

Address of FCC Commissioner James H. Quello  
before the  
Puerto Rico Radio Broadcasters Association  
San Juan, Puerto Rico

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I'm delighted to be here in San Juan and to personally witness the progress you have been making to enhance what is already one of the most beautiful spots on earth. It's easy to understand why Ponce de Leon established the first Spanish settlement just across the bay more than four-and-a-half centuries ago. This is my first opportunity to visit Puerto Rico and I appreciate your invitation to speak to you today.

I share with many of you a Latin heritage. Your ancestors were Spanish; mine were Italian. Upon my arrival here, I had cause to reflect upon the wisdom of your ancestors in choosing this idyllic island while my forebears located in the cold and forbidding climate of Michigan's Upper Peninsula, 600 miles north of Detroit. I'm sure that had they visited Puerto Rico first, I would now be one of you.

We also have in common an understanding of the broadcasting industry. For nearly thirty years--before I became an FCC Commissioner--I was directly involved in broadcasting--more specifically, radio broadcasting. I believe that I bring to the Commission an "inside" understanding of the industry. I believe that it's important for at least one or two members of the Commission to have the perspective that only marketplace experience in industry can provide. I believe it's important for the Commission to have some appreciation of the practical impact its proposed regulations are likely to have, both on those it regulates, and on those for whom it regulates, the public.

Regulation of all facets of the communications industry is a complex business. Properly done, it requires a delicate touch so that legitimate goals can be accomplished without unforeseen side effects. Business experience can provide a practical perspective in approaching regulatory problems. In business, one is accustomed to making decisions which have very near-term consequences which can be beneficial or disastrous. Thus, a businessman carefully weighs his policies and practices in advance since he knows that he will reap the rewards if he is right and he will pay the price if he is wrong. Many dyed-in-the-wool bureaucrats, on the other hand, prefer to meddle endlessly with the industries they regulate hoping that this meddling will somehow better serve regulatory objectives. Often, it is inspired more by hope than careful reflection or researched practical considerations.

A case in point may be the Commission's decision to urge the nations of the western hemisphere to change the channel spacing in AM radio from 10 kHz to 9 kHz. I reluctantly concurred in that decision in the interest of presenting

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a united Commission position prior to international negotiations. I did so, however, with considerable misgivings, some of which I enumerated in a concurring statement. Generally speaking, I believe that the 9 kHz decision was a rush to judgment. Fortunately, some participants in the Region 2 meeting last March recognized that the subject was sufficiently important to require further study.

In my concurring statement, I said, "I have a nagging concern that we might be proposing a course of action which could be counterproductive in terms of overall service to the public." Speaking to the practical aspects of the reduction in spacing and the validity of estimates of the number of additional assignments which might be made available, I noted that Canada, Mexico and Cuba would be expected to share some of these new assignments. And, I said: "Beyond that, such matters as demographics and economics must be considered before any viable assignments are made."

I would also like to read to you the final paragraph of my statement relating to 9 kHz:

"Despite my misgivings, however, I believe all possibilities should be further constructively considered. It is possible these insufficiently addressed questions may eventually be answered favorably and that the facts may then lead to the conclusion that 9 kHz spacing will produce some of the anticipated benefits. I support the Commission's desire to explore the concept of 9 kHz spacing in an international forum wherein the nations of Region 2 will have the opportunity of contributing their views."

Eight of the nations represented at the Region 2 meeting failed to support the 9 kHz plan which had the effect of blocking it until a meeting to be held next year. In the interim, I'm confident that serious efforts will be made to get some definitive answers to those questions I raised in my statement as well as other questions which have been raised by other parties.

I believe that demographics and economics are an important part of the 9 kHz question because, should the western hemisphere go to 9 kHz, the real demand for any new assignments is likely to be in the population centers. It must be kept in mind that a large part of the impetus for going to 9 kHz and providing more assignments is to make available opportunities for minority entrepreneurs. I believe it would be unfortunate to present new assignments as attractive opportunities if they are not financially viable or only capable of providing an already over-abundant service to the public.

I'm sure you know that there is a widespread belief among a substantial portion of the public--and this includes some of my colleagues on the Commission--that a broadcasting license is a license to print money. While I'm aware that some broadcasting stations have been very successful and have enjoyed very high profits over the years, I am also aware that broadcasting is not the automatic money machine that some would have us believe.



As you know, the Commission requires broadcasters to file financial reports each year. I recently took the trouble to look at the figures in a few selected areas and, since I knew I would be talking to you I singled out the figures for Puerto Rico and, specifically, Puerto Rican radio stations. It was significant to me that, in 1977, nearly 26 percent of Puerto Rican radio stations reported losses. In my home state of Michigan in 1977, more than 20 percent of the radio stations reported losses. In 1978--the last year for which figures were available--30 percent of the Puerto Rican radio stations reported losses and nearly 23 percent of the stations in Michigan and almost 24 percent in Virginia ended up in the red. Those are hardly examples of the guaranteed profits that you and I often hear about from the uninformed.

To introduce a significant number of new radio assignments to Puerto Rico--where nearly a third of the existing licensees are losing money--seems to present a questionable opportunity to the new entrants. Indeed, the most likely candidates for the new assignments would seem to be the owners of already successful businesses since they could generate the cash flow necessary for the first few years in the hope of future profits. In the meantime, of course, the additional competition could be expected to further squeeze the profits of existing stations and increase the losses of those who already report losses. Now, I'm prepared to review the evidence and I'm prepared to change my mind about the cost/benefit implications of the 9 kHz at the appropriate time if and when the facts clearly indicate that I'm mistaken in my assumptions. In the meantime, I believe it is the Commission's responsibility to gather additional and conclusive evidence to support a final 9 kHz decision.

