

STATEMENT OF COMMISSIONER JAMES H. QUELLO
BEFORE THE
WIRELESS CABLE '88
CONVENTION AND EQUIPMENT EXPOSITION

WASHINGTON, D.C.
OCTOBER 17, 1988

TODAY, WIRELESS CABLE OPERATORS, AS THEY FORGE PRODUCTIVE RELATIONSHIPS WITH THE EDUCATIONAL COMMUNITY, ARE NOT ONLY IMPROVING THE EDUCATIONAL USE OF VALUABLE SPECTRUM, BUT ALSO BECOMING A DYNAMIC COMPETITIVE FORCE TO THE EMERGING MONOPOLISTIC POWER OF THE CABLE TELEVISION INDUSTRY. I WAS SKEPTICAL AT FIRST OF REALLOCATING ITFS CHANNELS TO THE MULTI-CHANNEL MDS SERVICE AND ALLOWING ITFS LICENSEES TO LEASE EXCESS CAPACITY TO COMMERCIAL OPERATIONS. I WAS CONCERNED THAT THE INTERESTS OF COMMERCIAL ENTERPRISES WOULD CONFLICT WITH THE INTERESTS OF EDUCATORS.

AS AN INDUSTRY YOU HAVE HAD MAJOR OBSTACLES TO OVERCOME. PUTTING ASIDE THE REGULATORY ISSUES, YOU HAVE HAD TO ASSUAGE THE FEARS OF EDUCATIONAL ENTITIES. VIDEO PROGRAMMING DELIVERED BY ANY MEANS INTO THE CLASSROOM OR HOME WILL NOT REPLACE THE TEACHER. IN THE LANGUAGE OF TODAY'S COMPUTER JARGON, YOU HAVE HAD TO BECOME USER FRIENDLY. IN ALLOWING COMMERCIAL USE OF EXCESS ITFS CHANNEL TIME, THE COMMISSION HOPED THAT EXISTING ITFS LICENSEES WOULD WELCOME THE ADDITIONAL REVENUE GENERATED FROM LEASING UNUSED TIME ON THEIR CHANNELS. THE COMMISSION REASONED THAT THE EXPANSION OF WIRELESS CABLE SYSTEMS WOULD PROVIDE THE IMPETUS AND FINANCING FOR NEW ITFS SYSTEMS, AND, THEREFORE, A BROADER AVAILABILITY OF EDUCATIONAL PROGRAMS FOR SCHOOLS AND SIMILAR ORGANIZATIONS. THE RESULTS, THE COMMISSION THEORIZED, WOULD BENEFIT BOTH ITFS AND WIRELESS CABLE.

EXPERIENCE HAS SO FAR PROVEN OTHERWISE. NEW AND EXISTING WIRELESS CABLE SERVICES HAVE TAKEN FAR LONGER THAN EXPECTED TO CREATE EVEN A SEMBLANCE OF THE NEW INDUSTRY WHICH WAS TO HAVE BEEN BUILT. EDUCATIONAL LICENSEES HAVE FOR THE MOST PART REACTED TO THEIR POTENTIAL PARTNERS WITH CAUTION AND SUSPICION RATHER THAN WITH ENTHUSIASM. THE BUSINESS OF EDUCATION OPERATES ON A DIFFERENT TIME SCHEDULE THAN COMMERCIAL BUSINESS OPERATIONS. YOUR PLANNING, BUDGETING AND BUILDING HAS HAD TO ACCOMMODATE BOARD-OF-EDUCATION MEETINGS AND THE ACADEMIC FISCAL PLANNING CALENDAR. TYPICALLY THIS HAS TRANSLATED INTO DELAYS IN OPERATIONS, WHICH IN TURN TRANSLATES INTO INCREASED COSTS. I AM NOT EVEN GOING TO BEGIN TO ADDRESS THE DEMANDS THAT SCHOOL SYSTEMS MAY BE PLACING ON WIRELESS CABLE OPERATORS.

