THE RECOGNITION OF LEGITIMATE RENEWAL EXPECTANCIES IN BROADCAST LICENSING

I. INTRODUCTION

The Communications Act of 1934 provides that the Federal Communications Commission (FCC) shall grant a broadcaster’s license for a maximum period of three years to any applicant it deems sufficiently able to serve the “public convenience, interest, or necessity.” At the expiration of the three year term, the FCC may renew the license for another three years if the incumbent again meets the “public interest” criteria. Implicit in the three year limitation is a recognition that the “field of broadcasting is one of free competition” and that a station license vests in a licensee only so long as it serves the “public interest.”

Despite these objectives, the FCC has traditionally favored an in-
cumbent licensee when faced with a competitive challenger.\(^8\) The seemingly routine judicial affirmation of the Commission's preference for the incumbent\(^9\) has led at least one court to label the practice as giving rise to a "renewal expectancy."\(^{10}\) The Commission's strong preference for the incumbent evolves from its attempt to "secure[e] the maximum benefits of radio [television],"\(^{11}\) yet maintain stability\(^{12}\) in the broadcast industry.\(^{13}\)

This Note traces the judicial and self-imposed constraints on the Commission that led to the policy of renewal expectancy. After developing a history of communications licensing, the Note concentrates on


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the recent landmark case of *Central Florida Enterprises v. FCC*. The last sections discuss the implications of *Central Florida*, congressional attempts to revise renewal procedures, and the need for a policy of renewal expectancy to promote industry stability.

II. LICENSING PROCEDURES

A. *The Comparative Hearing*

The Commission typically conducts two types of licensing procedures. The noncomparative hearing, which simply consists of an application for a broadcast license by a single licensee to operate on an available open channel, is the more inexpensive and easier to administer of the two procedures. The Commission considers three criteria: (1) whether the applicant's proposed programming meets the "needs and interests of the community"; (2) whether the proposed license possesses economic ramifications to existing licenses; and (3) whether the

15. The licensing procedure is a two-step process. The applicant must first apply for and be granted a construction permit, which allows him to build the facility. See 47 U.S.C. §§ 153(ee), 319 (1976); 47 C.F.R. §§ 73.3511, 73.3533 (1979). After construction, the Commission generally grants, in a summary fashion, the permit to operate. See Ashbacker Radio Co. v. FCC, 326 U.S. 327, 328 n.1 (1945); 47 U.S.C. § 319(c) (1976). The applicant in a noncomparative hearing must pay an application fee, see 47 C.F.R. § 1.1111 (1979), and probably attorney's fees for preparation of the application. These costs, however, compare favorably with hearing costs, which can be $3.5 million for the initial hearing stage alone. See Cowles Florida Broadcasting, Inc., 60 F.C.C.2d 372, 447 n.34 (1976) (Robinson, Comm'r, dissenting). For a comprehensive discussion of the Commission's licensing procedures, see Anthony, *Towards Simplicity and Rationality in Comparative Broadcast Licensing Proceedings*, 24 STAN. L. REV. 1, 1-61 (1971).
16. All applicants must meet legal, technical, and financial qualifications before the Commission will take evidence on public interest issues. See 47 U.S.C. §§ 308(b), 313(a), 319(a) (1976).
17. The Commission is primarily concerned with the licensee's programming. The Commission has been reluctant, however, to move from general to specific standards for appraising programs, relying instead on agency intuition. See notes 72, 80 infra and accompanying text. See also *Central Florida Enterprises v. FCC*, 598 F.2d 37 (D.C. Cir. 1978), cert. dismissed, 99 S. Ct. 2189 (1979).
19. See *Carroll Broadcasting Co. v. FCC*, 258 F.2d 440 (D.C. Cir. 1958). *Carroll* is the leading case on the FCC's consideration of economic harm to existing stations in an advertising market when determining whether to license a new station. The Court held that "when an existing
granting of the license will result in undue concentration of the mass media.\textsuperscript{20}

The more difficult situation arises when two or more applicants vie for the right to operate under the same license.\textsuperscript{21} The Communications Act does not explicitly provide the Commission with a procedure to compare competing applicants,\textsuperscript{22} but the Supreme Court in \textit{Ashbacker Radio Corp. v. FCC},\textsuperscript{23} interpreted what is now section 309(e)\textsuperscript{24} of the Act to require the FCC to consider mutually exclusive applicants at the same time.\textsuperscript{25} The District of Columbia Court of Appeals also upheld licensee offers to prove that the economic effect of another station would be detrimental to the public interest, the Commission should afford an opportunity for presentation of such proof, and, if the evidence is substantial . . . . should make a finding or findings." \textit{Id.} at 443. \textit{See} FCC v. Sanders Bros. Radio Stations, 309 U.S. 470 (1940); FCC v. Pottsville Broadcasting Co., 309 U.S. 134 (1940).

20. In any particular market, a licensee may own only one AM/FM combination and one television station. \textit{See} 47 C.F.R. §§ 73.35(b) (1978) (AM); \textit{id.} at § 73.240(a)(2) (FM); \textit{id.} at § 73.636(a)(2) (television). Nationally, one licensee may own seven AM, seven FM, and seven television stations. \textit{See} 47 C.F.R. §§ 73.35, 240, .636 (1978). The Commission also may consider whether a broadcast license will result in a concentration of all media, including newspapers. \textit{See}, e.g., FCC v. National Citizens Comm. for Broadcasting, 436 U.S. 775 (1978); McClatchy Broadcasting Co. v. FCC, 239 F.2d 15 (D.C. Cir. 1956), \textit{cert. denied}, 353 U.S. 918 (1957); Scripps-Howard Radio, Inc. v. FCC, 189 F.2d 677 (D.C. Cir. 1951).

21. Competitive applications occur in two situations: (1) at renewal time, when an incumbent is faced with a challenge to its license; and (2) in an original proceeding, when two or more new applicants wish to operate on one available frequency. In both original and renewal cases challenges do not necessarily arise from competing broadcasters. Section 307(d) provides that any "party in interest" may file a petition for denial. \textit{See} 47 U.S.C. § 309(d)(1) (1976); 47 C.F.R. § 1.580(i)(i) (1978). \textit{See also} National Organization for Women v. FCC, 555 F.2d 1002 (D.C. Cir. 1977) (women's group); Citizens Comm. to Save WEFM v. FCC, 506 F.2d 246 (D.C. Cir. 1974) (citizens' group); Spanish Intl Broadcasting Co. v. FCC, 385 F.2d 615 (D.C. Cir. 1967) (ethnic group); Office of Communication of United Church of Christ v. FCC, 359 F.2d 994 (D.C. Cir. 1966) (religious group).

22. The Act requires the Commission to hold a hearing only when denying a license or when there are "substantial and material question[s] of fact" on which the Commission is unable to reach a finding. 47 U.S.C. §§ 307(d), 309(e) (1976).


24. 47 U.S.C. § 309(e) (1976) (originally § 309(a) (1934)).

25. The Commission considered the applicants mutually exclusive, even though they wished to operate in different cities, because their simultaneous operation would have resulted in signal interference. 326 U.S. 327, 328 (1945). Technically, at least, the Commission complied with the hearing requirement. Noting the exclusivity of the licensees, the FCC granted one application and set a later hearing for the other applicant. The Supreme Court held, however, that the burden of persuasion necessary to dislodge the successful applicant would be difficult to overcome and, therefore, the hearing was an "empty thing." \textit{Id.} at 329-32. \textit{Ashbacker} involved two original candidates; the Commission, however, also applies the procedure in cases of mutually exclusive applications for renewal. \textit{See} cases cited note 8 supra. \textit{See also} Moline Television Corp., 31 F.C.C.2d 263 (1971); The Tribune Co., 19 F.C.C. 100 (1954).
an applicant's right to a comparative hearing,\textsuperscript{26} despite the Commission's recent insistence that the procedure is unworkable and unnecessary in the renewal context.\textsuperscript{27}

B. The Development of the Comparative Criteria

Although the courts require the FCC to hold comparative hearings,\textsuperscript{28} the Commission retains comprehensive powers\textsuperscript{29} to determine standards by which to evaluate applicants. The broad requirement of the Act—to select the licensee who will best serve the public interest—allows the Commission to develop extensive comparative criteria.\textsuperscript{30} These criteria have never been the subject of administrative rulemaking; rather, the criteria evolved on a case-by-case basis\textsuperscript{31} as the Commission "gained new insight into the relevant issues of the comparative proceeding."\textsuperscript{32}

The Commission's ad hoc approach led to an exhaustive list of comparative criteria,\textsuperscript{33} including local ownership, integration of ownership

\begin{itemize}
\item \textsuperscript{26} See Citizens Communications Center v. FCC, 447 F.2d 1201 (D.C. Cir. 1971). \textit{See also} notes 70-77 \textit{infra} and accompanying text.
\item \textsuperscript{27} \textit{See} Formulation of Policies, \textit{supra} note 12, at 429. \textit{See also} Cowles Florida Broadcasting, 60 F.C.C.2d 372, 430, 435 (1976) (Wiley & Robinson, Comm'r's, dissenting).