Economics is a discipline very much in vogue in Washington these days. I'm not talking about the kind of economics you deal with as broadcasters; that's real economics. The late Alben Barkley, Vice President in the Truman administration, used to humorously describe an economist as "an unemployed financier with a Phi Beta Kappa key on one end of his watch chain and no watch on the other." An economist has also been described as a person who can tell you what is going to happen next month and then explain later why it didn't. That's the kind of economics which sometimes governs our regulatory decision-making these days. When you hear about "marketplace" decisions affecting broadcasting regulation, the "marketplace" is often a highly theoretical one.

An example of applying real marketplace economics to determine the need for regulation is found in the Commission's current proposal to deregulate radio. You and I know that in the competitive radio business, maximum service to the community is not only a noble idea, it is essential for survival. I don't know what the final result of our notice of proposed rulemaking will be but I remain confident that a case can be made for substantial deregulation. I am on record before the Congress as favoring virtually complete deregulation of both radio and television because I believe that there are sufficient, very competitive marketplace forces to make unnecessary much of our current regulatory oversight. Radio stations compete aggressively against each other and all other advertising media including TV, newspapers, magazines, direct mail, outdoor advertising, etc.

These are times of great and rapid change in the broadcasting industry as well as in all areas of electronic communications. Much of the diversity that the Commission likes to think it is creating is born of technology, not socially enlightened regulation. Technology is dragging us all by the heels, regulator and legislator alike.

"Plenty overwhelms us and we do not know how to distribute or use the wealth we can now produce...invention and scientific knowledge have taken our hearts and imaginations by surprise. Our social and political ideas, our morals, our ambitions, our courage have had as yet no corresponding expansion." Those are not my words. They were written by H.G. Wells, the English novelist and historian, and published in 1944. They seem to apply--with increasing force--to advanced technology of each new generation.

As Wells suggests, we must expand "our social and political ideas, our morals, our ambitions (and) our courage..." to keep pace with what our technology can provide. We are all becoming familiar with concepts like satellite-to-home broadcasting, fiber optic communications, data communications, video tape and disc, home computers and many, many more. Our world is changing and changing rapidly and we are hard put to keep up with the changes. We are held back by inertia, ignorance and fear--and, all too often, by a lack of imagination.

Often broadcasters express concerns about the impact of these new technologies and the potential super-abundance they promise. Such concerns are understandable but they should be kept in perspective.

From my perspective at the FCC, I have tried to devine a glimpse of the future, from time to time, in making decisions that are likely to affect how the future should develop. I hasten to point out that I do not claim any special expertise or prophetic power. I am somewhat wary of those who do. In the old story of Daniel in the lion's den, one non-biblical explanation of how he managed to escape with his life is that lions will swallow almost anything but even they draw the line at prophets. I think it is sometimes useful, however, to experiment with various possible scenarios in order to prepare ourselves to look forward instead of relying upon the comfort of the status quo.

One thing is certain, the technology that is already available is mind-boggling! It is now possible--in many cases practical--to move very large volumes of information at a reasonable cost. The rapid strides which have been taken over the past few years in computer technology have overwhelmed most of us. The need to provide pathways for computers to talk with each other has spawned new industries.

Coaxial cable and fiber optic technologies are moving us into an era of very broadband communications at low cost. That is happening at a time when the cost of transportation is rapidly climbing. One obvious result would seem to be that communications will replace transportation to an increasing degree. Teleconferencing is one of those new words we're beginning to become familiar with. Facsimile and electronic mail, electronic funds transfer, telephone bill-paying accounts, electronic security services, and many, many other marvels are becoming a part of the lexicon.



Broadcasting is looking to more and more digital processing techniques and broadcasting stations are becoming more efficiently automated. From the studio to the transmitter to the business office, automation is becoming essential in many operations.

While broadcasters generally favor the onset of new technology to improve the efficiency of internal operations, they often view it with some apprehension when it promises new and potentially competitive services to the public. We have been through a period in which broadcasting and cable television have too frequently been antagonists competing for the same audiences. The spectre of direct satellite-to-home broadcasting also appears to threaten, at least to some extent, traditional television broadcasting. Farther out into the future, fiber optic links to virtually every household in the nation could--at least theoretically--provide more communications capacity than anyone could possibly use. Video discs making available first-run movies and other quality fare at reasonable cost may also be on the horizon. The possibilities seem almost endless.

I suggest that this is not a time for complacency for anyone involved in the industries which have become collectively known as telecommunications. Neither is it a time for panic. I can vividly recall the early fifties when radio--then the predominant electronic medium--was threatened with early extinction by the advent of this new marvel, television. Radio broadcasting today hardly resembles radio broadcasting as it was in the early fifties--but it certainly remains very much alive. It grosses over two billion dollars a year! The radio, TV and cable services of today will expand and provide essential services with future advanced technology. For example, wristwatch radio will become more a reality so "everywhere you go, there will be radio."

There is an old proverb which proclaims: "All mankind is divided into three classes: those who are immovable, those who are movable, and those who move." Broadcasters--from my experience among them--are generally in the latter category. I have great confidence that broadcasters have the capacity to not only adapt but to thrive on whatever the future holds. You have my best wishes and support for continued achievement and growth in the promising times ahead.