

STATEMENT OF FCC COMMISSIONER JAMES H. QUELLO  
CHAIRMAN OF THE TEMPORARY COMMISSION ON ALTERNATIVE  
FINANCING FOR PUBLIC TELECOMMUNICATIONS

335

Submitted to  
THE SUBCOMMITTEE ON TELECOMMUNICATIONS, CONSUMER PROTECTION AND FINANCE  
OF THE HOUSE COMMITTEE ON ENERGY AND COMMERCE

March 29, 1984

STATEMENT OF FCC COMMISSIONER JAMES H. QUELLO

Submitted to the

SUBCOMMITTEE ON TELECOMMUNICATIONS, CONSUMER PROTECTION AND FINANCE  
OF THE HOUSE COMMITTEE ON ENERGY AND COMMERCE

March 29, 1984

I am pleased to submit this statement summarizing the work of the Temporary Commission on Alternative Financing for Public Telecommunications. Pursuant to congressional directions contained in the Public Broadcasting Amendments Act of 1981 (Public Law No. 97-35), the Temporary Commission submitted two reports to Congress.

The first report, Alternative Financing Options for Public Broadcasting, studied the range of existing and reasonably available alternatives to traditional federal support and concluded that, while the alternatives reviewed have the potential to provide supplemental revenue for the nation's public broadcasting system, they are unlikely to supplant traditional federal support within the foreseeable future.<sup>1/</sup> Further, the Temporary Commission concluded that it was unable to identify any alternative which would be preferable to traditional funding procedures as a means to preserve the existing public broadcasting system. I know of no new information that erodes these conclusions. Therefore, I would like to emphatically restate my personal view that Congress should authorize and appropriate sufficient resources to provide a strong base for public broadcasting to maintain and expand the reach of its services.

On October 1, 1983, the Temporary Commission submitted its Final Report to Congress.<sup>2/</sup> This report describes the advertising demonstration program conducted by the Temporary Commission to explore the issue of whether limited

---

<sup>1/</sup> Temporary Commission on Alternative Financing for Public Telecommunications, 97th. Cong., 2d Sess., Alternative Financing Options for Public Broadcasting. (Printed for the use of the Subcommittee on Telecommunications, Consumer Protection and Finance of the House Committee on Energy and Commerce, Comm. Print 97-JJ, July 1982.)

<sup>2/</sup> Copies of this report have been provided to the Subcommittee. Additional copies are available from my office.

advertising should be permitted on public broadcasting as a supplemental revenue source.

To analyze the advertising question, the Temporary Commission authorized ten public television stations to carry advertising messages over a 15 month period ending June 30, 1983. Only nine stations participated to the conclusion of the advertising demonstration program.<sup>3/</sup> Seven of these stations presented advertising messages, while the other two stations styled their messages as "enhanced underwriting."<sup>4/</sup>

The Temporary Commission selected an independent research organization, the ELRA Group, to assess viewers', subscribers', and the general public's attitudes toward carriage of advertising on public television stations. The Temporary Commission also directed the participating stations to file periodic status reports, conducted a survey of selected advertisers and underwriters, and consulted with independent experts, other federal agencies, and potentially affected entities such as unions and commercial broadcasters in order to assemble as complete a record as possible for congressional review.

The ELRA Group research generally demonstrated no negative reaction to limited advertising as a means to supplement funding for public television. While such positive results were essential to further consideration of the advertising question, several factors dictate that these findings cannot properly serve as the sole basis for a recommendation supporting limited advertising. First, the demonstration was not designed as a scientific

---

<sup>3/</sup> See Table 1, attached, for a description of the participating stations and a summary of the revenues each received during the demonstration program.

<sup>4/</sup> The Temporary Commission did not prescribe standards for acceptable "enhanced underwriting." All stations were free to present any type of message they chose within the statutory limits. Messages could not interrupt programming and were limited to a duration of 30 seconds.

experiment to test the hypothesis that permitting limited advertising would well serve the public broadcasting system. For example, due to the small number of stations interested in participating, the participating stations were essentially self-selected and clearly did not represent a cross-section of the public broadcasting community. <sup>5/</sup>

Second, the demonstration did not take into account the potential impact of limited advertising on union and copyright agreements as well as other service agreements under which noncommercial broadcasting enjoys favored treatment. Third, the demonstration could not measure long-term effects. Thus, while the ELRA research was a significant aspect of the Temporary Commission's work, it did not provide a litmus test of whether public television advertising should be encouraged.