\item \textsuperscript{28} Several cases hold that no hearing need occur when an application fails to satisfy the Commission's rules or when an applicant does not meet the Commission's basic qualifications. \textit{See} 47 U.S.C. § 303(a-s) (1976). \textit{See, e.g.,} United States v. Storer Broadcasting Co., 351 U.S. 192 (1956); WLVA, Inc. v. FCC, 459 F.2d 1286 (D.C. Cir. 1972); Goodwill Stations, Inc. v. FCC, 325 F.2d 637 (D.C. Cir. 1963).
\item \textsuperscript{29} The Act requires only that the Commission grant a license to the applicant who will best serve the public interest. The Commission's power to derive standards by which to judge an applicant has never been questioned. \textit{See} National Black Media Coalition v. FCC, 589 F.2d 578, 581 (D.C. Cir. 1978) ("Within these broad confines [of public interest], the Commission is left with the task of particularizing standards to be used in implementing the Act.").
\item \textsuperscript{30} The judiciary requires only that the Commission take evidence on all the relevant characteristics of the applicants. In Johnston Broadcasting Co. v. FCC, 175 F.2d 351 (1949) the court held: "The Commission cannot ignore a material difference between two applicants and make findings in respect to selected characteristics only. . . . It must take into account all the characteristics which indicate differences, and reach an overall relative determination upon an evaluation of all factors, conflicting in many cases." \textit{Id.} at 357.
\item \textsuperscript{31} The Supreme Court upheld the Commission's power to adapt its comparative criteria to changing circumstances. \textit{See} National Broadcasting Co. v. United States, 319 U.S. 190 (1943).
\item \textsuperscript{32} Anthony, \textit{supra} note 16, at n.159 (quoting \textit{NETWORK BROADCASTING: REPORT OF THE NETWORK STUDY STAFF TO THE NETWORK STUDY COMMISSION, H.R. REP. NO. 1297, 85TH CONG., 2D SESS. 68-72 (1957))}.
\item \textsuperscript{33} \textit{See} ADMINISTRATIVE CONFERENCE OF THE UNITED STATES, COMMITTEE ON LICENSES
and management, control of other broadcast or print media, and proposed programs. Application of these criteria, in the Commission's view, would provide broadcast outlets in the best interests of the local service community. The Commission presumed that applicants whose owners were members of the community would be closely attuned to the desires and problems of that locality. Furthermore, local owners who participated in station management would air locally oriented programs. The Commission, therefore, placed a great deal of weight on proposed programming, emphasizing that significant amounts of local live programs would best demonstrate an applicant's


34. The Commission usually places most weight on these four factors. See, e.g., Central Florida Enterprises, Inc. v. FCC, 598 F.2d 37 (D.C. Cir. 1978), cert. dismissed, 99 S. Ct. 2189 (1979) (diversification and integration entitled to weight); Massachusetts Bay Telecasters, Inc. v. FCC, 261 F.2d 55 (D.C. Cir. 1958), cert. denied, 366 U.S. 918 (1961) (newspaper ownership preferred); McClatchy Broadcasting Co. v. FCC, 239 F.2d 15 (D.C. Cir. 1956), cert. denied, 353 U.S. 918 (1957) (newspaper ownership is basis for denial of license); Plains Radio Broadcasting Co. v. FCC, 175 F.2d 359 (D.C. Cir. 1949) (proposed programming important in license application); The Tribune Co., 19 F.C.C. 100, aff'd on reconsideration, 19 F.C.C. 650 (1954) (proposed programming of applicant basis for grant of license).

35. The entire thrust of the present regulatory procedure is to provide for stations in as many localities as possible. The present licensing system, according to the Commission, "protects the public residing in smaller cities and rural areas more adequately than any other system." 17 Fed. Reg. 3905, 3906 (1952).


37. Id. But see notes 174-83 infra and accompanying text.


39. This criterion invited applicants to inflate initial live programming proposals far in excess of what they actually provided. In the Tribune case, for example, the winning applicant proposed 43% local live programming, but delivered only 16.2%. Between 1952 and 1965, before the Commission abandoned the subjective programming approach and adopted objective criteria, the FCC sampled programming proposals in 35 cases. Successful applicants proposed on the average to devote 31.5% of broadcast time to local live programming, but delivered only 11.8%. See Moline

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"ability to meet and fulfill community needs."\(^{40}\)

After formulating a method of comparing competitive applicants, the Commission ignored the method in the first comparative renewal proceeding. In *Hearst Radio, Inc.*\(^{41}\) the FCC noted the "overriding requirement" of the Act—protection of the public interest—and placed decisive weight on the past broadcast record of the incumbent in a comparative hearing.\(^{42}\) After comparing the applicants, the Commission declared the challenger "superior" in integration of ownership and diversification, but found the incumbent (Hearst) to have provided "acceptable," though not "outstanding," service to the community.\(^{43}\) Thus, the Commission concluded that the public interest would be better served by renewing the incumbent rather than by awarding the license to an applicant with an unproven record.\(^{44}\)
This rationale effectively prevented the Commission from comparing an incumbent and challenger because a challenger rarely possesses a past broadcast record that is susceptible to comparison. The emphasis on past programming effectively precluded attempts to unseat incumbents and "guaranteed" renewal.

Recognizing the substantial difficulties in its reliance on programming as a basis for comparing competing applicants, the Commission shifted the comparative criteria from subjective programming standards to objective standards based on the structural characteristics of the applicants. The resulting Policy Statement on Comparative Broadcast Hearings—the 1965 Policy Statement—recognized two primary considerations in the hearing process: (1) the "diversification of con-

Hearst Radio, Inc., 15 F.C.C. 1149, 1176 (1951). By accepting a known versus an unknown entity, the Commission made clear that it places primary emphasis on past "meritorious" performance as the best indicator of future performance and that the comparative criteria serve only as "guideposts." Id. at 1176.

45. The Commission would adduce information on the past broadcast experience of the challenger to corroborate its program proposals, but usually did not grant a preference to any applicant. See Beaumont Broadcasting Corp., 19 F.C.C. 161, 168 (1954); The Tribune Co., 19 F.C.C. 100, 155 (1954); Hearst Radio, Inc., 15 F.C.C. 1149, 1182 (1951).

46. The Commission decided only one comparative renewal case in the 17 years after Hearst. See Wabash Valley Broadcasting, 35 F.C.C. 677 (1963), in which both the incumbent and the challenger had past broadcast records. The Commission, however, dismissed the challenger's past record because it had been compiled in a "different medium and city." Id. at 678-79.

47. The practical effect of Hearst and Wabash was to give the incumbent an advantage on the basis of his "past broadcast record per se." Citizens Communications Center v. FCC, 447 F.2d 1201, 1208 (D.C. Cir. 1971). In addition, the FCC's position placed the challenger in a "catch 22" situation by minimizing any advantage that it might possess under the diversification and integration criteria. In Hearst, for example, the Commission held that the usual presumption that proposed programming would be carried out by the applicant with the better integration and diversification proposals would not be considered "where a record is available establishing the capabilities of the management employed by prospective licensees." 15 F.C.C. at 1179.

48. See notes 38-42 supra.

49. 1 F.C.C.2d 393 (1965) [hereinafter cited as 1965 Policy Statement]. The Commission recognized the various differences between the comparative hearing involving original applicants and that concerning a renewal candidate. In a footnote to its 1965 Policy Statement, the Commission held: "This statement of policy does not attempt to deal with the somewhat different problems raised where an applicant is contesting with a licensee seeking a renewal of a license." 1965 Policy Statement, supra, at 393 n.1. In Seven (7) League Productions, Inc., 1 F.C.C.2d 1597 (1965), however, the Commission held that the policy statement should govern the "introduction of evidence" in renewal proceedings. Id. at 1597-98.

