

**MR. CHAIRMAN, MR. ROGERS, AND MEMBERS OF THE
SUBCOMMITTEE:**

**I AM JIM QUELLO. ON FEBRUARY 5 PRESIDENT CLINTON
DESIGNATED ME INTERIM CHAIRMAN OF THE FEDERAL
COMMUNICATIONS COMMISSION. I APPRECIATE THIS
OPPORTUNITY TO PRESENT TO YOU THE FCC'S
APPROPRIATIONS REQUEST FOR FISCAL YEAR 1994.**

**WITH ME TODAY ARE THE COMMISSION'S MANAGING DIRECTOR
AND THE CHIEFS OF OUR PRINCIPAL BUREAUS AND OFFICES,
WHO WILL ASSIST IN ANSWERING ANY QUESTIONS THE
SUBCOMMITTEE WISHES TO ASK.**

I WOULD LIKE TO BEGIN BY OUTLINING FOR YOU OUR BUDGET SUBMISSION FOR THE COMING FISCAL YEAR. I WOULD THEN LIKE TO PLACE OUR BUDGET IN CONTEXT BY DESCRIBING VERY BRIEFLY THE SUBSTANTIAL CONTRIBUTION THE COMMISSION MAKES TO THE MAINTENANCE AND GROWTH OF OUR NATIONAL TELECOMMUNICATIONS INFRASTRUCTURE AND TO OUR ABILITY TO COMPETE IN A GLOBAL ECONOMY.

THE FCC BUDGET REQUEST INCLUDES A \$12 MILLION SUPPLEMENTAL FOR FY 93 TO ALLOW THE COMMISSION TO BEGIN IMPLEMENTATION OF THE CABLE ACT. OUR BUDGET SUBMISSION FOR FY 1994 REQUESTS \$129.9 MILLION IN DIRECT BUDGET AUTHORITY AND AN ADDITIONAL \$16.1 MILLION IN FEE COLLECTIONS TO COVER THE COST OF IMPLEMENTING THE CABLE ACT. THE FEES COLLECTED WILL GO DIRECTLY, AND

SOLELY, TO OFFSET THE COSTS OF ADMINISTERING THE CABLE ACT. ASSESSED ANNUALLY ON ALL CABLE TELEVISION SYSTEMS ON A PER SUBSCRIBER BASIS, THESE FEES WOULD RESULT IN AN ESTIMATED ANNUAL COST PER SUBSCRIBER OF ABOUT \$0.31. IF THE FEES WERE ALSO COLLECTED FROM BROADCASTERS AND OTHER MULTI-CHANNEL PROGRAM PROVIDERS, HOWEVER, THE COST PER CABLE SUBSCRIBER WOULD DECREASE. WE ARE CURRENTLY DEVELOPING THE FIGURES ON THIS ALTERNATIVE COLLECTION METHOD AND WILL SUPPLY THEM FOR THE RECORD.

FINALLY, I WOULD NOTE THAT THE BUDGET BEFORE YOU ONLY INCREASES THE COMMISSION'S BASE PROGRAMS BY \$1.4 MILLION. THIS AMOUNT IS EARMARKED FOR NONDISCRETIONARY COST INCREASES. IT DOES NOT REQUEST

ANY ADDED RESOURCES FOR OUR EXISTING HIGH PRIORITY PROGRAM AREAS, ALTHOUGH IN MY JUDGMENT THESE SORELY NEED NEW TECHNICAL AND COMPUTER EQUIPMENT AND ADDITIONAL STAFF. THE BUDGET BEFORE YOU TODAY IS THE "BARE BONES" INTENDED TO PERMIT THE COMMISSION TO CONTINUE FUNCTIONING AT ITS CURRENT LEVEL AND TO ADMINISTER THE CABLE ACT.

IMPLEMENTATION OF THE CABLE ACT HAS BEEN THE COMMISSION'S MOST INTENSIVE REGULATORY ACTIVITY SINCE ITS ENACTMENT LAST OCTOBER. THE ACT REQUIRES THE COMMISSION TO UNDERTAKE THIRTEEN RULEMAKINGS ON A VARIETY OF COMPLEX MATTERS INCLUDING RATE REGULATION, ACCESS TO PROGRAMMING, OWNERSHIP LIMITS, AND CUSTOMER SERVICE. WE MUST ALSO PREPARE FIVE REPORTS

TO CONGRESS WITHIN THE NEXT TWO YEARS ON AN ARRAY OF SUBJECTS INCLUDING SPORTS MIGRATION, EQUIPMENT COMPATIBILITY, AND THE STATUS OF COMPETITION IN THE VIDEO MARKETPLACE. WE MUST ALSO COLLECT CABLE FINANCIAL INFORMATION ANNUALLY AND PUBLISH ANNUAL REPORTS ON AVERAGE CABLE RATES.

