

Remarks by Chairman James H. Quello

Before the NAB/RAB

National Association of Broadcasters Convention

Las Vegas Hilton - April 19, 1993

One of the pleasant experiences of being appointed FCC Chairman, even interim Chairman, is that you are accorded more generous introductions. Also, you are headlined as a principal luncheon speaker rather than a panelist. But I believe I paid my dues -- I have served as a panelist at this convention for the past consecutive 18 years!

It is also nice to see that senior citizenship still generates some respect in this calloused world, especially now that I have reached a final stage of life. As I see it, the three great stages of life are (1) youth, (2) age, and (3) "You look great!" Well, I feel reasonably great. I'm lucky my physiology has not caught up to my chronology -- My body has not yet rejected me. I play tennis twice a week and still claim to retain 75% of my marbles (still a good local norm in Washington). But with most of a normal life span behind me, I don't make a practice of buying too many green bananas.

Speaking of senior citizenship, I want to once more remind the Grey Panthers and the AARP that President Clinton appointed a citizen in his golden years -- make that platinum years, to an important active post. With the support of the communications leadership in Congress and my FCC colleagues, I am doing my best to assure that our actions represent the best interests of the public and fair reasonable treatment of the communications industries that serve that public. The FCC met a severe test of this principle at our April meeting.

The most significant complex meeting in all my 19 years at the FCC took place on the Quello-Barrett-Duggan shift on April 1. I expected some wags opposed to the Cable Act to call the April 1 date prophetic.

I never thought I would ever see the longstanding contentious financial interest-syndication issue accorded second billing to any issue. Yet it was crowded off the front page by the FCC implementation of the 1992 Cable Act.

Broadcasting & Cable Magazine forcefully captured the dramatic importance of the FCC action in its lead story. The lead paragraphs read:

"Last Thursday (April 1), in dramatic actions that stunned both the broadcasting and cable industries and the media world at large, a short-handed, holdover FCC led by an interim chairman took three actions that could fundamentally change the economics and nature of the telecommunications businesses.

Acting under a Congressional mandate, it rolled back cable television rates 10% under the levels of last fall, subtracting \$1.5 billion from cable's top line and sending cable operators and investors scrambling to figure the impact on the bottom line. Under pressure of a court-imposed deadline, the agency acted (in effect) to repeal its financial interest and syndication rules (although delaying repeal of the syndication rules for two years after dismissal of a consent decree). That fight's not yet over, but the advantage now belongs clearly to the broadcast networks that have been precluded from those two areas of television for more than 20 years.

And in another precedent-making decision, it implemented rules (program access) to force the cable television industry to make its programming available for sale to its principal competitors, including the DBS, wireless cable and telephone industries."

Implementation of the Cable Act is a massive detailed assignment requiring additional personnel. It is the largest new assignment I have ever seen in my 19 years at the FCC. We have the potential of becoming the Federal Cable Commission (FCC). Without additional resources, the Commission will be unable to implement the intent of Congress or meet the objectives spelled out in our Report and Order. With additional administrative and enforcement personnel, we can organize and departmentalize areas of cable responsibility and avoid what could become an unmanageable avalanche of petitions and letters. In the words of an old veteran, we need reinforcements and we need them now. In fact, we needed them last month.

The overall cable re-regulation the last two months was quite a handful. In summary, we implemented the Act to provide lower rates and better service for consumers, equity for broadcasters, program access for cable competitors and reasonable cash flow profits for cable systems. And more is yet to come including anti-siphoning provisions. Only time, the public and Congress will eventually decide how well we succeeded.

However, through all the press and public glamorization and commotion over cable and fin-syn, we must never lose sight of the vital service of radio -- the most universal and omnipresent of all news and entertainment media -- and free to all the public.

Radio was my first job in broadcasting with station WXYZ and WJR Detroit. It was my first love. I was in it for 27 years with only a slight detour when helping to apply for our TV station, WJRT Flint.

I have no problem with mutuality of interest with a radio audience. I'm a natural. I worked about every job in radio and eventually became WJR Vice President and General Manager. I was also President of the Michigan Association of Broadcasters and served as legislative chairman for eleven years.