50. The Commission has never fully articulated its rationale for its adoption of the 1965 criteria. The adoption of structural criteria seems to reflect the Commission's inability to predict applicant superiority based on programming. The 1965 criteria presumably reflects the qualifications that, if met, would produce the optimal chance for public interest broadcasts. See notes 31-44 supra and accompanying text. See also Hyde, FCC Policy And Procedures Relating To Hearings

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control of the media of mass communications” (diversification); and (2) the “best practicable service to the public,” based on a comparison of the applicants’ proposals for owner participation in the day-to-day operation of the station (integration), minority ownership, proposed service, and past broadcast record.

One justification for the use of diversification as a primary substantive criterion in the licensing process is a recognition that the owner of a few media interests can expend more time, energy, and money on the facility in question. A second justification is the Commission’s belief that the public interest is best served by providing local forums for free expression and by preventing concentration of the mass media in the hands of a few.

On Broadcast Applications In Which A New Applicant Seeks To Displace A Licensee Seeking Renewal, 1975 DUKE L.J. 253, 268-77; Comment, supra, note 27 at 582-83 n.62.

51. 1965 Policy Statement, supra, note 49 at 394.
52. Id. at 395-96.
53. Although the Commission previously used integration in its comparative analysis, the effect was usually diminished in a renewal situation. See notes 44-47 supra and accompanying text. The 1965 Policy Statement raised integration to decisional significance. Integration, as a criterion, consisted of three factors: (1) full-time participation by owners in station management; (2) local residence; and (3) broadcast experience. 1965 Policy Statement, supra note 49, at 395-96.
54. The Commission differentiates between previous broadcast experience and past broadcast record.

Previous broadcasting experience includes activity which would not qualify as a past broadcast record, i.e., where there was not ownership responsibility for a station’s performance. Since emphasis upon this element could discourage qualified newcomers to broadcasting, and since experience generally confers only an initial advantage, it will be deemed of minor significance. It may be examined qualitatively, upon an offer of proof of particularly poor or good previous accomplishment. Id. at 396. The Commission will review past broadcast performance in limited circumstances. See note 79 infra and accompanying text.

55. See TV-9, Inc. v. FCC, 495 F.2d 929 (D.C. Cir. 1973). The court held that although minority participation should not be awarded an automatic preference, it was a “material factor” that would be awarded “favorable consideration.” Id. at 941-42.
56. Id. at 398.
57. Despite the Commission’s promulgation of multiownership rules, see note 20 supra, it still considers an applicant’s outside media interests as a factor in the applicant’s ability to service the local community. The Commission, however, mitigates the diversification factor in a renewal situation. See Central Florida Broadcasting, Inc. v. FCC, 598 F.2d 37 (D.C. Cir. 1978), cert. dismissed, 99 S. Ct. 2189 (1979); Fidelity Television, Inc. v. FCC, 515 F.2d 684 (D.C. Cir.), cert. denied, 423 U.S. 926 (1975). See also notes 89-94, 102-06 infra and accompanying text.
58. See H. FRIENDLY, THE FEDERAL ADMINISTRATIVE AGENCIES: THE NEED FOR BETTER STANDARDS (1962). Friendly lists the following explicit objectives of diversification:
[p]revention of undue control over thought and opinion, locally, regionally, or nationally; prevention of independent stations from impairment or destruction by the economic power of multi-medium or multi-station operators; prevention of the exercise of undue control; provision of a diversity of voices; prevention of the concentration of media ownership and operation in the hands of a few. Id. at 398.
The use of integration as a substantial comparative factor reflects the importance that the Commission places on a licensee's ability to serve local needs. Additionally, the use of integration permits association of "legal responsibilities and day-to-day performance."

The 1965 Policy Statement prohibits the Commission from considering an applicant's past broadcast record unless the record reflects "unusually good" performance or "a failure to meet the public's needs." Proposed programming is not considered unless there are "material and substantial" differences between the applicants.

In *WHDH, Inc.* the Commission first applied the 1965 Policy Statement in a renewal proceeding and refused to renew the license of the incumbent, WHDH. The Commission's primary emphasis on the diversification and integration criteria placed the incumbent at an immediate disadvantage. The Commission, adhering to the Policy Statement, refused to award any preference to the incumbent, concluding that WHDH's past broadcast record was simply "average."

The broadcast industry severely criticized the Commission's decision for placing undue weight on past performance. In *Hearst*, the FCC placed decisive weight on past service as it did in *Hearst*. In reality, this has not been the case. The Commission's consideration of past programming would prevent the FCC from placing decisive weight on past service as it did in *Hearst*. In *Moline Television Corp.*, 31 F.C.C.2d 263, 272, 273 n.11 (1971); *In re Keith L. Reising*, 1 F.C.C.2d 1082, 1084 (1965).
The FCC's emphasis on diversification and integration, rather than on past broadcast record as comparative factors, signaled a retreat from the implicit preference for the incumbent found in *Hearst* and provided incumbent licensees with an increased possibility of challenge. \(^{67}\)

Reacting to the criticism, \(^{68}\) the Commission issued a policy statement in 1970 specifically directed at renewal applications. \(^{69}\) The 1970 Policy Statement \(^{70}\) attempted to codify the FCC's preference for the incumbent by providing a bifurcated renewal hearing. \(^{71}\) Initially, the Commission would review only the record of the incumbent. If the incumbent's program service during the preceding year had "been substantially attuned to meeting the needs and interests of its area," \(^{72}\) re-

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\(^{67}\) In the seven years preceding *WHDH*, only 11 competing applications were filed. In the two years after *WHDH*, 24 competing applications were filed. See Geller, *supra* note 42, at 482 & n.69.

\(^{68}\) The Commission denied reconsideration in *WHDH* but distinguished the case by declaring that *WHDH* had not been a true incumbent because it had operated under a four month temporary license. *WHDH*, Inc., 17 F.C.C.2d 856, 872-73 (1969). In affirmance the District of Columbia Circuit stated: "On the unique facts presented, *WHDH* was neither a new applicant nor a renewal applicant as those terms are generally construed." Greater Boston Television Corp. v. FCC, 444 F.2d 841, 859 (D.C. Cir.), cert. denied, 403 U.S. 923 (1971).


\(^{70}\) The policy was a response by the Commission to the introduction of legislation by Senator Pastore, which would have amended the Communications Act of 1934 to create a presumption of renewal. S. 2004, 91st Cong., 1st Sess. (1969). This presumption also appears in more recent legislative proposals. See note 4 *supra*. See also *Central Florida Enterprises*, Inc. v. FCC, 598 F.2d 37, n.59 (D.C. Cir. 1978), *cert. dismissed*, 99 S. Ct. 2189 (1979); *Citizens Communications Center v. FCC*, 447 F.2d 1201, 1210 (D.C. Cir. 1971); Geller, *supra* note 42, at 482-83.

\(^{71}\) The Commission emphasized that the public interest would be served by "preserving predictability and stability" in the broadcast industry. The FCC recognized the large financial investment required for broadcasting, concluding that a license "subject to withdrawal" would be a disincentive to people who wished to enter the industry and that the revocation of the license of a broadcaster who was providing "good service" would be against the public interest. See 1970 Policy Statement, *supra*, note 12, at 425. In *Central Florida Enterprises*, Inc. v. FCC, 598 F.2d 37, 60 (D.C. Cir. 1978), *cert. dismissed*, 99 S. Ct. 2189 (1979), the Commission again based renewal on the consideration that stability in broadcasting would be one method of serving the public interest. See notes 132-34 *infra* and accompanying text.

\(^{72}\) 1970 Policy Statement, *supra*, note 12, at 425 (emphasis added). Initially, the Commission did not articulate standards by which to judge "substantial" service. The FCC did, however, attempt to distinguish "substantial service," which would warrant prompt renewal, from "minimal service," which would not justify immediate renewal. "Substantial" service meant that the applicant served the public interest in an "ample solid fashion." *Id.* at 425 n.1. The public interest was
newal would be automatically granted. If not, a comparison of the applicants under the 1965 Policy Statement standards would guide the selection of a licensee. The Commission, in effect, resurrected the policy formulated in *Hearst* by theorizing that "public needs and interests" could be served not only by providing for competition in license hearings, but also by balancing the inherent benefits of competition against those derived from predictable and stable broadcast operation.