THE COMMISSION'S RULE REQUIRING ITFS PROGRAMMING ON ALL ITFS CHANNELS AND GRANDFATHERING EXISTING "E" AND "F" GROUP ITFS LICENSEES HAVE PRESENTED TECHNOLOGICAL HURDLES TO OVERCOME. YOU HAVE MET THAT CHALLENGE WITH CHANNEL MAPPING AND NEGOTIATIONS THAT HAVE ALLOWED YOU TO SECURE EQUALLY EFFECTIVE CHANNEL CAPACITY ON OTHER FREQUENCIES. CHANNEL MAPPING IS AN EXPENSIVE ELECTRONIC SYSTEM DEVELOPED TO COMPLY WITH THE FCC REQUIREMENT THAT EACH EDUCATIONAL CHANNEL CARRY A MINIMUM AMOUNT OF EDUCATIONAL PROGRAMMING. THIS TECHNOLOGY IS ANOTHER AREA IN WHICH CLOSER COOPERATION AMONG WIRELESS CABLE OPERATORS AND EDUCATIONAL LICENSEES HOLDS THE POTENTIAL TO GREATLY INCREASE SCHEDULING FLEXIBILITY AND ACCESS TO CHANNELS. CHANNEL MAPPING

IS AN ISSUE WHICH DEMONSTRATES THE ABILITY OF WIRELESS CABLE OPERATORS AND EDUCATIONAL LICENSEES TO AGREE ON COMMON POSITIONS WHICH SERVE THEIR MUTUAL INTEREST. THIS SERVES THE INTERESTS OF BOTH EDUCATIONAL LICENSEES AND WIRELESS CABLE OPERATORS.

FINALLY, AND PERHAPS MOST IMPORTANTLY, YOU HAVE HAD TO SECURE PROGRAMMING PRODUCT, AND THIS IS NO EASY TASK. NOW, AS CABLE OPERATORS HAVE INCREASING OWNERSHIP IN MAJOR PROGRAMMING SERVICES, AND AS WIRELESS CABLE IS A NATURAL COMPETITOR TO CABLE, PROGRAMMERS MAY HAVE A VESTED INTEREST IN STIFLING YOUR ACCESS TO PROGRAMMING. AS WIRELESS CABLE OPERATORS, YOU MAY BE FACED WITH THE BUSINESS LANGUAGE OF CABLE OPERATORS. FOR EXAMPLE, YOU MAY BE CHARGED FOR PROGRAMMING ON THE BASIS OF HOMES PASSED. HOMES PASSED BY CABLE IS VERY DIFFERENT THAN HOMES PASSED BY AN OMNIDIRECTIONAL SIGNAL AND THIS TRANSLATES INTO HIGHER COSTS OF PROGRAMMING TO WIRELESS CABLE OPERATORS.

CLOSELY ALIGNED WITH THE PROGRAMMING IS THE ISSUE OF RECAPTURE -- THE REGAINING OF LEASED ITFS SPECTRUM FOR ITFS PROGRAMMING. I AM TOLD THAT THE ISSUE OF RECAPTURE IS ONE OF THE MOST DIFFICULT ASPECTS WHEN NEGOTIATING WITH EDUCATIONAL INSTITUTIONS. ARGUMENTS HAVE CENTERED PRIMARILY ON HOW MUCH TIME MUST BE ALLOCATED FOR THE EDUCATIONAL LICENSEE'S USE, AND WHAT TYPES OF PROGRAMS MUST BE CARRIED. THE UNDERLYING ASSUMPTION IN THIS DISPUTE HAS BEEN THAT THE EDUCATOR AND THE WIRELESS CABLE OPERATOR ARE SERVING DIFFERENT AUDIENCES.

EDUCATORS ARE SERVING SCHOOLS; WIRELESS CABLE OPERATORS ARE SERVING HOMES. UNDER THESE ASSUMPTIONS, ANY INCREASE IN EDUCATIONAL PROGRAMMING DECREASES THE ATTRACTIVENESS OF THE WIRELESS CABLE SERVICE TO HOMES.