THE COMMISSION HAS MET ITS STATUTORY DEADLINES FOR COMPLETING ITS WORK UNDER THE CABLE ACT SO FAR. IT HAS NOT BEEN EASY, HOWEVER. TO COMPLETE ITS FIRST SEVEN RULEMAKINGS WE HAVE DIVERTED STAFF FROM VIRTUALLY EVERY BUREAU AND OFFICE, AND THESE PEOPLE HAVE BEEN WORKING LITERALLY AROUND THE CLOCK TO DO THE JOB.

BUT FOR ALL THIS, THE MOST INTENSIVE EFFORT IS YET TO COME. IMPLEMENTING THE RULES IS GOING TO BE VASTLY MORE RESOURCE-INTENSIVE THAN PRESCRIBING THEM. FOR EXAMPLE, THE COMMISSION WILL BE REQUIRED TO ACT ON LITERALLY THOUSANDS AND THOUSANDS OF REQUESTS FROM FRANCHISING AUTHORITIES FOR RATE REGULATION CERTIFICATION, FROM CABLE SYSTEMS AND BROADCASTERS REQUESTING WAIVERS OF VARIOUS RULES, AND FROM CONSUMERS CLAIMING RATES ARE UNREASONABLE. WE CANNOT PERFORM THESE TASKS BY CONTINUING TO DIVERT EXISTING PERSONNEL FROM THEIR REGULAR JOBS BECAUSE THEIR REGULAR JOBS WILL SIMPLY NOT GET DONE. AND, WITH REGARD TO THE WORKLOAD IMPOSED IN OUR STAFFS' PERFORMANCE OF THEIR REGULAR JOBS, THE SUBCOMMITTEE IS AWARE FROM THE TESTIMONY OF FORMER CHAIRMEN THAT

THE COMMISSION STAFF HAS SHRUNK BY 20 PERCENT OVER THE LAST DECADE WHILE AT THE SAME TIME THE RELENTLESS MARCH OF TECHNOLOGICAL DEVELOPMENT HAS INCREASED OUR WORKLOAD EXPONENTIALLY.

THE COMMISSION CANNOT ABSORB THE ONGOING RESPONSIBILITY OF ADMINISTERING THE CABLE ACT WITHOUT THE INFUSION OF SUBSTANTIAL ADDITIONAL RESOURCES. I HOPE YOU WILL CONSIDER THESE FACTS CAREFULLY AS YOU EVALUATE OUR BUDGET SUBMISSION.

AS RESOURCE-INTENSIVE AS THE CABLE ACT IS, IT IS HARDLY OUR ONLY MAJOR ACTIVITY, NOR IS IT OUR MOST IMPORTANT ONE, AT LEAST IN THE LONG TERM. FOR THE FCC MUST CONTINUE TO PERFORM THE FUNCTIONS IT ALWAYS HAS --

**ALLOCATING THE SPECTRUM, DEVELOPING THE RULES, AND
ISSUING THE LICENSES FOR A VAST AND GROWING ARRAY OF
TELECOMMUNICATIONS SERVICES THAT COLLECTIVELY
COMPRISE THE INFRASTRUCTURE OF THE INFORMATION AGE.**

**LET ME ATTACH SOME SPECIFICS TO THIS STATEMENT AND
TELL YOU HOW THE FCC IS HELPING TO MAKE NEW
GENERATIONS OF TELEPHONES, COMPUTERS, SATELLITES,
RADIO AND TV A REALITY. WE RECENTLY REALLOCATED 220
MHZ OF SPECTRUM TO SUPPORT INNOVATIVE NEW RADIO
SERVICES LIKE THE NEW PERSONAL COMMUNICATIONS
SERVICES (PCS) THAT WILL PROVIDE LIGHTWEIGHT,
INEXPENSIVE, PORTABLE TELEPHONES, STATE-OF-THE-ART
PAGERS, AND HAND-HELD COMPUTERS. APPLICATIONS
CURRENTLY ENVISIONED FOR PCS INCLUDE THE ABILITY TO**

**TELECOMPUTE -- SEND, RECEIVE, AND PROCESS DATA --
ANYWHERE, VIRTUALLY ON DEMAND.**

**WE HAVE ALSO ALLOCATED SPECTRUM FOR A NEW
GENERATION OF NEW LOW-EARTH-ORBITING SATELLITES THAT
WILL BE MUCH LESS EXPENSIVE AND WORK WITH MUCH
SMALLER ANTENNAE THAN SATELLITES CURRENTLY DO. THIS
WILL ENABLE CHEAPER COMMUNICATIONS DEVICES, LIKE
PERSONAL TELEPHONES AND VEHICLE LOCATORS, TO BE
PRODUCED FOR THE MASS MARKET.**

**WE ARE ENGAGED IN THE INITIAL STEPS IN DEVELOPING A NEW
GENERATION OF BROADCAST RADIO BY PROPOSING TO
ALLOCATE SPECTRUM FOR DIGITAL AUDIO RADIO SERVICE.
DIGITAL AUDIO RADIO PROMISES TO BRING CD-QUALITY AUDIO**

