Basic Qualifications
Financial Qualifications

Commission initiates change in financial qualification standards for parties applying for new radio b/c station licenses and for assignors and transferrers of radio CP's. Applicants will now be required to demonstrate the ability to construct and operate the station for 3 months without relying on advertising or other revenues to meet those costs.

FCC 78–556

BEFORE THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

Financial Qualifications standards for aural broadcast applicants

August 2, 1978

THE COMMISSION BY COMMISSIONERS FERRIS (CHAIRMAN), LEE, QUELLO, WASHBURN, FOGARTY, WHITE AND BROWN, ISSUED THE FOLLOWING PUBLIC NOTICE:

The Commission has decided to change its current financial qualification standard for those parties applying for new radio broadcast stations and for those assignors and transferees of "bare" radio construction permits. The new standard requires that applicants demonstrate the ability to construct the station and operate the facility for three months, without relying upon advertising or other revenue to meet these costs.

In announcing this policy change, the Commission considers its action to be one which will provide a more reasonable and realistic financial qualification standard for all aural applicants and will specifically benefit minority applicants seeking entry into the radio broadcast service. The Commission's decision here is based, in large part, on the finding, in its Minority Ownership Task Force Report, that station financing has been a principal barrier to minority broadcast ownership.

The current financial qualification standard (the ability to meet construction and operating costs for one year without revenue), applied to new station applications in all broadcast services, was first announced in *Ultravision Broadcasting Company*, FCC 65–581, 1 F.C.C. 2d 544 (1965), and the Public Notice (1 F.C.C. 2d 550) which

accompanied the decision's adoption. The experience gained over the past thirteen years demonstrates that, for radio services, the rationale which once supported this policy no longer is persuasive.

In adopting the "*Ultravision* test" the Commission established a stringent financial standard aimed at ensuring that successful applicants would possess the means of operating the proposed facility on a continuing basis. It was the Commission's concern that parties with insufficient resources might be unable to sustain operation, thus interrupting service to the public. These failures, the Commission reasoned, might also discourage qualified potential licensees from applying. This policy, insofar as its application to television matters is concerned, has been useful in achieving its stated goal. Insofar as radio services are concerned, however, such an exacting standard does not appear to be required.

We have been unable to conclude that the failure rate of AM and FM radio stations has been substantially affected by *Ultravision*. New radio station success or failure usually is determined by market forces and qualify of management, rather than by the liquidity of the licensee. Also, the financial costs of constructing and operating a radio facility usually are far less demanding that those costs associated with television construction and operation. Moreover, the seemingly inexhaustible demand for AM and FM stations appears to negate those fears that qualified applicants might be discouraged by station failures.

It is our conclusion, in modifying the financial qualifications standard for radio services, that a new aural applicant must demonstrate that he has a sufficient capital reserve to cover construction costs and that initial start-up period between inauguration of broadcast service and the point where advertising accounts begin to "pay-off." We believe that a fairly conservative 90-day standard will serve adequately. This standard also applies to those parties seeking to be the transferee or assignee of a construction permit for an unbuilt and non-operational radio facility. The *Ultravision* standard still will be applied to all television matters.

The new standard–the ability to meet construction costs and operation for three months without revenue–will be applied immediately to all aural new station applications, including pending applications in hearing status.

Action by the Commission July 27, 1978. Commissioners Ferris (Chairman), Lee, Quello, Washburn, Fogarty, White and Brown.