Comments by Commissioner James H. Quello

FROM MASS MEDIA TO GLOBAL ELECTRONIC MEDIA NETWORKS?

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I am honored to participate in this Intelevent Conference to discuss the overall theme "Objective 2000: Information Transfer for a Global Society," and to participate on this panel specifically discussing the "Integrated Global Web." Since I have a rather comprehensive background in broadcasting, I would like to present a viewpoint on the the role of mass media in the worldwide network.

The words of the late visionary Marshall McLuhan in describing the global village seem to take on new dimensions of validity, especially when the world views student democracy uprisings in China, election developments in Poland, the surge for more freedom in Russia and East Germany, plus all the live reports on natural and man-made disasters. McLuhan stated:

> "Electric circuitry has overthrown the regime of 'time' and 'space' and pours upon us instantly and continuously the concerns of all other men. It has reconstituted dialogue on a global scale. Its message is Total Change, ending psychic, social, economic, and political parochialism. The old civic, state, and national groupings have become unworkable. Nothing can be further from the spirit of the new technology than 'a place for everything and everything in its place.' You can't go home again."

Just as the glare of television cameras in the deep south of the United States in the nineteen fifties and sixties ultimately resulted in changes in racial policies and social attitudes, the live video from Tiananmen Square might well portend additional social, political and economic changes in China. The fact is that today graphically communicating the social-political problems and the plight of the oppressed in any part of the world can have a great impact on the rest of the world's population.

Satellite technology has brought us to the brink of the international Global Village and fiber optics may well carry us the rest of the way. It is important to remember that technology is not the only thing that is changing. We, the people, are changing. Technology is only a tool for changing the way we live our lives. National boundaries including the iron curtain countries are much less restrictive than they once were because they are constantly penetrated by communication messages and news programs delivered and received by new and existing technologies.

Perhaps national security is less important than it once was because we are all learning more and more about our potential adversaries. And, the more we learn about each other the less we have to fear. When ordinary American citizens can talk with ordinary Soviet citizens via a two-way video hookup as they have in recent months and those meetings are broadcast for all to see and hear, it is clear that times have changed for the better.

The relative isolation of the past is gone and with it the opportunity for misunderstanding and mistrust that has characterized so much of our past.

I'm not suggesting that international conflict is completely a thing of the past. Unfortunately, it is still alive. Conflict remains even within our cities and, indeed, within our neighborhoods. Technology alone cannot force all of us to behave rationally and compassionately; but, it can assist us in taking a broader and more rational view of our neighbors on a global scale. We may even arrive at a millennium where through universal satellite communications and accessing fiber transmitted worldwide data bases results in the sharing of TV programs, news and data information throughout the world to generate an international atmosphere of closeness, truth and cooperation.

Since the inception of Intelevent, significant changes have taken place both in the realm of telecommunication policy and technologies. We have seen in Europe and elsewhere the privatization of broadcast, common carrier and satellite services. Some countries are experiencing for the first time a marketplace approach to the development of telecommunication services, while other countries are returning to a tele-communication environment operated on marketplace principles. We are witnessing competitive telecommunication services not only within our countries, but also on the world market. Competition certainly exists in the technology market and we are seeing it develop in the software market -- video programming.

On the technology side, all eyes are turned to Europe 1992. This represents a free market with 325 million people and with a combined Gross National Product of $4 trillion dollars. This represents an economic power comparable to the U.S. or the Pacific region countries. Europe 1992 opens the possibility for investment capital from major foreign investors. I hope that our markets remain open and protectionist behavior is discouraged.

As a forerunner to 1992, we can examine the world market for video programming. Hollywood is going global. United Artists is being pursued by Quintex Group, an Australian company. I agree with an article written by Richard Stevenson appearing in the New York Times (April 16, 1989, page 1F). He states:

> "Driven by economic, technological and cultural factors, movie and television studios are aggressively selling their products in fast-growing and increasingly profitable foreign markets. At the same time, foreign companies and investors, recognizing Hollywood's unrelenting international dominance of the industry, are starting to snap up studios and production companies in the United States."

Stevenson believes that globalization is coming at a time when there is increased worldwide demand for video entertainment programming. I might add that this demand is being spurred by the development of additional broadcast, cable and satellite video distribution services. Rupert Murdoch believes that "improvements in living standards, new developments in technology, increases in leisure time and the deregulation of broadcasting" contribute to the demand for video programming.

