

Remarks by FCC Commissioner James H. Quello  
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I'm delighted to be here with my old friends ---and also, and it seems to increase each year, many of my old broadcasting friends. Las Vegas is a friendly place -- (Give example) I do miss the fun tennis tournaments and my "ringer" partner, Bud Hostetter, who is a tolerant partner and a super gentleman.

In all my previous appearances before cable conventions, I've been able to say "You have had a great year and the future has never been better -- in my crystal ball, I see growth, success and gratifying free enterprise profits".

I could say the same things at this convention about the great success and growth of the past year and the favorable prospects for immediate future. However, down the road 3 to 10 years, I sense some perplexing problems for cable, broadcasting and the FCC.

Some of you may have seen the recent quotes in trade journals that I was concerned about what I perceive to be a future glut in communications. I personally wondered what action on the part of Congress and the FCC would be in the public interest. As the oncoming communications explosion approaches, the principle question is "What action will best serve the overall public interest and yet provide reasonable incentive for business to provide the service?" An all-important question requiring Congressional or Commission resolution is "Should owners of vital transmission facilities in satellite or terrestrial lines also be able to program or control programming over these quasi-monopoly facilities?" Resolution of this question has serious implications for all communications, but particularly for the cable industry and for those of you who took the considerable initial financial risk to pioneer cable for communities that either needed or wanted this highly desirable new service.

I hope some of the answers will be found in the final resolutions of Senate and House bills and copyright compromise. Right now, I have to admit I have some difficulty with keeping up with all the latest proposals and revisions. Until these matters are resolved, we have very few cable experts at the FCC.

When I was recently quoted in the trade press as concerned about a future glut in telecommunications services, I also expressed concern with the possibility that through all the new technologies (MDS, Microwave, STV, Teletext, SMATV, DBS, Multiple Channel Cable, AT&T Enhanced Services, Video Discs and Cassettes) the FCC could be restructuring the entire communications systems to favor pay services over a free service to the public.

Incidentally, I believe any public referendum would indicate a large majority of the American public would prefer receiving super bowl and world series playoffs, major sports and movie features, as well as news and documentaries, free of an additional cost, over a commercial-free pay system.

*an advantage for pay system*

In the past four years, the FCC has been involved in an unprecedented explosion of fascinating communications developments, technical advancements, regulatory changes and deregulation---and recently, Chairman Fowler's unregulation.

There have been significant, far reaching, often times controversial developments in such varied subjects as: cable deregulation and development, telephone competition, the newly deregulated AT&T, STV, MDS Microwave Services, DBS, Low Power TV, Teletext, Video Cassettes and Discs, Crossownership of media, VHF Drop-Ins, UHF Parity, Increased Minority Ownership, Alternate Funding for Public Broadcasting (TCAF) with TV Advertising Experiments in 10 Markets, First Amendment Recommendations, Advanced Land Mobile Services Through Cellular Radio, Radio and TV Deregulation, AM Stereo, FM Quadrophonic Development, The RKO Decision ---a historic <sup>Fowler</sup> landmark in bureaucratic overkill and dozens of others. As you probably read, the new FCC is embarked on a program of unregulation stressing competitive market forces rather than governmental regulation. I generally favor that approach but admit a nagging perplexity about how general principles may apply to specific aspects of future developments in our new multi-channel world. Our primary mandate is serving the public interest.

As you know, many cable companies promise 50 to 107 channels to gain local franchises. What will Cable, STV, MDS, SMATV, DBS, use for programming all these channels? I guess it should be none of our business as long as the public interest isn't adversely affected. Should we or should we not assume the future maintenance and growth of free over-the-air broadcast service with this onslaught of multiple pay services ---and eventually DBS.

However, it does seem like the public will have a choice of more channels and delivery services than any viewer needs or that responsible communications companies can economically support. I believe the FCC has the responsibility of assuring an orderly, stable transition from the TV communications of the 1980's to 1990's paying heed to all the complex facets of public interest.

It is in this context that I proposed a representative group of the nation's foremost engineers, programmers and executives from the telecommunications and electronic industries to meet with FCC staff experts to develop a comprehensive system for American telecommunications. This panel of experts---a very high level task force (or perhaps, even a Presidential Commission) would incorporate the latest emerging technologies in a coordinated plan to guide the future direction of telecommunications in America. I would add a personal recommendation---that the plan should assure maintenance of free over-the-air service, yet encourage options and growth in the pay services.

I did want to express myself on the vitally important broad concerns in the national interest. Now, I'd like to focus on items of specific concern to this convention.

With the passing of Al Cordon, my knowledgeable legal assistant and former deputy chief of the Cable Bureau, I've lost some cable input and expert counseling in my office. However, your Washington staff of Tom Wheeler, Brenda Fox, and others would receive highest grades for expert representation of your goals and views. But, remember, Commissioners and legislators have to listen to all sides --- so you can't win them all although cable comes as close as any organization in Washington in winning its share.

I'll pass along a few personal opinions on comments or items of special interest to you. They may or may not be Commission viewpoints. It comes under the heading of "Good News, Bad News" with more good than bad.

One, municipalities don't belong in the cable business or any other free enterprise. I'm glad the St. Paul citizens voted responsibly against city ownership. A different vote would have set a disastrous precedent. Not even utilities are municipally owned, etc.

Cable today is anything but a monopoly in the true sense, especially with all the previously mentioned competitive pay services.

As I mentioned, it is difficult to keep pace with new legislative and government developments, but I believe I support the copyright compromise. I believe it corrects some of the troublesome inequities caused by elimination of syndicated exclusivity.

I personally don't believe the experience of cable access usage or rather, lack of usage, justifies expense of reserving 10% or 20% channels for access --- I think access channels should be reasonably provided on a justifiable request basis. (Give example of poor usage). However, that is now a legislative matter.

I agree with Chairman Wirth and Senator Hollings that we should maintain some kind of uniform ceiling on franchise fees. As you know, some cable operators hurt the cause with excessively high bids for new franchises. Perhaps there should not be franchise fees with the onslaught of multiple competition. Perhaps reasonable annual payments for right of way usage would now be justified but fees will be a difficult practice to reverse politically.

I personally don't believe, at this time, that requiring carriage of low power TV or STV is practical or justifiable. Like in all on-going proceedings, I must reserve final opinion, but there will be a heavy burden of proof on the other side. However, I believe in the must-carry provisions for principle stations that are licensed to serve their area. I think local service is implied in the Act.

I tend to agree with Congressman Wirth that cross-ownership of telephone companies and cable should be prohibited. Again, I have to keep options open until I review all filings as all of cross-ownership is a matter for Commission consideration. It may be preempted by legislation. Incidentally, we are always reminded at

Congressional oversights that we are an "arm" of Congress. My very good friend, former Chairman Van Deerlin, also hinted that we sometimes reminded him of a lower, more centrally located appendage of the anatomy.

Anyway, we are all concerned about the future, but remember, cable does have a head start. You have marketing skills you haven't even started to use. I have found over the years that services that are so vital and universally accepted by the public -- those that truly serve the public interest like cable and broadcasting, are resourceful and will continue to grow and prosper.

I wish you continued success and growth. I believe in the next two years of my remaining term I will be able to state at your convention: "Cable has just completed another year of unprecedented growth."