ULTIMATELY, WIRELESS CABLE OPERATORS AND EDUCATIONAL LICENSEES SHOULD FOR THE MOST PART SHARE ONE LARGE, COMMON AUDIENCE, MADE UP OF ALL THE LOCATIONS WHICH CAN RECEIVE THE SYSTEM'S SIGNAL. THIS RAISES THE POTENTIAL OF DELIVERING EDUCATION TO THE HOME, FEE-BASED SERVICES TO COMMUNITY LOCATIONS, OR DEVELOPING OTHER CUSTOMIZED PRODUCTS. WHERE ACCESS TO PROGRAMMING SHOULD BE RESTRICTED, SCRAMBLING SYSTEMS CAN PROVIDE EFFECTIVE SECURITY.

THIS APPROACH LETS THE WIRELESS CABLE OPERATOR ADD A POWERFUL NEW POINT TO HIS MARKETING STRATEGY, WHILE THE EDUCATOR GAINS ADDITIONAL WAYS OF PACKAGING COURSES AND REACHING POTENTIAL LEARNERS.

THE DEMANDS FOR EDUCATION AND ENTERTAINMENT WILL NO DOUBT VARY AMONG MARKETS. IT IS IMPERATIVE THAT EACH PARTY UNDERSTAND THAT GROWTH OF BOTH PROGRAMMING TYPES IS IN EVERYONE'S BEST INTEREST.

THE MULTIPLE STUMBLING BLOCKS OF EDUCATOR/COMMERCIAL OPERATOR NEGOTIATIONS, TECHNOLOGY AND PROGRAMMING THWART THE INTERESTS OF A HEALTHY WIRELESS CABLE INDUSTRY AND THE

EDUCATIONAL OBJECTIVES FOR WHICH ITFS WAS ORIGINALLY ESTABLISHED. GROWTH OF WIRELESS CABLE HAS BEEN SLOW, SUPPORT AVAILABLE TO LOCAL EDUCATIONAL LICENSEES HAS BEEN LIMITED, AND EXPANSION OF EDUCATIONAL PROGRAMMING INTO NEW AREAS HAS BEEN MINIMAL. AT THE SAME TIME, THE RESULTING VIRTUAL MONOPOLY OF TRADITIONAL CABLE ON HOME DISTRIBUTION HAS GROWN EVEN MORE PERVASIVE.

ENVISIONING THE FUTURE

AS THE FCC'S EDUCATIONAL COMMISSIONER, I BELIEVE THAT WIRELESS CABLE OPERATORS, ITFS LICENSEES, AND THE AMERICAN PEOPLE HAVE MUCH TO GAIN FROM THE DEVELOPMENT OF A SUCCESSFUL, PROSPEROUS WIRELESS CABLE INDUSTRY. I ENVISION THIS INDUSTRY AS GOING BEYOND THE SIMPLE PROVISION OF MOVIES TO LIVING ROOMS AND MATH LESSONS TO MULTIPLE CLASSROOMS.

INSTEAD, I SEE AN INDUSTRY PROVIDING A COMBINATION OF EDUCATIONAL AND ENTERTAINMENT SERVICES TO HOMES, SCHOOLS, COMMUNITY CENTERS, AND SIMILAR LOCATIONS IN MULTIPLE MARKETS ACROSS THE NATION. PROGRAMMING SHOULD INCLUDE TRADITIONAL OFFERINGS OF BOTH THE EDUCATIONAL LICENSEE AND THE WIRELESS CABLE OPERATOR, BUT WITH IMPORTANT NEW ADDITIONS, INCLUDING EDUCATION IN THE HOME. WHERE THERE ARE BROAD COMMON INTERESTS, SATELLITE CONNECTIONS WILL PROVIDE NATIONAL PROGRAMMING. WHERE THERE ARE LOCAL PROBLEMS TO BE SOLVED OR INTERESTS TO BE ADDRESSED, PROGRAMMING WILL BE TARGETED TO HIGHLY SPECIFIC AUDIENCES, EITHER AT HOME OR SCHOOL.

CHANGE IN THINKING

CHANGE WILL HAVE TO OCCUR TO ACHIEVE THE VISION I HAVE FOR THE WIRELESS CABLE INDUSTRY. IT IS NECESSARY TO ESTABLISH SOME OF THE CONDITIONS THAT MUST BE ACCEPTED AS "GIVENS" IF THE INDUSTRY IS TO PROSPER.