The Temporary Commission concluded that advertising should be permitted only if Congress could clearly determine (1) that the benefits to public broadcasting overall would exceed the costs, and (2) that the risks associated with advertising would not be shared by public stations that chose not to carry advertising. Some of the primary factors leading to this decision were:

- ° that overall revenues to the system would be limited because most public television stations would not carry advertising due to legal restrictions, local economic considerations, or concern about advertising's impact on the character of the public broadcasting service;

---

<sup>5/</sup> Seven of ~~the~~ final nine stations were VHF stations, while most public television stations operate on the disadvantaged UHF band. Also, four of the top five television markets were represented among the participating stations and only three participating stations were outside the top 13 markets.

- ° that the risks associated with advertising -- particularly risks to the copyright structure now applicable to all public broadcast programming -- could not be limited to the stations carrying advertising messages; and
- ° that, despite the demonstration's short-term findings, no experiment could demonstrate that there would not be an eventual adverse impact on other vital revenue sources, such as corporate underwriters, large private subscribers, or state and local government support.

The Temporary Commission recognized that its efforts did not resolve all the questions concerning whether advertising should be used to provide additional revenue for public broadcasting. The work of the Temporary Commission did, however, significantly reduce the range of uncertainty so as to permit a more informed policy decision by the Congress.

It is my personal view that the existing balance among the varied funding sources for public broadcasting plays a crucial role in maintaining the special character of public broadcast programming. If advertising revenues do not predominate over other funding sources, the unique nature of public broadcasting should not be unduly affected. Nevertheless, the absence of commercial messages on public broadcasting serves as the "bright line" distinction between the public and commercial broadcast services. While reasonable persons can differ on this issue, I cannot recommend that this bright line should be eroded at this time.

On a related subject, I would like to note that the Federal Communications Commission yesterday acted upon the Temporary Commission's recommendation that the FCC reduce its restrictions on underwriting acknowledgements to permit public broadcasters to identify supporters by using brand names and trade names; the statutory prohibition on the promotion of products or services is, of

course, expressly continued. Memorandum Opinion and Order in the Matter of Commission Policy Concerning the Noncommercial Nature of Public Broadcasting Stations, Docket No. 21136, March 28, 1984.

I would like to thank the Subcommittee members and staff who were so important to completion of all the Temporary Commission's work. In particular, I must expressly recognize the outstanding contributions of Congressman Al Swift and Congressman Tom Tauke who were among the most active of all the Temporary Commission's members. If we did not stray too far off course, it was due to the guidance and support provided by these gentlemen.

Thank you for this opportunity to present my views. I shall be happy to provide any additional information that you may require concerning the work of the Temporary Commission.

TABLE 1

## The Advertising Demonstration Program Stations At-a-Glance

Name, (Channel) License Type	Location	#TV Households (rank)	ADP approach	1st ad/ expanded credit aired	Fiscal Year 1983 Net Proceeds <sup>1</sup>	Net Station Total Revenue <sup>2</sup>	Proceeds as % of Station Revenue
WTTW (11) Community	Chicago, IL	2,979,670 (3)	Ads	6/14/82	\$1,309,358	\$13,428,114	9.75%
WHYY (12) Community	Wilmington, DE/ Phila., PA	2,425,640 (4)	Ads	6/1/82	\$813,403	\$8,746,980	9.30
WPBT (2) Community	Miami, FL	1,148,390 (13)	Ads	5/24/82	\$375,297	\$7,333,904	5.12
WYES (12) Community	New Orleans, LA	608,250 (34)	Ads	3/26/82	\$346,562	\$4,356,153	7.96
KCSM (60) College	San Mateo/San Francisco, CA	2,009,820 (5)	Ads	5/21/82	\$214,459	\$1,840,879	11.65
WIPB (49) University	Muncie, IN	223,789 (98)	Ads	6/2/82	\$61,270	\$1,292,857	4.74
WQLN (54) Community	Erie, PA	150,180 (138)	Ads	9/9/82	\$13,891 <u>\$3,134,240</u>	\$1,819,876 <u>\$38,818,763</u>	0.76 8.07%
WNET (13) Community	Newark, NJ/ New York, NY	6,471,390 (1)	Expanded credits	11/21/82	\$745,467	\$58,530,671	1.27%
WQED (13) Community	Pittsbg., PA	1,213,030 (12)	Expanded credits	10/1/82	\$141,609 <u>\$887,085</u>	\$18,806,454 <u>\$77,377,125</u>	0.75 1.15%

<sup>1</sup>Fiscal Year 1983 is the period from July 1, 1982, to June 30, 1983, or the last four quarters of the five-quarter demonstration program; Net proceeds = gross billings for cash and non-program barter less direct costs of sales or special development efforts.

<sup>2</sup>Total station money and inkind income less development and fundraising expenses.

Source: Station reports submitted to the Temporary Commission