

FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

OFFICE OF THE CHAIRMAN
JAMES H. QUELLO

May 14, 1993

Paul Farhi
The Washington Post
1150 15th St., NW
Washington, DC 20071

Dear Paul,

The headline and lead paragraph in your May 14th article are inadvertently misleading.

The proposal of charging cable subscribers 2-1/2 cents per month to finance regulation that would save the great majority of subscribers initially \$2 to \$3 per month with probably future reductions doesn't constitute pushing cable rates higher. Also, it would assure future reasonable rate regulation.

The idea of requiring the FCC to raise its own fees to regulate cable did not originate with Congress or the FCC. However, due to the current budget deficit, it may become necessary to resort to a fee system to cover the cost of cable regulation.

The 2-1/2 cents per month or 31 cents a year is our initial proposal. Naturally, we would prefer Congressional appropriation of funds.

Incidentally, Chairman Markey's well reasoned support for the FCC appropriation request for 1993 does not involve cable subscriber payments.

The main thrust and intent of Congressional legislation is to lower rates and improve service to consumers. The FCC is dedicated to implementing Congressional intent.

Sincerely,


James H. Quello

750

EDWARD J. MARKEY, MASSACHUSETTS, CHAIRMAN

W.J. "BILLY" TAUZIN, LOUISIANA
 RICK BOUCHER, VIRGINIA
 THOMAS J. MANTON, NEW YORK
 RICHARD H. LENTZMAN, CALIFORNIA
 LYNN SCHRINK, CALIFORNIA
 MAJORIE MARGOLIS-MEZVINSKY,
 PENNSYLVANIA
 TYRUS OKLAHOMA
 YDEN, OREGON
 M. HALL, TEXAS
 CHARLSON, NEW MEXICO
 SLATTERY, KANSAS
 JOHN BRYANT, TEXAS
 JIM COOPER, TENNESSEE
 JOHN D. DINGELL, MICHIGAN
 (EX OFFICIO)

JACK PHILDS, TEXAS
 THOMAS J. OXLEY, JR., VIRGINIA
 MICHAEL G. OXLEY, OHIO
 DAN SCHAEFER, COLORADO
 JOE BARTON, TEXAS
 ALEX MCMILLAN, NORTH CAROLINA
 J. DENNIS MASTERT, ILLINOIS
 PAUL E. GILLMOR, OHIO
 CARLOS J. MOORHEAD,
 CALIFORNIA (EX OFFICIO)

U.S. House of Representatives

Committee on Energy and Commerce

DAVID R. MOULTON
 CHIEF COUNSEL AND STAFF DIRECTOR

SUBCOMMITTEE ON TELECOMMUNICATIONS AND FINANCE

Washington, DC 20515-6119

May 12, 1993

The Honorable William H. Natcher
 Chairman
 Committee on Appropriations
 H-218 Capitol
 Washington, D.C. 20515

Dear Chairman Natcher:

The Cable Consumer Protection and Competition Act of 1992 was one of the most important pro-consumer bills to pass in the last Congress. Recent reports estimate that consumers will save between \$1 billion and \$1.5 billion this year when the law is fully implemented. It is critical that the Federal Communications Commission (FCC) receive funds in the '93 supplemental appropriations in order to begin to implement the regulations this summer.

I understand that the Administration has requested \$12 million for implementation of the Cable Act in the supplemental appropriations bill for fiscal 1993, and \$16.1 million for fiscal 1994. I urge you to include this appropriation in fiscal years 1993 and 1994. I do so fully aware that these funds have not been authorized by Congress due to the Senate's failure to act on the authorization passed by the House. I hope that this would not be held against the Commission itself.

The FCC can not reallocate employees from other areas in order to carry out the provisions of the Cable Act because the types of employees necessary are accountants, economists and other specialists not currently widely employed by the Commission. In addition, the FCC is falling further behind in the implementation of its existing duties as a result of new duties recently imposed by Congress through the Cable Act. Without additional funding in the fiscal 1993 supplemental, delays would increase in such important areas as applications processing time for station licenses, enforcement cases, and tariff reviews.

