

Remarks by

Commissioner James H. Quello

Before

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I'm taking a special short detour today from a scheduled out of town speaking trip to be with you. MSTV is a unique organizational class act lead by a class act, Margita White, a former FCC distinguished Commissioner and highly respected colleague. What an asset she would be as a Commissioner today -- bright, solid and positive in approach. But she is doing too good a job representing MSTV and making sure broadcasting maintains its leadership position in the advanced telecommunications technology of tomorrow. In this regard, I want to acknowledge the outstanding job members of MSTV and former Chairman Dick Wiley are doing as leaders of the prestigious task force developing HDTV.

As you all know, I believe the most important challenge facing the broadcasting industry and the Commission in the next five years is to assure the continuation of one of our nation's most valuable assets -- universal free local broadcast service for all Americans.

Here I go again, but I'm going to keep repeating it as long as I'm on the Commission because there might be two or three people in the audience that haven't heard it before.

Television, the most influential and pervasive of all media, is essential to a well informed citizenry and electorate in a democracy. I believe stations licensed by the government must have guaranteed access to the public they are licensed to serve. No monopoly or semi-monopoly transmission pipeline should have the power to prevent or obstruct that service, particularly when it becomes a competitor in advertising sales that supports free TV.

This all encompassing principle of free TV was one of the driving forces behind the Must Carry, Retransmission Consent provisions of the 1992 Cable Act.

My personal advocacy of retransmission consent was first activated by what I considered a longtime threat to universal free TV when cable started to aggressively sell advertising, over \$3 billion dollars in 1992, against local television. With cable's three sources of income -- subscriber fees, advertising and pay per view, they could easily outbid free TV for all major sports and entertainment programs at huge profits unless barred by Congress

and FCC intervening on behalf of the public. It strikes me as an inequitable marketplace when a monopoly or semi-monopoly transmission pipeline transmits the station's signal and network programming free of charge; then this free programming delivers over 65% of the total cable audience, then cable adds channels and aggressively sells advertising in competition. This marketplace disparity had to be corrected.

Having said that, I believe cable has served a useful purpose and is a very desirable additional or supplementary medium. It has extended broadcast signals in many cases and provided diverse program channels that appeal to the specific tastes of subscribers. I am a cable subscriber and a reasonably happy camper (rates decreased in our condominium), but on a little higher than average government salary, I can afford the additional channels. I like CNN, ESPN, A and E, Discovery, TNT, USA and AMC.

Incidentally, I believe broadcasters should not be able to unreasonably withhold retransmission consent where cable is serving otherwise unserved areas with TV signals. Actually, it was service to unserved areas when Congress in its wisdom instituted the compulsory license. I don't believe it was ever envisioned by Congress or the FCC that cable would transmit local TV station signals free in the top hundred markets and then aggressively sell advertising in competition with the stations. I have no objection to advertising support for cable programs. Fine! -- But not on the back of overall audiences primarily built by competitors' programs transmitted free without consent.

I believe adhering to the same principle of assuring universal free TV is applicable to freeing the networks from restrictions promulgated in 1970 during the long past era of network dominance. The Commission voted 3-1 back in 1983 to free networks from the outdated restrictions. I was the lone dissenter at that time because I thought the networks still had dominant market power. As you know, I have since changed my vote and my earnest convictions with the advent of so many diverse programming alternatives of 56-75 cable channels, with the eventual capability of 500 channels; more MMDS channels on the way, pay per view channels, a fourth network, and probably a fifth and sixth, major phone companies entering cable outside the phone company service areas, mega mergers of phone, cable and program production; video dialtone, VCRs and an oncoming formidable nationwide DBS competitor. Through all this massive competition of today and more tomorrow, I see networks, warts and all, as the principal means of preserving for the public free TV distribution for major news and civic events, emergency bulletins, major sports and major movies and entertainment programs.