FIRST, TO BE SUCCESSFUL, WIRELESS CABLE OPERATORS MUST ACKNOWLEDGE AND EMBRACE PARTNERSHIP WITH EDUCATIONAL LICENSEES IN THE DEVELOPMENT OF DISTRIBUTION SYSTEMS. THESE EDUCATIONAL ENTITIES, WHETHER SCHOOLS, CHURCH GROUPS, NATIONAL ORGANIZATIONS, OR PUBLIC TELEVISION STATIONS, MUST BE VIEWED NOT AS JUST LANDLORDS OR VENDORS, NOT AS STEPCHILDREN, BUT RATHER AS FULL PARTNERS IN THE DEVELOPMENT OF DISTRIBUTION SYSTEMS THAT CAN PROVIDE THE AMERICAN PEOPLE WITH INNOVATIVE SERVICES IN EDUCATION AS WELL AS ENTERTAINMENT.

WHILE THE CURRENT ACTIVITIES OF THESE EDUCATIONAL LICENSEES MAY VARY FROM PLACE TO PLACE, THEY HAVE IN COMMON THE GOAL OF USING THEIR SYSTEMS TO DELIVER INSTRUCTION TO MULTIPLE LOCATIONS. THE WIRELESS CABLE INDUSTRY MUST DEVELOP SOUND BUSINESS PRACTICES THAT ADDRESS THE CURRENT NEEDS OF THESE SYSTEMS HONESTLY, CONSISTENTLY, AND EFFECTIVELY.

NEXT, THE WIRELESS CABLE INDUSTRY MUST REALIZE THAT IT IS THE PARTNERSHIP WITH THE EDUCATIONAL COMMUNITY AT THE LOCAL

LEVEL AND THAT DIFFERENTIATES WIRELESS CABLE FROM OTHER ENTERTAINMENT DISTRIBUTION SERVICES. THIS IS A POWERFUL DISTINCTION, BOTH IN TERMS OF POTENTIAL SERVICE OFFERINGS AND BECAUSE OF THE STRONG LINKAGE INTO LOCAL COMMUNITIES CREATED BY THESE PARTNERSHIPS. IT IS ONE THING TO BE A LOCAL VENDOR OF SERVICES. IT IS QUITE ANOTHER TO BE AN ALLY OF THE LOCAL SCHOOL BOARD OR UNIVERSITY. THIS PARTNERSHIP HAS ADDITIONAL IMPLICATIONS IN DEALINGS WITH FEDERAL REGULATORS, CITY GOVERNMENTS AND THE PUBLIC AT LARGE.

NEXT, WIRELESS CABLE OPERATORS MUST UNDERSTAND THAT PERFORMANCE AND STABILITY WILL BE CRITICAL FOR FURTHER INDUSTRY DEVELOPMENT. IN ORDER TO ATTRACT BOTH THE CAPITAL REQUIRED FOR THE ENTRY OF NEW FIRMS AND THE PROGRAMMING REQUIRED TO KEEP SYSTEMS IN OPERATION, WIRELESS CABLE MUST DEMONSTRATE THAT IT IS TRULY A VIABLE CONCERN. THE INDUSTRY MUST ESTABLISH THAT CUSTOMERS WILL BUY WIRELESS CABLE PROGRAMMING. SIMILARLY, WIRELESS CABLE FIRMS MUST SHOW A CONSISTENT PATTERN OF LIVING BY THEIR COMMITMENTS, MAINTAINING REALISTIC, CONSISTENT BUSINESS GOALS, AND HONORING THE AGREEMENTS BY WHICH THEY CONDUCT BUSINESS.