The Committee also should be aware that the FCC is engaged in crucial rulemakings that will define the future of our communications system. One rulemaking will establish a new telephone service, Personal Communications Service (PCS). Another

The Honorable William H. Natcher
May 12, 1993
Page 2

rulemaking will review burdens on various communications companies, in an effort to make them better able to compete in the marketplace. Finally, the FCC is now obligated, due to a Court of Appeals decision last November, to increase regulatory control over hundreds of common carriers that were not previously subject to regulation. This court decision alone justifies a substantial increase in FCC resources.

Over the next year the FCC will be in charge of raising over \$7 billion for the Treasury through spectrum auctions. On May 11, 1993, the Energy and Commerce Committee reported out an auction bill as part of budget reconciliation proposal. The FCC will need substantial resources to implement this auction system properly and to maximize revenues for the Treasury. With adequate resources in fiscal years 1993 and 1994, the FCC will be able to collect billions of dollars in auction fees over the next five years.

Additional funding for the FCC in the fiscal 1993 budget supplemental will allow the promise of relief from excessive cable television rates that Congress passed over President Bush's veto last fall to become a reality. I am enclosing an article from Thursday's Washington Post which describes efforts by some in the cable industry to deny consumers the benefits of this law by taking advantage of the lack of resources at the Commission. I urge you to help us provide consumers with the relief voted on by Congress in the Cable Act by ensuring that the Act can be successfully implemented by the FCC.

Thank you for your consideration of this important request. Please contact me directly or have your staff contact Kristan Van Hook (Ext. 6-2424) if you have any questions or need additional information.

Sincerely,



Edward J. Markey
Chairman

Enclosure

cc: The Honorable Neal Smith, Chairman
Subcommittee on Commerce, Justice, State, and Judiciary
Committee on Appropriations

Cable Firms To Battle Rate Cuts

*FCC to Be Flooded
With Hearing Pleas*

By Paul Farhi
Washington Post Staff Writer

The cable TV industry, seeking to block government-ordered rate cuts, is preparing a counterattack against the federal bureaucracy.

In an effort to thwart a law passed last fall that would roll back cable prices, the industry's most powerful executive said yesterday that cable operators will petition the Federal Communications Commission en masse in coming weeks to request individual hearings on the legally mandated price cuts.

The effect of thousands of these hearings, said John Malone, chief executive of Denver-based Tele-Communications Inc., would be to overburden the federal bureaucracy and delay implementation of the rate cuts, and provide the industry with a legal justification to charge higher, not lower, prices.

"My guess about the whole thing is that [the industry] will end up swamping the FCC with cost hearings," Malone said. "When the smoke clears, there will be higher rates in most cities."

The FCC's interim chairman, James H. Quello, rebuked the cable industry for its tactics. "They lost in Congress, they've lost in the courts, so now they're trying to take advantage of a big administrative burden," he said. "If they are seen as flaunting the intent of Congress while we are shorthanded here, that might not be the smartest move, politically."

The new cable regulations permit municipal and federal officials to roll back rates by as much as 10 percent to 15 percent in communities where a local cable operator's prices exceed a complicated "benchmark" announced by the FCC earlier this week. The agency estimates that 75 percent of the nation's 57 million cable households would see some reduction in the cost of cable by fall.

However, the cable law permits companies to request a hearing before the FCC if they can show that

Cable Industry to Counterattack on Rate Cuts

CABLE, From B12

their costs of doing business will be higher than the benchmark allows.

Malone was joined in his comments by the industry's largest trade group, the National Cable Television Association.

"By ordering an industry-wide rate rollback without analyzing existing costs and profitability, the commission has left itself open to a huge number of cost-of-service hearings, which they are totally unequipped to handle," said Jim Mooney, the group's president. "These chickens

will come home to roost."

It is unclear whether the industry can succeed in postponing the start of rate cuts. In an effort to limit bureaucratic foot-dragging, the FCC late last week denied an industry request that any price reductions be delayed until operators exhaust their appeals.

However, cable companies can still make the cost-of-service argument to local regulatory officials, who are charged with overseeing prices for the "basic" package of programs. And Quello acknowledged that the FCC faces a "mammoth" administrative task in judging the appropriateness of rates charged by nearly 11,000 operators for a package of programs known as "expanded basic."

Quello said the cable industry was creating a political climate in which Congress might retaliate by permitting the telephone industry to enter the cable business. He said the commission could extend its current freeze on cable prices to an indefinite period from 120 days, if it needs time to sort through "an avalanche" of industry filings.