In fact, I was active in radio during the golden era before television and with no threat from 30 channel cable radio or nationwide digital satellite distribution. When TV started coming on stream in the early 1950s, we had combined station promotion campaigns with slogans we originated in Detroit like "Wherever You Go, There's Radio" and "You Don't Have to Stop and Look, Just Listen." These slogans are very applicable today. We also stressed how radio generated mental pictures that could not be captured by mere film. (Example: The Lone Ranger.) It was during this early period in radio that I received the impetus for higher achievement. As I remember, it was the period that the boss told me I had the looks for radio, not TV; and I had the voice of a behind-the-scenes scriptwriter. So with little audio or visible talent, management was the only course open to me.

Anyway, I'm delighted to be here with radio broadcasters. I feel that I'm with my own people -- that I can break bread with you without being accompanied by a food taster. So, I'm happy to be here, but not too happy with radio's plight today.

We must do something about it! First, we should consider proposals limiting the allocation of more licenses. We should thoroughly explore all possibilities of the NAB request for an FM freeze, especially at a time efforts are being made to develop in-band DAB. I'm afraid that in the FCC's quest for competition and diversity, we have over-saturated the market with radio stations to the point that over half cannot support themselves.

Future allocations must be more carefully controlled because broadcasters today face more challenges than ever before -- and new challenges are presented at an ever-accelerating rate. I base this on my 27 years in the radio business as well as my 19 years as an FCC Commissioner. In a soft economy, there are an increasing number of competitors for advertising dollars. They include not just broadcasters, but a growing array of specialty publications, music services and cable systems that often sell local ads at "radio rates." New technologies on the horizon suggest that competition for audience and advertisers will grow more, not less, intense. Cable audio services are increasing, and currently offer digital music in a wide variety of formats. In addition, the Commission has on file six applications for satellite-delivered digital audio broadcasting that would deliver digital quality sound on primarily a subscription basis. We are exploring all possibilities for giving a priority to digital in-band terrestrial radio services because cable and satellite-delivered audio services do not provide the local news and emergency services so vital to serving the total public interest.

To remain viable, government and the terrestrial audio broadcasting industry must engage in some interdependent strategic planning to effect in-band digital audio broadcasting for both FM and AM. The introduction and rapid acceptance of compact disc technology has created consumers who expect superior audio sound quality. Terrestrial broadcasters must be able to meet consumer demands and must be able to compete with alternative audio delivery systems, such as cable and satellite. I challenge you, radio broadcasters and engineers alike, to formulate terrestrial digital transmission standards and to do so in a timely manner. Your competitors will not stand idly by. To this end, as long as I am a member of this Commission, you have a champion of free, terrestrial broadcasting offering vital local news and emergency services.

For its part, government must realize that business realities are an important component of the public interest. I am not suggesting that the demands of commerce are the only or determining factors defining the public interest -- far from it. But we must acknowledge that broadcasters cannot do their best to serve their communities if the government does not understand their problems. My own experience in the broadcast industry taught me that serving the public interest actually is good business, and vice versa. If anything, I think my experience in the industry helped form my understanding of the public interest, and that my record over the past 19 years has not been too bad on that score. In fact, I recently stated that FCC commissioners are paid by public funds to represent the public. Whenever private interests conflict with public interest, the public interest must prevail. Fortunately, a great majority of broadcasters today realize that the public interest requirement is more of an opportunity than a government burden.

In this regard, it is important to realize that simply characterizing an FCC action as "regulatory or "deregulatory" does not tell you whether it is in the public interest. I believe that many of the Commission's deregulatory actions over the past few years have served the public. For example, our decision last year to allow increases in both national and local ownership of radio stations should help broadcasters survive in the increasingly competitive environment. This should lead to better service to the public. On the other hand, not all of our regulatory choices have been helpful. A case in point is Docket 80-90, which created more opportunities for people to be in the radio business. Unfortunately, it led to such a proliferation of stations that for many it created only the opportunity to go broke.

