

Remarks by FCC Commissioner James H. Quello
To be delivered at INFCTEL '82 Conference
March 29-30, 1982

FUTURE OF TELECOMMUNICATIONS

The "future" of telecommunications is subject to such rampant speculation that I wonder when or how we will ever really get there!

Thoughts, emotions and predictions run the full gamut depending upon the various private interests of the players in future development. Each facet of the industry and government has its own hopes, expectations and anxieties.

For our purpose, let us briefly examine possible developments and primary problems of the principal participants in the "telecommunications future sweepstakes" -- the FCC, common carriers, broadcasters, and cable operators.

For the FCC, future developments hold great promise for public benefit. But, predicting the "future" in telecommunications is hazardous for the FCC -- you can be proven wrong in a relatively short time. The practical decisions of today may seem myopic with tomorrow's technological innovations. You can't go wrong by saying the FCC should continue to encourage industry growth and market diversification all in keeping with the preservation of the public interest. The all-important guiding principle in FCC deliberations is serving the public interest. 'Public interest' is a widely accepted generalization that is difficult to specifically define. It is a simple principle often requiring complex implementation. It means different things at different times to different people -- to sincere people of worthy intent. The late, respected Walter Lippman generalized it as well as anyone. He said public interest is, "What people would do if they thought clearly, decided rationally and acted disinterestedly."

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Now each Commissioner applies his private version of the public interest standard to the oncoming communications explosion -- to common carrier developments affecting the new AT&T and all its competitors -- to TV, MDS, STV and satellite distribution of TV -- to cable and pay development -- and to various entrants seeking the enhanced possibilities of the "aftermarket" for programming. Overall, and affecting all entities: is the public best served by a competitive marketplace approach or additional ^{good} regulatory actions?

The vast, complex future of common carrier and the newly evolving Bell systems are still in the process of development and crystallization. The FCC initiated the important step of allowing AT&T entry in future enhanced services with its far-reaching Computer II decision in 1980. The recent AT&T anti-trust settlement with the Justice Department and the elimination of the 1956 consent decree has many implications for new computer and consumer services. Congress is trying to consolidate these regulatory and anti-trust developments into comprehensive legislation that will encourage technological progress and safeguard the public interest. *The latter, no doubt, will remain the province of the FCC.*

All the new satellite and common carrier developments plus MDS and cable services have tended to blur the former distinctions between common carrier and broadcast services. The convergence between common carrier and broadcast service could lead to head-to-head conflict between the varying principles of regulation which apply to the two services. The major developing

conflict is whether an entity who controls a telecommunications facility should be allowed to control the content or programming delivered on that facility. Congress, the Commission, and the Justice Department have continued to limit such control. But this may be due for some reconsideration in the new telecommunications environment. Other major differences exist between the principles which underlie regulation in the two services -- for example, a free market approach to facility allocation, as applied in broadcasting services, conflicts with the common carrier principle of insuring access to telecommunications facilities at nondiscriminatory, Commission-approved rates.

I cannot now say how the particular issues which will arise should be answered or even what the most important questions will be. Nevertheless, I do think some common principles can be developed from the Commission's common carrier and broadcast experience.

The most important principle I see for broad application in the new telecommunications environment is the same one I have been urging in the old telecommunications environment: the Commission should forbear from regulation whenever practicable because competition often can better serve the public's needs. This is a principle which, I am pleased to say, the Commission is now pursuing in its common carrier and broadcasting actions. The guiding principle of the Commission's recent low power television decision was to see just how little regulation could be applied to a broadcast service. While I am not overly optimistic about the economics of low power, I am excited that this service will be a proving ground for examining the relatively unbridled effects of market forces on the provision of service to consumers. It will also provide data on the economic viability of "narrowcasting."

Second, the government will continue to have some responsibility to promote universal access to basic telecommunications services. The key word here is "basic," because the more that government regulation mandates the provision of a service at a fixed rate, the less opportunity and incentive there is for the marketplace to develop improved services, perhaps at lower rates. Applying this principle will present a difficult balancing test for the Commission and the Congress. The Commission is now examining this type issue as it considers developing charges for access to local switching services. In the future, services beyond basic telephone service may become so essential to participation in society that political pressure to insure access to such services will become quite strong. Concerns I have heard about a cable or pay television service obtaining rights to the Super Bowl or World Series somewhat illustrate this potential problem. Some dangers of government control over information distribution are obvious, but I want to stress that even government intrusion to promote broader dissemination of information carries very heavy costs. In my view, the Commission's elimination of its syndicated exclusivity rules has resulted in a very significant reduction in the economic incentives available to producers of copyrighted program materials. In the future, the cost of this type of government intervention will, I believe, become clearer. Some of the inequities promulgated by the FCC action may soon be corrected by the House Judiciary Committee's treatment of copyright in H. R. 3560.

I would also like to note that a major problem the Commission and the industry will face in the future is that of spectrum allocation among the various telecommunications services. While the technology of spectrum conservation can mitigate this problem, the spectrum is limited and the Commission will face even

harder choices as more and more telecommunications uses are developed. I believe that marketplace considerations can be invaluable to the Commission in this area. Gauging the market demand for spectrum space will be one of the Commission's most important roles in the future. One approach to measuring this demand is to permit the flexible use of spectrum when this is technically possible. The Commission's decision to permit some sharing of the UHF band by land mobile and broadcast services is an example of this approach. The massive influx of low power television applications may give a severe test to the Commission's efforts to accommodate both services.

As you know, the FCC is now processing low power TV applications. Estimates are that in two to three years there may be 6 - 10,000 low power stations in operation. This may well be a harbinger of a glut in TV communications. The future may well prove that more is not necessarily better.

How will the consumer be best served by additional cable channels, MDS channels, pay cable and STV, superstations, direct broadcast signals from satellites, as well as videotapes and discs? Is the FCC inadvertently advancing new pay services from cable, MDS and STV over the conventional free over-the-air services? Will direct broadcast from satellites eventually circumvent local stations licensed to serve their community? Will support for local programming be dissipated? Will consumers eventually have to pay to see major sports and major or (eventually) all movies over pay cable or STV?

Cable companies have promised multiple channel operations of 50 to 107 channels to gain franchises. What will be used for programs? Cable's principal source of good programming is what they have been transmitting from television stations at ridiculously low copyright fees.

Fifty or one hundred channels would provide more programming than an individual can handle. Audiences could be fractionalized, and advertising support for the more expensive quality programming could be dissipated.

It occurs to me that there is a definite time limit for most working individuals for TV viewing. Someone, and I hope it isn't the consumer, will be confused and disadvantaged by the future potential glut of multiple cable channels, thousands of over-the-air signals, superstations, direct satellite broadcast signals, low power TV, multipoint distributors and home video playback equipment.

I won't be at the Commission when all this happens -- possibly by 1990. In the meantime, the Commission has the responsibility of assuring an orderly, stable transition from the TV communications of the 80's into the 90's -- with painstaking consideration of all the complex facets of the public interest.