

Statement of Commissioner James H. Quello

NCTA Convention

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I represent only one vote at the FCC, but I believe we need to send a positive message to the cable industry and financial community. In fairness, the FCC must allow the cable industry to move forward in an environment that will allow it reasonable growth and profitability. Cable must be able to adjust rates for inflation and to recover increased program costs, franchise fees and taxes. We must fairly and promptly decide cost of service showings. We also need accurate cost data to determine the extent of rollbacks for low cost and small system operators. Perhaps, most importantly, we must promptly institute relief for small systems at a higher level than 1000 -- perhaps to 5000. We must remember that if cable is to be a competitive player in the future electronic superhighway, it must have investment capabilities from a profitable business.



There is much speculation today about the multiple and crossownership rules. It is time for Congress and the FCC to revisit these rules. I believe it is time to relax restrictions in view of increasing multi-channel competition and oncoming DBS. In order to avoid multiple ownership domination, I believe some kind of total audience cap should be imposed. For starters we could consider a restrictive cap of 25% of the market reached or viewer audience to prevent market domination by any single company.

One of the major actions should be prompt resolution and rejection of the proposed productivity offset. I don't believe the cable industry is a utility and so-called "productivity" gains must be measured against increases in quality of services offered, including customer service.

I believe it is illogical to apply the concept of technological improvements, which might fit a phone company's profile, to the cable industry. The productivity offset proposal overhangs the industry and results in investment uncertainty and creates the risk of an unjust result.

I also believe we should consider allowing systems relying on cost-of-service showings to deduct all accumulated start-up losses, not just the first two years. Actually the start-up period for cable is substantially longer than two years. For example, the below-30% penetrated systems have taken a long time to gain a viable foothold.

I read in Communications Daily last week that approximately 125 new cable programming services are trying to launch in the next 12 to 18 months. That's incredible. The story broke down the channels by category: 10 educational or cultural channels; 8 news channels; 6 for health-related issues; 5 each for sports, motor vehicles, music videos, or entertainment; 3 channels each for parenting or talk; and many others devoted to hobbies, games,

interactive services, shopping and other special interests. This is the kind of diversity that I think Congress intended -- it promises something for just about everyone. But it's not going to be easy. It will be a tough, competitive world out there, and not all of these new networks will make it.

Despite these difficulties -- or perhaps even because of them -- I don't believe Commission should do nothing to tilt the playing field. In fact, I believe that the Commission must take some actions to adjust our rules so that these new players can even get into the game.

Several Petitions for Reconsideration were filed recently that said these new networks will not get off the ground if the FCC does not provide better incentives. I am reviewing these Petitions now, and I believe we must take them seriously. We had every intention with the rate rules to create incentives for programming, and if we didn't get it right, we have to make the necessary corrections. I

think we have to study the various proposals very carefully -- but we cannot take forever in doing it. I will urge the bureau to issue a decision on these issues by mid-summer at the latest. Unless the Commission brings some kind of certainty in this area -- and soon -- programmers will be unable to make necessary plans so that these services can be launched.

However, cable operators must keep in mind that reasonable rates and good service to consumers was and still remains the overall principal thrust of cable legislation and regulation. Once more, I must warn against creative pricing or new measures that result in a negative impact on consumer rates.

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