

*The James L. Loper Lecture  
in Public Service Broadcasting*

# Preserving Public Media in an Era of Change

Delivered by  
**William H. Kling**  
President & CEO  
Minnesota Public Radio  
American Public Media Group  
American Public Media

*November 16, 2006  
University of Southern California  
Los Angeles, California*



**USC ANNENBERG**

SCHOOL FOR COMMUNICATION

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*The James L. Loper Lecture in Public Service Broadcasting  
is made possible through the generous support of the  
H. Russell Smith Foundation.*



## ABOUT THE SPEAKER

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William H. Kling

*President & CEO, Minnesota Public Radio, American Public Media Group, American Public Media*

Bill Kling serves as president and CEO of American Public Media Group, a national nonprofit organization whose purpose is to develop resources, services and systems to support public media for public service. American Public Media Group is the parent support organization for Minnesota Public Radio and Southern California Public Radio.

Kling is the founding president of Minnesota Public Radio and American Public Media. He is responsible for the three regional program services that are carried on Minnesota Public Radio's 37 radio stations and for American Public Media's national program production centers in St. Paul and Los Angeles. American Public Media is best known for "A Prairie Home Companion" with Garrison Keillor and "Marketplace," the nation's most-listened-to daily business program.

Kling has been involved in almost every aspect of contemporary public radio. He was an early adviser to the emerging Corporation for Public Broadcasting and was a founding director of National Public Radio and Public Radio International. He had a leadership role in the development of public radio's satellite distribution system. He was instrumental in the development of for-profit companies that provide support to American Public Media Group including public radio and TV product catalogs at Rivertown Trading Company and the public radio audience engagement company Gather.com.

Since 1999, Southern California Public Radio has transformed regional public media in Los Angeles through its relationship with American Public Media Group. It has become the fastest-growing public radio station in the country by focusing on its mission of strengthening the civic and cultural bonds that unite its diverse communities through high-quality news and information.

Kling holds a B.A. in Economics from St. John's University and an M.A. from the Graduate School of Communication at Boston University. In 2004 he was inducted into the Pavek Museum of Broadcasting's Hall of Fame. He and his wife, Sally, live in Minneapolis.

## ABOUT JAMES L. LOPER

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James L. Loper  
*Director, USC Annenberg Program for the  
Study of Public Broadcasting*



A veteran broadcaster and television industry executive, James L. Loper has been a visiting scholar and executive-in-residence at the USC Annenberg School of Communication since retiring as executive director of the Academy of Television Arts and Sciences in 1999. Loper spent almost 20 years in various positions at KCET, the Los Angeles public television station, including vice president and general manager and president-CEO. He was the founding chairman of the board of the Public Broadcasting Service and served three terms as PBS chairman during its formative years.

Dr. Loper has been involved with USC Annenberg since its founding and started the School's Program for the Study of Public Broadcasting. He earned his Ph.D. from USC and holds a master's degree from the University of Denver and a bachelor's degree from Arizona State University. He and his wife, Mary Lou, live in Pasadena, California. They have two children.

## ABOUT THE LOPER LECTURE SERIES

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Inaugurated on November 10, 2005, the James L. Loper Lecture in Public Service Broadcasting honors Dr. Loper's more than four decades of service to public broadcasting.

The James L. Loper Lecture in Public Service Broadcasting is made possible through the generous support of the H. Russell Smith Foundation.

# Preserving Public Media in an Era of Change

*William H. Kling*

Thank you for the opportunity to speak with you today to present the second annual Loper Lecture in Public Service Broadcasting. Jim Loper is a true pioneer in this business, and that definition is one that wasn't much fun back in the 1960s. Jim's wagon was blazing trails. I came along just at the end of that decade as they were about to be paved.

I've been a public radio developer and advocate my entire career. That's the way I think. And that's where you'll see my bias today.

Radio is an intimate medium, a very personal medium. It is a local medium with national and international content. It goes with you wherever you go. Traffic is our friend!

Radio works in your head. You listen to radio and you hear stories that cause you to imagine the places and people involved. That conscious process of embedding images in your imagination is what makes radio so powerful. You remember it. You recall it. You hum it.

With 600 million radios in the U.S., radio remains the workhorse medium, delivering programs to large audiences and almost every American household. It has always been an effective, personal one-way medium.

