Statement of former FCC Commissioner/Chairman James H. Quello

October 28, 2003

It appears that we are once again experiencing "open season" on news and video content providers. Regulators are being urged by public interest advocates promulgating their own private version of the public interest to re-regulate the ownership levels, services and prices of providers of video news, information and entertainment programming. As a twenty-four year veteran of regulatory service as an FCC Commissioner and Chairman and as the only Commissioner who was a former news-oriented broadcaster who had to live under intrusive FCC's rules, I strongly urge policymakers to think twice – and then think again – before upsetting the relatively unheralded pro-consumer benefits of the current competitive balance. Competition is working for American consumers – and more is on the way.

I believe that there is an appropriate role for regulators in ensuring that competitors in the competitive "multichannel video programming distribution" marketplace, including cable, broadcast and satellite and now Internet, compete fairly among themselves. This includes 1064
determining the extent to which competitors carry other providers' signals in the transition to advanced services. However, I do not believe that regulators should pick winners and losers by adopting nominally regulatory or technical rules that have the effect of discouraging investment in new plant, equipment, services and programming. Regulators have created unintended investment consequences before.

For example, the FCC was given the unenviable task of implementing the 1992 Cable Act, which subjected the cable industry to extensive statutory regulation of how it could package and charge for its services. The '92 Act, adopted over President Bush's veto, required us to promulgate new rules governing almost every aspect of cable's operations under a very tight timeframe. We did our best with a huge regulatory burden and limited resources. I cautioned my fellow Commissioners to remain mindful of the unintended consequences of re-regulation. Unfortunately, right at the time cable was poised to re-invest to upgrade technology, our rules sent a shiver through Wall Street and the financial community.

Accordingly, I think Congress did the right thing in reversing course in 1996 by setting a new pro-competitive, deregulatory tone and also in 1998 in giving satellite competitors a way to carry local broadcast signals in competition with cable. Rather than compelling the FCC to act as a surrogate for competition, Congress voted to stimulate competition and rely on the marketplace to promote consumer choice at competitive rates.

There is hardly a consumer in America who doesn't understand that if she or he doesn't like the prices or services from the cable company, or if the cable company is not using the latest technology, that they can go to a local Circuit City or Best Buy and purchase a DirecTV or Dish Network satellite dish. We should look to the lessons learned of the consumer benefits of this heightened competition. A recent Bortz Media/University of Denver study confirms that the cable industry has invested over $75 billion in America's broadband future since the 1996 Act, as compared to about $14 billion during the heavy government directed regulation of the early nineties. This investment has not only brought more traditional TV to tens of millions of Americans, it has also brought high-speed Internet access, video-on-demand, high definition television, and in a growing number of communities, meaningful telephone competition. Also, vast investment in expanded and improved services invariably results in more gainfully employed Americans. Another independent study by distinguished economist Dr. Steve Wildman, Director of the Quello Center at MSU, indicated that the substantial value increase in cable programming quality and service diversity have justified the rise in cable rates. Before reading these two well documented studies, I, too, complained about what I perceived as excessive cable rates. I'd be willing to consider valid, well documented counter studies.

However, today most consumers are getting more for their cable dollar in a highly competitive environment than under previous "belts and suspenders" regulatory regimes. Even though cable and its competitors are investing more and delivering higher quality and additional pro-consumer services, competition among them constrains their prices.

This former FCC commissioner and chairman cautions that all the expanded, vastly improved diversified services must be carefully considered before re-regulating cable pricing and services. Cable is now a competitive service facing even more intensive expert competition. I've seen and done both regulation and competition. Competition, without the unintended consequences of government intrusion, is better for Americans.