In *Citizens Communications Center v. FCC* the Court of Appeals for the District of Columbia held that the Commission's bifurcated procedure violated the Supreme Court's mandate in *Ashbacker* that the FCC conduct comparative hearings. In denying the Commission the right to review an incumbent's past record wholly apart from the comparative hearing, however, the Court recognized that an incumbent's past record is "necessarily at issue" and that the public would suffer "if [an] incumbent . . . cannot reasonably expect renewal"; thus, past superior performance by an incumbent should be awarded with a "plus of major significance." The distinction between the court's holding and

"minimally" served when the applicant performed in the "least permissible fashion still sufficient to get renewal in the absence of competing applications." *Id.* In 1971 the Commission proposed that "substantial" service should be determined by quantitative guidelines. *See* Broadcast Renewal Applicant, 27 F.C.C.2d 580 (1971) (Notice of Inquiry). The Commission later abandoned the attempt to adopt percentage guidelines, fearing artificially increased local programming and remaining unconvinced that the government should impose a national standard instead of independent programming. *See* Formulation of Policies, *supra* note 12, at 429. There has been renewed interest in percentage guidelines as a basis for determining the service of a broadcaster. Advocates have suggested the adoption of percentage guidelines in two "bedrock" areas—local and informational programming—and have proposed 15% as the standard to determine "meritorious service." *Broadcasting*, Jan. 22, 1979, at 50-52.

73. The Court of Appeals for the District of Columbia labelled the 1970 Policy Statement as an attempt to "administratively enact" the Pastore bill. *Citizens Communications Center v. FCC*, 447 F.2d 1201, 1210 (D.C. Cir. 1971). The two situations can be distinguished: the Pastore bill required the renewal applicant to meet only a minimal public interest standard, but the policy statement required substantial service. *See* 1970 Policy Statement, *supra* note 12.

74. *See* notes 41-47 *supra* and accompanying text.


76. 447 F.2d 1201 (D.C. Cir. 1971).

77. Petitioners also claimed that the Commission had overstepped its rulemaking bounds in violation of the Administrative Procedure Act (5 U.S.C. § 533 (1970)). The District of Columbia Circuit never reached this issue and decided the case on the basis of *Ashbacker*. 447 F.2d at 1204 n.5.

78. *See* 447 F.2d at 1213 n.35.

79. *Id.* at 1213. Substantial past service presumably would "preclude renewal." *Id.*

80. *Id.* The court expressed concern over the substantive qualities of its "superior" standard
the Commission's policy statement, therefore, is in the role of an incumbent's past broadcast record in a renewal proceeding. In the Commission's view, an incumbent's "substantial" record alone would preclude further comparison. The court, however, held that the Commission could not review an incumbent's record wholly apart from a comparative hearing. Although a "superior" record might weigh heavily in favor of renewal, the Commission must afford the challenger an opportunity to show that it could provide better service.

After the *Citizens* decision, the Commission has great latitude to determine what type of performance is "superior" and how much weight to accord this factor in its comparative analysis of an incumbent and a prospective licensee. In addition, an expectancy of renewal should attach when an incumbent possesses a "superior" past broadcast record. These two factors, when coupled with the Commission's natural preference for the incumbent, seem to insure renewal.

**C. Manipulation of the 1965 Criteria to Create a Renewal Expectancy**

*Citizens* permitted the Commission to use "superior" past performance as a factor in comparative hearings. If the past record was less

and urged the Commission to delineate such standards in a clear manner. The court also suggested criteria for determining "superior service": (1) elimination of loud and excessive advertising; (2) delivery of quality programs; and (3) percentage of profits reinvested in service to the public. *Id.* at 1213 n.35. The court, however, did not compel the Commission to adopt these suggestions. *See* Fidelity Television, Inc. v. FCC, 515 F.2d 684, 687 (D.C. Cir.), cert. denied, 423 U.S. 926 (1975). A panel suggested two more criteria: (1) diversification of ownership of mass media; and (2) independence from governmental influence. Commissioner Fogarty selected three more objectives:

1. The amount of time devoted to news, public affairs, children's programs and local programming that is "responsive to ascertained community problems, needs and interests;"
2. The amount of time devoted to programs directed to racial and cultural minorities;
3. The amount of time devoted to covering "controversial issues of public importance," editorial programming and public announcements.


81. The Commission opined that the court, although disposing of the 1970 Policy Statement, still believed that a policy should govern renewal expectancy. "We believe that while the court disapproved the procedure set up in the Renewal Policy Statement . . . it did not intend to overturn the policy that 'a plus of major significance' should be awarded to a renewal applicant whose past record warrants it. . . ." *Formulation of Policies, supra* note 12, at 444.

82. 447 F.2d 1201, 1213.


84. *See* note 80 supra.
than "superior," the renewal applicant would be subject to comparison only under the 1965 criteria. The Commission, however, was able to manipulate those criteria to recreate its informal presumption of renewal.

In *Fidelity Television v. FCC* the District of Columbia Court of Appeals affirmed an FCC decision awarding renewal to an incumbent despite its "average" broadcast record and the challenger's superiority in integration and diversification. The Commission reached this result by misapplying the 1965 Policy Statement's structural criteria. Instead of judging both applicants strictly on their integration and diversification proposals, the Commission looked solely at the traditional objectives of those criteria. The Commission held that the incumbent could achieve these goals if its structure provided the functional equivalent of local ownership and media diversification. Although RKO General, Inc., a large communications concern, owned the incumbent, the Commission reasoned that the large number of media interests in the area would offset the evils of concentration. The Commission also found that the autonomy granted by RKO to its local station managers served as the equivalent of direct owner involvement.

87. KHJ's performance consisted of 86.5% entertainment, 3.375% news, 3.375% religious, agricultural, and discussion programming, and 7.13% local live programming, 5% of which occurred in prime time. 44 F.C.C.2d at 130. Although KHJ's performance had met initial proposals, its heavy emphasis on entertainment and, in particular, on old movies, warranted neither a plus nor a demerit. *Id.* at 133. See 1965 Policy Statement, supra note 49.
88. Fidelity stockholders possessed insignificant interests in a local cable television station and a small suburban newspaper. The incumbent held 18 additional licenses, owned AM and FM stations in Los Angeles and elsewhere, and had extensive cable television holdings. 44 F.C.C.2d at 153-54. Fidelity also proposed a program schedule more attuned to local needs—22.55% local programming with 25.71% in prime time. *Id.* at 130.
89. See notes 50-62 supra and accompanying text.
90. 44 F.C.C.2d at 134-36.
91. The court, like the Commission, disregarded allegations that RKO's parent, General Tire and Rubber Co., had engaged in reciprocal commercial agreements. 515 F.2d at 690.
92. 44 F.C.C.2d at 136. The court upheld the Commission on this point, noting that the FCC's approach to diversification was not "unreasonable or unlawful." 515 F.2d at 702.
93. 44 F.C.C.2d at 135. The Commission reached this conclusion despite community complaints about the incumbent's broadcasting of extremely violent films. *Id.* at 221. The court again supported the Commission, stating that RKO's policy of "station independence and . . . requiring
ated a preference under the 1965 criteria and, therefore, renew the incumbent's license. The court of appeals upheld the license renewal, concluding that when applicants are essentially equal under the 1965 criteria the Commission can renew the incumbent's license to provide "greater security to licensees and greater stability to the industry." The Commission's manipulation of the structural criteria in *Fidelity Television* prevented effective comparison of Fidelity Television and RKO General, Inc. Once the FCC determined that the incumbent's record was average, the *Citizens* decision required the Commission to compare the applicants under the 1965 Policy Statement criteria, which would have favored Fidelity. The Commission, however, relied on its policy of incumbent preference and awarded renewal. In essence, the Commission disregarded both the holding of *Citizens* and the comparative criteria of its policy statement to grant renewal to the incumbent solely on the basis of its being a "broadcaster in the past—and nothing else."

III. CENTRAL FLORIDA ENTERPRISES v. FCC

In September 1978 the District of Columbia Court of Appeals attempted to circumvent the Commission's ad hoc policy and continuing practice of weighing comparative criteria to the renewal applicant's benefit. In *Central Florida Enterprises, Inc. v. FCC* the court reversed active participation in community affairs by station employees" had served the public interest. 515 F.2d at 693.

