



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

May 18, 1993

OFFICE OF
THE CHAIRMAN

Statement of Chairman James H. Quello
Regarding Time Warner - U S West alliance

Time Warner Chairman and CEO Gerald M. Levin and U S West Chairman and CEO Richard McCormick visited me today to discuss the proposed alliance of Time Warner and U S West which sounds very promising. It has the potential of providing consumers with a vast array of exciting advanced technological services.

However, the major unknown factors at this time are estimated costs to consumers and the extent of possible legal challenges to the alliance. The FCC will fully consider any possible legal or regulatory objections and make a public interest finding in its decision on the Time Warner-U S West waiver request.

The strategic alliance of Time Warner and U S West could represent a very significant step toward implementing the Clinton Administration's goal of developing a full service interactive electronic superhighway. Such initiatives utilize private industry investment rather than government funds for building a national information infrastructure.

U S West is investing \$2.5 billion for a 25% stake in Time Warner Entertainment which runs the second largest cable operation, Home Box Office Pay TV and Warner Brothers studios.

The transaction seems to have been carefully structured to conform to the consent decree of 1982 which broke up the Bell monopoly. It also will require that Time Warner request an FCC waiver to give them an opportunity to divest 8 cable systems within the U S West area. The FCC will, of course, handle such a request and any objections to it, in accordance with its usual procedures and with the protection of the public interest paramount. However, this type of waiver which seeks time to divest overlapping media interests have been requested and granted by the FCC in the past. The overlap affects 84,864 cable subscribers (1-1/2% of Time Warner total) in U S West areas, mostly in Arizona, New Mexico, Colorado and Minnesota.

The Full Service Network (FSN) would combine fiber optics, digital compression and storage, and high speed switching with Time Warner's existing coaxial cable. These additions will achieve a fully switched, interactive, broadband multimedia telecommunications systems with unlimited capacity. Through this joint investment in leading edge American technologies, consumers will be able to choose video-on-demand, distance learning, telemedicine, interactive shopping and games, selected telephony and a host of other potential new services.



In my view, the most important challenge facing the Commission in the multi-channel multi-faceted era is to take care that our policies do not erode one of our nation's most valuable institutions: universal free TV and radio available to all the public. It is essential that the most pervasive and influential of all media be available to everyone in a democracy that relies on an informed citizenry to maintain representative government.

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