

OFFICE OF COMMISSIONER JAMES H. QUELLO

FOR YOUR INFORMATION

The attached statement summarizes my current concerns about the proposed telco entry into cable. This is an ongoing FCC proceeding. It may recommend that Congress lift the statutory ban against telcos offering cable television services in the phone company service areas.

JHQ

COMMENTS ON CABLE TELCO

by Commissioner James H. Quello

January 12, 1989

Initially, I voted for the Further Notice of Inquiry and Notice of Proposed Rule Making recommending to Congress that it eliminate the existing telco-cable cross ownership restrictions. The Commission's proposal suggests that telephone entry would be permissible in situations where it merely acquired an existing cable system.

Reviewing the initial round of comments and considering the long-term implications on the telecommunications marketplace lead me to believe that it may be appropriate to place a heavier burden of proof on telephone company entry in certain circumstances. I see little upside to replacing one unregulated monopoly (cable) with another larger monopoly. My initial thought is that telephone entry into cable should be limited to providing a competitive alternative, not merely replacing existing cable operations. However, there is a possibility that only one system will eventually survive in the practical marketplace.

If the marketplace ultimately reverts to a one wire environment, then the Commission should carefully examine the regulatory structure to ensure access by local broadcast stations. Thus, I must depart from the Commission's tentative decision to the extent that it does not adequately focus attention on the potential impact of telco entry on free over-the-air broadcasting.

A key question is whether telco entry will be a threat or boon to preserving free universal TV service. In my opinion the crucial public interest issue is the preservation of free local television service to all the public. Only broadcasting, not cable or phone fiber, has a government licensed obligation to provide TV service to the public. Broadcasting is the principal source of local news and government affairs, of vital local services like traffic, road, weather, school closing reports and emergency bulletins. And only broadcasting has a program-issues public file requirement for license renewal and for public inspection. I have repeatedly stated that no unregulated transmission pipeline monopoly, cable or phone fibers, should be able to obstruct or prevent a broadcaster from discharging his government mandated requirement to serve the public on the very channels assigned by the government. To preserve universal free local service, the FCC may have to require fiber video transmission systems to provide a basic antenna service to transmit local broadcast signals at no charge.

The ultimate implementation of nationwide telco entry is probably years away. Both the potential and problems are mind-boggling. For example, how should phone company monopolies be prevented from cross subsidization? Should Congress or the FCC require completely separate capitalization and separate installation and service departments? Would public interest best be served by restricting telcos to common carriage? Will the unlimited capability of fiber transmission require a restructuring of telecommunications in America? Will satellite develop into a viable competitor to fiber? Will fiber with its potential for providing a dazzling variety of services without spectrum needs (phone, TV, radio, data processing, home shopping, etc.) require a complete re-writing of the Communications Act? These contentious questions provide an initial insight into the complex problems of telco entry.

Of course, my views are tentative and I plan to review all comments and reply comments before reaching a final conclusion. Depending on your viewpoint the Commission's proceeding may be visionary or premature. Some industry experts estimate that it will be 15 to 20 years before the nation is "wired" with fiber optic cable. I think the Commission must continue to review the implications of this complex issue as the possibility of telco entry comes closer to reality.

STATEMENT ON CABLE-TELCO ISSUES
sent to the following:

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