But then one day, we got our wish – a wish many of us made many years ago:



- That we could have a two-way interactive medium;
- That as listeners, we could search for content and find stories we barely remembered;
- That we could send an audio or video story to a friend;
- That we could access a program and listen to it again;
- That we could control when and where we would listen;
- That we could use video when appropriate to illustrate a story;
- That our stories could be available worldwide.

And now all of that is possible as we have morphed from public radio into “public media” – radio, plus Web, plus digital devices.

Our oldest company, Minnesota Public

Radio, is about to celebrate its 40th anniversary. And in that time we have made progress:

- Our regional network in Minnesota has 800,000 weekly listeners, receiving about seven hours of programming each week, through three different network services, on our 37-station system. We have 90,000 annual supporters contributing about \$12.3 million – out of a budget of around \$64 million – in a state with fewer than 5 million residents.

- At our sister station in Los Angeles, Southern California Public Radio's KPCC 89.3 has established the most extensive local public radio news operation in the L.A. region, with bureaus in the Inland Empire, downtown Los Angeles, Orange County, Pasadena and Sacramento. Today, KPCC counts more than 420,000 listeners – more than double the number when SCPR began operating the station in 2000 under a new public broadcasting governance model based on an agreement with Pasadena Community College. That model provides local governance by the SCPR board and local management under the leadership of Bill Davis, with the shared “core resources” of the American Public Media Group – all for the benefit of strengthening public radio in one of the fastest-growing markets and the most diverse market in the country.

- Nationwide, 15 million listeners each week tune in to American Public Media programs like “A Prairie Home Companion,” or to “Marketplace” and “Weekend America,” both of which are produced in the Frank Stanton Studios here in Los Angeles. American Public Media is the second largest national public radio producer after NPR in Washington.

- Another 1.1 million unique users access our Web sites each month.

So the digital future is clearly here. Digital media, the Internet and wireless capability are causing a seismic shift that is changing all our models. It puts the audience in charge – in charge of what, when and where they listen and watch. Consumers, not broadcasters, increasingly set the entertainment and information agendas – and even some of the content.

- For broadcasters, that means we no longer only compete with other broadcasters. We now compete with personalized media services and devices programmed by listeners and viewers themselves – and sometimes with content generated by the audience itself.

- 75 million iPods are now plugged into what seems to be nearly everyone – and next they'll plug into your car audio system and the back of your airplane seat. The new video iPods allow consumers similar personalized viewing of “webisodes” created solely for the Web.

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**“LOCAL INFORMATION, CULTURAL EXPERIENCES REFLECTING THE PLACE WHERE WE LIVE, IS THE MOST IMPORTANT THING.”**

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■ MySpace and YouTube have become a new type of media in their own right.

Simultaneous with the expansion in digital media has been the rise of wireless.

■ Radios that look, sound and operate like high-quality radios, but take their signal from wi-fi rather than from a local transmitter, work very well. They make any station in any city or country or audio stream available, anywhere. And with wi-max, soon even in cars.

■ Cell phones now receive music and video and pose added competition for ears and eyes. It remains to be seen if consumers want to watch movies on a tiny screen, but programmers are excited about a potentially huge market.

■ I can access the American Public Media archive Web site and listen to the first performance of Garrison Keillor's "A Prairie Home Companion" from 1974 on my computer. And more importantly, people around the world using search engines can and do access our programs, even though they've never

heard of us. That gives programs "legs" and life. In fact, some programs produced years ago have larger on-demand, online audiences than they did when they were first broadcast.

■ In another year, most of our FM radio stations will be broadcasting two or three program services on every frequency through digital radio, doubling or tripling the diversity of content available.

■ Our national programs are available on satellite radio.

■ In a few years your car won't have a radio, but rather a black box that will receive streamed audio from the ubiquitous wi-max that will be available throughout most cities. So you will be able to tune in Swiss radio or Radio Brazil or classical music from Minnesota Public Radio or the BBC. And people in Europe and Asia will have the same opportunity to listen to MPR or KPCC.

With all of these changes, will our audiences grow or shrink?

The best programmers, who focus on the interests of the audience, will grow their base. Local information, cultural experiences reflecting the place where we live, is the most important thing. Even those of you who consider yourselves citizens of the world are likely to have a place you consider home. And your home interests are primary.

But the use of media at home, in your car or even while traveling is changing.