I UNDERSTAND THAT TO DATE, RELATIONSHIPS AMONG WIRELESS CABLE OPERATORS AND EDUCATIONAL LICENSEES HAVE BEEN DEVELOPED LARGELY BY ATTORNEYS WORKING IN THEORY. AS THE INDUSTRY GROWS, IT WILL BE CRITICAL THAT THESE RELATIONSHIPS BE DEFINED INSTEAD

BY WIRELESS CABLE OPERATORS AND EDUCATIONAL LICENSEES IN TERMS OF PRECEDENTS THAT HAVE PROVEN SUCCESSFUL. ONLY AT THAT POINT WILL WIRELESS CABLE ACHIEVE THE DYNAMICS NEEDED TO FUNCTION AS AN EFFECTIVE INDUSTRY.

NEXT, EDUCATIONAL LICENSEES AND WIRELESS CABLE OPERATORS MUST UNDERSTAND THAT THEIR ORGANIZATIONS ENCOMPASS A PUBLIC TRUST. THE FREQUENCIES USED BY BOTH PARTIES ARE A PUBLIC GOOD ENTRUSTED TO THE LICENSEE IN THE PUBLIC INTEREST. IF REGULATORY AUTHORITIES DETERMINE THAT THE PUBLIC INTEREST IS NO LONGER SERVED BY THE LICENSEE, EITHER THROUGH LACK OF USE OR MISUSE, THOSE FREQUENCIES CAN BE REASSIGNED TO OTHER PARTIES, OR EVEN TO OTHER USES. GIVEN THE INCREASING SHORTAGE OF RADIO FREQUENCY SPECTRUM AND CHALLENGES FROM COMPETING INTERESTS, IT IS INCREASINGLY IMPORTANT THAT ALL PARTIES BE ABLE TO DEMONSTRATE EFFICIENT USE OF SPECTRUM IN SERVICE TO THE PUBLIC.

FINALLY, WIRELESS CABLE OPERATORS AND THEIR EDUCATIONAL PARTNERS MUST BASE DAY-TO-DAY DECISION-MAKING ON LONG-TERM GOALS. WIRELESS CABLE IS NOT A PERFECT SUBSTITUTE FOR CABLE, SMATV, BROADCAST TELEVISION, OR ANY OTHER DISTRIBUTION SYSTEM. IT IS INSTEAD A UNIQUE INDUSTRY WITH ITS OWN STRENGTHS AND LIMITATIONS. THIS RESULTS IN PART FROM UNIQUE BUSINESS RELATIONSHIPS WITH EDUCATIONAL LICENSEES. THE NEGOTIATION OF THESE AGREEMENTS MUST FOCUS ON THE STRATEGIC GOALS OF THE PARTNERS, RATHER THAN ON WINNING OR LOSING PARTICULAR POINTS. THESE NEGOTIATIONS SHOULD BE BASED ON DEVELOPING "WIN-WIN" SITUATIONS WHERE ALL PARTIES EMERGE AS VICTORS.

THE FCC IS WELL AWARE THAT A NUMBER OF ISSUES CONTINUE TO RECUR AS POINTS OF CONTENTION IN VARIOUS CITIES. MANY OF THESE REFLECT LEGITIMATE CONCERNS INHERENT IN PRESERVING THE LONG-TERM OPTIONS OF BOTH WIRELESS CABLE OPERATORS AND EDUCATIONAL LICENSEES. THE INABILITY OF YOUR INDUSTRY TO ESTABLISH AND SHARE PRECEDENTS FOR SUCCESSFUL RESOLUTION OF THESE CONFLICTS HAS SLOWED THE EXPANSION OF WIRELESS CABLE. THIS PATTERN HAS ALSO CAUSED HESITATION ON THE PART OF MANY EDUCATIONAL LICENSEES WHO COULD BE POTENTIAL PARTNERS FOR WIRELESS CABLE SYSTEMS. THE FOCUS MUST NOT BE ON WHO DID WHAT TO WHOM, BUT RATHER ON REACHING ACCOMMODATIONS THAT SERVE THE LONG-TERM GOALS OF BOTH PARTIES.