In the U.S. we have seen 20th Century-Fox purchased by News America Corporation (controlled by international media executive Rupert Murdoch now a U.S. citizen); MTM Entertainment purchased by Television South P.L.C. (Britain); controlling interest in the Cannon Group purchased by Giancarlo Parretti (Italy); and controlling interest in Barris Industries purchased by Westfield Capital/North Star Holdings (Australia). Most recently, Sony Corporation announced its purchase of Columbia Pictures; and with this particular development we are seeing the international merging of technology and software.

Variety, an influential American trade publication, characterizes the Sony $4.7 billion acquisition as not so much a case of East meets West as it is hardware meets software. The Sony purchase of Columbia Pictures is worth noting due to its magnitude and the effect it will have on worldwide competition on both technology and programming. Sony, a major manufacturer, may also use its new-found programming power to influence prompt introduction of HDTV in America. As importantly, the effects of international business on our respective citizenry must also be considered. In a quote appearing in The Washington Post (Sept. 27, 1989, page B1) and attributed to Mr. Akio Morita, Sony Corporation's Chairman, he states with reference to the Columbia Pictures purchase that it "will get Americans on Japan's side." Such statements, if true, could raise the concerns of those who have open markets. Open markets should mean that consumers have competitively priced products. In the area of programming open markets will allow programming to be available for the variety of delivery services and at competitive prices.

The ability to "influence" people's attitudes either for good or for bad should be a serendipitous byproduct of the creative programming produced by a functioning market. With a thriving worldwide demand for Western music and American programs, Sony, an efficient manufacturer, could become a most influential factor in the international marketplace. I believe that markets have been closed under the guise of protecting domestic businesses, however, in the area of programming, I believe another reason for closed markets is based on the fear, real or imagined, that programming will influence the viewing/listening public in an unfavorable social-political manner.

Briefly, the example of Sony encompasses several of the issues we must all address in the international marketplace. To what extent are we going to allow foreign ownership of programming our citizens view? From a financial viewpoint, should we accept foreign equity rather than domestic debt? What affect does this programming have on viewers? Do foreign owners have the potential to influence the content of programming favorable to the interests of the foreign owners? What are the implications for HDTV? I recognize that the international marketplace for programming may conflict with some individual national interests. In fact, some nations currently have restrictions on the amount of foreign programming permitted to be aired on broadcast systems.

I note with interest and some concern that efforts are being made by European Community foreign ministers to restrict non-European programming available to European broadcasters.

I believe this type of restriction should only apply to political propaganda. In my opinion, this spells protectionism. Naturally, such a protectionist move strikes at the heart of free trade and runs counter to the progress that has been made to remove trade barriers. Currently, Europe is experiencing an increase in the development of private commercial broadcasting and these broadcasters are being criticized for airing U.S. programming. The very fact that these broadcasters are making independent programming decisions that include non-European programming demonstrates there is a consumer market for such programming. Restrictions on non-political programming from non-European countries not only restricts free trade, but also limits options available to consumers. Such programming restrictions constitute a major step backward in a world moving toward open markets and free trade. It could represent a violation of the GATT (General Agreement on Tariffs and Trade). Hopefully, there may be less than initially meets the eye on this issue. European sources state it is a political statement rather than an enforceable rule. They also point to the many exceptions.

As technology advances and demand for programming increases, the international marketplace for video programming will force all of us to think, and to rethink our domestic policies affecting the airing of foreign owned programming. The U.S. is the current leader in producing programming for movies, television and cable, but there isn't much difference in making a movie or television program in Hollywood, England, Italy or for that matter, any other country. The process is universal --

but at present, the U.S. has the experience, facilities and pioneer expertise.

Programming is just one side of the equation and technology is the other side. Sociologists have long believed that technological advances outpace man's ability to integrate these advances into a functioning society. As I mentioned earlier, technology is causing the inexorable development of the "global village." As policymakers we must address technological issues from a global perspective. We have all seen the development of satellite technology and its effect of the distribution of programming. Now, we must look to future technological advances such as high definition television and fiber optics.

In the U.S. we have decided that an advanced terrestrial television system must not obsolete the millions of TV receivers already in American households. By making this decision, the U.S. has focused on a terrestrial rather than satellite-only delivered advanced television system. This policy is consistent with the U.S. goal of fostering a local broadcast service. Our commitment to localism creates unique policy concerns. A terrestrial system probably could require additional spectrum for existing broadcasters. Therefore, the difficulties surrounding the development of a terrestrial advanced broadcast system is also hampered by spectrum limitations. The FCC has sponsored a Task Force consisting of broadcast, cable and satellite interests, as well as academics, to address the development of an advanced television system.

I hope this Task Force of communication leaders will continue its efforts to formulate a single standard for an advanced television system. Systems under development will begin testing early next year.

