

SPEECH TO
ALEXANDRIA ROTARY CLUB
BY FCC COMMISSIONER JAMES H. QUELLO
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THE FEDERAL COMMUNICATIONS COMMISSION IS AN INDEPENDENT AGENCY CREATED BY CONGRESS TO ENFORCE AND ADMINISTER THE COMMUNICATIONS ACT OF 1934. IT IS COMPRISED OF FIVE COMMISSIONERS, ONE OF WHOM SERVES AS CHAIRMAN, EACH NOMINATED BY THE PRESIDENT OF THE UNITED STATES AND CONFIRMED BY THE SENATE. THE TERM OF EACH COMMISSIONER RUNS FIVE YEARS.

I HAVE BEEN A MEMBER OF THE FCC SINCE 1974. OVER THAT TWELVE-AND-A-HALF YEAR SPAN, THE COMMISSION HAS UNDERGONE SOME SIGNIFICANT CHANGES. WHEN I FIRST CAME TO WASHINGTON, THE FCC WAS AUTHORIZED SEVEN COMMISSIONERS, EACH OF WHOM SERVED A SEVEN-YEAR TERM. EARLY IN THE REAGAN ADMINISTRATION, THERE WAS A DISPUTE OVER WHO SHOULD BE THE NEXT APPOINTEE WHEN THE FIRST VACANCY OCCURRED. A PROMINENT SENATOR HAD HIS CANDIDATE AND THE NEW CHAIRMAN OF THE COMMISSION HAD ANOTHER. SINCE THE SENATE MUST CONFIRM PRESIDENTIAL APPOINTEES, GREAT DEFERENCE IS USUALLY GIVEN TO THE WISHES OF PROMINENT SENATORS. BUT, IN THIS INSTANCE, NEITHER WAS WILLING TO GIVE GROUND. THUS, THE NEW CHAIRMAN'S CHOICE WAS NOMINATED BY THE WHITE HOUSE. BUT, HE SERVED ONLY A YEAR.

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THE SENATOR PERSUADED HIS COLLEAGUES THAT SEVEN COMMISSIONERS WEREN'T REALLY NECESSARY; THAT FIVE WOULD DO. THE NEW COMMISSIONER RECEIVED THE ABBREVIATED TERM WHEN THE COMMUNICATIONS ACT WAS AMENDED TO AUTHORIZE FIVE, INSTEAD OF SEVEN, COMMISSIONERS.

IN DESCRIBING THE FCC, I POINTED OUT THAT IT IS AN "INDEPENDENT" AGENCY. IT TURNS OUT THAT THE AGENCY IS "INDEPENDENT" OF THE EXECUTIVE BRANCH OF GOVERNMENT BUT IS SUBJECT TO SOMETIMES WITHERING OVERSIGHT FROM CONGRESS. THE CHAIRMAN OF THE FCC SPENDS A CONSIDERABLE AMOUNT OF TIME ON CAPITOL HILL TESTIFYING BEFORE VARIOUS COMMITTEES FOR ONE PURPOSE OR ANOTHER. OCCASIONALLY, ALL OF THE COMMISSIONERS ARE INVITED TO ATTEND OVERSIGHT HEARINGS IN WHICH OUR SHORTCOMINGS ARE OFTEN ENUMERATED IN GREAT DETAIL. ONE SUCH HEARING OCCURRED JUST LAST WEEK.

THE FCC HAS BEEN AN EXCITING PLACE TO BE DURING MY TENURE. MY BACKGROUND IS BROADCASTING AND THERE HAVE BEEN MANY CHANGES IN BROADCASTING OVER THE PAST DECADE. DEREGULATION WAS BEGINNING TWELVE YEARS AGO AND PICKED UP CONSIDERABLE MOMENTUM IN THE ENSUING YEARS. BROADCAST LICENSEES HAVE FAR FEWER PAPERWORK BURDENS NOW THAN WHEN I WAS IN THE BUSINESS. THERE HAVE BEEN OTHER CHANGES, TOO. THERE WAS A TIME WHEN IT MADE GOOD SENSE FOR A LARGE, DIVERSE CORPORATION TO OWN BROADCAST PROPERTIES BECAUSE ANY CHANGE OF CONTROL OF THE CORPORATION AS LICENSEE REQUIRED PRIOR APPROVAL OF THE FCC.

THEY WERE THUS PROTECTED FROM HOSTILE TAKEOVER ATTEMPTS. NOW, BECAUSE OF DEREGULATION AND OTHER POLICY CHANGES AT THE COMMISSION, BROADCAST PROPERTIES ARE OFTEN "IN PLAY" IN THE PARLANC OF WALL STREET AND HARDLY A DEFENSE AGAINST HOSTILE TAKEOVERS.

