

Remarks by Commissioner James H. Quello  
Before the  
San Diego Communications Council's Conference  
The Future of Interactive Communications  
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I'm delighted to address the prestigious San Diego Communications Council Conference and especially to be here to see my good friend and former longtime Congressman and Chairman of the House communications oversight subcommittee, Lionel Van Deerlin.

If he wasn't such a decent knowledgeable Chairman, what a gratifying opportunity this would be for an ordinary Commissioner to talk back to a former Chairman of the powerful Congressional subcommittee that exercised oversight over the FCC. Yep, it was Van's job as Chairman to critique our dismal performance, puncture our vanity and to make sure that Commissioners maintained a becoming humility.

For example, at oversight he had the authority to ask such inquisitional questions as "Is there anything known only to you and not to this subcommittee that could possibly be used to discredit, disgrace or impeach you? -- Remember you are under oath." However, I think it was another Chairman that posed that question.

Van as a Congressional leader was blessed with a warm sense of humor and an enormous intellect. His oversight hearings were an effective mix of caustic good humor and pertinent questions. He critiqued the FCC without demeaning our character or impugning our motives. He was a fair-minded effective Congressional Chairman.

It was comforting to know that when this highly esteemed communications leader left Congress, he left to impart knowledge, wisdom and warm good humor to students at San Diego State University with the Van Deerlin Chair. It was great having him teach the real life values to the youth of today so they can become the responsible communications leaders of tomorrow. So Van, you have our respect, love and our very best wishes for continued achievement in all you do.

Van, you should be in Washington now with all the emerging advanced technologies, contentious cable regulation and mega mergers or joint ventures that may be necessary to develop the electronic multichannel superhighways advocated by the Clinton-Gore administration.



The ten month period as interim Chairman that just ended November 30th was the most hectic 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.

The critical regulatory issues of this past year 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. 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 58,000,000 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. Needless to say, we pledge to the public that the FCC will work with Congress to resolve rate problems, promulgate reasonable competitive rates and assure that the Cable Television Protection Act remains true to its name.
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. There has also been a 3-0 decision out of the U.S. Court of Appeals, 7th Circuit favoring the networks plus modification of the consent decrees by the district court here in California. 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 and soon DBS.

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 Senator Fritz Hollings' bill (S.1383) 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." 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 volunteer to 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-Hauser; Southwest Bell-Cox Cable, 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 superhighway 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. In fact, government may need to develop a more positive attitude toward mergers in order to expedite development of the electronic superhighways by private industry rather than government.

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.

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 electronic superhighways by telco-cable operators; DBS, PCS, LEOs, DAB and HDTV. We must deal, too, with the implications of increasing communications globalization.

Satellites and international electronic information superhighways 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 want -- a decent effective government in a socially progressive, information rich nation with justice and opportunity for all.

Thank you.

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