

"The Present Situation of the
United States Broadcasting Business"

by

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I am delighted and honored to be invited by the prestigious Nippon Television Network to participate in this year's World Communications Conference.

Tokyo, the world's largest city, rich in culture and a thriving center of advanced communications technology, is a most appropriate setting for an international broadcast seminar.

Your letter of invitation graciously stated: "U.S. broadcasting business has always been the leader in world communications" and suggested as a subject "The Present Situation of the U.S. Broadcasting Business." I would like to agree that the United States is a leader, but I believe we have much to learn from Japan -- from your production efficiency, pride in your work and achievements and in your constructive government attitude toward business. These admirable traits encompass all aspects of business and manufacturing and are reflected in broadcasting, the focus of our dialogue today.

The recent August issue of "Time" magazine, a widely read influential national magazine, was devoted to Japan. The article contained some remarkable revelations for TV conscious Americans. "Time" said the Japanese lead the world in the number of hours spent in front of the TV set. It went on to state that a 1982 study shows that in Japan the average family spends 8 hours, 15 minutes a day watching TV, in contrast to 6 hours, 43 minutes in the United States. TV ownership is the highest in the world. Some 98% of homes have a color set (U.S. 89%). According to "Time", another recent Japanese study reveals that TV has become so essential that 31% of the Japanese would rather part with their cars, refrigerators, newspapers or telephones than give up their TV sets.

In reading the "Time" magazine article, I also became aware of a major difference in Japanese and American television systems. The article stated (and I quote): "For the Japanese, television in essence means NHK, the world's largest, richest and most diverse public broadcasting network. Although there

are 99 commercial stations around the country affiliated with the five major stations in Tokyo, the noncommercial NHK is watched as much as all others combined! Like the BBC, NHK subsists on collection fees: 30.4 million subscriber homes pay \$41 each year, giving NHK more than \$1.24 billion to work with. The fee is optional, but almost no one refuses to make the donation. Unlike almost everyone else in the world, NHK viewers seem to regard television as life enhancing and benign. The reason is that NHK actually lives up to most of its lofty goals. Launched in 1953, the TV network is self-governing and independent of all political authority. Its constitution grandly states that NHK 'must contribute to the ideals of world peace and the welfare of mankind while ensuring the preservation of the outstanding example of national culture.' No small order."

So it appears that the public broadcasting system is dominant in Japanese audiences in marked contrast to the United States where advertising-supported stations and networks enjoy by far the largest audience.

Public broadcasting in America provides a distinctive, distinguished service but has a relatively small audience compared to commercial stations. It also has a varied and uncertain base of financial support.

Broadcasting in America was initiated by Congress in 1921 as an advertising supported service. Broadcasters were licensed by Congress to serve the public interest and expected to support themselves without government funding. Initially, the principal FCC purpose was to assure orderly allocation of radio frequencies. It was first established as a kind of engineering "traffic cop", but as time evolved the FCC added a vice and morals squad. This resulted in enactment over the years of a flood of rules and regulations to assure that broadcasters performed in the public interest. Some of the rules seemed to impinge on the First Amendment rights (freedom of speech and freedom of the press) of broadcasters. However, the FCC promulgated and enforced the rules to safeguard the ever-present, difficult-to-define public interest standard.

In recent years, the majority of the American public have supported administration and government officials who believe in de-regulation and in allowing broadcasters more discretion in the conduct of their own business. This is due partly to a growing public appreciation that broadcasters have a built-in incentive to serve the public -- without a viable audience and public support commercial broadcasting cannot survive. An even more persuasive reason for de-regulation is the erosion of the old "spectrum scarcity" argument. Our courts have held that broadcasting services are not entitled to the same protections against government intrusion into free speech as newspapers enjoy because there are a limited number of broadcasting stations which can be authorized. With the dramatic growth of new video services, such limits appear to be more theoretical than practical. The FCC's radio de-regulation, recently affirmed by the court of appeals, emphasizes the trend away from government-

mandated programming and operational rules. (Incidentally, I was an early advocate of sensible de-regulation and I strongly support most of Chairman Fowler's initiatives in unregulation.)

In 1934, when Congress enacted the Communications Act, there were only 587 AM stations and no FM or television stations on the air. The official FCC count as of July, 1983 shows 4720 AM stations, 3421 commercial FM stations, 1091 FM educational radio stations, 844 commercial television stations (528 VHF, 316 UHF), 172 educational UHF stations and 111 educational VHF stations. In addition, over 1000 new low power TV stations are expected to be granted in the next three years.