THE CURRENT FLURRY OF MERGERS AND TAKEOVER ATTEMPTS RESULTED FROM A NUMBER OF FCC ACTIONS. WE REMOVED A LONG-STANDING ANTI-TRAFFICKING RULE WHICH REQUIRED THAT A BROADCASTING LICENSE BE RETAINED AT LEAST THREE YEARS BEFORE BEING TRANSFERRED TO A NEW OWNER. WE HAD RULES THAT ONE OWNER COULD BE LICENSED TO A MAXIMUM OF FIVE VHF TELEVISION STATIONS AND THAT WAS INCREASED TO TWELVE. WE REQUIRED A DEMONSTRATION OF FINANCIAL QUALIFICATIONS TO OPERATE A NEWLY CONSTRUCTED STATION FOR ONE YEAR WITHOUT RELYING UPON ADVERTISING REVENUES. THAT REQUIREMENT WAS CHANGED TO THREE MONTHS AND THEN WE CONCLUDED THAT A DEMONSTRATION OF FINANCIAL QUALIFICATION WASN'T NECESSARY AND NOW YOU MUST MERELY CERTIFY THAT YOU ARE FINANCIALLY QUALIFIED. AND, AGAINST MY STRONG OBJECTION, THE COMMISSION DETERMINED THAT IT COULD APPROVE A TRUSTEE TO HOLD THE LICENSE DURING A HOSTILE TAKEOVER ATTEMPT, THEREBY REMOVING THE PRIOR-APPROVAL RESTRAINT UPON SUCH TAKEOVERS.

WHILE THE COMMISSION'S FREE-MARKET PHILOSOPHY REGARDING BROADCASTING STATIONS HAS PROMOTED A FREE-WHEELING TRADE AND GENERATING VERY HIGH PRICES, I CONTINUE TO BE CONCERNED THAT THE DE-STABILIZING EFFECTS OF ALL OF THIS ACTIVITY WILL BE DETRIMENTAL TO THE BROADCASTING SERVICES.

COUPLED WITH CHANGES IN REGULATION, BROADCASTING IS ALSO FACING TOUGH COMPETITION FROM A RANGE OF NEWER PROGRAM DELIVERY SERVICES. CABLE IS COMPETING FOR BOTH VIEWERS AND ADVERTISING DOLLARS. THE PROLIFERATION OF VIDEO CASSETTE RECORDERS IS CHANGING VIEWING HABITS AND MAKING IT POSSIBLE TO VIEW NETWORK FARE, FOR EXAMPLE, WITHOUT WATCHING THE COMMERCIAL ANNOUNCEMENTS THAT PAY FOR THAT PROGRAMMING.

I BELIEVE BROADCASTING SERVICES DESERVE SPECIAL ATTENTION NOT JUST BECAUSE I'M A FORMER BROADCASTER BUT, ALSO, BECAUSE BROADCASTING PERFORMS A UNIQUE ROLE FOR THE AMERICAN PEOPLE. FOR A FEW DOLLARS, YOU CAN PURCHASE A SMALL RADIO RECEIVER THAT WILL BRING YOU THE LATEST NEWS, COMMUNITY INFORMATION AND ENTERTAINMENT THAT COSTS MILLIONS OF DOLLARS TO PRODUCE. FOR A FEW MORE DOLLARS, YOU CAN WATCH AN UNLIMITED AMOUNT OF TELEVISION NEWS, INFORMATION AND ENTERTAINMENT. ADVERTISERS ARE WILLING TO SUPPLY ALL OF THIS IN THE EXPECTATION OF REACHING LISTENERS AND VIEWERS WITH THEIR MESSAGES. AS NUMBERS OF LISTENERS AND VIEWERS CHOOSE OTHER MEDIA, AND BECOME UNAVAILABLE TO ADVERTISERS, THEY BECOME LESS WILLING TO SUPPORT THE BROADCASTING SYSTEM.

I AM NOT PREDICTING THE IMMINENT DEMISE OF OVER-THE-AIR BROADCASTING. THE FACT THAT A LOS ANGELES TELEVISION STATION SOLD FOR MORE THAN HALF-A-BILLION DOLLARS RECENTLY WOULD SEEM TO INDICATE THAT THERE IS CONSIDERABLE FAITH IN ITS FUTURE. BUT, BROADCASTING IS LIKELY TO CONTINUE TO CHANGE TO MORE EFFECTIVELY COMPETE WITH THE NEW MEDIA.

