

BROADCAST/CABLE INTERFACE IV
WASHINGTON D.C. -- JUNE 11, 1990

CABLE, DAMMED BY CUSTOMERS, BROADCASTERS, PRESS AND SOME GOVERNMENT OFFICIALS AS THE TELECOMMUNICATIONS MONOPOLY "EVIL EMPIRE" IS BENEFITTING FROM A MUCH NEEDED INFUSION OF GLASNOST AND PERESTROIKA.

PROBLEMS STILL EXIST BUT HAVE BEEN SOMEWHAT MITIGATED BY OPENNESS (GLASNOST) IN DEALING WITH MUST CARRY AND CHANNEL REPOSITIONING AND RESTRUCTURING (PERESTROIKA) OF RATES AND SERVICES. IT ALSO SEEMS APPARENT THAT LARGE DOMINANT MSOs ARE READY TO CONSIDER REASONABLE GOVERNMENT LIMITS ON VERTICAL AND HORIZONTAL INTEGRATION TO AVOID ANTITRUST IMPLICATIONS AND CHARGES OF ABUSE OF POWER.

THE CABLE INDUSTRY IS FACING UP TO THE FACT THAT A MULTI-CHANNEL SOLE-SOURCE PROVIDER OF TELECOMMUNICATIONS SERVICES CONSTITUTES A MONOPOLY THAT MUST FACE COMPETITION OR REGULATION.

MANY OF CABLE'S PROBLEMS WERE SELF-INFLICTED BY SOME OVER-AGGRESSIVE OR GREEDY OPERATORS AND ARE NOW IN THE PROCESS OF BEING RESOLVED BY SELF CORRECTION OR BY LEGISLATION. CABLE PROBLEMS ALSO WERE AGGRAVATED BY INADVERTENT MARKETPLACE STRUCTURAL INEQUITIES GENERATED BY REGULATORY JUDICIAL AND LEGISLATIVE ACTIONS. FOR EXAMPLE, I BELIEVE THE FCC CONTRIBUTED TO THE PROBLEMS BY MISCALCULATION ON THE EFFECTS OF OUR FAULTY

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DEFINITION OF EFFECTIVE COMPETITION AND BY OUR DEFECTIVE ARGUMENTS ON MUST CARRY.

IT IS ALSO APPARENT THAT THE 1984 CABLE ACT (THAT I STRONGLY ENDORSED) IS OVERDUE FOR A LEGISLATIVE OVERHAUL. IT WAS ENACTED WITH MUST CARRY SECURELY IN PLACE AND BEFORE CABLE STARTED TO AGGRESSIVELY SELL TV ADVERTISING IN COMPETITION WITH LOCAL STATIONS.

IN MY OPINION, IT WAS NEVER ENVISIONED BY GOVERNMENT OFFICIALS THAT FREE OVER-THE-AIR BROADCASTING WOULD BE PLACED IN A POSITION OF SUBSIDIZING WITH ALL THEIR OWN PROGRAMMING A MONOPOLY CABLE TRANSMISSION PIPELINE AGGRESSIVELY SELLING ADVERTISING AGAINST THEM. THE LOCAL STATIONS THAT INCLUDE NETWORK AFFILIATES AND THE MOST POPULAR INDEPENDENT STATIONS, PROVIDE THE LARGEST PORTION OF CABLE'S OVERALL AUDIENCE. IN A SENSE, REQUIRING CABLE TO CARRY THE LARGEST, MOST POPULAR LOCAL STATIONS IS MERELY SERVING A PRIMARY ECONOMIC INTEREST OF THE CABLE COMPANIES WHOSE SUBSCRIBERS TUNE TO LOCAL STATIONS MORE THAN ANY OF THEIR CABLE-ONLY SERVICES.

THE SENATE DRAFT BILL GOES A LONG WAY TO CORRECT UNDUE ESCALATION OF RATES TO CONSUMER AND RE-ESTABLISHING EQUITY IN THE MARKETPLACE.

