to include overlapping signals from nearby markets.

Consequently, with the rule change, powerful media groups now operate multiple properties in the major markets. They swap stations, merge, and use co-owned "weak" properties to protect against competition to co-owned "strong" properties. These groups also program their stations to control formats and demographic groups in major markets. For example, in Jacksonville costs have been cut 20% by combining virtually everything but programming costs at four stations. A single general manager runs all four stations, and one sales staff sells them. (Viles, April 19, 1993, p. 58)

Several African-American owners have taken advantage of these rules. Willis Broadcasting, for example, operates several stations in Norfolk, Virginia. All Pro Broadcasting, has improved its coverage of Los Angeles, the nation's number two market, by simulcasting with two class A FM stations on the same frequency. One station is located in Inglewood, California (Los
Angeles County). The other is in the Riverside/San Bernadino area. U.S. Radio, owned by Regan Henry, entered into local marketing agreements (LMAs) in several markets.

Overall, deregulation has affected the FCC’s minority ownership policies in three ways. First, it has nullified the distress sale. Second, it has placed the cost of broadcast ownership in major markets, where most African-Americans are concentrated, beyond the financial reach of most minority broadcasters. Finally, it has weakened the argument (minority ownership leads to a diversity of viewpoints) used during the comparative hearing process.

The next section of this thesis presents empirical evidence relating to minority ownership of broadcast stations. Chapter 4 describes the methods used to collect the data and Chapter 5 presents the results of this analysis.
Chapter 4

METHODOLOGY

The FCC has not evaluated its minority ownership policies. As a result it is difficult to find records documenting black radio ownership. With the exception of the database (accurate up to January 30, 1993) created for this thesis, there is no comprehensive list of black-owned radio stations. Information about stations in the database was compiled from various sources: the Federal Communications Commission (FCC), the Department of Commerce's National Telecommunications and Information Administration's Minority Telecommunications Development Program (MTDP), the National Association of Black Owned Broadcasters (NABOB), the National Association of Broadcasters' Broadcap (Broadcap), the Corporation for Public Broadcasting (CPB), and the Black College Radio Association.

Documents obtained from these agencies—lists of stations by call letter, owner and address—were combined with information about the facility—class, power output and antenna height—from the Broadcasting and Cable Yearbook (1992 Edition). The Radio Business Report Source Guide and Directory (Volume I, 1993) was used to verify ownership.
Radio stations in the data base are coded by class and format. They are further coded by whether or not they meet the Department of Commerce's National Telecommunications and Information Administration's Minority Telecommunications Development Program (MTDP) criterion of 50% or more minority ownership. The MTDP criterion provides a stronger verification of minority ownership. Stations receiving tax certificates and distress sales are also coded.

**Station Classification**

In order to fully understand the technical quality of radio stations owned by African-Americans, it is important to understand how radio stations are classified. The technical aspects of a radio facility (its class) are of primary importance. A radio station's class affects its viability in the marketplace.

AM stations are designated as clear, regional or local stations and assigned to frequencies between 540 and 1705kHz (kilohertz). The following describes the various classes of AM stations.

(A) Clear channel. A clear channel is one on which stations are assigned to serve wide areas. These stations are protected from objectionable interference within their primary service areas and depending on the class of station, their secondary service areas. Stations operating on these channels are classified as follows:

(1) Class A station. A class A station is an unlimited time station that operates on a clear channel and is designed to render primary and secondary service over
an extended area and at relatively long distances from its transmitter.

(2) Class B station. A Class B station is an unlimited time station which is designed to render service only over a primary service area.

(3) Class D station. A Class D station operates either daytime, limited time or unlimited time with nighttime power less than 0.25KW and an equivalent RMS antenna field of less than 141 mV/m at 1km.

(B) Regional Channel. A regional channel is one on which Class B and Class D stations may operate and serve primarily a principal center of population and the rural area contiguous thereto.

(C) Local channel. A local channel is one on which stations operate unlimited time and serve primarily a community and the suburban and rural areas immediately contiguous thereto.

(1) Class C station. A class C station is a station operating on a local channel and is designed to render service only over a primary service area that may be reduced as a consequence of interference.


AM clear channel Classes A, B and D stations are assigned to one set of frequencies, regional channel Class B and D stations, another set and local channel, Class C stations yet another set. AM stations operate with a fidelity disadvantage with respect to FM stations in the current marketplace. AM stations licensed for daytime only operate at a disadvantage with respect to all stations in the market.
FM stations are divided into seven classes based on Effective Radiating Power—a measurement using the output of the transmitter and the effectiveness of the antenna (ERP). The United States is divided into three zones. These zones determine which classes of FM stations are allowed to operate in that section of the country. Zone I consists of portions of the Eastern and Midwestern United States. "Zone IA consists of Puerto Rico, the Virgin Islands and that portion of the State of California which is located south of the 40th parallel (Broadcasting & Cable Yearbook, 1993, p. A-7)." "Zone II consists of Alaska, Hawaii and the rest of the United States which is not located in either Zone I or Zone IA (Broadcasting & Cable Yearbook, 1993, p. A-7)." Class A stations may operate in all regions, Class B stations operate in Zones I and IA, Class C stations operate in Zone II.

Understanding coverage areas simplifies the concept of station classes. AM stations can be broken into three groups. 1) clear channel stations, 2) regional stations, and 3) local stations, and the seven classes of FM stations can be divided into 1) Class A, 2) Class B and B1, and 3) Class C, C1, C2, and C3.

Clear channel stations are unlimited time stations authorized to cover large areas. During the day when radio waves travel along the ground, their signal travels for 75 to 150 miles and beyond that distance their frequency may be assigned to a lesser class station. After sunset, when radio waves bounce off the ionosphere, their signal travels for thousands of miles. Now, their coverage area is protected for 750 miles. After sunset other
stations operating on their frequencies during the day must sign off. WABC, New York; KYW, Philadelphia; WBZ, Boston and WSM, Nashville, are some of the more famous clear channel stations.