I recognize that Japan and Europe have made great strides in the area of high definition television and have focused primarily on satellite delivery systems. In the U.S., efforts are being made to assure that broadcast, cable and satellite all have advanced television system signals of comparable quality. We do not want to develop a "have" and "have not" advanced television environment. Since the U.S. has an advertiser supported broadcast system, the development of a "have" and "have not" environment could erode the financial base and affect the program service of over-the-air broadcasting. All video delivery systems recognize the power of the consumer and the success of advanced television systems in the U.S. will depend on the consumer making the investment in receiver technology. Therefore, all parties have an interest in assuring that broadcast, cable and satellite can provide comparable quality advanced television signals at affordable rates into the home.

Simply stated, the U.S. has chosen to take an alternative route from either Europe or Japan in the the development of Advanced television transmission and receiving systems. European and Japanese companies are participating in this development process. Unfortunately, it is too early to determine exactly what the U.S. advanced television system will be.

In the meantime, Americans should be comforted by the fact that the FCC has an expert ATV Task Force representing the very best technical, legal and administrative minds diligently seeking to provide America with the best high resolution, high definition TV service to meet our unique needs.

Continuing with the discussion on technologies, a relatively new technology is bursting upon the scene which promises a further shrinking of the planet. The light from lasers pulsating through strands of hair-thin glass fibers offers yet another tool for communicating with one another.

The ability of fiber optic transmission facilities, often in conjunction with satellite technology, to facilitate the transfer of enormous quantities of information very quickly has exciting implications. Conceivably, all of the great libraries of the world could be tied together electronically into a huge database of human knowledge. Certainly this has implications for international relations, for medical care, business, and education as the the major world medical research centers, hospitals, corporations and educational institutions become connected worldwide. Pieces of this database could be extracted quickly and inexpensively with the aid of widely available computer technology.

Evidence of the merger between fiber optics and satellite is the development of cable television systems in Europe and the Far East. U.S. telephone companies are participating in joint ventures to build and operate cable systems using fiber optics.

These systems provide video, voice and data to the subscribers home.

In the U.S., cable television systems operators are rebuilding the backbone of their cable systems with fiber optics. Such efforts will allow system operators to provide improved signals into the home while reducing the operational costs of the cable system. As a general rule, U.S. telephone companies cannot own video programming services offered on cable television systems. The contentious issue of telephone companies owning cable television systems is being debated currently at the FCC and Congress. The FCC can only develop a comprehensive record and recommend to the Congress and appropriate authorities whether or not telephone companies should be permitted to own cable systems. The United States Congress would have to amend the Communications Act and the U.S. District Court must remove certain restrictions, such as the prohibition of information services which includes video programming before phone companies can enter into the video business. This is a prime example of telecommunications technology confronting and reshaping telecommunications policy. Such confrontations are something that we all share or will share within our respective countries.

America's local exchange telephone carriers are eagerly anticipating the day when it will be feasible to install fiber to the home. The overwhelming majority of ratepayers who use telephone service simply to make and receive voice calls cannot be expected to finance the multi-billion dollar cost

of constructing a multi-capacity all fiber system. Such a system must be able to provide new services that are valued by the public. Most of the services often mentioned as of possible interest to future telephone subscribers -- such as home banking, utility use meter reading and so on -- do not require a broadband network. They are technically feasible with existing facilities. The key question facing policymakers in the U.S.A. is whether telephone companies need to provide video programming to justify the capital expenditures necessary for the development of a switched fiber optic network.

There may be some desirable non-video broadband services the public will be willing to buy in the future, but they are not self-evident at this time. The fact is current phone networks are capable of providing services that could support much greater data rates than are currently in wide usage. The obvious problem is keeping rates affordable to consumers.

The public doesn't generally perceive information data services available in the U.S. such as "Compuserve" or "Genie" to be mass media. Certainly they have not reached anywhere near the penetration levels of the French Minitel for a variety of reasons. One important reason is the cost of access to the American services. In addition to the cost of a personal computer and a modem, the hourly access costs, alone, are sufficient to discourage all but a relative few potential users.

A new information service is rapidly being deployed in the United States that might appeal to a broader market.

IBM and Sears are jointly providing the Prodigy service which contains many services similar to those provided by existing database services. Perhaps Prodigy's most significant distinguishing feature is its cost to the end user. Prodigy is supported in part by advertising revenues enabling the end user to gain unlimited access for a monthly fee of just under ten U.S. dollars. It will be interesting to see whether the relatively modest fee and increasing number of services available will give Prodigy the mass appeal which the others have generally failed to achieve.

To sum up, broadband public switched networks will almost surely develop over time. The most obvious use for such networks likely will be video services. The demand for non-video broadband services for residential consumers is not apparent at this time.