94. 44 F.C.C.2d at 136.
95. 515 F.2d at 702-04. The court held that Fidelity did not show itself a "superior or preferable applicant but rather a poor challenger who offers little more and is likely in fact to provide somewhat less than the incumbent." *Id.* at 702.
96. *Id.* at 702, 704.
97. The Commission's preference for the incumbent is apparent in the following short history of comparative radio and television renewal hearings. From 1961 to 1978, 17 television and 31 radio comparative hearings occurred. Although the Commission denied renewal to two television stations and eight radio stations, none of the denials were based on failure to meet the comparative criteria. *See* Central Florida Enterprises, Inc. v. FCC, 598 F.2d 37, 61 & n.23 (D.C. Cir. 1978), *cert. dismissed*, 99 S. Ct. 2189 (1979) ("incumbents can 'expect' in a statistical sense that their license will be renewed."). *See also* Las Vegas Broadcasting Co. v. FCC, 589 F.2d 594 (D.C. Cir. 1978) (applicant's fraudulent conduct causes disqualification); Gerico Inv. Co., 31 F.C.C. 625 (1961) (applicant fails to seek renewal).
a Commission decision granting renewal to Cowles Broadcasting, reasoning that the Commission’s actions created a presumption of “renewal expectancy” that was incompatible with the full-hearing requirement of section 309(e) and Ashbacker.100

The Commission admitted that the challenger, Central Florida Broadcasting, had a “clear” advantage on the diversification criteria. Central possessed no outside broadcast or mass media interests; Cowles’ parent corporation, Cowles Communications, Inc. (CCI), had significant broadcast and newspaper interests, although CCI did not directly control these interests.101 The Commission, however, using the Fidelity rationale,102 minimized Central’s advantage by arguing that CCI’s other broadcast and media interests were remote and not dominant in their markets.103

The Commission next compared the applicants under the “best practicable service” criterion. The Commission refused to reward Central’s stronger integration proposals105 because of Cowles’ established use of

100. Id. at 41. In addition to applying the standard comparative criteria issued in the 1965 Policy Statement, see note 54 supra, the Commission took evidence on specific designated questions concerning the licensee’s character and violation of Commission rules. Cowles Florida Broadcasting, Inc., 60 F.C.C.2d 372 (1976), vacated sub nom. Central Florida Enterprises, Inc. v. FCC, 598 F.2d 37 (D.C. Cir. 1978), cert. dismissed, 99 S. Ct. 2189 (1979).

The first designated issue was whether Cowles’ moving of its main studio from Daytona Beach to Orlando violated 47 C.F.R. § 73.613 (1977). Unlike the rules concerning the main studios of FM stations, id. § 73.210, and AM stations, id. § 73.30, the rules regarding television studios do not list mandatory numbers of programs that must originate to be declared “main.” The Administrative Law Judge noted the lack of specificity in the rules, but found on the basis of common usage that Cowles had moved its “main” studio.

The second issue concerned allegations of mail fraud by Cowles’ parent company, CCI, and whether they supported adverse character inferences sufficient to deny Cowles renewal. 60 F.C.C.2d at 398-400. 101. Id. at 395, 407-09. On reconsideration the Commission clarified the decisional weight given to Central’s diversity advantage. See Cowles Florida Broadcasting, Inc., 62 F.C.C.2d 953, 955-57 (1977); notes 116-18 infra and accompanying text.

102. CCI owned an AM-FM-TV combination in Des Moines, Iowa, a radio station in Memphis, and 24.6% stock ownership of the New York Times Co. 60 F.C.C.2d at 393.

103. 62 F.C.C.2d at 957.

104. Presumably, the Commission believed that CCI’s noncontrolling interests prevented the media concerned from speaking with a common voice. 60 F.C.C.2d at 394. Central argued that superiority in diversification was per se decisive and rendered everything else irrelevant. Id. at 407. See Associated Press v. United States, 326 U.S. 1 (1944) (media diversification is clear first amendment objective).

105. Three of Central’s shareholders, who controlled 10.5% of the stock, were to occupy managerial positions for a limited period. The Commission, citing the full time integration requirement of the 1965 Policy Statement, concluded that such participation did not merit decisional consideration. Central also proposed a 5.2% ownership by two black men. The Commission
local resident managerial personnel and because of noninterference with station management autonomy.\textsuperscript{106} In addition, the Commission found that the incumbent's past broadcast record\textsuperscript{107} was superior and thus constituted a "plus of major significance."\textsuperscript{108} Cowles' legitimate renewal expectancy under the \textit{Hearst} doctrine, its "superior" performance under \textit{Citizens}, and the Commission's general disinclination to use the license process to "restructure the industry"\textsuperscript{109} gave the incumbent a distinct preference on the "best practicable service" issue. The Commission thus concluded that this preference outweighed Centrals' "clear" advantage under the integration criteria.\textsuperscript{110}

The Commission's analysis in \textit{Central Florida}, although parallel to \textit{Fidelity}, differs in an important respect.\textsuperscript{111} The \textit{Fidelity} decision never reached the issue of "superior performance" outlined in \textit{Citizens}.\textsuperscript{112} In \textit{Central Florida} the Commission applied the "superior" criteria to give the incumbent a "plus of major significance" that overrode Central's comparative advantage, but only after dismissing the criteria normally used to measure the differences between applicants because one appli-
cant was a renewal candidate.\textsuperscript{113} The court, like its predecessor,\textsuperscript{114} never delineated precise enforcement standards for determining "superior" performance; thus, the FCC selected its own criteria and concluded that Cowles met the standards.\textsuperscript{115}

The Commission issued a clarification to describe clearly the significance of Cowles' past broadcast record and the limited weight given to Central's diversity superiority.\textsuperscript{116} The Commission on reconsideration\textsuperscript{117} abandoned the word "superior," finding instead that Cowles' performance was "solid, favorable and substantially above level of mediocre service which might just minimally warrant renewal."\textsuperscript{118} The FCC thus concluded that the legitimate renewal expectancy implicit in the Act\textsuperscript{119} entitled a broadcaster with a solid record to special consideration.\textsuperscript{120}

The court's reversal and remand of the decision to renew Cowles
signals an abandonment of its “tacit” approval of FCC decisions. Judge Wilky held that the Commission acted “unreasonably and without substantial record,” inadequately demonstrated how it had balanced the comparative factors, and seemingly decided the case only on “administrative intuition.” The court was primarily disturbed at the Commission’s undermining of Citizens by a discretionary weighing of Central’s clear superiority in integration and diversification. The court found that the Commission rendered idle these comparative criteria and used Cowles’ record as the only basis for decision. The Commission’s “reconstructed” 1965 criteria thus created a “de facto presumption” of renewal.

The court, however, did not eliminate the concept of renewal expectancy, although Judge Wilky emphasized that the Commission’s recasting of Cowles’ performance from “superior” to “substantial” prevented the award of a “plus of major significance.” The court instead adopted the language of an earlier Supreme Court decision that found renewal expectancies derived from “meritorious” service to be

121. Central Florida Enterprises, Inc. v. FCC, 598 F.2d 37 (D.C. Cir. 1978), cert. dismissed, 99 S. Ct. 2189 (1979). The Court’s decision alarmed both the Commission and the broadcast industry. Broadcasting, Jan. 22, 1979, at 50-52; Broadcasting, Oct. 2, 1978, at 28-30. The president of the National Association of Broadcasters concluded that the Central Florida opinion was “the most disturbing from industry stability standpoint in a long time, more than WHDH-TV.” Id. at 28.

122. Central Florida Enterprises, Inc. v. FCC, 598 F.2d 37, 49-50 (D.C. Cir. 1978), cert. dismissed, 99 S. Ct. 2189 (1979). The court was aware that some licensing decisions are based on “agency intuition.” In Star Television, Inc. v. FCC, 416 F.2d 1086 (D.C. Cir.), cert. denied, 396 U.S. 888 (1969), Judge Leventhal, commenting on an agency’s selection of one applicant from among many qualified applicants, stated that when an agency has “no meaningful way of choosing on principle between [applicants]; all [it] can really do is speculate who will do the best job in the public interest [and conclude that the] best possible hunch is X.” Id. at 1094. The Citizens court concluded, however, that the Commission’s rationale fell “somewhere on the distant side of arbitrary.” Central Florida Enterprises, Inc. v. FCC, 598 F.2d 37, 50 (D.C. Cir. 1978), cert. dismissed, 99 S. Ct. 2189 (1979).