Regional stations are licensed to serve regions. They operate at less power than do clear channel stations. Regional stations are often required to direct their signals away from other stations, to avoid interference. Local stations are licensed to serve still smaller areas and operate at lower power than either the clear channel or regional stations. Depending upon the assigned frequency, local and regional stations may be authorized to operate during the daytime only or they may be required to reduce power during post sunset and predawn hours. Stations operating on the same frequency as a clear channel station in another part of the country (within the 750 mile protected contour) are required to sign off after sunset.

FM Class A stations have a primary coverage area (the area where a station can be easily received on the weakest of receivers) of from nine to 17 miles. Their secondary coverage area (the area where a station can be received with a stronger receiver) ranges from 25 to 39 miles.

FM Class B stations have a primary coverage area of from 24 to 32 miles and a secondary coverage area ranging from 60 to 75 miles. Class C stations have a primary range of from 24 to 57 miles and a secondary coverage area of from 60 to 92 miles. Class B and Class C stations generally do not operate in the same region of the country.
Table 1 simplifies the classes for FM radio stations.

ERP is a measurement of transmitter power and antenna effectiveness.

HAAT, is a measurement of antenna height above average terrain and primary contour is the coverage area where a station can be received with even the weakest of receivers.

Table 1
Coverage table for FM stations

<table>
<thead>
<tr>
<th>Class</th>
<th>Minimum ERP</th>
<th>Maximum ERP</th>
<th>HAAT</th>
<th>Primary Contour</th>
<th>1mV/m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>meters (ft)</td>
<td>kilometers</td>
<td></td>
<td>(miles)</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>0.1kw</td>
<td>6kw</td>
<td>100 (328)</td>
<td>28</td>
<td>17</td>
</tr>
<tr>
<td>B1</td>
<td>6kw</td>
<td>25kw</td>
<td>100 (328)</td>
<td>39</td>
<td>24</td>
</tr>
<tr>
<td>B</td>
<td>25kw</td>
<td>50kw</td>
<td>150 (492)</td>
<td>52</td>
<td>32</td>
</tr>
<tr>
<td>C3</td>
<td>6kw</td>
<td>25kw</td>
<td>100 (328)</td>
<td>39</td>
<td>24</td>
</tr>
<tr>
<td>C2</td>
<td>25kw</td>
<td>50kw</td>
<td>150 (492)</td>
<td>52</td>
<td>32</td>
</tr>
<tr>
<td>C1</td>
<td>50kw</td>
<td>100kw</td>
<td>299 (981)</td>
<td>72</td>
<td>45</td>
</tr>
<tr>
<td>C</td>
<td>100kw</td>
<td>100kw</td>
<td>600 (1968)</td>
<td>92</td>
<td>57</td>
</tr>
</tbody>
</table>

(Broadcasting and Cable Yearbook, 1993)

For the purpose of this study the FCC’s classification system was simplified. AM stations are classified as follows: Full-time, stations permitted 24 hour operation at a power in excess of (250w); Pre/post, stations permitted 24 hour operation at a nighttime power less than (250w); (Pre/post stations were formerly daytime stations), and Daytime stations (required to sign off the air at local sunset).

FM stations are classified as follows: Class A(weaker stations operating at a maximum of 6kw with an antenna height of 328 ft), Class B/C, (stronger stations Class B’s operate in Zones I & IA, with a maximum of 50kw
antenna height of 492 ft) (Class C's operate in Zone II, with a maximum of 100kw and an antenna height of 1,968 ft). In this study, non-commercial stations are classified as Class E regardless of FCC classification.

A station's class directly affects its worth as a property and its effectiveness in the marketplace. Owners with superior properties operate with a distinct advantage. All else being equal, when two stations broadcast the same format, the property with the superior signal will outperform the weaker station. For example, in a ratings race between a daytime AM station and a class B/C FM station, the FM property will outperform the AM outlet. FM stations have a clear advantage over AM stations. Their greater bandwidth allows for superior fidelity. FM also resists static and other interference better than does AM. FM has accounted for more than 50% of all radio listening since 1978.

The data base lists properties by call letter, band, frequency, format, owner, address, operating power, antenna height, class, city of license (if different from address stated by the owner) and whether or not an FCC distress sale or tax certificate was received. Station categories include: AM fulltime, AM pre/post, AM Daytime, FM Class A, FM Class B/C, and FM Class E. The database makes it possible to determine the number and percentage of black-owned stations in each of these categories. From the database it is also possible to determine the number and percentage of stations that are programmed to serve African-American audiences.
The Department of Commerce's National Telecommunications and Information Administration's Minority Telecommunications Development Program (MTDP) criterion—stations that are 50% or more black-owned—is compared with the entire pool of so-called black-owned stations. This check was developed to account for an ownership discrepancy. The FCC allows stations where the general partner is a minority to qualify for tax certificates and distress sales. The MTDP takes the position that stations below the 50% level are not "minority" owned and does not include them on its list. This study makes note of those stations qualifying for the FCC's tax certificate and distress sale policies that do not meet the MTDP's 50% ownership criterion.

For this study, stations are divided into two format categories. The first category consists of stations with formats that are traditionally more popular with black audiences; it includes: black, gospel, jazz, black-talk, inspirational and urban contemporary. The second category consists of stations that are formatted to serve general audiences; it includes: country, rock, top 40, and classical.

The original source lists suffered from two major flaws. First, stations were tracked only by call letters. Call letters, however, are a radio station's least permanent attribute; they can be changed by the owner's sending a letter to the FCC. Second, with the exception of the FCC list (which had other problems that will be discussed later) all of the agencies listed stations only by the address as stated by the owner. This causes a unique problem when compiling research on radio stations. For example, a station
owned by a major black owner (Willis Broadcasting) was missing from The MTDP’s list. The station is licensed to Marion, Arkansas but lists its address as Memphis, Tennessee.

The Corporation for Public Broadcasting and the Association of Black College Radio provided lists of non-commercial radio stations. Non-commercial stations are included in the study because the FCC includes services provided by non-commercial stations in its “marketplace” mix. The service provided by these stations is included in this study in the percentages of owners providing service to the African-American community.

MTDP’s list was by far the most accurate and best researched. Its criterion for determining black ownership is the strictest. All stations on MTDP’s list are 50% or more minority owned. As noted earlier, the MTDP list provides stronger proof that a station is owned by minorities. In this thesis stations meeting MTDP’s ownership criterion are referred to as MTDP stations.