Perhaps Marshall McLuhan in his visionary statement about the global village perceived the day when technology and the worldwide content it provides would bring all nations to a level of greater understanding. To reach a greater level of understanding we must communicate. Technology provides the vehicle for greater communications. It is a fact, however, that technology advances faster than man's ability to use it.

Therefore, we must continue to search for ways consumers of all nations will benefit from our technological advances. We must continue down the path of information free flow. Programming, data and information must be allowed to flow beyond our national borders to create the global village -- the kind of worldwide communications village that would produce a better informed world populace, engender universal understanding, bring nations closer together and become a major factor in assuring world peace.

Quello blasts EC program limits

During remarks in Lisbon, FCC commissioner says restrictions on nonpolitical programing from nonEuropean countries restricts free trade, limits consumer options

FCC Commissioner James Quello last week called the European Community's restrictions on the importation of programing from the U.S. and other countries outside the community "protectionism...[that] strikes at the heart of free trade and runs counter to the progress that has been made to remove trade barriers."

Quello was speaking at a telecommunications conference in Lisbon, Portugal, just a week after the EC approved a plan that would limit to 50%, where practicable, the amount of nonlocal programing that member countries could broadcast (BROADCASTING, Oct. 9).

According to Quello, the "very fact" that the growing number of private European broadcasters are suffering criticism for filling out their schedules with non-EC programing "demonstrates there is a consumer demand" for it.

"Restrictions on nonpolitical programing from nonEuropean countries not only restrict free trade, but also limit options available to consumers," Quello said at the conference. "Such programing restrictions constitute a major step backward in a world moving toward open markets and free trade."

In addition to a desire to protect domestic markets, Quello said, countries close markets due to "the fear, real or imagined, that programing will influence the viewing/listening public in an unfavorable manner."

Quello expressed sympathy for the latter concern. "I recognize that the international marketplace for programing may conflict with some individual national interests," he said.

Sony Chairman Akio Morita told the *Washington Post* that Sony's ownership of Columbia Pictures will "get Americans on Japan's side," Quello said. "Such statements, if true, raise the concerns of those who have open markets," he said. "The ability to influence people's attitudes either for good or for bad should be a serendipitous byproduct of the creative programing produced by a functioning market."

Shifting from software to hardware, Quello said U.S. telephone companies want to build fiber optic networks encompassing all their customers. But to justify the enormous cost of such an undertaking, he said, the telcos must first come up with attractive services that can use the capacity of fiber networks.

"The key question facing policymakers in the U.S.A. is whether telephone companies need to provide video programing to justify the capital expenditures," he said, noting that federal law now bars telcos from providing video services in their telephone-service areas. "There may be some desirable nonvideo broadband services the public will be willing to buy in the future, but they are not self-evident at this time." –HAJ

Early returns on ITU-COM '89

In 1987, when the International Telecommunication Union first proposed holding ITU-COM '89 World Electronic Media Symposium and Exhibition in Geneva (BROADCASTING, Oct. 9), it was seen as a play for the top-notch audience of the well-established but overburdened Montreux International Television Symposium and Exhibition, less than an hour away on Switzerland's Lake Geneva.

Montreux's organizers need not worry—just yet. Although marketed with expert elan, offering huge, modern exhibit facilities and a symposium with powerful government and industry figures, it was apparent midway through the conference that ITU had promised more than it could deliver for its inaugural effort.

Although the exhibit floor had its high points—including a 21-company Japanese high-definition TV display and a U.S. pavilion with companies including Comsat, Scientific-Atlanta, USWest, U.S. Information Agency and others—there was no sign of the 50,000 to 75,000 exhibit attendees ITU had suggested would attend. A first-day walk-through Oct. 3, counting some attendees more than once, turned up 2,500.

And the symposium, while of generally excellent quality, experienced a significant number of speaker dropouts, including some of the biggest names, and early sessions ran far past schedule (prompting one wit to quip: "How do you turn off a minister?").

But the ITU, looking to extend its vast success with the once-every-four-years Telecom (the largest telecommunications exhibit of its kind) into the mass media field, appears determined to try again with ITU-COM again in 1991.

Retiring Secretary General Richard Butler told the press at a briefing that the gathering created a "missing link" for the ITU, since the broadcasting and electronic media community has "not been catered to adequately" in the past. He added he was not disappointed by the small size of the show, arguing that it needed time to grow, just as had Telecom when it began in the early 1970's.

Regarding Montreux, Butler was reluctant to detail discussions he said ITU had with the Montreux organizers, but indicated there was an agreement that ITU-COM would focus more on the transmission side of the industry, while Montreux would concentrate on production and programing issues.