Even more significant than the dramatic growth in TV and radio stations has been the communications explosion in America bringing many new entrants into the video marketplace. It heralds an era of intense competition. Television broadcasters in America today compete for viewers with cable, pay cable, subscription TV, MDS (multipoint distribution service), satellite master antenna television, translators and low power TV, and home videocassettes and discs. In the near future MDS operators may provide as many as 10 channels of pay TV programs in each market and DBS (direct broadcast satellite) operators may offer 40 additional channels of video programs nationwide.

It seems that we are on the verge of a communications glut in America with an unprecedented need for program product to fill the multiple channels. I am personally concerned that the FCC could encourage the growth of these many new, mostly pay services at the expense of regular TV service which is locally oriented and provided to the public without additional charge -- very important attributes for serving the overall public.

Our primary Congressional mandate in this era of advanced transmission and programming remains serving the public interest. "Public interest" is a widely used general term in American regulation of communications -- I have been asked to define it. It is difficult to define -- it is a simple principle often requiring complex implementation. It means different things to different people -- people of worthy intent. I think the late, respected author, Walter Lippman, generalized it as well as anyone. He said: "Public interest is what people would do if they thought clearly, decided rationally and acted disinterestedly." The best I could do with a simplified version is: "The best service to the most people at the most reasonable cost." Conventional basic TV in America seems to best meet these criteria at this time -- but the future potential of DBS and multiple cable for additional, highly desirable services is mind-boggling!

Cable systems today are being planned and built with more than 100 TV channels. Satellites are being planned to provide 40 more channels, some to

broadcast directly into a subscriber's home as previously mentioned, and, while capacity expands, we are gradually learning how to compress bandwidth to make it possible to provide even more channels over existing transmission systems.

The Federal Communications Commission has authorized nine entrepreneurs to construct direct broadcast satellite systems over the next few years. These are to be relatively high-power systems capable of providing good reception to homes equipped with antennas two feet in diameter. In addition, authorizations have been granted to provide home television service from lower power fixed satellite systems capable of providing more and more service.

A DBS pay service in the USA faces initial severe competition from well-established cable systems that already are offering 20 - 50 channels. Cable, in turn, is competing against MDS and STV and to a lesser extent, video discs and teletext.

Experience indicates that whichever service gets established first has a decided market advantage. Almost 40% of Americans are now able to receive cable -- a highly desirable service for those who can afford nominal monthly payments. It still leaves plenty of room for DBS. However, if a subscriber is already receiving 20 - 50 channels including the three major networks, public broadcasting, numerous independent stations, access and government channels, community events bulletins, news channels, finance reports, shopping catalogs, plus special pay TV movie programs -- what inducement is there for a subscriber to pay for additional channels via DBS, MDS or STV? The reverse is also true, but the other services are in place and growing while DBS has an estimated starting date of late 1985 or 1986.

It seems inevitable that the U.S. public will have a choice of more program channels and delivery services than any viewer needs or that responsible communications companies can afford. In the process, TV audiences could be fractionalized and advertising support for the more expensive quality TV programming could be dissipated.

The potential of direct broadcast satellite has many traditional broadcasters concerned. DBS is also a perplexing problem for the FCC and for Congress. DBS seems like an idea whose time has come. It may seem unbecoming for government regulators to delay or obstruct its growth. However, the concept of localism is at the very core of television and radio broadcasting in the United States.

Government policy has been based upon the desirability of having local broadcasting stations provide broadcasting services for the benefit of local

audiences. The government has encouraged stations to understand the needs and interests of each community they were licensed to serve through appropriate programming. Stations were expected to provide news of local and regional events as well as national and world news. They were expected to broadcast documentaries and discussions dealing with local events and interests.