**FCC Records**

Records obtained from the FCC were the most problematic. During the early stages of this project a letter was sent to FCC Commissioner Andrew Barrett (August, 1992). It was hoped that the FCC’s Black Commissioner might provide insight about the best way to find information on black broadcast ownership. Response from the FCC came in the form of a telephone call from Robert E. Branson, Senior Legal Advisor, in
Commissioner Barrett's Office. Branson stated that the FCC does not keep records on minority ownership. He said the best that the FCC has is a list of distress sales and tax certificates. He sent me another copy of the misnamed, *Minority Ownership Lists*, kept by the FCC Consumer Assistance and Small Business Division, Office of Public Affairs. Trips to the FCC research room also did not produce much. Missing files, reduced hours, difficult filing systems, and less than helpful staff conspired to make these trips almost pointless.

The FCC list was problematic for several reasons. First, the FCC’s list is improperly named. Although it is called *Minority Ownership Lists*, it is actually a list of tax certificates and distress sales. There is no direct connection between tax certificates, distress sales and actual stations. As mentioned in Chapter 3 an FCC policy change in 1982 severed the direct connection. At one time a tax certificate was awarded only when a station was sold. Tax certificates can now be awarded each time a share of stock in a minority-owned broadcast station is sold to a member of a minority group. Stations are placed on the list each time they receive a tax certificate. At times stations are listed under the same call letters several years apart. At other times they appear under different call letters, for example: KGFJ-AM Los Angeles appears on the list as KKTT-AM and as KGFJ. This was identified, however, only as a result of familiarity with the Los Angeles Market. Second, call letters are often listed incorrectly. For example: WOKS-AM Columbus, Georgia, is listed by the FCC as WQKS.
Third, the racial/ethnic group of the owner is often incorrect. On several occasions owners listed as black were in fact Hispanic or Asian. WCQM AM/FM Miami Springs, Florida, listed by the FCC as black-owned WCMQ [sic] was correctly identified by the MTDP as owned by Spanish Broadcasting Systems, Inc. WUSL-FM Philadelphia and WJQY-FM Fort Lauderdale, also listed by the FCC as black-owned, were identified by the MTDP as owned by TAK Communications. Sharad Tak is an Asian Indian.

Fourth, the FCC list is often inaccurate and confusing. The FCC Minority Ownership List (September 1, 1992) shows WRXJ-AM Jacksonville, Florida, as #188 black, WCRJ-FM is listed as #189 black. The stations are listed again as #206 and #207 respectively. Unable to locate the stations on any other list, I telephoned the station in Jacksonville. The owner, Paxson Broadcasting, operates a variety of stations in local marketing agreements (LMA) throughout Jacksonville (see Chapter 3). Still not satisfied, I searched the FTR (For the Record) numbers listed in the Broadcasting and Cable Yearbook. Those numbers led me to the May 27, 1991 issue of Broadcasting Magazine. From there I was directed to the June 26, 1989 issue of the publication. In that issue, WRXJ and WCRJ are listed as sold by Hooker Broadcasting to Regan Henry National Radio LP. Regan Henry is a principal black owner. The May 27, 1991 issue states that the deal with Regan Henry "fell through" and refers back to the June 26, 1989 issue. It also says, "Buyer is headed by Lowell "Bud" Paxson, former president and CEO of Home Shopping Network."
One of the most controversial areas of the FCC's minority ownership policies is whether or not minority owners make program decisions based on cultural preference. Political economic media theory suggests that marketplace standards would force African-American owners to make program decisions based on the bottom line. Such bottom-line decisions should cause black broadcasters to ignore black listeners in favor of more affluent audiences. Yet there is evidence to suggest that black owners make format decisions based on cultural preference and strive to meet the bottom line in other ways.

The removal of the nonentertainment standard during deregulation makes it difficult to determine the extent to which a station is serving the community. For the purposes of this thesis a cultural standard was developed which uses the format as reported by the owner. The standard is based on the simple question, would the average African-American upon hearing the station determine that it was programmed for African-American tastes?

Stations are divided into two categories. Stations presenting formats expressive of African-American culture (black, urban contemporary, gospel, jazz, rhythm & blues or black-talk) are categorized as black-oriented. Stations presenting formats of a general nature (rock, top 40, country or classical) are counted as general-market stations.
In the results section after determining the number of black-owned radio stations, the study will further examine how many tax certificates and distress sales were awarded by the FCC and how many of them can be traced to radio stations that are still operating. The thesis will also examine the quality of black-owned outlets.

This thesis will also compare stations meeting the MTDP’s 50% or more minority ownership criterion with stations meeting the more relaxed FCC ownership criterion. Stations will also be compared on the basis of format choice.
Chapter 5

RESULTS

In this section the research questions will be answered either theoretically or empirically. Empirical answers are provided for research question number one, which asks the number of African-American-owned radio stations; number three which investigates the technical quality of black-owned stations; number four which examines the programming decisions of African-American owners; and question number five which asks whether minority-ownership meets the FCC's call for diversity.

Research questions number two and seven, which ask about deregulation's effect on black radio ownership; and question number six which asks about deregulation's effect on the ability of minority broadcasters to serve their communities, will be answered theoretically.

Number of Stations

This examination of ownership records reveals that in 1978, when the FCC adopted the tax certificate and distress sale policies fewer than one percent of the nation's broadcast outlets—56 out of 7,000—were owned by minorities (NBMC, 1983, p. 37). Of those 56 facilities, all were radio stations. By 1980, the number of minority-owned radio and television stations had
risen significantly—the National Black Media Coalition found that minorities (blacks and Hispanics) owned 135 out of 8,500 (1.5%) stations. Similarly McKee (1983) found that between 1978 and 1982 the number of black-owned broadcast properties increased nearly 100%, from 65 to approximately 127 (117 radio and 10 television stations).

As mentioned in the methods section, it is difficult to answer research question number one. How many African-American-owned stations exist? A data base of African-American-owned radio stations was created as part of this thesis to better answer that question.