Now for one of the more contentious statements . . . I believe pay per view carried to its ultimate capability is inherently a natural enemy of free tv. There could be peaceful co-existence in the future as long as pay per view doesn't encroach upon basic free TV and force consumers to pay for major sports and information program they now get free. I believe there is a growing place for pay per view in providing a diversity of programming for those that can afford to pay. But I don't believe Congress or its arm, the FCC, will tolerate pay per view syphoning from free TV major sports or civic events that are imbedded in the fabric of American life. The profit potential would be tremendous for sports and major entertainment entrepreneurs or civic event producers, but it would develop into an audience of economic "haves" and lock out the "have nots" -- this is not the overall public interest at work in a democracy. Industry is necessarily profit motivated. The most important criteria for industry success is increased profits, increased returns or dividends for shareholders and I'm all for profits for socially responsible companies. However, the long term profit potential for pay per view may be too overwhelming to resist and probably requires continual government scrutiny.

Not so incidentally, I recently registered my strong disappointment with the Bell companies filing an amicus brief supporting the cable companies in opposing must carry. I believe there is a compelling government interest in ensuring that television stations that are licensed by the government to serve the public interest have open access to the public they are licensed to serve without charge to the public. It raises a question as to whether my support for phone entry into cable has been misplaced. Certainly, cable or phone companies providing 56 to 500 channels can't make a convincing First Amendment argument that they are denied opportunities to speak.

I supported telephone company entry into cable as long as it promoted competition. However, opposing must carry in the Supreme Court signals an intention to continue the anticompetitive practices of denying carriage to free, over-the-air local television station. This is not competition at work for the public interest. Broadcasters have won most of the recent court appeals on "Must Carry." I wish you continued success in the ultimate appeal before the Supreme Court.

I have often been asked about the future prospects for broadcasters, cable, program producers, phone companies, DBS in the coming multichannel world of advance technology.

I believe the prime beneficiaries in the multichannel world will be program producers, where an insatiable demand will exceed the program supply for an unprecedented number of program outlets - - at least 5 networks competing with each other, TV stations; multichannel cable, pay per view, DBS, MMDS and VCRs. Programmers are in the cat bird seat -- writers, directors and producers have expanded markets that need their product.

Cable TV: despite government re-regulation, cable remains a most attractive cash flow vehicle and growth industry with more and more phone interconnection and with multichannel capability including telecomputer, data processing, pay per view, interactive and the myriad of other advance services of the future. The recent cable-phone mergers and joint ventures uplifted cable stocks and is a harbinger of more to come. Phone companies will eventually evolve as a prime competitor to cable or to other phone companies that acquired cable and to DBS. As frequently mentioned, phone will compete with cable as a multichannel multi-faceted provider of advance services and cable will compete with phone companies on the same basis with cable having the initial advantage of operational experience and programming know how. The two competitive broadband operations with multiple channels and multiple services are destined to form the electronic superhighway of the future.

For TV stations -- there will always be a need for local stations providing local news, bulletins, educational programs and scheduling sports and entertainment programs that meet the tastes of their community. The era of 40% profit margins may be over, but there always will be reasonably profitable local TV stations providing essential free, local TV.

In some ways, television has taken the place of the old village square. It is the place where all of us get together to share experiences -- where we get news, where we learn, where we get information, sports and entertainment. Television in many ways is the glue that helps hold America together.

In the final analysis, programs will still pass through television screens and the major, most popular screens will still be the local network affiliates and strong independent TV stations.

I disagree with those who claim TV station broadcasting has a questionable future, particularly with a multichannel future. It is important to remember that people watch TV programs and stations, not delivery systems. And broadcasters have the most experience and an entrenched position in developing and procuring attractive TV programming to serve local tastes and needs.

In summary broadcasting will remain the most influential and pervasive medium in the years ahead. Broadcasting is here to stay and God and my wife willing, I'm here to stay for 2-1/2 more years.

As a former broadcaster, I'm proud of the leadership in quality programming, advance technology and social consciousness of MSTV members. I'm looking forward to working with you to assure continued universal free television for all the public and economic viability for broadcasting, the most pervasive and influential of all media.

Best wishes for continued achievement in the exciting years ahead and may your tribe increase.

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