123. Central Florida Enterprises, Inc. v. FCC, 598 F.2d 37, 51-58 (D.C. Cir. 1978), cert. dismissed, 99 S. Ct. 2189 (1979). The court noted that the Commission had technically complied with the hearing requirement, but stated that the Commission’s policy substantially departed from “established law and statutory and judicial precedent . . . .” Id. at 50.

124. The Commission actually returned to its 1970 Policy Statement, granting renewal to a licensee who demonstrated adequate but average service. Central Florida reflected the Commission’s displeasure with the confines of the 1965 Policy Statement, the comparative process, and the Citizens holding. See Formulation of Policies, supra note 12, at 429; Cowles Florida Broadcasting, 60 F.C.C.2d 372, 431 (Wiley, Comm’r, dissenting); id. at 442 (Robinson, Comm’r, dissenting).

125. 598 F.2d at 50-51.

126. Id. at 57.

consistent with the public interest inquiry of the Act.\textsuperscript{128}

The real significance of the opinion, however, is not the abandonment of the "superior" standard, but rather the court's different view of the incumbent's past performance. In \textit{Citizens} an incumbent's superior past performance was relevant only as a predictor of future performance.\textsuperscript{129} Past performance was only evidence, albeit the "best evidence,"\textsuperscript{130} of an applicant's merit, which when combined with comparisons of integration and diversification supported the Commission's determination of which candidate would best serve the public interest.\textsuperscript{131} \textit{Central Florida} adopts the Commission's argument that the stabilizing effect in the industry attributable to a renewal expectancy is a distinct method of serving the public interest.\textsuperscript{132} In this context, renewal of an incumbent with a "meritorious" record would be certain. The FCC would rather not upset the stability of the industry by awarding a challenger the license, even if the predictive values of integration and diversification show it to be the better candidate.\textsuperscript{133} The court, by adopting this construction of public interest, in effect permits the Commission to use a noncomparative factor in a renewal proceeding, which if given sufficient weight, would override any comparative advantage of a challenger and guarantee renewal to an incumbent.\textsuperscript{134}

Whether the opinion overrules \textit{Citizens} and reinstates the 1970 Policy Statement is questionable. Certainly, the opinion grants the Commission enormous discretion in assigning importance to industry

\textsuperscript{128} The Supreme Court held that the public interest would be served by rewarding renewal to those broadcasters who had "invested [the] money and effort necessary to produce quality performance." \textit{Id.} at 805. The Court stated that these renewal interests were "legitimate" and "should not be destroyed absent good cause." \textit{Id.} See \textit{Central Florida Enterprises, Inc. v. FCC}, 598 F.2d 37 (D.C. Cir. 1978), \textit{cert. dismissed}, 99 S. Ct. 2189 (1979); \textit{Fidelity Television, Inc. v. FCC}, 515 F.2d 684 (D.C. Cir.), \textit{cert. denied}, 423 U.S. 926 (1975); \textit{Citizens Communications Center v. FCC}, 447 F.2d 1201 (D.C. Cir. 1971); \textit{Greater Boston Television Corp. v. FCC}, 444 F.2d 841 (D.C. Cir. 1970).


\textsuperscript{131} \textit{Id.} at 55, 59.

\textsuperscript{132} \textit{Id.} at 43, 60.

\textsuperscript{133} The court admitted that the "stability" theory appeared to be a "plausible construction of 'public interest.'" \textit{Id.} at 60.

\textsuperscript{134} \textit{Id.}
stability,135 but the court did not discuss the implications of *Central Florida on Citizens* or on the two tier analysis of the 1970 Policy Statement. Presumably, *Ashbacker* and the Act still require a comparative hearing. Therefore, industry stability would be only one element in the Commission’s determination of the best applicant.136 The great leeway granted the Commission, however, preordains renewal, despite the predictive factors,137 whenever the FCC finds “meritorious” service.

The District of Columbia Circuit has shifted radically on the issue of renewal expectancies in broadcast licensing.138 In recognizing that the public interest can be served by promoting industry stability, the court permits the Commission to circumvent *Ashbacker*. The challenger must now prove not only that its broadcasting services will be superior to those provided by the incumbent, but also that denial of renewal to the incumbent will not upset the delicate stability of the broadcast industry. Certainly, any possibility of nonrenewal will constrict an established licensee’s desire to expand and improve his facility. The weight of the challenger’s burden will make the comparative hearing the “empty thing”139 that *Ashbacker* seeks to prevent.

IV. REGULATORY REFORM

The Commission’s dissatisfaction140 with the comparative hearing

135. The court expressed concern that the Commission had not specifically argued the industry stability factor: “there were few intimations that this was the Commission’s inchoate rationale.” *Id.*

136. The court realized that the Commission’s use of industry stability as a factor must be subject to judicial review.

This would seem to require that the Commission describe with at least rough clarity how it takes into account past performance, and how that factor is balanced alongside its findings under the comparative criteria. Although mathematical precision is, of course, impossible, something more than the Commission’s customary recitals, “completely opaque to judicial review,” must be provided.

*Id.* at 60-61.

137. The court stated: “The weighing of policies under the ‘public interest’ standard is a task that Congress has delegated to the Commission in the first instance.” *Id.* at 44.


140. See *Formulation of Policies*, *supra* note 12. Chairman Ferris called the present system of licensing an “anachronism” with costs that have not equalled the “public interest benefits.” *Hearings before the Subcomm. on Communications of the Comm. on Interstate and Foreign Commerce on H.R. 13015*, 95th Cong., 2d Sess. 116, 117 (1978) [hereinafter cited as *1978 Hearings*].
process and its inability to apply consistently the 1965 criteria indicate that the current licensing system is an administrative nightmare and that reform is needed. One commentator suggests that a licensee receive a vested property right upon the granting of a license. The best solution, however, seems to be the abandonment of the comparative hearing procedure in both original and renewal license applications.

A. Legislative Response

In 1978 and 1979 the House and the Senate Subcommittees on Communications considered legislation that would significantly overhaul the broadcast provisions of the 1934 Act. The bills reflect congressional apprehension of the present regulatory scheme and propose several fundamental changes in policy.

Each bill would eliminate the comparative hearing for original appli-

141. Commentators have suggested numerous methods to reform the current licensing system, including the development of precise quantitative percentage program guidelines, a ranking system based on an applicant's compliance with priority programming categories, and comparison oriented towards technical qualifications. Other suggestions include the granting of an indefinite license term, a lottery among applicants, or an auction of available frequencies. See Anthony, supra note 15 (ranking system); Geller, supra note 42 (percentage guidelines); Robinson, The Federal Communications Commission: An Essay on Regulatory Watchdogs, 64 Va. L. Rev. 169 (1978) (lottery and auction); Comment, Comparing the Incomparable: Towards a Structural Model for FCC Comparative Broadcast License Renewal Hearings, 43 U. Chi. L. Rev. 573 (1976) (technical qualifications). See also De Vany, Eckert, Meyers, O'Hara, & Scott, A Property System for Market Allocation of the Electromagnetic Spectrum: A Legal-Economic-Engineering Study, 21 Stan. L. Rev. 1499 (1969); Mayer & Botein, Ashbacker Rites in Administrative Practice: A Case Study of Broadcast Regulation, 24 N.Y.L.S. L. Rev. 461 (1978).


143. Representative Lionel Van Deerlin, Chairman of the House Subcommittee, pledged that the proposed legislation would amend the current Act from "basement to attic." Broadcasting, June 12, 1978, at 29.


145. The House and the Senate legislation involve comprehensive amendments pertaining to common carriers, public telecommunications, cable television, and satellites, as well as to over-the-air broadcasting. For the limited focus of this discussion, only portions of the following bills are relevant: S. 622, 96th Cong., 1st Sess. §§ 331-34 (1979); H.R. 3333, 96th Cong., 1st Sess. §§ 411-13, 415, 417-18, 461-62, 471 (1979); H.R. 13015, 95th Cong., 2nd Sess. §§ 411-12, 414, 416-17, 431, 434 (1978).

146. The House versions eliminate the "public interest" standard as the basis for Commission licensing procedures. These proposals provide for governmental regulation of the broadcast industry when "marketplace forces are deficient." H.R. 3333, 96th Cong., 1st Sess. § 101(a) (1979); H.R. 13015, 95th Cong., 2nd Sess. § 101 (1978). See S. 622, 96th Cong., 1st Sess. § 2(a) (2) (1979) (recognizing marketplace competition, but retaining a limited public interest standard for renewals).