IF THE SENATE AND HOUSE DRAFT BILLS ARE LEGISLATED INTO LAW, MOST OF THE CABLE COMPANIES WOULD APPEAR TO BE, AND PROPERLY SO, WITHOUT EFFECTIVE COMPETITION. IT WOULD THEN BE THE CHALLENGING TASK OF THE FCC TO PROVIDE A FREE ENTERPRISE RATE GUIDELINE FOR LOCAL COMMUNITIES THAT WOULD PREVENT UNDUE ESCALATION OF RATES, BUT STILL PROVIDE CABLE SYSTEMS WITH REASONABLE INCENTIVES FOR GROWTH, DEVELOPMENT AND PROFIT. IT IS HIGHLY UNLIKELY THAT THIS FREE ENTERPRISE ORIENTED FCC WOULD IMPOSE RESTRICTIVE RATES THAT WOULD UNDERMINE THE ECONOMIC VIABILITY OF A CABLE COMPANY OR CAUSE A LOWERING OF THE EQUITY VALUES. I READ IN BROADCASTING MAGAZINE AND IN RESPONSIBLE FINANCIAL PUBLICATIONS THAT THE THREAT OF TELEPHONE ENTRY INTO CABLE HAS DEPRESSED THE VALUE OF CABLE STOCKS. THE LOGIC ESCAPES ME HOW THE UNLIKELY TELEPHONE ENTRY INTO CABLE PROGRAMMING COULD DEPRESS CABLE STOCKS-AT THIS TIME. FIRST, LEGISLATION DOESN'T SEEM IMMINENT TO ALLOW FULL PHONE ENTRY INTO CABLE -- IF EVER APPROVED, IT WOULD TAKE AN ESTIMATED TEN YEARS TO IMPLEMENT FIBER OPTICS INTO THE HOME. IF EVENTUALLY THE RESTRICTION ON TELEPHONE COMPANIES ARE COMPLETELY LIFTED, I DON'T EXPECT CABLE OR BROADCASTING COMPANIES TO HOIST A FINANCIAL WHITE FLAG RATHER THAN BATTLE THE PHONE COMPANIES FOR BUSINESS. CABLE AND BROADCASTING WOULD HAVE A VAST PRACTICAL ADVANTAGE IN TV MARKETING KNOW-HOW AND IN PROGRAMMING CONTRACTS AND DEVELOPMENT. THEN TOO, I BELIEVE CABLE WILL BE ABLE TO NOT ONLY SURVIVE, BUT TO THRIVE, IN A COMPETITIVE ENVIRONMENT.

I HAVE PREVIOUSLY STATED THAT I, PERSONALLY, AM A SATISFIED CABLE SUBSCRIBER. MY RATES HAVE INCREASED, BUT I FEEL I'M GETTING FULL VALUE. I MUST CONFESS, HOWEVER, THAT I HAVE RECEIVED DOZENS OF INTELLIGENTLY WRITTEN LETTERS FROM OUTRAGED CABLE SUBSCRIBERS IN ONE SMALL SUBURBAN COUNTY OF MICHIGAN. THE LOCAL PAPER HAD SUGGESTED THEY WRITE TO THE MICHIGAN FCC COMMISSIONER. I THEN REALIZED IF I WERE A SENATOR FACED WITH SIMILAR COMPLAINT LETTERS FROM 10 TO 40 COUNTIES, I WOULD CERTAINLY REGISTER CONCERN AND PROBABLY INSTITUTE CORRECTIVE ACTION.

I LIKE CABLE. I PARTICULARLY LIKE THE ADDITIONAL SERVICE PROVIDED BY CNN, TNT, ESPN AND THE DISCOVERY CHANNEL. I ONCE SAID I LIKED IT -- I WON'T STAY HOME WITHOUT IT. BUT I DON'T LIKE IT TO THE EXTENT THAT I'LL EVENTUALLY HAVE TO PAY CABLE TO SEE REGULARLY SCHEDULED MAJOR SPORTS OR PAY A PREMIUM FOR ALL MAJOR PLAY OFFS SUCH AS THE WORLD SERIES OR SUPERBOWL.

I'M ALSO CONCERNED WITH THE POSSIBLE DISENFRANCHISEMENT OF THE POOR AND DISADVANTAGED FROM TV SERVICE. I DO BELIEVE THAT UNIVERSAL FREE TV SERVICE MUST BE AVAILABLE TO ALL AMERICANS NOT ONLY THOSE WITH THE ABILITY OR INCLINATION TO PAY.

THE PROBLEM OF REASONABLE RATES AND MARKETPLACE EQUITY IS ON THE WAY TO BEING RESOLVED THROUGH WELL CONSIDERED LEGISLATION AND CABLE'S NEW FOUND GLASNOST AND PERESTROIKA ON RATES, CARRIAGE AND CHANNEL POSITIONING.

CABLE AND BROADCASTING HAVE PRESENTED THE AMERICAN PUBLIC WITH THE MOST COMPREHENSIVE AND BEST TELECOMMUNICATIONS SERVICE IN THE WORLD. I DON'T THINK PUBLIC INTEREST IS SERVED BY MAKING THEM ANY LESS THAN THEY ARE. CONGRESS IN ITS WISDOM IS TAKING PROGRESSIVE STEPS TO PRESERVE THEIR SERVICE BY ASSURING AN EQUITABLE MARKETPLACE THAT BEST SERVES ALL AMERICAN CONSUMERS.

THERE ARE MANY OTHER FACETS OF CABLE AND BROADCASTING FOR DISCUSSION, BUT THIS IS THE CLOSE OF A LONG THOUGHT-PROVOKING DAY.

I BELIEVE IN THAT OLD SAYING THAT "THE MIND CAN ONLY ABSORB WHAT THE SEAT CAN ENDURE."

SO THANKS FOR YOUR IMPRESSIVE SHOWING OF ENDURANCE AND INTEREST AND HEARTY CONGRATULATIONS TO BROADCASTING AND TO WILEY REIN FIELDING FOR ANOTHER STIMULATING SMASH HIT INTERFACE.