

Remarks by Commissioner James H. Quello  
Before the  
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I'm delighted to address your prestigious Financial Times annual seminar, now as a senior FCC Commissioner rather than interim Chairman, my position during a hectic ten month period that just ended November 30th. It was the busiest, most challenging and most exciting period in my 19-1/2 years service at the FCC. It validated my earlier definition of the FCC as signifying "From Crisis to Crisis." Actually, I felt that during the past 10 months I had served my time at hard labor and that I deserved to be paroled, hopefully for good behavior. So I passed the FCC gavel to new Chairman Reed Hundt, an eminently well qualified attorney, with my best wishes and a sense of relief.

One of the fringe benefits of being a Chairman during a tumultuous period is that you don't have time to grow old. In this regard, I'm grateful that my physiology has not yet caught up with my chronology. However, from the salutations I receive I realize I'm in the final of the 3 stages of life -- youth, age and you look great! I feel reasonably great, but anyone who claims he can do at 79 what he did at 29 could not have led a full exciting life at 29!

The critical regulatory issues of this past year has created plenty of excitement at the FCC and have guaranteed full employment and economic security for communications attorneys.

I'll list the major FCC actions of the past year:

1. Implementation and enforcement of regulations for the complex Cable Act. Implementation of the contentious act has a greater impact on the American public than any in recent history. I hope you are spared this wrenching experience. The cable item was the most resource-intensive issue in recent FCC history. It brought regulation to a previously unregulated monopoly that included 11,000 cable operators, over 30,000 local franchisers and approximately 58,000 subscribers. The basic objectives of the 1992 Cable Act were admirable. It provided reasonable rates and better service for consumers, program access for competitors, equity for broadcasters to preserve universal free TV and reasonable rates of return for cable operators. Everyone predicted cable stocks would be depressed by regulation but cable's net asset value and the phone companies' aggressive bids for cable and program acquisitions or joint ventures have maintained a strong cable market. The full story of cable regulation would require a separate speech or entire book.

2. Lifting the outdated restrictions on network financial interest and syndication -- the first time the FCC had a unanimous vote on this longstanding controversial subject. The networks are still the principal providers of universal free TV for news, public affairs, major sports and major entertainment programs. They are now in a competitive marketplace with multi-channel cable, VCRs, four networks and an upcoming fifth or sixth.
  
3. Forcefully and repeatedly warning about TV excesses in glamorized, explicit violence and sex urging self-restraints under threat of regulation or legislation. In response to the public and Congressional outcry, the National Association of Broadcasters adopted a voluntary program guideline stating "The rise of violence for its own sake and the detailed dwelling upon brutality or physical agony by sight or sound should be avoided." The television networks this fall have instituted a system of viewer advisory warnings of violent content in programs. These voluntary steps are helpful but there is no enforcement authority. Several bills have been introduced in Congress and I have endorsed Senator Fritz Hollings' bill (S.1383) that would channel violent programs into times when children are less likely to be in the audience -- similar to the statute on indecency. This legislation would require the FCC to promulgate regulations to prohibit any person, during these defined times from distributing any violent video programming. The bill would exempt premium and pay-per-view programming and properly allows the FCC to exempt news, documentaries, educational and sports programming. In my testimony last month to the Senate Commerce Committee, I asked that Congress provide some direction to the FCC, either in amended legislative language or in the Conference Report on the appropriate means for and the factors that should be relied upon when defining "violent video programming." I mention this because I believe many viewers in Great Britain and Europe would welcome better quality in the many American TV and movie imports. As you know, there is an alarming epidemic of violence in America. Television cannot be entirely blamed. But broadcasters who are licensed to serve public interest and who hold licenses to use the public airwaves as public trustees cannot stand by doing nothing to help combat America's most pernicious problem. TV is the most influential and pervasive of all media. Public trustees should use it for the public good. Excessive sex on TV is probably a more fascinating, more pervasive subject, but here too, warning alarms are being sounded and broadcasters and cablecasters better take heed. Suffice it to say that I'm not against sex, I'm here as a result of it. But I have stated that our founding fathers -- very moral Englishmen did not grant First Amendment freedom for

objectionable repulsive purposes. I warned in a speech last spring "A word to the wise should be superfluous."

4. Recommending and supporting telco entry into cable and vice versa (The Inouye-Danforth and Boucher-Oxley Bills) (The Bell Atlantic court decision, forerunner of many more) paving the way for two competitive broadband super electronic highways of the future with a mind boggling array of new services.