The rapid advance of new distribution technologies may be forcing changes in the concept of localism insofar as broadcasting is concerned. Satellite distribution systems are developing rapidly which will be capable of reaching into virtually any residence in the nation directly. Such a means of distribution of television programming appears to have no means of responding to purely local needs and interests. For example, a candidate for local or state political office will not be able to economically reach his constituency via satellite broadcasting directly to the home. Nor can a local automobile dealer or retail merchant advertise his goods and services on a nationwide system of direct satellite broadcasting. Direct broadcast satellites need not be a threat to localism so long as the current terrestrial broadcasting system remains viable. But, direct broadcasting from satellites will probably become the most efficient means of distributing television signals meant for nationwide distribution. Most local television stations rely very heavily upon revenues from network or syndicated programming and advertising to help provide local service. Without such revenues, and with a diversion of audience to nationwide satellite distribution systems, the financial viability of local television stations might be threatened thus impairing their ability to provide local news and public affairs programming.

The American public watches more local news than network news and relies on television news as a primary source of information. It wants to know about local weather, local conditions and local issues. Local television serves these interests in a way national DBS systems can't. DBS may offer countries with few TV stations or undeveloped TV service an opportunity to quickly provide national TV service. However, it may pose a problem rather than a solution for the United States and its well developed system of local stations.

The National Association of Broadcasters maintains that authorizations of a service which bypasses the traditional locally structured broadcast service envisioned by Congress poses such a fundamental departure from precedent that Congressional guidance is required.

The NAB also filed an appeal with the U.S. Court of Appeals following the FCC's refusal to reconsider the adverse impact of DBS on local TV service. The Court has not yet acted on NAB's appeal.

I concurred in the FCC Report and Order on direct broadcast satellite service with some reluctance because of the localism concept. I believe it is a prime FCC responsibility to assure a stable, orderly transition into new technologies. In the event of future developments that seriously impair local broadcast service we should reexamine the issue.

I have briefly outlined a few problems facing the American system of free enterprise financing of communications so that you can share and better understand the American experience.

At the Prix Italia in Venice last fall, I mentioned that satellite transmission enabled millions of Americans to see the world championship soccer game originating from Madrid. Millions of Italo-Americans saw the game and shared the experience. Italy's victory elicited day-long celebrations of exuberant Italo-Americans from New York to California.

The soccer games and olympics are notable examples of international satellite transmission of programs shared by nations throughout the world. These nations are competing in the same league, under the same rules with similar appreciation of talent and sportsmanship. This worldwide transmission with international people-to-people communications can be a positive unifying force for mutual understanding and world peace.

I hope someday soon we can arrive at the millenium -- where through universal satellite communications, international disagreements become looked upon more as intramural or family disputes -- where TV programs and experiences shared by nations throughout the world engender an atmosphere of closeness, truth, and cooperation -- and where, hopefully, we can confine rivalry to public debates, open forums and the sports arena -- where a country like Italy, for example, can recapture some measure of the glory that was once Rome with a championship soccer team on the athletic field rather than armies on the battlefield.

I would like to conclude with some thoughts which I think are appropriate in light of my understanding of the Japanese spirit of cooperation between government and industry. In general, my personal approach to government regulation is one of mutual cooperation with the regulated industries. I believe progress can best be achieved with a constructive government attitude that provides incentives for the development and growth of free enterprise. We should reserve adversary proceedings for major unresolved disagreements or egregious violations.

Not only broadcast licensees but all businesses and corporations have responsibilities as public trustees. In America, all corporations exist by the

will of the people. Through legislative action, the people franchise corporations to do business as corporate entities. The people have a right to expect reasonable benefits, enlightened leadership, fair treatment and equitable tax distribution of wealth for the public good. The great majority of American corporations and broadcasters have fulfilled most expectations by providing the people the best overall standard of living in the world and excellent communications services.

The sage observations of a respected college friend of 40 years reflect my feelings and are worth repeating and remembering. In a speech a few years ago, Coy Eklund, the socially conscious Chairman of the Board of Equitable Life Insurance Company, stated: "The corporate organization was not ordained by God and is not necessarily in the natural order of things on this earth. It was created and granted its existence by the people. I just remind myself and others once in a while that what people have given, the people may take away. Therefore it behooves corporations to perform not only with respect to economic purposes, but also with a very keen sense of social purpose. By helping to maintain a whole and wholesome stable society, the corporation more or less assures its own continued existence and prosperity."

This memorable quote seems to be a lengthy American embodiment of the noble spirit of a great Japanese broadcasting pioneer, Mr. Matsutaro Shoriki, who said: "We should serve the people and return our profits to the people" -- that magnanimous sentiment expresses the very essence of serving the public interest in any country.

I wish you and the Nippon Television Network continued success with many "profits" to return to the people through distinguished programming and service.