CHANGES IN THE BROADCASTING SERVICES ARE RELATIVELY MINOR, OF COURSE, TO THE CHANGES WROUGHT IN THE PAST DOZEN YEARS TO OUR TELEPHONE SYSTEM. THE FCC REGULATES THE INTERSTATE SERVICES PROVIDED BY TELEPHONE SYSTEMS. WE CONTINUE TO REGULATE AT&T AND THE BELL OPERATING COMPANIES. BUT, OUR ROLE CONTINUES TO DIMINISH AS THE PROVISION OF SERVICE BECOMES MORE AND MORE COMPETITIVE.

I WAS NOT AN ADVOCATE OF BREAKING UP THE PHONE COMPANY. WITH ALL ITS FAULTS, THE OLD BELL SYSTEM PROVIDED THE BEST TELEPHONE SERVICE IN THE WORLD AT REASONABLE RATES. BUT, PRODDING BY THE JUSTICE DEPARTMENT, ACTIVIST COURT DECISIONS AND CHANGING TECHNOLOGY MADE DIVESTITURE INEVITABLE. DESPITE SOME EARLY PROBLEMS--ALSO INEVITABLE IN THE FACE OF THE LARGEST CORPORATE REORGANIZATION IN HISTORY--I BELIEVE A BRAVE NEW WORLD OF TELECOMMUNICATIONS IS EMERGING. LONG DISTANCE RATES CONTINUE TO FALL EVEN AS THE RATE OF INCREASE FOR LOCAL RATES DECLINES DRAMATICALLY.

THE FUTURE OF TELECOMMUNICATIONS SERVICES LOOKS VERY BRIGHT, INDEED. IT HAS BEEN ESTIMATED THAT ABOUT FIFTY PERCENT OF THE AMERICAN ECONOMY IS DEVOTED TO DATA TRANSMISSION IN ONE FORM OR ANOTHER. THESE SERVICES RANGE FROM ELECTRONIC FUNDS TRANSFERS IN THE BANKING SYSTEM TO AUTOMATED CHECKOUT COUNTERS IN THE SUPERMARKET. WITH THAT MUCH OF THE ECONOMY RELATED TO TELECOMMUNICATIONS, IT IS VITAL THAT TELECOMMUNICATIONS SERVICES BE EFFICIENT.

HAIR-THIN STRANDS OF GLASS FIBER ARE BEGINNING TO SPAN THE GLOBE TO PROVIDE VERY-HIGH-CAPACITY, LOW-COST COMMUNICATIONS HIGHWAYS TO MEET THESE FUTURE NEEDS. ONCE MANY OF THE ELECTRONIC SUPERHIGHWAYS HAVE BEEN CONSTRUCTED, YOU CAN EXPECT CARRIERS TO BEGIN BRINGING FIBER INTO YOUR HOMES AND OFFICES.

ONE CARRIER HAS ESTIMATED THAT, WITHIN FIVE YEARS, IT WILL BE CHEAPER TO USE FIBER THAN COPPER JUST TO PROVIDE VOICE SERVICE. THE IMPLICATIONS OF THAT ARE ENORMOUS. ONCE THAT CAPACITY IS IN PLACE, THOSE STRANDS OF FIBER WILL BE CAPABLE OF PROVIDING NOT ONLY PLAIN OLD TELEPHONE SERVICE BUT ALL VARIETIES OF DATA TRANSMISSION AND VIDEO AS WELL. BECAUSE OF THE SIZE OF THE NATION'S LOCAL TELEPHONE PLANT, DON'T EXPECT ALL OF THESE NEW SERVICES WITHIN THE NEXT YEAR OR SO. BUT, THEY WILL ARRIVE. PROBABLY FASTER THAN ANYONE THINKS. I REMEMBER NOTING THE FANTASTIC PROMISE OF FIBER TRANSMISSION SOME TEN YEARS AGO AND CONCLUDING THAT, IN TWENTY YEARS, THERE WOULD BE SIGNIFICANT FIBER FACILITIES IN PLACE. THERE ARE ALREADY THOUSANDS OF MILES OF VERY-HIGH-QUALITY FIBER IN PLACE AND NEW CONSTRUCTION IS PROCEEDING AT A FEVERISH PACE.

THIS PAST DECADE HAS SEEN A REVOLUTION IN TECHNOLOGY AND MORE IS TO COME. CELLULAR TELEPHONES ARE NOW COMMONPLACE, SATELLITE SERVICES ARE WIDELY USED, COMPUTERS ARE UBIQUITOUS, AND RESEARCH LABORATORIES ARE USING ALL OF THESE FACILITIES AND MORE TO DEVELOP EVEN GREATER WONDERS TO PROPEL US INTO THE NEXT CENTURY. THESE ARE EXCITING TIMES FOR ALL OF US AND I AM DELIGHTED TO HAVE A FRONT-ROW SEAT.