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**“HOW CAN WE IN THE PUBLIC MEDIA INDUSTRY STRENGTHEN THE COMMUNITIES WE SERVE, THE COUNTRY WE LIVE IN AND THE MEDIUM OF PUBLIC RADIO ITSELF - AND HOW CAN ALL OF THAT BE SUPPORTED?”**

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Yet digital and Web-based media are eating into our radio audiences. iPods, of course. But projections also show a rise in the use of all Web-based media to a point that it may equal traditional radio listening in the next five years.

If your vision is to stay the course and hold onto old models, you are unlikely to survive. A sustained decline in listeners would have serious implications – for service to our audiences, but also for public radio’s financial stability.

For us, the ability to increase individual giving and underwriting revenue relies on a growing numbers of listeners and greater loyalty by stronger engagement between the audience and our public media companies.

This will be no surprise to Jim Loper – but public broadcasting is at yet another critical juncture with a mix of challenges and opportunities. And the medium I know best, radio, must change more in the next five years than it has in the previous 40.

### *Purpose*

**H**ow can we in the public media industry strengthen the communities we serve, the country we live in and the medium of public radio itself – and how can all of that be supported?

We can do all of that, and some already have. But that means getting beyond the institutional thinking that governs many of our public media companies. What

we’ve learned is that we are just touching the surface of a bigger vision and a new role for public media as a significant, independent, community institution in its own right.



Public media are very different from commercial media. We have no shareholders and no private owners. That means that all net financial performance from our not-for-profit companies goes back into the product. That’s the only place it can go. Our economic equation is essentially the reverse

of our commercial peers. For us, higher quality costs more but develops a smaller and higher quality audience that rewards us with more revenue. Commercial operators often find that higher quality results in higher production costs, smaller audiences, less ad revenue and growing losses. So we have very different economic equations and each is an important part of the mix.

Our not-for-profit model works. Now, how do we keep it working? How do we preserve and grow the public media model?

First, we must embrace technological change and we must be available in all formats.

Streaming programming over the Internet may be the fastest growth opportunity for us. Web listening is growing globally. On-demand listening through iPod-like devices is growing very fast.

Web-distributed content is an aspect of programming that we have to embrace.

It can strengthen our stations and make them available as technology changes locally, nationally and globally. But, it doesn't come for free. Each time a listener streams one of our services online, there are bandwidth costs involved. Think of it as a collect call to the producer. One audio user, one hour per day, for one year costs the producer about \$4 per year. That is manageable for 1,000 users. It's a challenge for 1 million. But once there are enough users, there is a

under a business model that provides less support for serious coverage of local issues, news, culture and the arts. And that leaves a growing void that we fill.

We provide local programming that makes an impact, provides listeners with information and insights they may not find elsewhere and that serves their need for a sense of place. And we do it on all technical platforms.

Third, we must strengthen, deepen and enrich our content.

Thomas Jefferson once said: "As long as the people are well informed, they can be trusted with their government." It doesn't take much research to see that many major news organizations are abrogating their former roles of providing the essential information that guides democracy in our country.

I have a file of clippings several inches thick, and each week there are more:



business plan that will cover those costs. And then that direct relationship with an active audience, eliminating most intermediaries, provides even stronger revenue growth.

Second, we must strengthen local content by speaking to our listeners where they live.

One of our strengths is localism, which has long been a key strength of public broadcasting.

Increasingly, local programming is what differentiates us as public radio broadcasters. Deregulation, consolidation and quarterly financial pressures have left commercial broadcasters operating

■ In late October, NBC announced that it would lay off 700 people in its news division, but that "viewers won't notice it."

■ Newspapers continue to report lackluster earnings and declines in circulation while online advertising sales are reaching record levels – much of it at the expense of newspapers.

■ Tribune Company is struggling, especially in Los Angeles, where the circulation of the Times fell 8 percent last quarter, exceeding its usual 3 percent decline.

There's a new story of this kind every week.

*Public Insight Journalism*

We think there's a better model for news to thrive in this environment. We call it Public Insight Journalism. Combining a strong local focus with public engagement is adding deeper racial, social and intellectual diversity to our content. It is making our coverage more relevant and meaningful to broader audiences.

And as we gain news listeners and our competitors reduce their commitment to news coverage, the question that nags us every day is, "How do we ensure that our news is good enough? How do we ensure that it is relevant, accurate and has depth?"

