

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

OFFICE OF COMMISSIONER
JAMES H. QUELLO

September 24, 1982

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Honorable Timothy E. Wirth
Chairman, Subcommittee on Telecommunications,
Consumer Protection and Finance of the
Committee on Energy and Commerce
U. S. House of Representatives
Washington, D. C. 20515

Dear Chairman Wirth:

I regret that I will be unable to attend the Federal Communications Commission Oversight Hearings scheduled for the week of September 26th. I have a long-standing commitment to participate in the International Prix Italia which is being held in Italy on those dates. Although I will be unable to attend the hearings personally, I would like to take this opportunity to advise you about the ongoing efforts of the Temporary Commission on Alternative Financing for Public Telecommunications (TCAF) and to discuss briefly my positions on the important issues highlighted in your August 23, 1982 letter.

Since the submission of TCAF's First Report on July 1, 1982, a working group -- composed of staff from TCAF-member agencies -- has monitored the progress of the Advertising Demonstration Project and has commenced the groundwork necessary to complete the other studies contemplated in the First Report.^{1/} Members of the working group have received copies of the independent contractor's preliminary report on the results of the pre-test survey of public TV subscriber and viewer attitudes toward advertising. The working group also is receiving copies of the bi-monthly reports, filed by participating public TV stations, which describe the effects of the experiment on station underwriting, station administration, community relations, and other factors. I expect that these reports, providing the participating stations' perspective, will be one of the most valuable aspects of the Advertising Demonstration Project.

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The TCAF working group staff is also preparing further studies on the feasibility of using tax credits or excise taxes to fund public broadcasting as well as the potential for establishing a trust fund to provide permanent financing for public broadcasting. In order to avoid unnecessary duplication of effort, we

^{1/} A summary of the conclusions and principal recommendations of the First Report is attached for your convenience. (See Attachment 1.)

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are awaiting receipt of the results of a study on tax expenditures commissioned by the Corporation for Public Broadcasting before we proceed. CPB has assured me that the results of this study will be available very soon.

As a final matter on the subject of financing public broadcasting, I would like to note that the National Association of Public Television Stations (NAPTS) and the Public Broadcasting System (PBS) have recently filed a Petition for Clarification or Reconsideration of a recent Commission action, Commission Policy Concerning the Noncommercial Nature of Educational Broadcast Stations, 47 Fed. Reg. 36171 (BC Docket No. 21136, August 19, 1982). The Commission there attempted to conform its Second Report and Order, 87 FCC 2d 141 (1981), to the Public Broadcasting Amendments Act of 1981. Specifically, NAPTS and PBS seek Commission approval for the existing station practice of neutrally mentioning an underwriter's specific product or service solely for the purpose of providing identification.^{2/} I believe that comments from your Subcommittee would be very helpful to the FCC in this matter since the language contained in the House Report on the 1981 Act was very important to the Commission's decision.

In regard to the important issues noted in your invitation to testify, I would like to briefly state my position.

I have generally supported the Commission's position on low power television since I believe this service will provide some opportunity to expand service, particularly in rural areas. It will also provide additional opportunities for minority ownership in all size markets. A number of important technical and policy matters are in the process of being resolved by the Commission which, hopefully, will minimize future delays in authorizing this service.

Direct Broadcast Satellite (DBS) service appears to be an idea whose time has come. While I support the Commission's actions with regard to DBS, I have expressed my concerns about implementing this new service so as to minimize negative impact upon local broadcast service. I continue to believe that local broadcasting provides important benefits to the communities it serves, and I want to ensure that such service survives. Stations are licensed to serve the public interest in their communities, and I believe that the continuance of local broadcast service is implied in the Communications Act.

There are many multiple ownership and cross-ownership issues which are expected to be before the Commission in the months ahead. It is conceivable that

^{2/} A copy of this Petition for Clarification or Reconsideration is attached. (See Attachment 2.)

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some existing rules which limit ownership should be discarded in light of the current multiplicity of audio and video delivery systems which are competitive with broadcast outlets. I do not have any firm views regarding ownership limitations at this time, and I intend to be guided by the public comments which will precede any final Commission action in this area.

The technological and policy revolution sweeping the nation's telecommunications industry, as the Subcommittee well knows, must be dealt with both swiftly and with great care. Now that the proposal for divesting the operating companies from AT&T has been approved by the Court and the parties, we should be able to move forward with greater confidence toward increased competition in providing telephone service. The Commission, along with the Joint Board, must come to grips with establishing an access charge plan that is reasonable and equitable to all concerned. This will be very difficult given the time constraints imposed, but I believe the Commission will act in a timely, responsible manner.

I am confident the Commission will continue to give a high level of attention to the restructuring of AT&T and the establishment of its unregulated subsidiary. I recognize, as do my colleagues, that great care must be exercised in the formulation of the structure which emerges so as to provide for full and fair competition and, at the same time, avoid limiting AT&T's ability to provide the best service to the public at the most reasonable prices.

I regret that I will be unable to attend the oversight hearings, but I will be glad to furnish whatever additional information that you might require.

Sincerely,



James H. Quello

Attachments

cc: Chairman Fowler
Jack Lee, Legislation