

Remarks by Commissioner James H. Quello
Before the
United States Telephone Association's 94th Annual Convention
Honolulu, Hawaii - November 4, 1991

Convening as we are in this beautiful island-state, it seems a little out of place to dwell upon the problems and opportunities we all face in the "real world." But, for a few minutes this morning, I would like to address just a couple of issues that both give us hope and pause.

Less than two weeks ago, the Federal Communications Commission adopted a position in Docket Number 87-266 that we hope and believe will encourage the establishment of a nationwide broadband network. In that agenda item we acted upon on October 24th, there were actually three separate, but related, documents.

First, we proposed that the telephone industry be free to construct a broadband network which can provide what has been termed "video dialtone." We asked for comments on proposals to change some of our rules to facilitate such a network. We attempted to establish a model whereby, in the words of the Further Notice of Proposed Rulemaking, "...carriers will be able to respond to marketplace demand for video common carriage and

advanced telecommunications services in the multimedia environment by providing both the underlying video dialtone common carriage as well as their own competitive non-programming services. Among our goals is an increase in diversity of information sources."

The need for such diversity in the provision of video services has been highlighted by Henry Geller in a very interesting paper published by the Annenberg Washington Program. Geller contends that our current video distribution methods have not fully served the First Amendment and that a further diversification of video sources is necessary. He contends that "(t)he regulatory model that has best served the diversity of information sources in the U.S. is the print model, combined with common carrier delivery." And, he notes that "(t)his model can now be adapted for television because of the rapidly increasing involvement of local telephone companies in fiber optic transmission." Geller contends that accelerated deployment of fiber is warranted because of the First Amendment benefits to be derived from what he calls "video publishing."

The FCC took another step along the path to video publishing in that October 24th meeting by adopting a First Report and Order which made some critical interpretations of the Cable Act of 1984. First, the Commission concluded that the telephone/cable cross ownership ban imposed by Section 613 does not apply to interexchange carriers. And, we found that Section 621 of the

Cable Act does not require either a local exchange carrier or its customer/programmer to obtain a municipal cable television franchise in order to offer video dialtone service. I strongly suspect that those findings will not be greeted with universal enthusiasm and that the courts may enter the debate at some point in the not-too-distant future.

The Commission also issued a Second Further Notice of Inquiry on October 24th. That inquiry seeks to encourage comment on whether the FCC's tentative conclusion, in an earlier notice, that local exchange carriers should be permitted to enter the cable television business is still valid. In other words, does the ability to provide video dialtone services provide enough incentive for the deployment of fiber to the home without the direct provision of programming by telephone companies? In that same notice, we asked about the desirability of joint ventures between phone companies and cable television companies. In the interest of full disclosure, I must tell you that I issued a statement aimed at clarifying my position on the Second Further Notice. I wanted to make it clear that I do not necessarily endorse any of the positions examined in the notice but that I am interested in reviewing the comments to see if there might be some variations or combinations that make sense. And, I recognize that, if exchange carriers are to become cable operators, the Congress must change the Cable Act.

In adopting this docket on the 24th, the Commission was sending a message that it favors accelerated deployment of broadband facilities to homes and small businesses. We certainly don't know all of the answers as to how this should be done and who is going to pay for it. We expect that you might have some ideas to share with us and we welcome your comments.

I would also encourage you to seek alliances and common ground among those who have serious concerns about your entry into the video business. I am particularly concerned that your entry not have a negative effect upon the viability of over-the-air broadcasting services. I believe that broadcasting continues to provide a vital service to the nation by making information, education and entertainment available, free of charge, to millions of Americans who have no other access to such video services. I do not want this nation to become one of video haves and have-nots because of circumstances of geography or economics. We have a long tradition in this country of virtually universal television service and I would like to see that continue.

I recognize that some of you have been actively talking with broadcasters and others in an effort to reach some accommodation. I will continue to offer my services as honest broker where such services can be of value.

Among the issues before us which give us some pause is the question of network reliability given the outages that have occurred over the past couple of years. I want to make clear at the outset that I am not interested in assigning blame or pointing fingers. I understand, given the vast changes in technology and industry structure in recent years, that perfection is a goal not a reality. As Samuel Johnson said: "It is reasonable to have perfection in our eye that we may always advance toward it, though we know it can never be reached." And, I know that you and I share the goal of coming as close to perfection in the performance of our telecommunications infrastructure as is humanly possible.

As Chairman Sikes reported to Chairman Markey late last month, the Commission is taking its responsibilities very seriously when it comes to network reliability. Historically, we have generally dealt with network reliability and security concerns in the context of national defense and emergency preparedness. The FCC is represented at the President's National Security Telecommunications Advisory Committee. Our staff also participates on several subcommittees sponsored by the National Communications System and in other fora. Back in July, we moved to establish formal notification requirements concerning service problems. We established a special staff, within the Common

Carrier Bureau, to investigate and address issues of network performance. And, we are investigating the various ways service disruptions are handled in other vital industries and in other nations. Last month, Chairman Sikes and Common Carrier Bureau Chief Rick Firestone met with a number of foreign telecommunications officials in Geneva under the aegis of the International Telecommunications Union and reached an agreement to establish international reporting and sharing procedures with respect to service outages. It should be clear that the Commission is prepared to do what it must to ensure that our telecommunications infrastructure continues to provide the highly reliable service that we have all come to demand and expect. I know that you are equally committed to that goal.

We have implemented a detailed program of reporting on various indicators of network reliability and service quality under the new price cap regulatory scheme. We will continue to study those reports for any information indicating potential problems. Again, the goal isn't finger pointing but identifying potentially troublesome patterns with the aim of avoiding disruptions.

I know that you have more speakers you want to hear from and I don't want to risk any comparison with General Alexander Smythe of my adopted state of Virginia. General Smythe served in an early American congress along with Henry Clay. The General had a decided tendency to speak at great length whenever the opportunity presented itself. Speaking in his usual extended fashion before the House, General Smythe turned to Clay and declared: "You, Sir, speak for the present generation; but I speak for posterity." Clay replied: "Yes and you seem resolved to speak until the arrival of your audience."

You have been a great audience and I'm delighted to be here in Hawaii to share your 94th annual convention. Thank you.