Who can provide fresh perspectives for the news and information programming? Why do the same sources keep surfacing? Where are the enterprise stories, the independent research, and the new perspectives from new thinkers? At American Public Media, we are working hard on that. We are creating a trusted space where people can contribute to the news product that will help broaden their lives in new ways. And in the process become what former SCPR board chairman Ron Olson once described as a "centering institution" for the community.

Public Insight Journalism is one solution.

- A smart audience gathers around us.

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**“THE DIGITAL FUTURE IS CLEARLY HERE. DIGITAL MEDIA, THE INTERNET AND WIRELESS CAPABILITY ARE CAUSING A SEISMIC SHIFT THAT IS CHANGING ALL OUR MODELS.”**

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- Someone in that audience knows more than we do about any subject we broadcast.
- 22,000 new ‘experts’ are now in our database.
- They have the ability to help set the daily news agenda and deepen news stories.
- What’s important to people in their lives, often now gets covered.

What we’ve learned is that we are just touching the surface of the potential new role of public media using these new tools.

We must engage our audience. This concept takes us one step further, beyond listening and beyond interactivity.

To gain access to even more sophisticated digital platforms, two years ago American Public Media founded and invested in a for-profit company called Gather.com. It is a social networking site, but one of the first with user-generated content. It provides a new way to connect with our listeners and facilitates their connection with each other. It taps into a trend that we’re



*University Professor Geoffrey Cowan (left) with  
H. Russell Smith, James L. Loper and William Kling*

seeing in this social-networking era – that audiences of all ages want to engage with us, contribute their creativity to us and interact with each other.

Gather isn't a place for the audience to comment on our programming. It is a place to bring our audience together – a place where they can add to our content, create entirely new content, and connect with each other around common interests that are meaningful to all facets of their lives and personalities and fill out the full spectrum of their interests.

What I see developing from what used to be just public radio stations is this new definition of a community institution, where we engage a leadership audience on the air, online, on stage and in person.

- Gather.com is taking people who want to be writers on a cruise with noted writers to study and engage each other.
- MPR's youth-oriented station, The Current, is engaging its music listeners in public policy through events called "Policy and a Pint."

- We may eventually go as far as facilitating people who want to live in communities with other people who are interested in books, politics, travel, food, conversation, service, citizenship and self-improvement.

There's a social restructuring occurring. It is almost like the economic restructuring created by

eBay. MySpace teens are socializing at their level. Gather.com enables a mature audience with knowledge of real value across a broad range of topics – from finance to sports, politics, books and the arts (the list is as varied as the facets of the personalities of our audience) – to engage with people of similar interests and to find them. We believe Gather.com will deepen our audience's experience, build loyalty, deliver new talent and program content to the broadcast company, and eventually help grow the public radio audience.

If we are going to remain relevant in a MySpace era (where MySpace has more traffic than Google's home page and is subtracting hours of time from the use of traditional media), we need to engage, innovate and provide greater relevance for our largely adult, educated and thoughtful audience. That's what we're doing with both Gather.com and Public Insight Journalism.

Fifth, we must diversify and stabilize our funding base and find new economic models.

If you ask employees of American Public Media Group what characterizes

our company, I think they'd say "creativity" first and "an entrepreneurial spirit" second. Both have served us well.

To survive and grow, public broadcasting will need to continue to pursue philanthropic support. But in addition, it needs to develop innovative self-funding techniques. That means replacing some of the old nonprofit models with an entrepreneur's passion, creativity and drive.

At American Public Media, we have been able to invest in or create for-profit, revenue-generating businesses, and use the profits and proceeds from those businesses to fund our nonprofit public service mission. I've referred to it as "social purpose capitalism," and it entails applying traditional principles of capitalism to a nonprofit organization in order to benefit the public sector.

NPR was the fortunate recipient of \$225 million from Joan Kroc, the McDonald's heiress, and it has served them well. We have yet to meet our version of Mrs. Kroc, but we have also assumed that, in the meantime, we'd have to earn our way.

And so in 1980, when President Ronald Reagan challenged public broadcasting to earn more of our budget and expect less from Congress, we took him seriously. We began to look at all of our assets and ways we might develop revenue from them. And a broad view of assets included not just radio towers, transmitters and studios, but intangible things like our audience and its ability to enable us to generate new revenue because they were there. Earnings went into permanent endowment investments, to supplement what we receive from donors, program underwriters and the Corporation for

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**"IF WE ARE GOING TO REMAIN RELEVANT IN A MYSPACE ERA, WE NEED TO ENGAGE, INNOVATE AND PROVIDE GREATER RELEVANCE FOR OUR LARGELY ADULT, EDUCATED AND THOUGHTFUL AUDIENCE."**

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Public Broadcasting.

