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Opening Remarks by FCC Commissioner James H. Quello  
NCTA Annual Convention  
Conrad Hilton Hotel, Chicago  
April 18, 1977

It's good to be here with you this year because there never was a better time for a national cable convention!

None of us can foresee exactly what is "down the road for the Commission" -- which happens to be my assigned special topic today. We don't know for sure where cable is finally going but we do have some definite ideas of where it has been -- and 1976 and early 1977 must be registered in cable history as the real golden era of cable.

During this recent period a lot of positive things have developed for cable -- it has undergone substantial de-regulation by the FCC -- (not as much as you'd like but a lot more than many other people liked); the economic picture has vastly improved -- more systems showing increased profits and many cable stocks have doubled or tripled. (Incidentally, broadcasters too have enjoyed record years.) Also, Chuck Lipson wrote a scathing expose' of Washington without implicating anyone from cable or FCC; a U. S. Court of Appeals (D. C. Circuit) ruling that has very favorable ramifications for pay cable and a less publicized but potentially very significant decision in the U. S. Tax Court in the case of the Chronicle Publishing Company vs. Commissioner of Internal Revenue. The Chronicle, owner of cable systems via Western Communications, disagreed with the IRS ruling that a cable franchise is like a radio or tv station license -- i. e., that it has an indeterminate life and cannot be depreciated for tax purposes. The Court ruled that a franchise does have finite borders in time and can be written off. If this case sets a precedent, the Chronicle decision will greatly benefit the cash flow of all privately-held cable TV systems.

If I were a cable attorney I would promptly get all information on this March 21st U. S. Tax Court decision -- and if I were a cable owner or executive I would insist on all details. For openers, get initial details from Paul Kagan's "Cablecast" of April 12th which summarizes the favorable potentials of the decision.

Ironically, I have been advised to avoid or carefully restrict my remarks on what must be <sup>HBO</sup>overwhelmingly Topic "A" at this cable convention -- the U. S. Court of Appeals decision which reversed the FCC's pay cable rules; but I have always been an exponent of candor -- open door -- open discussion, so this is difficult for me. I cannot discuss the merits of the decision but I can tell you that late last week the Commission decided to agree

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with the movie film portion of the Court decision but will appeal the ex-parte and sports carriage portions to the Supreme Court.

As far as I was personally concerned I believed the restrictions on pay-TV movies three to ten years old should be removed and I mentioned that the entire film matter be reconsidered in my speech last January 16 before the Indiana-Illinois Cable Association. Over 20 different cable operators wrote and asked for copies of that speech -- and I assume most of you are out there somewhere.

Most of us at the FCC have some real problems with the rest of the decision -- and thus the appeal -- that's about as far as I can go in discussing what must be the communications bombshell decision of recent years!

Now back to my topic which is "What's Down the Road for the Commission!"

From what has been happening recently Bob Schmidt might better have scheduled a panel of Circuit Court judges to answer that question.

I know that we will continue searching for that illusive formula for peaceful co-existence between cable and broadcasting and telephone industries.

Of course, all industries are interested in de-regulation -- it seems to be the one general objective common to all industries or parties appearing before the Commission -- except when de-regulation doesn't serve the industries' purpose or economic interests -- this is true of broadcasting, cable, telephone, CBers and others -- no one industry is more culpable than the other. But this is a cable convention -- so let's take a few cable items, for example, how much de-regulation do you really want on pole attachments, MATV, translators, franchise rates, leased channels or on cable restrictions for phone companies? No great outcry for de-regulation here -- which brings me to a point I want to make in conclusion. Our bottom line has to be public interest: tough to define, hard to always comply with.

All I can do is exercise my best good faith judgment on what option or options make the most sense legally, ethically and morally. I plan to continue my open door, open mind, policy and I wish you all continued success in the challenging times ahead.