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cants.\textsuperscript{147} Instead, after the applicants meet certain technical qualifications,\textsuperscript{148} the Commission would grant the license on the basis of random selection.\textsuperscript{149} One Senate proposal would adopt a modified 1970 Policy Statement approach to renewal applications.\textsuperscript{150} A presumption of renewal arises if the Commission determines that the incumbent has "substantially met the problems, needs and interests of its service area," and the operation has not been "seriously deficient."\textsuperscript{151} The Commission can then renew the license without a hearing. The most revolutionary changes appear in the House rewrites, which call for the elimination of renewal procedures and the infusion of indefinite licenses for television subject to revocation by the Commission.\textsuperscript{152}

\begin{footnotesize}
\begin{enumerate}
\item The Commission will take evidence on the citizenship, character, and financial qualifications of the applicant; ownership of the proposed station; frequencies and power; hours of operation; and the purposes of the station. H.R. 3333, 96th Cong., 1st Sess. §§ 417(a)(1)-(5), (b) (1979); H.R. 13015, 95th Cong., 2nd Sess. § 416(a)(1)-(5) (1978). See S. 622, 96th Cong., 1st Sess. § 331 (1979) (retaining technical requirements of 47 U.S.C. § 308(b) (1976)).
\item See note 147 supra. H.R. 3333, 96th Cong., 1st Sess. § 415(d)(1)(B) (1979) further provides that the Commission must represent minority applicants twice in the lottery pool for a new frequency. Section 415 is intended to promote diversity of ownership in broadcasting by providing easy access for minorities. In \textit{TV-9} the court held that minority interests would be in the public interest because they would provide programming diversity. \textit{TV-9}, Inc. v. FCC, 495 F.2d 929 (D.C. Cir. 1973), \textit{cert. denied}, 419 U.S. 986 (1974). In a dissenting opinion, Judge Leventhal concluded that when the Commission faces two or more "reasonably qualified" applicants, a lottery system would be permissible. "Perhaps a lottery could be used, for luck is not an inadmissible means of deciding the undecidable, provided the ground rules are known in advance." \textit{Star Television, Inc. v. FCC}, 416 F.2d 1086, 1095 (D.C. Cir.) (Leventhal, J., dissenting), \textit{cert. denied}, 396 U.S. 888 (1969).
\item S. 622, 96th Cong., 1st Sess. §§ 332(c), (d) (1979). A second Senate bill introduced in 1979 would retain the present comparative hearing system, but would not permit the Commission to consider diversity of media interests or integration of management. See S. 611, 96th Cong., 1st Sess. § 302 (1979).
\item S. 622, 96th Cong., 1st Sess. §§ 322(c), (d) (1979).
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B. Is Regulation Necessary?153

Opponents of the congressional attempts to deregulate the broadcast industry cite two theoretical reasons for their position: (1) the electromagnetic spectrum is a scarce commodity that inherently requires governmental regulation;154 and (2) the broadcast media exert such enormous control over public thought and opinion that regulation—licensing applicants who would serve the public interest—is necessary to protect the public from potential abuse.155

153. Certainly, the Commission should regulate the industry to prevent interference. Government assignment of frequency, power, and geographics are necessary or else broadcasting would return to the days of "confusion and chaos." National Broadcasting Co. v. U.S., 319 U.S. 190, 212 (1943). See Red Lion Broadcasting Co. v. FCC, 395 U.S. 367, 376 (1969); Deregulation of Radio, 73 F.C.C.2d 457, 498 (1979).

Regulation, as described in this Note, refers to indirect "conduct-related" rules that regulate broadcasters through the comparative hearing. Such regulation attempts to promote specific types of programming by compelling a licensee to follow the guidelines or be denied a license. The Commission recognizes that governmental regulation of programming, though "indirect and content neutral," must balance the first amendment right to freedom of expression with the first amendment right to the widest possible dissemination of information. The present licensing scheme effectively supplants the Commission's view on desirable programming for the views of the broadcaster and of the listening and viewing public. See Deregulation of Radio, 73 F.C.C.2d 457, 482-83 (1979); Goldberg & Couzens, "Peculiar Characteristics": An Analysis of the First Amendment Implications of Broadcast Regulation, 31 FED. COM. L.J. 1, 12-19 (1978); Robinson, The FCC and the First Amendment: Observations on 40 Years of Radio and Television Regulation, 52 MINN. L. REV. 67, 118-19 (1967) (referring to present renewal scheme as licensing "in terrorem").


155. See 1978 Hearings, supra note 140, at 674 (statement of Nicholas Johnson). The Supreme Court probably would not permit regulation that would abridge first amendment rights solely on the basis of the "influence of the speaker." Robinson, supra note 162, at 156. See Superior Films v. Department of Educ., 346 U.S. 587, 589 (1954) (Douglas, J., dissenting). Governmental regulation of broadcasting is supported on a number of additional grounds: (1) the airways are in the public domain and broadcasters use them as trustees; (2) a broadcaster, as a public trustee, also constitutes a public forum for providing diverse viewpoints; and (3) the public as an "involuntary recipient" of broadcast programs is a "captive audience" that requires protection. See Goldberg & Couzens, supra note 153, at 30-39; Robinson, supra note 153, at 150-54.
1. Regulation to Preserve Scarce Commodity

The Supreme Court has continually upheld scarcity of frequencies as the basis for governmental regulation of broadcasting. As the Court stated in *Red Lion Broadcasting, Inc. v. FCC*, the finite number of broadcast frequencies "justifies the Government's choice of those who would best" serve the public; scarcity exists when there are "substantially more individuals who want to broadcast than there are frequencies to allocate." Under this rationale governmental regulation is, in effect, a *quid pro quo* for the use of a limited resource.

Under the present allocation of radio frequencies, however, the potential exists for twenty-seven AM and 100 FM channels per market. In the television spectrum, VHF will support thirteen channels, with seven as the typical maximum per market. UHF has a seventy channel capacity. Cable television, although not considered "over the air" broadcasting, provides additional media outlets. Furthermore, the Commission argues that changes in its allocation scheme can increase the number of broadcast frequencies. The Commission can expand the amount of spectrum space currently assigned to commercial broadcasting. Technological advances also can provide for more broadcast

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158. 395 U.S. 367, 396 (1969). The petitioners argued that scarcity no longer existed. *Id.* *See* notes 161-65 infra and accompanying text.

159. 395 U.S. at 388.

160. The requirement that a broadcaster air less profitable public interest programs is the *quid* for the *quo*, a valuable license.


162. *Id.*


164. The expansion of the commercial broadcast spectrum by "extensive" means is not without costs. Present users of those frequencies would have to relocate to another part of the spec-
stations under the current allocation by permitting a reduction of channel spacing without increasing interference.165

Thus, the actual limitations of broadcasting do not, despite the Supreme Court's assumption,166 stem from the lack of available broadcast frequencies.167 Potential economic168 restrictions certainly inhere in the broadcast media, but these limitations should not form the current rationale for regulation.169 The present method of licensing—the

trum. Additionally, radio and television sets would have to be adapted to receive the new impulses. See Deregulation of Radio, 73 F.C.C.2d 457, 499 (1979); Coase, The Federal Communications Commission, 2 J. LAW ECON. 1 (1959); Note, Reconciling Red Lion and Tornillo: A Consistent Theory of Media Regulation, 28 STAN. L. REV. 563, 575 (1976).

165. "Intensive" spectrum utilization involves a reduction of the band width currently allocated to each station. For example, AM stations operate at 10H2 intervals; by improvement in receivers and transmitters it is possible to reduce those intervals and thus provide additional channels. See Deregulation of Radio, 73 F.C.C.2d 457, 499 (1979) (statement of policy); Clear Channel Broadcasting in the AM Broadcast Band, 70 F.C.C.2d 1077 (1979) (notice of proposed rule making); 9KH2 Channel Spacings for All Broadcasting, 44 Fed. Reg. 39550 (1979) (notice of inquiry); Note, supra note 164, at 575.