IT WOULD BE FOLLY TO ASSUME THAT THE NEXT FEW YEARS WILL BE EASY. NOR CAN YOU ASSUME THAT ALL WILL BE WELL IF WIRELESS CABLE OPERATORS AND EDUCATIONAL LICENSEES SIMPLY JOIN HANDS AND WORK TOGETHER. EVEN UNDER THE BEST OF CIRCUMSTANCES, WIRELESS CABLE IS A BUSINESS FRAUGHT WITH FINANCIAL, MARKETING, AND REGULATORY RISKS. THERE ARE, HOWEVER, SOME STEPS THAT EDUCATIONAL LICENSEES AND WIRELESS CABLE OPERATORS CAN TAKE TO ENSURE THAT THEIR MUTUAL INTERESTS ARE SERVED.

WORKING TOGETHER

YOU CAN SHARE YOUR SUCCESSES. BOTH THE PUBLIC AND THE INDUSTRY DESERVE TO KNOW MORE ABOUT THOSE SITUATIONS IN WHICH EDUCATIONAL LICENSEES AND WIRELESS CABLE OPERATORS ARE WORKING

TOGETHER SUCCESSFULLY. THIS INFORMATION IS VALUABLE BECAUSE IT OFFERS PRECEDENTS ON WHICH OTHER PARTIES CAN BUILD. OVER TIME, THESE PRECEDENTS SHOULD HELP DEFINE THE ECONOMIC TERMS AND OPERATING CONDITIONS OF YOUR BUSINESS. FOR ITS PART, THE WIRELESS CABLE ASSOCIATION SHOULD SEEK WHEREVER POSSIBLE TO DOCUMENT THESE SUCCESSES, IN BOTH TRADE AND PUBLIC FORUMS.

YOU CAN JOINTLY DEVELOP INNOVATIVE PROGRAMS AND SERVICES. WIRELESS CABLE OPERATORS CANNOT EXPECT THE EDUCATIONAL LICENSEES TO BECOME ENTREPRENEURS. LIKewise, EDUCATIONAL LICENSEES CANNOT EXPECT THE WIRELESS CABLE OPERATORS TO BECOME EDUCATORS. THE DEVELOPMENT OF NEW URBAN WIRELESS CABLE SYSTEMS IN CITIES THAT FACE MAJOR EDUCATIONAL PROBLEMS CAN CREATE OPPORTUNITIES TO EXERCISE THE CONSIDERABLE CREATIVITY PRESENT ON BOTH SIDES OF THE TABLE.

I BELIEVE THAT LOCAL EDUCATIONAL AUTHORITIES ARE BECOMING INCREASINGLY RECEPTIVE TO INNOVATIVE APPROACHES TO INCREASING THE EFFICIENCY OF EDUCATION. THE WILLINGNESS TO LISTEN AND EXPERIMENT CAN PAY HANDSOME DIVIDENDS IN THE FORM OF PUBLIC RECEPTIVITY, CORPORATE SUPPORT, AND GOVERNMENTAL ASSISTANCE OR APPROVALS. ULTIMATELY, THOUGH, THE EFFECTIVENESS OF THIS POLICY WILL LIE IN THE DETERMINATION OF EDUCATIONAL LICENSEES AND WIRELESS CABLE OPERATORS TO WORK EFFECTIVELY TOGETHER.

EDUCATORS AND ENTREPRENEURS ALIKE HAVE INVESTED FAR TOO MUCH IN WIRELESS CABLE TO PERMIT THE CURRENT INDUSTRY LOGJAM TO CONTINUE. DESPITE PROTESTATIONS TO THE CONTRARY, THERE ARE IMPRESSIVE SUCCESS STORIES IN THE EXISTING PARTNERSHIPS BETWEEN EDUCATIONAL AND COMMERCIAL INTERESTS IN THE FIELD. YOU HAVE OVERCOME REGULATORY, TECHNICAL AND SOFTWARE OBSTACLES. YOU OFFER COMPETITIVE HOPE TO MILLIONS OF AMERICANS, AND AS IMPORTANTLY, YOUR PARTNERSHIP WITH EDUCATORS IS BENEFITING AMERICANS BOTH YOUNG AND NOT SO YOUNG. IT IS TIME FOR NEW VISION, NEW ETHICS, AND NEW ACTIONS. INVOLVEMENT OF BOTH EDUCATIONAL LICENSEES AND WIRELESS CABLE OPERATORS IS ESSENTIAL TO THIS PROCESS.