The February 1, 1993 issue of Broadcasting reported 11,334 on-air radio stations (commercial and noncommercial) in the United States. This study identified 313 (2.7%) of those radio stations as black-owned. This figure includes non-commercial radio stations (those licensed to colleges, universities and non-profit foundations for not-for-profit operation). Noncommercial stations were not included in previous studies. Most black-owned stations 86.9% are commercial: black-owned commercial radio stations comprise 2.8% of all on-air commercial radio outlets and 2.4% of all (commercial and noncommercial) on-air stations.

More than half (55.9%) of the 313 black-owned stations in this study (all commercial) meet the MTDP criterion. These stations comprise more than six out of 10 (64.3%) of black owned commercial radio outlets 1.5%
of all on-air radio stations (11,334) and 1.8% of all on-air commercial radio outlets (9746).

The FCC tax certificate and distress sale list, published in 1992, identified 178 stations as having received tax certificates for sales made specifically to blacks (see Table 2). (Sellers can receive a tax certificate allowing them to defer payment of capital gains taxes for selling to members of a minority group.) The tax certificates listed correspond to 117 physical properties. Several factors account for this discrepancy: First, whereas in 1978 the FCC set the level of minority ownership at 50% or more before a seller was eligible for a tax certificate, in 1982 the FCC dropped the level of minority ownership to 20%. Second, in 1982 the FCC permitted individual investors to sell their interest in minority-owned stations to minorities and obtain tax certificates. Third, some stations are mentioned more than once (some have been sold numerous times while others are included because of stock transfers to minorities). Finally, some stations are no longer on the air (dark), could not be identified, or have been sold to non-minorities. Less than half (47%) of the 117 stations receiving tax certificates meet MTDP's criterion of 50% or more minority ownership.

The FCC permits broadcasters whose licenses are designated for hearings to sell at "distress sale" prices. A distress sale will occur if minorities participate significantly in the new ownership and the sale occurs before the hearing begins. Between 1978 and 1992, 38 stations met this criterion (see Table 2). The FCC awarded 28 distress sales to African-
Americans; 13 (46.4%) are identified as actual properties. As with tax certificate stations this occurred because some stations no longer were on the air (dark), could not be identified, or have been sold to non-minorities. Nine (69.2%) of the 13 distress sale stations meet the MTDP's 50% ownership criterion. The data thus reveal that deregulation has had a negative effect on minority ownership. Even though the total number of black-owned stations has risen slightly, most of the changes occurred between 1978 and 1982. During the 1980s (deregulation), the number of distress sales dropped considerably. The number of tax certificates corresponding to actual stations also dropped.
Table 2
Distress Sales and Tax Certificates

FCC figures for distress sales and tax certificates are not broken down by year for each minority group. The overall annual figures provided below show directly the effects on distress sales. The effects on tax certificates, due to a 1982 change, are more difficult to discern.

<table>
<thead>
<tr>
<th>Total Distress Sales Approved</th>
<th>Total Tax Certificates Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978: 0</td>
<td>1978: 4</td>
</tr>
<tr>
<td>1979: 3</td>
<td>1979: 12</td>
</tr>
<tr>
<td>1980: 22</td>
<td>1980: 10</td>
</tr>
<tr>
<td>1981: 2</td>
<td>1981: 15</td>
</tr>
<tr>
<td>1982: 0</td>
<td>1982: 15</td>
</tr>
<tr>
<td>1983: 0</td>
<td>1983: 10</td>
</tr>
<tr>
<td>1984: 6</td>
<td>1984: 11</td>
</tr>
<tr>
<td>1985: 2</td>
<td>1985: 17</td>
</tr>
<tr>
<td>1986: 2</td>
<td>1986: 16</td>
</tr>
<tr>
<td>1987: 0</td>
<td>1987: 31</td>
</tr>
<tr>
<td>1988: 1</td>
<td>1988: 32</td>
</tr>
<tr>
<td>1989: 0</td>
<td>1989: 39</td>
</tr>
<tr>
<td>1990: 0</td>
<td>1990: 42</td>
</tr>
<tr>
<td>1991: 0</td>
<td>1991: 17</td>
</tr>
<tr>
<td>1992: 0</td>
<td>1992: 8</td>
</tr>
</tbody>
</table>

Compiled from *Minority Ownership Lists* (updated September 1, 1992 by FCC Consumer Assistance and Small Business Division, Office of Public Affairs)
Station Quality

The third research question asks about the technical quality of stations owned by African-Americans. Minority owners claim "that only the so called 'dog' stations are offered to them" (FCC, 1978, p.9). Murdock and Golding (1977) theorize that those groups lacking the capital base required for successful entry will be excluded but some black broadcasters have been able to acquire properties. The empirical evidence suggests that they often end up with the worst properties.

FM has attracted the majority of radio listeners since 1978. Six out of 10 radio stations are FM. Yet African-Americans own about the same number of AM stations as FM stations (see Table 3). Among stations meeting the MTDP 50% minority ownership criterion, slightly less than 40% are FM stations while more than 60% are AM stations (see Table 4). Consequently, the claim that minority broadcasters are offered a higher proportion of the so-called "dog" stations is valid.

Three research companies contacted during the preparation of this thesis were unable to provide comparable data for non-minority owners. Figures were available for the classes of FM stations (see Table 5). Because of the complicated nature of the AM classification system (clear channel, regional, local, fulltime, daytime, pre/post), however, the companies were unable to provide comparative statistical information.
The FM data, however, reveals that overall there are more FM stations than AM stations. The data further reveal that there are slightly more higher power stations (classes B & C) than lower power stations (class A).

This study found no black-owned clear channel AM stations (the top of the line AM facility). All five of the black-owned AM stations that operate at 50kw are required to reduce power at sunset. Thus, they fail to qualify as clear channel stations which operate at 50kw fulltime and enjoy a protected coverage area of 750 miles at night.

In addition, one-quarter of the AM properties owned by African-Americans are licensed for daytime operation only (the worst properties available) and 16% are licensed as pre/post stations (they operate at reduced power during the hours before sunrise and after sunset). All together, two out of five African-American-owned AM stations are lower quality. Six out of 10 black-owned AM stations (94) are fulltime (see Table 3).