168. In National Broadcasting Co. v. United States, 319 U.S. 190 (1943), Justice Frankfurter gave the following reason for regulation of broadcasting: "unlike other modes of expression radio inherently is not available to all . . . and that is why, unlike other modes of expression, it is subject to governmental regulations." Id. at 226. There are, however, 386 vacant FM frequencies for which there are no applications. See Deregulation of Radio, 73 F.C.C.2d 457, 499 n.147A (1979). Although these assignments exist in smaller markets, the vacancies occur because there is a limited demand for advertising in any market. Id. at 499-500. The television industry is similar. Although the present VHF system can provide up to 70 channels in a market, about only 400 stations operate. See 1978 Hearings, supra note 140, at 158 (statement of Margita White). Former FCC Chairman Newton Minow argues that overall technological scarcity does not motivate regulation; rather, the cause is a real shortage of frequencies in major UHF television markets. Former Chief Judge David Bazelon disagrees; the "shortage" is not technological, but caused by the "market power gained by VHF licensees through FCC policies on allocation of frequencies and relative development of alternative" broadcast methods. See Bazelon, FCC Regulation of the Telecommunications Press, 1975 DUKE L. J. 213, 225-26 n.40.

169. The scarcity argument weakens further in light of the current state of the newspaper industry. As of March 30, 1978, there were 1,753 daily and 668 Sunday newspapers. See Deregulation of Radio, 73 F.C.C.2d 457, 482 n.118 (1979). Broadcast media outnumber print media almost four to one. Many cities have at least three television stations and numerous radio stations but only one newspaper. More than 200 communities receive at least four AM radio stations. In the largest markets an average of 31 AM stations alone operate. See Owen, Structural Approaches to the Problem of Television Network Economic Dominance, 1979 DUKE L.J. 191, 204 n.77. Newspapers, however, are not subject to as much regulation as broadcasters. In Miami Herald Publishing Co. v. Tornillo, 418 U.S. 241 (1974), the Supreme Court recognized the numerical superiority of broadcasting and noted that "effective competition" exists in only four percent of the major
comparative hearing—is not necessary to protect scarce radio and television frequencies.

2. Regulation to Protect the Public Interest

The present scheme of broadcast regulation reflects the belief that local stations are necessary "to ensure that broadcasting would be attentive to the specific needs and interests of each local community" and that local groups "would have an adequate opportunity for expression." The comparative licensing procedure, it is argued, promotes these goals by awarding a license to the applicant that best meets the diversification-of-mass-media and integration criteria.

Despite the theoretical objectives of the comparative procedure the structural and economic realities of radio and television broadcasting dictate the type of programming available to the public. Eighty-eight percent of all television stations are affiliated with a network. Although FCC rules permit an affiliate to reject network programs, ninety-five percent of these programs are cleared for broadcast by the licensee. Network programming thus represents eighty-two percent of total broadcast time and local stations can produce programs only in metropolitan areas. Id. at 249 n.13. Despite these statistics the Court refused to invoke the scarcity doctrine and held unconstitutional a Florida right-to-reply statute. Id. at 258. An additional argument considers the finite amount of paper, presses, and delivery trucks as a basis for concluding that access to the newspaper industry is as difficult as access to broadcasting. See Note, supra note 164 at 563, 575.

170. Cox & Johnson, supra note 8, at 8. See also notes 35-40 supra and accompanying text.
171. See 1965 Policy Statement, supra note 49; see notes 50-62 supra and accompanying text.
172. The FCC contends that competition in major radio markets led to increased specialization of radio formats. Small stations present less specialized programming to stay economically viable. Additionally, radio production costs are smaller than television programming costs; therefore, radio stations can better afford to target programs to specific groups. See Deregulation of Radio, 73 F.C.C.2d 457, 485-87 (1979).
174. See Parkman, supra note 35, at 216.
175. 47 C.F.R. § 73.658(e) (1978) provides that no license shall be granted to an affiliated station if its affiliation would "prevent or hinder the station from" (1) rejecting or refusing network programs which the station reasonably believes to be unsatisfactory or unsuitable, or contrary to the public interest, or (2) substituting a program which, in the station's opinion, is of greater local or national importance.
176. See W. JONES, supra note 33, at 147.
during the small remaining time.\footnote{177}

The Commission recognizes that local stations prefer affiliation with networks because networks can fulfill the demand for "mass audience" programming at a small "per-viewer" cost.\footnote{178} Affiliation also produces economic benefits by enhancing the value of advertising time sold to local advertisers for network programs, and provides a carryover audience to increase the value of its nonnetwork advertising.\footnote{179}

FCC efforts through its Prime Time Access Rules (PTAR)\footnote{180} to control directly the amount of network programming that a local station can broadcast have been largely unsuccessful. The purpose of PTAR was to create a profitable time slot for local public interest programs and programs produced by independent syndicators, but most local stations filled this time with game shows and similar inexpensive mass-appeal programs.\footnote{181} Local stations are hesitant to schedule unprofitable, public interest programming. One study\footnote{182} indicates that an incentive to produce specialty programming—ballet and opera, for instance—exists only after mass appeal programming reaches a saturation point. As more popular program stations enter the market, the number of popular program viewers per station declines until opera and ballet supporters attain a comparable market share of viewers.

\footnote{177. See R. NOLL, M. PECK & J. McGOWAN, supra note 35, at 108-09; Parkman, supra note 35, at 216. See also Cox & Johnson, supra note 8. Most local stations use this time to air news, sports, and weather, which are popular with local viewers. A high proportion of the remaining time, however, is devoted to nonnetwork films or locally originated game shows. See Prime Time Access Rule, 50 F.C.C.2d 829, 836 (1975).

178. Deregulation of Radio, 73 F.C.C.2d 457, 486-87 (1979). The Commission concedes that the fixed costs of television production are so great that stations seek to diffuse them by providing "'common-denominator' programming." Id. at 486.

179. See W. JONES, supra note 33, at 147; R. NOLL, M. PECK & J. McGOWAN, supra note 35, at 58-87.


182. See R. NOLL, M. PECK & J. McGOWAN, supra note 35, at 50-54; Parkman, supra note 35, at 50-54.}
Only at this point do specialty programs become profitable for advertisers and viable for specialty programming operators. The market place, therefore, not the Commission, dictates the timing and the quantity of local programming.

V. Conclusion

The courts and the FCC have had limited success in adequately implementing the comparative licensing process. Although Central Florida demonstrates a renewed interest in assuring that the licensing system is equitably administered, the District of Columbia Circuit's acquiescence to the FCC's use of industry stability in the comparative hearing indicates that the procedure will remain arbitrary and inefficient.

The Commission's reliance on the structural criteria of integration and diversification as predictors of future performance apparently has not produced an increase in locally oriented "public interest" programming. Indeed, the "quality" of service that a licensee provides depends not on the Commission's regulatory whims but on the likes and dislikes of the audience. The comparative hearing, therefore, although fostering competition in Commission proceedings, does not insure that the "winner" will be the applicant more likely to produce "public interest" programming.

Without competition, however, broadcasters would be induced to maximize profits. Theoretically, the comparative licensing process spurs broadcasters to better serve the public, but, in actuality, the hear-

183. The volume of over-the-air broadcasting is so great that it is difficult to predict how many additional stations are necessary before the saturation point is reached. From 1964 to 1977 the number of UHF stations increased from 84 to 368, but without a corresponding increase in specialty programming. The most successful UHF stations produce little local programming, except professional sports and network type programming. See M. Stoller, The Economics of UHF Television: Effects of Governmental Policy (1977) (unpublished thesis in Washington University Olin Library). In the VHF spectrum, independent stations also follow network practices by airing syndicated talk shows, network reruns, and movies. See R. Noll, M. Peck & J. McGowen, supra note 35, at 109.

184. See notes 8-9 supra and accompanying text.

185. See notes 132-34 supra and accompanying text.

186. One example of the inefficiency of the current license procedure is WFTV in Orlando, Florida. The first application was made in 1952, but the station is presently operated by five competing applicants while the Commission determines who will be awarded the three-year license. Wall Street Journal, Dec. 26, 1979, at I, col. 4.

187. See notes 174-83 supra and accompanying text.
The "competitive spur" in broadcasting could best be provided directly by the viewing public. Congress apparently agrees. Recent legislative proposals would codify the Commission's policy of "renewal expectancy" and award licenses in perpetuity. Rather than make the Commission the arbiter of the public interest, these proposals would place that responsibility where it belongs—on the public.

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188. One observer comments that the comparative renewal process can be likened to a professional wrestling match in which "the outcome is known from the start, but some grunts and groans are needed to make it exciting for the spectators." Wall Street Journal, Dec. 26, 1979, at 1, col. 4.