From the Reagan FCC we sought and received the ability to sell enhanced underwriting or program sponsorship messages.

- We looked at our audiences' interest in some of our programs and produced products that we sold to them in catalogs.
- We looked at frequencies we held that were intended for one purpose (point-to-point video) and sought permission to use them for another – digital data transmission – that was far more lucrative.
- We built a publishing and events company focused on the interests of our listeners – good writers, food and wine, home, etc. – and it continues to separately operate as a for-profit.
- We operated commercial AM news radio stations and a set of regional commercial radio networks using the satellite infrastructure and we "harvested" both when the time was right a few years ago.

Entrepreneurial activity has served us well. We have done it carefully so as not to jeopardize the investment the public has made in American Public Media.

That model has worked for us. It has helped make us the largest independent entity in public radio, with a parent company budget in the range of \$100 million and an endowment in the range of \$130 million. And most importantly, it has enabled us to become the No. 2 producer of national programming after NPR and one of the largest operators of locally focused, regional broadcast and content companies, companies which we believe better serve our audiences and help strengthen our communities.

**N**ext, we must find new models of ownership and governance in public broadcasting.

The potential of public radio was enhanced from the 1940s to the 1970s by colleges and universities that built public radio and television stations. But now, the medium's potential has leap-frogged most of those institutions, and the opportunity that public media offers will only be fully realized if new models can be found which free these broadcast stations to grow to become significant nonprofit community companies in their own right.

What we initially thought of as an experiment with KPCC and Pasadena City College has proven successful and very much to the benefit of this community. It has grown primarily because of the strength and leadership of its new governance structure, Southern California Public Radio, and by the shared service agreement with APMG.

Finally, we must recruit fresh young leadership into the public broadcasting industry.

That trail that Jim Loper was blazing and that was paved for me is now an autobahn. And it needs future leaders who can travel at that pace. We now have an industry with the unusual combination of mission, values, technology, show business, growth, opportunity, potential and even reasonable compensation.

Those are attributes that, if I were 20 years old and had an opportunity at Disney or Fox or even Google, I'd seriously think first about public media and what I could do, what hasn't been done and what I'd be excited about doing. Part of our job now is getting that message through to fresh, new, capable leaders.

These emerging public media companies are important institutions. Some are as important, in terms of reach and sometimes content, as many of our universities. Others have the potential to be. And if they continue to change – to take advantage of the new opportunities and technologies – they will thrive long-term.

They should be nurtured. They should be pushed to perform even better by independent boards. They should be supported. I think they can bring together this nation and this community in a way that few other institutions can. That's why I continue to be excited about working in this fascinating sector of public media.

Thank you.



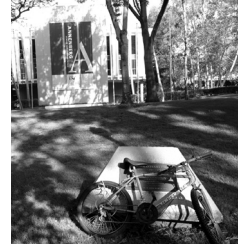
*Remarks delivered November 16, 2006*

## ABOUT THE USC ANNENBERG SCHOOL FOR COMMUNICATION

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Established in 1971 through the support of Ambassador Walter H. Annenberg, the USC Annenberg School for Communication is one of the nation's leading institutions devoted to the study of communication and journalism. Its location in the "multimedia mecca" of Los Angeles offers unparalleled opportunities for hands-on study and access to top professionals and intellectual leaders.



The USC Annenberg faculty includes renowned researchers, Pulitzer Prize- and Emmy Award-winning journalists, and leaders in fields including law, education, publishing, government, advertising and public relations.

USC Annenberg's 1,900 undergraduate and graduate students pursue degrees in communication, journalism (print, broadcast and online), public diplomacy and public relations. The School's alumni fill top posts not only in the media and communications industries, but also in government, education and nonprofit agencies throughout the world.

Augmented by dozens of research and public-interest projects and programs, including the Norman Lear Center, the Center for the Digital Future, the Knight Digital Media Center and the Charles Annenberg Weingarten Program in Online Communities, USC Annenberg has become a center for discussion among scholars and professionals in communication, public policy, media and education.

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