Similarly African-Americans own disproportionately weaker FM stations (see Table 3). Until 1983, class A stations (licensed to operate at a maximum of 6kw with an antenna height of 328 feet) were permitted to operate on only 20 of the 80 commercial FM frequencies between 92 and 108mhz. They account for 45% of all possible FM stations. Likewise, before 1983 Class B & C stations were only licensed to operate on the other 60 frequencies and account for (51.3%) of all FM stations (see Table 5). Operating restrictions were removed in 1983. Any class of FM station may
now operate on any of the 80 commercial frequencies provided it does not cause interference (see Docket 80-90, 1983).

Four out of 10 black-owned FM stations are class A. They account for 19.5% of all black-owned radio stations. One-third (53) of black-owned FM stations are Class B/C. Finally, one-quarter of black-owned FM stations are non-commercial stations (Class E).

Overall, slightly more than half of all black-owned stations are AM: 12.4% are daytime only, 8.0% are pre/post AM outlets, and 30% are fulltime AM stations. The rest of the stations are FM with almost 20% class A, and 16.9% class B/C. The rest, 13.1%, are noncommercial (see Table 3, Figure 3).

An examination of MTDP stations (see Table 4) also reveals the lower status of black-owned stations. Among the AM stations meeting MTDP's 50% minority ownership criterion, 22% are licensed for daytime operation only. Almost 20% are licensed for pre/post operation, and almost 60% are fulltime AM stations. Among the FM stations meeting MTDP's criterion, 53% are class A, and 47% are Class B/C (see Table 4, Figure 4). The MTDP list does not include noncommercial stations.

The MTDP properties (the most stringent test of minority ownership) clearly indicate that minority owned properties are lower quality overall. The MTDP stations include a higher percentage of AM daytime stations (the weakest properties) and a slightly higher percentage of the weaker class A FM stations. The data set thus provides some support for the
contention that minority-owned properties are lower in quality. The answer to research question three is yes, minorities are left with the worst properties.

Table 3
Breakdown of black-owned radio stations by class

<table>
<thead>
<tr>
<th>Station Class</th>
<th>Total #</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM Stations</td>
<td>158</td>
<td>(50.4)</td>
</tr>
<tr>
<td>AM Daytime</td>
<td>39</td>
<td>(12.4)</td>
</tr>
<tr>
<td>AM Pre/Post</td>
<td>25</td>
<td>(7.98)</td>
</tr>
<tr>
<td>AM Full-time</td>
<td>94</td>
<td>(30  )</td>
</tr>
<tr>
<td>FM Stations</td>
<td>155</td>
<td>(49.5)</td>
</tr>
<tr>
<td>FM Class A</td>
<td>61</td>
<td>(19.5)</td>
</tr>
<tr>
<td>FM Class B/C*</td>
<td>53</td>
<td>(16.9)</td>
</tr>
<tr>
<td>FM Class E</td>
<td>41</td>
<td>(13.1)</td>
</tr>
</tbody>
</table>

Table 4
Breakdown of MTDP stations by class

<table>
<thead>
<tr>
<th>Station Class</th>
<th>Total #</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTDP STATIONS</td>
<td>175</td>
<td>(55.9)</td>
</tr>
<tr>
<td>AM Stations</td>
<td>109</td>
<td>(62.3)</td>
</tr>
<tr>
<td>AM Daytime</td>
<td>24</td>
<td>(13.7)</td>
</tr>
<tr>
<td>AM Pre/Post</td>
<td>21</td>
<td>(12   )</td>
</tr>
<tr>
<td>AM Full-time</td>
<td>64</td>
<td>(36.5)</td>
</tr>
<tr>
<td>FM Stations</td>
<td>66</td>
<td>(37.7)</td>
</tr>
<tr>
<td>FM Class A</td>
<td>35</td>
<td>(20   )</td>
</tr>
<tr>
<td>FM Class B/C*</td>
<td>31</td>
<td>(17.7)</td>
</tr>
</tbody>
</table>
### Table 5
Breakdown of FM stations by class

<table>
<thead>
<tr>
<th>Station Class</th>
<th>Total #</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FM Class A</td>
<td>3,013</td>
<td>(45)</td>
</tr>
<tr>
<td>FM Class B</td>
<td>916</td>
<td></td>
</tr>
<tr>
<td>FM Class B1</td>
<td>177</td>
<td></td>
</tr>
<tr>
<td>FM Class C</td>
<td>796</td>
<td></td>
</tr>
<tr>
<td>FM Class C1</td>
<td>824</td>
<td></td>
</tr>
<tr>
<td>FM Class C2</td>
<td>523</td>
<td></td>
</tr>
<tr>
<td>FM Class C3</td>
<td>160</td>
<td></td>
</tr>
<tr>
<td>FM Class D*</td>
<td>203</td>
<td>(3)</td>
</tr>
<tr>
<td>FM Class B/C total</td>
<td>3,396</td>
<td>(51.3)</td>
</tr>
<tr>
<td><strong>FM Total#</strong></td>
<td><strong>6,612</strong></td>
<td><strong>(58.3)</strong></td>
</tr>
<tr>
<td><strong>Total Stations</strong></td>
<td><strong>11,334</strong></td>
<td></td>
</tr>
</tbody>
</table>

*The FCC no longer licenses Class D stations.
# FM stations account for (58.3%) of all stations.

Note: As mentioned in chapter 4, Class E is a category created specifically for this study. Noncommercial stations fall into the standard classes as defined by the FCC.
Figure 3. Black-owned radio stations by type
Figure 4. MTDP listed black-owned radio stations by type
Programming

Research questions four and five ask about the format of black-owned stations and whether they fulfill the FCC's call for diversity of broadcast voices. Political economic media theory suggests that deregulation would force all broadcasters including minorities to concentration on the bottom line.

The theory also suggests that profit-driven programming decisions result in "risk avoidance and neglect of poorer sectors of the potential audience" (McQuail, 1988, p. 64). African-Americans are among the poorer sectors of the audience. Consequently, according to the theory, they should be ignored in favor of more affluent audiences. However, the evidence presented here suggests that black broadcasters for the most part choose to serve black audiences. It also suggests that they strive to meet the bottom line in other ways. The need to meet the bottom line does have an effect on African-American owners' ability to satisfy the FCC's call for diversity of broadcast voices.

