Remarks by FCC Commissioner James H. Quello
Public Relations Society of America
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THE TELECOMMUNICATIONS EXPLOSION

I'm delighted to be back in my home town where I spent 28 years in broadcasting and public relations with stations WJR and WXYZ. (And where, incidentally, I taught classes at the University of Detroit on the "Practicalities of Government Regulation" -- after eight years with the FCC, I feel qualified to do a text on the "Irrationalities of Government Regulation.")

I started my broadcast career in public relations, publicity, advertising and public service -- and this month, I'm starting my 9th year in national public service thanks to a strong P.R. sense, a competitive, masochistic spirit and fortunate positioning of good friends. (Considering the record-breaking length of my first confirmation hearing, I should also credit my serving time as a combat battalion commander in France and Germany in World War II.)

My FCC service the past eight years has been challenging, at times frustrating, other times gratifying and overall the most productive period of my lifetime career.

In the past eight years we have been involved in a veritable explosion of fascinating communications developments, technical advancements, regulation, and deregulation. There have been significant and far-reaching, oftentimes controversial developments in a wide variety of communications subjects such as: cable development and deregulation, radio deregulation, telephone competition, the newly deregulated and enhanced AT&T services, DBS, teletext, low power TV, STV, VHF drop-ins, clear channel duplication, alternate funding for public TV including an advertising experiment in ten markets (more on "TCAF" later), First Amendment recommendations, cross-ownership of media, increased minority ownership, AM stereo development, FM quadraphonic development, MDS micro-wave service, advanced land mobile cellular radio, the RKO decision -- an historic landmark in bureaucratic overkill -- and many others. As you may have read, the new administration is now embarked on a program of unregulation stressing competitive marketplace forces rather than government regulation.

My position on key policy issues in broadcasting, cable, public broadcasting, the new deregulated AT&T, DBS, and First Amendment rights is a matter of record. In the more significant cases, my position has been emphasized by supporting, concurring or dissenting statements that have been available for public scrutiny. There has been general acceptance of my approach to regulation which is more bottom line journalistic than legalistic oriented.

I suppose my previous press, P.R. and para-legal experience has eased the transition from the regulated to the regulator.

As you know, P.R. and lawyers flourish in the nation's capital. Sometimes they are combined or interchangeable -- if you count government relations as a form of P.R., there must be more P.R. people per capita in Washington than anywhere in the world.

I really believe public relations reaches its zenith in Washington. Your corporate and individual image, your civic contributions, your public service accomplishments, your character, and your political acceptance are all concentrated to reach an ultimate P.R. goal. The goal may be legislation, regulation or deregulation that affects the growth and sometimes, the very survival of your business and your personal well-being. Effective, knowledgeable overall P.R., backed by logic and reason, can determine whether or not a bill or rule is passed or defeated, whether a candidate is elected or defeated, whether one is appointed or rejected. There is a big premium for individual "access" to influential individuals or government leaders that are considered key decision makers in laws and rulemaking. Many lawyers and P.R. men with "access" are the most knowledgeable and effective lobbyists in Washington.

Access doesn't mean anyone is going to buy your argument or champion your cause. It means you have the opportunity to present your case and express your viewpoint in more appealing and understandable language than in a formal filing or legal petition. Even with "access," excellent public relations and legal representation, powerful companies frequently confront major problems and obstacles. For example, AT&T has recently publicly announced a two million dollar public relations campaign to oppose proposed legislation they believe intolerable to their long-range interests. It is utilizing all facets of P.R. -- organizational and union support, direct mail, publicity, advertising, personal calls and presentations by key executives, etc. Don't worry about AT&T starting a national revolt all by themselves. There are over twenty large corporations opposing AT&T with all their invididual resources, lawyers and P.R. men. It's a tough fight -- you can only hope that logic, reason and the public interest will prevail.

(Incidentally, one of the books I might eventually write after leaving the FCC will be a classic of combined P.R. and litigation -- the story of the most costly, complex, and contentious license renewal battle in FCC history -- the Richards case of 1948 - 1950. If you have an extra hour sometime, I'll tell you about both an enrichening and searing experience.)

But, enough for public relations and government regulation --

There is a communications explosion in your immediate future. That is the announced subject of my speech.

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 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." My personal bottom line description first enunciated during a lengthy confirmation hearing in early 1974 is: "The best service to the most people at the most reasonable price." The principle of public interest seems simple enough, but it entails complex implementation.

Each Commissioner applies his individual private version of the public interest standard to the on-coming communications explosion ---to common carrier developments affecting the new AT&T and all its competitors -- to TV, MDS, STV, teletext 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 dominant question: "Is the public best served by a competitive marketplace approach or additional 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.

Although AT&T today doesn't primarily affect commercial broadcasting, broadcasting and cable will probably be significantly affected by the new AT&T settlement and on-going legislation. The emerging non-monopoly AT&T will pose cataclysmic communications questions in the future. The most controversial question: "To what extent should the enhanced AT&T be allowed to provide information services including cable, yellow pages, teletext, specialized news, etc.?" Naturally, some of the services could dissipate advertising revenue or require customers and industries to pay

for information now available without cost. Yet, AT&T, a world leader in advanced communications, may well have the technological and economic expertise to meet the prime public interest requirement of "The best service to the most people at the most reasonable cost."

Today 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 either by wire, fiber optics or satellite. 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 assuring 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 forebear 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. I favor that approach. 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." In many cases, it will enable small markets to have their first local TV service.

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 prove that more is not necessarily better. We may be trying to provide diversity for already satiated broadcast markets. The Commission must ask itself some perplexing questions: "How will the consumer be best served by additional cable channels, MDS channels, teletext, 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 communities?"; "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 free programming is what they have been transmitting from television stations at unjustifiably low copyright fees.

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

The potential for direct broadcasts from satellites is mind-boggling! I concurred in a commission action that encourages prompt development of direct-to-home satellite TV and provides an interesting and significant opportunity to study and evaluate a satellite-transmitted pay service.

However, I am convinced that we must preserve future options in regulation and structuring to assure a continuing local broadcast service to communities throughout the nation. I believe local service to the public was intended and is implied by the Communications Act. We must be careful not to restructure the entire communications system to favor pay services over a free service to the public.

I doubt that overall public interest will be served by any radical change that threatens or reduces the ability of broadcasters to support a wide range of local news, entertainment and public and emergency services fostering the well-being and progress of our communities. The same concerns apply to national and international news, emergency bulletins and public affairs programming provided by existing network service free of any direct cost to viewers or listeners.

The FCC is now carefully developing a record to establish to what extent DBS will eventually be regulated as a common carrier or a broadcast service.

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 a "paying" consumer, may 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, teletext, multipoint distribution and home video playback equipment. Also, public relations will necessarily become more electronically orientated in future communications.

I won't be at the Commission when all these new communications technologies are in place --probably by or even before 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. I hope government and industry can constructively work together for greater achievement. The FCC should consider enlisting the nation's foremost engineers, programmers and executives from broadcasting and the electronics industry to develop a comprehensive system for American broadcasting. This panel of experts or a high level task force could supplement our staff in incorporating the latest emerging technologies in a coordinated plan that would assure the further growth of free over-the-air broadcasting.

It's a fascinating time to be at the FCC -- I hope through our combined staff and industry expertise, divine guidance and a touch of luck, we can help maintain and increase our communications leadership so that Americans remain the best informed and best served people in the world.