

Remarks by
Chairman James H. Quello

NABER's GOVERNMENT AFFAIRS SUMMIT

McLean, Virginia
October 21, 1993

Before I begin my comments today, I just want to say how nice it is to see Jay Kitchen looking so well. Jay, you have proven to the medical profession what we at the FCC have known for many years -- you're a damn good fighter! I'm glad to see you. Additionally, I want to recognize those from the FCC in the audience. Please stand. These folks are hard workers, especially during the past nine months, they had the extra burden of making me look good! Thanks.

I appreciate the introduction. It is always 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 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.

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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, Senator Chuck Robb and my FCC colleagues, I am doing my best to assure that our actions represent the best interest of the public and fair reasonable treatment of the communications industries that serve that public.

In fact the past nine months of my interim chairmanship and the Quello-Barrett-Duggan Commission developed into the most hectic period in my nineteen plus years at the FCC with enactment of an unprecedented number of significant items -- many in the mobile services area.

As many of you know, the Commission just a couple of weeks ago adopted a Report and Order in the broadband PCS proceeding. I am proud to say that we managed to get PCS off the ground in less than half the time it took to get cellular rolling. In June, July and September the Commission adopted a total of four Report and Orders facilitating the roll out of PCS. I look forward to the time when it will

be common place to use your personal communicator anywhere in the world. Even today, undersea cables and satellites have made it as easy to talk around the world as it is to talk across the street. Today we're witnessing a marriage of technologies that will permit people to communicate from any two locations on earth (or maybe even beyond earth) in voice or data modes. With digital video compression, most of us will probably even see the Dick Tracy wrist watch television in our lifetime.

Other Commission proceedings in the private radio area, although perhaps not having as high a profile as PCS, are nonetheless important to the continued growth and expansion of American industry through increased productivity. This in turn helps the United States maintain its edge in a world where the customer seeks the best product at the best price irrespective of country of origin.

We don't even know at this point what the ultimate nature of PCS service will be, but I think that the FCC has provided sufficient flexibility to permit the service to develop as the market and entrepreneurs see fit. In this way, regulation will not be the factor that delays or prevents the benefits of the communications of

tomorrow for the American public.

In January of this year, for example, the Commission released a Notice of Proposed Rulemaking to try to kick start the 900 MHz SMR industry, which has had some teething problems since its inception in 1987. Until now, 900 MHz SMRs have only been licensed in the 50 biggest metropolitan areas in the U.S. Many 900 MHz SMR licenses were turned back to the Commission or were cancelled for failure to construct. Responding to perceived customer demand for wide area and regional SMR service, the Commission for the first time in the history of SMRs proposed the creation of both nationwide and regional 20 channel licenses. We hope to bring this proceeding home early next year, which for a regulatory agency is a quick turnaround.

Nor have we forgotten the 800 MHz SMR industry. While older and better-established than the 900 MHz SMRs, it is also clear that the Commission's existing rules do not fit well with the newly developing world of wide area digital SMRs. The companies in the 800 MHz business, which were for many years your archetypical small business, are growing, expanding, and consolidating at an increasingly rapid pace. A new one seems to go public every month or so. In response to these developments, which threatened to make the FCC's

rules governing the 800 MHz SMR business a quaint anachronism, the Commission in May of 1993 launched a wide ranging NPRM that proposed to create a new, wide area multichannel 800 MHz license. The Commission proposed that these licenses would cover broad geographic areas, perhaps as large as a Rand-McNally Major Trading Area. We hope to complete this proceeding by early next year as well.

Nor has the private paging industry been ignored. In February, the Commission proposed a fundamental change to the Private Carrier Paging (PCP) industry. Until now, all PCP providers have operated on shared frequencies. The PCP industry has been a fertile ground for small entrepreneurs looking to participate in the explosion of the communications industry. With relatively low entry barriers, the PCP industry has grown exponentially. where the typical PCP provider used to be a sole proprietor or mom and pop operation that might put 10 or 20 paging customers on in a good month, we now have publicly traded paging companies putting hundreds or thousands of paging customers on in the same period time. Paging rates have also come down, a boon for the customer but placing strong competitive pressures on existing providers. Keeping pace with the maturation of the PCP industry, the Commission proposed that some PCP channels

be designated as exclusive, thereby favoring spectrum efficiency and investment in higher levels of technology. It also proposed ways to obtain regional and even nationwide PCP channel exclusivity, again responding to apparent customer desire for this level of service. As you know, the Commission adopted those proposals at our meeting this morning.

In another action affecting the PCP industry, the Commission in June amended its rules to permit PCP providers to serve individuals. This action increased the alternatives in paging service available to consumers and, we hoped, would through competition spur improved technology and service to the public.

And while the Commission has been busy, Congress has been busy as well. As I am sure you know, as part of the Budget Reconciliation Act of 1993, Congress made sweeping amendments to the Communications Act. It for the first time gave the Commission authority to employ auctions to award licenses. It revamped Section 332 of the Act to create a new category of communications service that was neither common carrier nor private radio. The new Commercial Mobile Service providers would be subject to most, although not all, of the common carrier regulatory provisions in the

Communications Act. Too, Congress seemed to contemplate that many private radio licensees would for the first time become subject to those same regulations

In order to ensure that the Commission did not dally, Congress required we place the new rules governing Commercial Mobile Service providers into effect no later than one year after passage of the Budget Act -- and in only six months after passage of the Act, and PCS licensing must begin nine months after passage of the Act. This is a complex piece of legislation, and we are going to be very busy for the next few months. And this all comes right on the heels of the cable regulation legislation -- there is no corner of the FCC that is not running at our capacity.

Finally, I am pleased to say that the FCC is in better shape at least financially now than when I was asked to serve as Interim Chairman. Congressional Appropriations Committee action just completed on FCC's FY 1994 budget reflects a funding level for the Agency of \$160.3 million. This is \$14.3 million more than requested and 31.8 million over the FY 1993 budget. This equates to a 25% increase in the Agency's budget which is by far the largest ever received by the FCC. In fact, the amount of the increase for FY 1994

matches the combined increases received during the previous six years (1988-1993). Hopefully, these additional funds will result in improved service to those who deal with the FCC and an improved FCC infrastructure.

This next year will be one of great change. I look forward to those changes -- challenges that make life interesting. Working together, I'm sure we can face and overcome the challenges before us and make those tough decisions that will provide advanced communications systems in the future that we can barely imagine today.

Thank you.