A simple count of black-owned radio stations by format using the standard devised for this study indicates a relationship between race of owner and program format (see Table 7). Almost three quarters of all black-owned radio stations identified in this study feature a black-oriented format, while one quarter have a general format.
More than eight out of 10 stations meeting the MTDP 50% ownership standard (see Table 6), feature black-oriented formats; 17% offer general audience formats. As expected, the stronger the evidence that a station is "black-owned," the more likely the owner is to choose a format that serves the African-American community.

The overwhelming majority of black-owned stations in all classes have formats that serve the African-American community. The one exception is FM class B/C stations. The data reveals that owners of these top-of-the-line facilities chose to serve general audiences more often than they chose to serve black audiences. Stations meeting the MTDP 50% standard show a different pattern, however. Six out of 10 MTDP FM class B/C stations are formatted to serve the African-American community. Again the stronger the evidence that a station is "black-owned," the more likely it is to provide service to the African-American community (see Tables 6 & 7).

Thus, in answer to research question four, deregulation has not forced black owners to abandon service to the black community and make program decisions motivated entirely by profit. Nonetheless, it does appear that minority-owners meet the bottom line by cutting back on the delivery of nonentertainment services. This does have an effect on research question five which questioned their ability to meet the FCC's call for diversification of broadcast voices. This question, along with research question number six, questions the ability of profit-driven decisions to meet the needs of minority communities.
### Table 6

Breakdown of black-owned stations by format and class

<table>
<thead>
<tr>
<th>Station Class</th>
<th>Total #</th>
<th>Black-Oriented %</th>
<th>General %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLACK STATIONS</td>
<td>313</td>
<td>233 (74.4)</td>
<td>80 (25.5)</td>
</tr>
<tr>
<td>AM Stations</td>
<td>158</td>
<td>127 (80.3)</td>
<td>31 (19.6)</td>
</tr>
<tr>
<td>AM Daytime</td>
<td>39</td>
<td>35 (89.7)</td>
<td>4 (10.2)</td>
</tr>
<tr>
<td>AM Pre/Post</td>
<td>25</td>
<td>23 (92)</td>
<td>2 (8)</td>
</tr>
<tr>
<td>AM Full-time</td>
<td>94</td>
<td>69 (73.4)</td>
<td>25 (26.6)</td>
</tr>
<tr>
<td>FM Stations</td>
<td>155</td>
<td>106 (68.4)</td>
<td>49 (31.6)</td>
</tr>
<tr>
<td>FM Class A</td>
<td>61</td>
<td>42 (68.8)</td>
<td>19 (31.1)</td>
</tr>
<tr>
<td>FM Class B/C*</td>
<td>53</td>
<td>25 (47.1)</td>
<td>28 (52.8)</td>
</tr>
<tr>
<td>FM Class E</td>
<td>41</td>
<td>39 (95.1)</td>
<td>2 (48.7)</td>
</tr>
</tbody>
</table>

### Table 7

Breakdown of MTDP stations by format and class

<table>
<thead>
<tr>
<th>Station Class</th>
<th>Total #</th>
<th>Black-Oriented %</th>
<th>General %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTDP STATIONS</td>
<td>175</td>
<td>145 (82.8)</td>
<td>30 (17.1)</td>
</tr>
<tr>
<td>AM Stations</td>
<td>109</td>
<td>98 (89.9)</td>
<td>11 (10)</td>
</tr>
<tr>
<td>AM Daytime</td>
<td>24</td>
<td>24 (100)</td>
<td>0 (0)</td>
</tr>
<tr>
<td>AM Pre/Post</td>
<td>21</td>
<td>19 (90.4)</td>
<td>2 (8)</td>
</tr>
<tr>
<td>AM Full-time</td>
<td>64</td>
<td>55 (85.9)</td>
<td>9 (14)</td>
</tr>
<tr>
<td>FM Stations</td>
<td>66</td>
<td>47 (71.2)</td>
<td>19 (28.7)</td>
</tr>
<tr>
<td>FM Class A</td>
<td>35</td>
<td>28 (80)</td>
<td>7 (20)</td>
</tr>
<tr>
<td>FM Class B/C*</td>
<td>31</td>
<td>19 (61.2)</td>
<td>12 (38.7)</td>
</tr>
</tbody>
</table>
Diversity of Voices

Research questions five and six ask about the ability of profit-driven decisions to meet the FCC's call for diversity of programming and serve the needs of minority communities. Murdock and Golding (1977) theorize that one consequence of relying on market forces is that "the range of material available will tend to decline as market forces exclude all but the commercially successful."

The market by its very nature works against diversity. African-American broadcasters, while still providing entertainment formats that serve the black community have cut back on cultural and informational programs. Singleton (1981) conducted a content analysis of 248 black-oriented radio stations and found that "Black station owners do not provide significantly more or less news, public affairs or other non-entertainment programming than their non-black counterparts" (p. 199).

When the FCC developed the minority ownership policies its goal was to have minority owners provide service to under-served communities. The FCC had hoped for diversified cultural, viewpoint, news and public affairs. What they got after deregulation is more "soul radio."

In response to research questions five and six, a political economic media theory analysis concludes that profit-driven decisions do not lead to diversification of broadcast voices, nor do they properly serve minority communities.
Status of Minority Ownership Policies

Research question number two, which asks if deregulation makes it more difficult for minorities to own radio stations, and question number seven which asks if the FCC’s minority ownership policies have been mitigated by deregulation, both relate to the current status of the policies.

Murdock and Golding (1977) theorize that market forces consolidate the positions of established groups and exclude “groups who lack the capital base required for successful entry” (p. 37). Deregulation has made radio ownership more difficult for African-Americans and other minorities by driving up the cost of properties, nullifying the distress sale, and creating a climate (duopoly and LMA) that allows well financed corporations to gobble up the best properties in major markets.

In response to research questions two and seven, a political economic media theory analysis concludes that deregulation has made it more difficult for minorities to own radio stations and mitigated the FCC’s minority ownership policies.
Chapter 6

DISCUSSION

The empirical evidence presented in the results section suggests that deregulation has had an adverse effect on African-American-ownership of radio stations. While the intensity of that effect is debatable it is clear that the FCC rules (1978) designed to promote minority-ownership have been severely affected.