I have commented that the recent rash of mergers, acquisitions and joint ventures (viz: Bell Atlantic-TCI; US West-Time Warner; Paramount-Nynex-Viacom-QVC; Bell South-Prime Cable; Southwest Bell-Hausser; and possibly a Bell Company and ComCast) have the positive potential of acting to expedite the initiation of competitive super electronic highways envisioned by the Clinton administration with multi-channel, multi-faceted service to the public. The key active word here is competitive service and reasonable safeguards against cross subsidy. We cannot have one monopoly buying another in the same market. The government and the public cannot tolerate a super marketplace monopoly, a sole provider of phone, video, paging, interactive, data processing and a dazzling array of other services made possible by a broadband fiber optic service. But competition between two or more broadband electronic superhighways with competition from DBS and eventually an AT&T cellular and PCS nationwide wireless communications service could bring better service and reasonably competitive pricing to consumers and reduce need for complex cable regulation.

I have often been asked about future prospects for broadcasters, cable and program producers in the upcoming world of advanced technology.

I believe the prime beneficiaries in the multi-channel world will be program producers and suppliers where an insatiable demand will exceed the program supply for an unprecedented number of program outlets -- 5 networks competing with each other, TV stations, multi-channel cable and phone broadband services, pay per view, DBS, MMDS and VCRs. Programmers are in the most advantageous position. Remember that people tune in programs not distribution systems.

I characterized the Bell Atlantic purchase of TCI as the most momentous deal of the decade. Despite its positive potential to expedite the advent of electronic superhighways advocated by the Clinton administration, the merits of this transaction cannot be determined before a detailed review of facts. The FCC will have to examine compliance with telco-cable cross ownership and video dialtone rules. Other aspects of this transaction will be subject to review by local regulatory bodies and probably the Justice Department. Bell Atlantic has appropriately volunteered to divest itself of TCI cable in the Bell Atlantic service areas. In my personal opinion, the plus of this merger outweigh the minus as long as there is viable competition in each market. I don't think being big is automatically bad. There is economy of scale and efficiency in large operations that can provide better service and lower rates to consumers. My basic requirements would be a competitive marketplace with sensible safeguards against cross subsidy and a socially conscious company.

5. A fifth and most significant item was expediting the allocation of spectrum and initiation of service for personal communications service (PCS). I consider this the most momentous FCC decision in recent history with great impact on future advanced communications and increased gainful employment, an estimated 300,000 jobs. PCS is an exciting new service that will change the way Americans and people of the world will communicate with each other.

PCS encompasses a wide array of mobile communication services which will be able to provide portable and mobile voice, data, facsimile and perhaps even video transmit/receive services to individuals and businesses, regardless of where a subscriber may be located. Equipment proposed for PCS included small, lightweight wireless telephone handsets; computers that can communicate over the airwaves wherever they are located; and portable facsimile machines and other graphic devices.

It was our belief that in a time of rapidly changing technology and markets, the regulator should not handicap service provision by establishing artificially restrictive parameters. Today, service providers need flexibility from the regulator to best meet user needs and to respond to competitors. We intend for PCS to be user-driven, and therefore we tried to make our regulatory regime more market-oriented than in the past. In our consideration of PCS, we have avoided rigid, predetermined service definitions that may quickly become obsolete. Thus, PCS services may vary widely, with the common denominator being that the services will be person-to-person, rather than location-to-location.

The advance technologies and the upcoming telecommunication super electronic highways are being currently developed by private capital rather than by government funding. I believe it is the most efficient and expeditious way to develop advanced telecommunications. However, we must not lose sight of what I believe is the most important challenge facing the Commission in the next five years and that is to assure that our policies do not erode one of our nation's most valuable asset: universal free local broadcast service for all Americans.

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 of stations that support free TV.

I believe the same principle of assuring universal free TV is applicable to freeing the three major American 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 may know, I have since changed my vote and my earnest convictions with the advent of so many diverse programming alternatives of 56 to the upcoming 500 cable channels, more MMDS channels on the way, pay per view channels, a fifth and sixth network, major phone companies entering cable outside the phone company service areas, phone companies acquiring major cable companies, video dialtone, VCRs, an oncoming formidable nationwide DBS competitor and some multi-channel super electronic highways. Through all this massive telecommunication competition of today and more tomorrow, I see American television networks 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.

Overall, it is an exciting time to be at the FCC. The FCC has offered me the most exciting and gratifying period of my lifetime career. This is a period of revolutionary growth, contentious developments and technological advancements in all fields of communications -- and the best is still to come! The FCC's challenge will be the orderly practical implementation of advanced technology services of telecomputers; of competitive multi-channel, multi-faceted super electronic highways by telco-cable operators; DBS, PCS, LEOs, DAB and HDTV. We must deal, too, with the implications of increasing communications globalization.

Satellites and international super electronic information highways will provide for more personal international communications, more worldwide exchange of viewpoints, better mutual understanding and closer relationships and, hopefully, world peace.

In closing, what I want is what most of you and what every democracy hopes to achieve -- a decent effective government in a socially progressive, information rich nation with justice and opportunity for all.

Best wishes to all of you for continued success in your development of advanced technology. Thank you.

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