Another ingredient in any formula for radio viability is the ability to adapt to technological changes. Industry and government must work together to implement these technological improvements. As you move to the world of digital technology, we in the regulatory arena should allow broadcasters what we have allowed other licensees -- flexibility in the use of spectrum for the purpose of providing services. In addition to their broadcast service, broadcasters should be allowed to use their existing spectrum and any additional channels provided by digital technology, for other types of services such as data and paging. Revenues generated from additional uses of broadcast spectrum should help support your free broadcast service, and better serve the public.

I am happy to report that the FCC at long last is taking action that will establish an AM stereo standard. We have issued a Notice proposing that the de facto market standard developed by Motorola C-Quam be adopted. This proceeding is currently under consideration. I have been a longtime advocate of adapting a stereo standard. This will eliminate uncertainty and will stimulate further growth of AM stereo.

Regarding improvements to radio receivers, I applaud the efforts of the National Radio Systems Committee to improve radio receivers. Such efforts will benefit the radio industry and satisfy consumer demand for improved audio quality. I am aware that NAB/EIA working together have established the "AMAX" certification mark. This certification will identify eligible high quality AM receivers that offer high fidelity, adjustable receiver bandwidth, noise cancellation, AM stereo, new AM frequencies (1605-1705 kHz) and external antenna capability. These improvements will substantially improve AM radio service.

Also, this month the FCC opened the door for hundreds of existing AM broadcasters to migrate up to the new AM spectrum on the expanded 1605-1705 band. Preference will be allotted to stations reducing interference. The stations on the expanded band should be relatively static free. The FCC is prioritizing interference reduction across the existing AM band and future AM reception will be notably improved.

Part of radio's continuing dilemma has been the marked increase in the total number of stations. Radio stations have increased in number from 7,640 in 1974 to 11,397 in 1993 -- since I have been on the Commission. This tremendous growth in over-the-air diversity of voices also had a down side. It created an industry struggling economically and many stations going silent for financial reasons. It resulted in the FCC allowing LMAs and greater consolidation of stations to support continued operation.

In addition, one other regulatory area bearing on your ability to serve the public interest should be mentioned -- fines and forfeitures. In my view, forfeitures for rule violations should serve two purposes: they should remind the licensee of its obligations under the Commission's rules, and they should deter licensees from similar infractions in the future. When they have done that, they have done their job. They should not be punitive, and they should not be disproportionate to the nature of the offense.

Because I thought some of our forfeitures appeared to be rather heavy-handed, especially for smaller radio stations, I have instructed the staff to review our current schedule of fines and recommend changes to those that seem too high. The Commission will shortly consider these changes to our forfeiture schedule.

Without predicting the outcome, I can pledge to you my personal support for a revised forfeiture schedule designed to deter rule violations without saddling licensees with exorbitant penalties whose payment might ultimately detract from, rather than add to, your ability to serve the public interest.

I believe it's time for the FCC, and perhaps even Congress, to reassess station allocations policy. How many AM and FM stations are enough? Is there a law of diminishing and even negative returns from constantly jamming in new stations to over-saturated markets?

This same assessment is applicable to Satellite DAB. What would be the effect of local radio service if we had 30-50 new radio voices from a satellite in every community? It seems we have already flooded the market in the name of competition and diversity. How would this effect local radio stations' ability to provide the local service so essential in all our communities?

Neither Congress nor the Commission wants to impede advanced technology, but we should be even more wary of destroying the viability of local stations providing vital local services. We must be careful not to indulge in advance technology just for advance technology's sake when it hurts rather serves the public interest.

It appears that technology may allow present broadcasters to introduce digital audio over their existing stations. If existing stations are able to convert both AM and FM to DAB, then the Commission and all radio listeners can benefit from the existing broadcast allocations structure developed over 60 years of a locally responsive radio service that has found widespread public approval.

Finally, it is a case where government and industry must work together in a constructive spirit of mutual cooperation to achieve reasonable survivability for radio and continued better service for the public. It is time for us to realize that government has a stake in the economic viability of radio -- the most universal, most accessible, and most emergency-durable communications medium in America providing vital local service to the public free of charge.

So, good luck -- Let's work constructively together to assure that radio plays a vital role in Americans remaining the best informed, the most gainfully employed and the best served people in the world.

Just one more thought in closing -- The most pleasing comment you can make when I leave this podium today is "He never forgot where he came from."

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