The distress sale has fallen into disuse (Stavitsky, 1992). The tax certificate no longer represents the sale of individual radio stations (FCC, 1982). The question of what constitutes minority ownership is arguable. The FCC accepts one standard; the Minority Telecommunications Development Program (MTDP) of the National Telecommunications and Information Administration (NTIA) of the Department of Commerce (DOC) suggests another standard. The comparative hearing process and the diversity of voices justification have been weakened (Bechtel v. FCC, 1992; Book, 1992).

Evidence also shows that the percentage of black-owned radio stations has not grown significantly during the 15 years that the FCC’s minority ownership policies have been in effect. The figures have risen from less than 1% (56 out of 7,000) in 1978 to 2.7% (313 out of 11,334) in 1993.
The MTDP's 50% ownership criterion, which provides stronger proof of minority ownership, shows an even smaller increase to 1.5% (175 out of 11,334). Furthermore most of the growth in black radio ownership came during the early years before deregulation was completed.

The policies as administered under the Carter administration resulted in significant increases. The National Black Media Coalition (1983) found that in 1980 minorities (blacks and Hispanics) owned 135 out of 8,500 (1.5%) stations. Similarly McKee (1983) found that between 1978 and 1982 the number of black-owned broadcast properties increased from 65 to approximately 127 (117 radio and 10 television stations). “Twenty-two distress sales were approved in 1980, the last year of the commission under the Carter administration. The 1980 total alone represents 58% of all distress sales approved” (Stavitsky, 1992, p. 252). The last distress sales were made in 1988 (see Figure 2).

Murdock and Golding (1977) theorize that those groups lacking the capital base required for successful entry will be excluded. African-Americans have entered the marketplace but in small numbers and with substandard properties (see Figure 4).

The theory, while adequate to look at the forces working to exclude minorities from broadcasting, does not explain format decisions made by black broadcasters who have acquired properties. African-Americans have less disposable income than other sectors of the audience. The theory would
suggest that black broadcasters would ignore this audience in favor of serving more affluent audiences (see Book, 1992). Yet, as reported in Chapter 5, three-quarters of all black broadcasters (and eight out of 10 MTDP stations) choose formats that have traditionally served the African-American community. This is as much historical as it is cultural. Most black-owned radio stations are older black-oriented stations once owned by whites. Most are weaker stations that adopted the "black" format because they were unable to compete with stronger stations for general audiences. It is likely that the current owners still use the same program strategy of using weaker stations to serve minority audiences.

At the same time the diversity standard as originally intended by the FCC has suffered. The FCC hoped that minority ownership would produce cultural, viewpoint, news and public affairs diversity. "It is upon ownership that public policy places primary reliance with respect to diversification of content, and that historically has proven to be significantly influential with respect to editorial comment and presentation of news" (NABOB, 1990, p. 6-7). What has occurred, however, is more "soul radio." Black broadcasters, while providing formats that serve the African-American community, concentrate on the more marketable music formats. In many cases they compete with white owners for the black audience. News, public affairs and cultural variety, suffer. Black owners, just like their white counterparts, cut back on the delivery of nonentertainment services to meet the bottom line.
Political economic media theory suggests that the answer to research question five, which asks if profit-driven decisions meet the FCC’s call for diversity of programming, and question six, which asks if profit-driven decisions meet the needs of the communities that the FCC hopes minority broadcasters will serve is no. Profit-driven decisions fail to meet the FCC’s call for diversity. Furthermore, they force minority broadcasters, whom the FCC had hoped would serve minority communities, to ignore important community needs.

This failure is for reasons other than predicted. It was predicted that black broadcasters would ignore poorer audiences including minorities. It appears that the failure is the result of another part of the theory: risk avoidance. Murdock & Golding (1977) theorized that the range of material declines as market forces exclude all but the commercially successful. Deregulation forces broadcasters to consider the commercial viability of programs before they are aired. Consequently, stations avoid nonentertainment programs.

With regard to the area of service, Singleton (1981, p. 196) writes: “One important area in which minority radio has been criticized for such ‘under service’ is non-entertainment radio programming: news, public affairs and ‘other’ categories.” His content analysis of 248 radio stations that program to African-American audiences indicated that “Black station owners do not provide significantly more or less news, public affairs or other non-entertainment programming than their non-black counterparts.” This is one
of the program areas that the FCC left to the mandates of the marketplace during deregulation.

The marketplace supports "soul" radio but not the expanded "cultural, viewpoint, news and public affairs" intended by the FCC. Radio is serving the popular musical tastes of African-American audiences and other soul music enthusiasts at the expense of other programs. At one time black audiences were offered a broad representation of the cultural, news, and public affairs viewpoints that make up the black experience. Today the audience is limited to what is commercially popular.

Urban contemporary (soul radio) is the format typically found in cities with only one black-owned and operated station. In larger cities such as New York, Philadelphia, & Washington, DC other black-oriented formats, such as gospel, inspirational, and news/talk are available. Gospel and inspirational formats are also popular in black rural areas.

In most cases the black viewpoint with respect to news and public affairs has been lost. Most black-oriented stations offer a heavy concentration of music with little or no news, viewpoint or public affairs programs. African-Americans like all Americans must now depend upon stations formatted to provide all news or news/talk. In most cases those stations do not offer a black viewpoint.

At a time when the African-American community is in major crisis (crime, drugs, teen pregnancy, AIDS), radio, the medium best able to reach
the black community (Newman, 1988) has become the medium least likely to present news and information. "[T]he range of material available will tend to decline as market forces exclude all but the commercially successful" Murdock and Golding, 1977, p. 37).

As a result of deregulation it is more difficult for broadcasters to serve the community's pressing needs and survive against competitors willing to ignore those same needs. In addition to forcing broadcasters to concentrate only on commercially successful programs, deregulation has also created a climate that encourages audiences to avoid issue-oriented programming.

In the 28 pages criticizing the media, the Kerner Commission (1968) stated that

[T]he news media have failed to analyze and report adequately on racial problems in the United States and, as a related matter, to meet the Negro's legitimate expectations in journalism. (Kerner, 1968, p. 366)

The FCC advanced minority ownership as a remedy for this problem. Deregulation has severely affected black-owned radio's ability to provide programs that address this need.