**TO RADIO BROADCASTING THROUGH TERRESTRIAL OR
SATELLITE DELIVERY.**

**FINALLY, WE HAVE CONTINUED TO ACTIVELY FOSTER
ADVANCED, HIGH DEFINITION TELEVISION SERVICE IN THE U.S.
THAT WILL OUTSTRIP ANYTHING PLANNED BY OUR
INTERNATIONAL COMPETITORS. HDTV WILL PRODUCE THEATER
QUALITY PICTURES AND SOUND OVER THE AIR OR BY CABLE.
IT WILL ALSO LIKELY INCLUDE INTERACTIVE TV AND A LINK
BETWEEN TELEVISION AND COMPUTERS THAT WILL MAKE YOUR
HOME TV SCREEN A TRUE MULTIMEDIA DEVICE.**

**IN THE COMING MONTHS WE INTEND TO FOLLOW THROUGH ON
THESE EFFORTS TO INCORPORATE THESE NEW TECHNOLOGIES
INTO THE TELECOMMUNICATIONS INFRASTRUCTURE. WE WILL**

**ALSO BE WORKING TO STRUCTURE RULES IN OTHER NEW
AREAS SUCH AS THE DEVELOPMENT OF INTELLIGENT HIGHWAY
SYSTEMS, THE DEVELOPMENT OF NEW RADAR SYSTEMS TO
SUPPORT BETTER WEATHER FORECASTING, AND THE
"REFARMING" OF CURRENTLY USED RADIO SPECTRUM TO
PROVIDE LICENSEES WITH GREATER TECHNICAL FLEXIBILITY TO
DEVELOP AND IMPLEMENT NEW OR IMPROVED
COMMUNICATIONS SERVICES.**

**TO APPRECIATE THE MAGNITUDE OF OUR TASK COMPARED TO
OUR SIZE YOU MUST REALIZE THAT, WITH A STAFF OF ABOUT
1700 AND AN ANNUAL BUDGET OF ABOUT \$129 MILLION, WE
REGULATE INDUSTRIES THAT EMPLOY MORE THAN ONE MILLION
PEOPLE AND REALIZE MORE THAN \$300 BILLION IN ANNUAL
REVENUES. NOTWITHSTANDING ITS RELATIVE SIZE, HOWEVER,**

THE FCC CONTINUES TO OCCUPY THE ROLE CONFERRED ON IT BY THE COMMUNICATIONS ACT "TO MAKE AVAILABLE, TO... ALL THE PEOPLE OF THE U.S. A RAPID, EFFICIENT, NATION-WIDE, AND WORLD-WIDE WIRE AND RADIO COMMUNICATION SERVICE..." TODAY, WE WOULD CALL THIS MORE SIMPLY INFRASTRUCTURE DEVELOPMENT. NOW, AS IT ALWAYS HAS, THE COMMISSION STANDS AT ITS CROSSROADS.

THIS BRINGS ME TO ONE FINAL POINT THAT MUST BE MADE. THE COMMISSION'S OWN INFRASTRUCTURE IS FAR FROM HEALTHY. OUR COMPUTER HARDWARE AND SOFTWARE SYSTEMS ARE BADLY OUTDATED AND NOT UP TO THE DEMANDS WE PUT UPON THEM. OUR TECHNICAL AND TESTING EQUIPMENT IS SADLY OUTMODED, IN MANY CASES OLDER THAN THE ENGINEERS USING IT. BUDGETARY CONSTRAINTS HAVE

HANDICAPPED OUR ABILITY TO HIRE TALENTED PROFESSIONALS TO GRAPPLE WITH THE TREMENDOUSLY IMPORTANT AND COMPLEX ISSUES WE FACE. DURING THE LAST DOZEN YEARS THE FCC HAS SEEN ITS ABILITY TO FUNCTION EFFECTIVELY STRETCHED TO THE BREAKING POINT BY BUDGET CONSTRAINTS.

IN THE UPCOMING MONTHS I WILL BE WORKING WITH OUR AUTHORIZING COMMITTEES ON WAYS TO FILL WHATEVER GAPS EXIST IN THE FUNDING PROVIDED FOR THE COMPUTER HARDWARE, SOFTWARE, AND TECHNICAL EQUIPMENT WE NEED TO ESTABLISH AND AUTHORIZE NEW COMMUNICATIONS SERVICES. I KNOW THE SUBCOMMITTEE WILL BE COGNIZANT OF THE IMPORTANCE OF THIS AGENCY, ITS WORK, AND ITS NEEDS AS YOU EVALUATE THE BUDGET WE HAVE SUBMITTED.

**THIS CONCLUDES MY STATEMENT, MR. CHAIRMAN. I AND MY
BUREAU AND OFFICE CHIEFS WILL BE PLEASED TO RESPOND
TO YOUR QUESTIONS.**