Minority broadcasters in a precarious situation. They compete with better financed outlets who are cutting back on nonentertainment programs in a deregulated marketplace. Yet, the FCC expected that minority ownership would result in more than a diversification of entertainment programs.
Critics of the FCC's minority ownership policies seem to want to hold minorities, but not other owners, to that standard.

**Current Trends**

As reported in Chapter 5, the rate of increase of black radio ownership has slowed. New information indicates that minority owners are losing ground. WDAS AM & FM Philadelphia, acquired by Unity Broadcasting, an African-American-owned broadcast company, at a distress sale in 1979 has been sold to the Beasley Broadcasting Group, a white-owned company. Beasley, which also owns WXTU-FM and WTEL-AM, will acquire the first duopoly in the Philadelphia market.

*Broadcasting Magazine* also reports a drop in minority ownership (Viles, Dec. 13, 1993); minority owners have suffered in the 16 months that the duopoly ruling has been in effect. Jim Winston, executive director and general counsel for the National Association of Black Owned Broadcasters (NABOB), which opposed duopoly, says:

> So the FCC's idea of helping weak stations has been corrupted. If you're a weak station, you've just been weakened more. If you were a small AM station trying to compete against an FM station, now you've got the FM stations combining against you, so you're worse off. (Viles, Dec. 13, 1993, p. 91)

Viles makes a common mistake and mixes criteria. He combines the FCC's 20% ownership criterion with the MTDP's more stringent 50% criterion.
"A single transaction awaiting FCC approval—Clear Channel’s proposed divestiture of 11 stations to minority-controlled Snowden Broadcasting—would increase the number of black-owned or -controlled stations by 6%. (Viles, Dec. 13, 1993, p. 91)

The article uses MTDP ownership figures including a table. Yet, Snowden will own 20% of the company; Clear Channel will continue to own 80%. This transaction does not meet the MTDP’s 50% ownership criterion and therefore will not change the ownership figures as kept by the MTDP. The sale of WDAS AM & FM, on the other hand, will cause a reduction in the MTDP’s figures.

**Cause for Concern**

There is real cause for concern that the FCC may abandon its goal of encouraging minority ownership. The agency has allowed the distress sale to fall into disuse, the tax certificate to be weakened, and the justification for diversity of broadcast voices and the comparative hearing to be diluted. The evidence now suggests that the number of minority-owned stations is actually declining.

Singleton (1981) and Hart (1988) call on the FCC to address forces preventing minority owners from properly serving audiences. This thesis suggests that those forces are marketplace forces unleashed by the FCC as a result of deregulation. Singleton (1981), fearing that the FCC may abandon its goal of increasing minority ownership, calls for a fairer standard of evaluation:
Assuming that minority station owners are bound by the same, if not more severe, economic constraints in the radio marketplace as their non-minority counterparts, the FCC should reconsider whether increased program service is a useful or fair basis on which to advocate increases in minority ownership. (p. 200)

This thesis using political-economic theory shows that deregulation has had an adverse effect on black ownership. The FCC’s decision to let the marketplace determine the structure of broadcasting has hurt minority ownership policies to the point where the policy’s two major planks, the distress sale and the tax certificate policy, are no longer effective tools. The FCC has been unable to successfully protect its other justifications; consequently the diversity of viewpoints mandate and the comparative hearing process have also become ineffective. Furthermore, properties owned by African-Americans are bottom rung and are forced to compete with outlets owned by mega-corporations in an increasingly competitive marketplace.

When it began the process of deregulation, the FCC predicted that its minority ownership policies might be in jeopardy. In fact it stated its concerns in much the same terms as Murdock and Golding (1977):

The FCC promulgated ownership and other rules to promote diversity of media control, including minority ownership. But there is considerable evidence that these rules have actually limited competition. Yet, their abrupt removal could result in greater market dominance by established entities, less diversity and fewer opportunities for new entrants into broadcast ownership, including minorities. (FCC, 1982, p. 1)
It is not the purpose of this thesis to suggest policy; however, if the 
FCC is interested in minority ownership, revisiting three areas would 
encourage minority ownership without requiring major reregulation. 

First, reinstating the anti-trafficking rule (requiring broadcasters to 
operate a station for a minimum of three years before they may sell it) would 
justify the comparative hearing process and lend credence to the integration 
of ownership and management policy. Business plans would more clearly 
reflect operating policies rather than the strategy companies plan to use until 
they can unload outlets. Reinstating the anti-trafficking rule would force 
broadcasters to emphasize service, cause the inflated price of stations to 
drop, and encourage serious broadcasters, while discouraging speculators. 

Second, rescinding the duopoly and the Local Marketing 
Agreement (LMA) rules would prevent mega-corporations from further 
consolidating properties. This would also cause inflated prices to drop. 
While it can be argued that rescinding duopoly and LMA would cause more 
properties to go dark, there are advantages. Overall the market would be 
stronger because the shakeout would leave only the stronger properties. 
Duopoly and LMA work against strong markets by allowing co-owned weak 
properties to give co-owned strong properties an artificial advantage. 
Furthermore a dark property is not a lost resource. The spectrum space still 
exists and in most cases the outlet can be reactivated when economic 
conditions improve. Minorities could be encouraged to reactivate dark 
stations.
Finally, the diversification of broadcast voices mandate should more accurately reflect operation in a deregulated marketplace. If stations are no longer required to provide nonentertainment programming, it is unfair to expect minority-ownership to result in diversity of viewpoint. Minority broadcasters cannot be held to standards that other broadcasters are no longer required to meet. The FCC should establish a new standard. Because other standards are lacking, this thesis suggests a cultural standard. Would the average African-American listening to the station find it to be reflective of black cultural norms?

If the FCC genuinely wishes to promote minority ownership, it will need to develop new policies. The policies developed in 1978 do not work in a deregulated marketplace. Any new policies designed by the FCC must take into consideration that deregulation has changed the playing field. The FCC would be wise to develop new policies by first examining how deregulation affected the old policies. The challenge then would be to develop policies that can work in a deregulated environment.
REFERENCES


Federal Communications Commission. (1982). Policy statement and notice of proposed rule making: In the matter of commission policy regarding the advancement of minority ownership in broadcasting. (Docket No. 82-797). Washington, DC.


McAvoy, K. FCC will consider freeze on New FM's. Broadcasting & Cable, April 26, 1993.


