

Remarks by
Commissioner James H. Quello
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It's been a while since I've had the opportunity to spend time in the heartland of America -- particularly the state that made John Carson famous! I tend to view Nebraska most often from thirty thousand feet up as I travel across this great land of ours and it's a pleasure to have a closer look. I must thank my long-time friend Jim Ebel for this opportunity. I've known and respected Jim for many years and I assume his many friends in Nebraska appreciate that Jim is a nationally acclaimed broadcast expert and pioneer.

Next month, I will be in Hong Kong to address -- and to listen to -- international telecommunications experts, regulators, and practitioners from throughout the world. I thought you might be interested in a brief preview of what I might say and I will certainly be interested in your "world view" of telecommunications.

The fact is that large providers of telecommunications facilities and services are finding that it is no longer possible to ignore international markets. They realize that the world has changed dramatically in the past ten years and that Marshall McLuhan was on target more than twenty years ago when he proclaimed the "Global Village." McLuhan stated:

"Electric circuitry has overthrown the regime of 'time' and 'space' and pours upon us instantly and continuously the concerns of all other men. It has reconstituted dialogue on a global scale. Its message is total change, ending psychic, social, economic, and political parochialism. The old civic, state, and national groupings have become unworkable. Nothing can be further from the spirit of the new technology than 'a place for everything and everything in its place.' You can't go home again."

Mikhail Gorbachev can confirm the wisdom of McLuhan. At present, the leaders of China and some of the other great nations of the world are slower to acknowledge that wisdom. But, in time they will. Because, as McLuhan also pointed out:

"In an electric information environment, minority groups can no longer be contained -- ignored. Too many people know too much about each other. Our new environment compels commitment and participation. We have become irrevocably involved with, and responsible for, each other."

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Thus, the Federal Communications Commission can no longer confine its interests and concerns to the shores of the United States. We must view many of the issues before us in a global context.

Some of you are probably aware of a very controversial issue recently decided by the Commission involving rights to market television programs after they have been shown on the three networks; the so-called Financial Interest and Syndication Rules. A very important component of that controversy was the issue of network access to "foreign syndication" markets which represent the largest growth market for the syndication industry.

On a completely different issue, the Commission's meeting on the ninth of May, devoted a significant part of the agenda to "international accounting rates." That simply means the charges imposed upon telecommunications carriers for terminating traffic in foreign countries. The Commission believes -- with ample justification -- that those termination phone rates are far too high and we are determined to do whatever is necessary to bring them down.

Of course, the Commission has been involved in international matters for many years, but more-and-more we find that the entities we regulate are global players not just American companies. When regulated companies become significantly involved in foreign commerce, the FCC invariably has an international role to play.

For example, you remember the days when your local telephone company was just that ... your local telephone company. Lord Eric Sharp, former chairman of the U.K.'s Cable and Wireless in a speech last December, noted that Pacific Telesis, U.S. West, Nynex and Southwest Bell have obtained almost 90 percent of the UK cable television franchises. In case you didn't recognize those names, they are all local exchange companies formed at the divestiture of the old AT&T. Lord Sharp complained that these companies were entering foreign markets with the benefit of subsidies produced by their monopoly local exchange revenues. We believe that complaint is unfounded because, as regulators, we feel our prime responsibility is to ensure that local ratepayers are not overcharged to pay for ventures unrelated to the telephone business.

Another issue that arises with increasing frequency at the FCC is the rate at which our telephone companies are modernizing their networks. There are many who believe that the pace is much too slow. Telephone companies have been actively campaigning-- in Congress, at the FCC and in the district court that oversees terms of the consent decree that brought about divestiture of AT&T -- to provide video services to residences. Video is important to the telephone companies because it is the only telecommunications broadband service currently in demand by most residential customers. The phone companies realize that the future lies in providing broadband services to the home ... services which do not yet exist. The Japanese have announced that they will be able to provide these services throughout Japan early in the next century. At the present pace, U.S. companies will clearly fall behind.

Who opposes this rapid modernization that promises to keep America in the forefront of technological development? Many state regulators urge caution in this rush to the future. They point out that someone -- presumably local ratepayers -- must pay for all of this advanced capability and that the price will be high. And, they reason that most of their constituents won't be candidates for high-speed data and interactive services and all the other services promised by the futurists. They point out that most telephone subscribers are more interested in affordable plain old telephone service than in all of the new services now being discussed in think tanks and laboratories.

There are other strong opponents to rapid development of broadband telephone networks. Cable television operators believe they can provide all of the video services their customers will ever need on cable without the telephone companies entering the video market. And, television broadcasters aren't anxious to see further erosion of their audiences by still more channels of entertainment and information into the home. They particularly fear the possibility of pre-sponsored programs transmitted directly into the home bypassing local stations and networks.

I ask each of you to put yourself into the position of the telecommunications policy maker for a few moments. Does the nation require an expensive new telecommunications superhighway in the near future or will the popular bikepath that has served us well for a century continue to be sufficient? Does the fact that other nations are poised to take the lead in telecommunications raise serious cause for concern? Should we proceed toward the network of the future cautiously or aggressively? What's at stake? Is it important that in the future, as one telecommunication leader recently postulated, that phone calls from New York to Los Angeles will be switched in Tokyo?

In the role of policymaker, you may risk unnecessary squandering of national and private treasure on a telecommunications infrastructure that most people don't want and don't think they need. Consumer receptability and affordability must be a primary factor. On the other hand, if the rapid movement of information -- in its various forms -- is to become as important in the future as the rapid movement of tangible goods has been in the past, dare we risk being left behind?

There's a familiar story about Alexander Graham Bell, who back in 1876, went to Western Union and offered its president, William Orton, exclusive rights to the telephone for one-hundred thousand dollars. Orton, ever the pragmatist, in response wondered aloud: "What use could this company make of an electrical toy?"

George Gilder, the author of many thoughtful books, believes that "telecomputing" is the wave of the future. Telecomputing, as he has described it, would involve the best features of computers, television, libraries, laboratories and offices ... all accessible at low cost from the home. We could all work, play, meet in teleconferences and do all of the other things we now walk, drive and fly to in the comfort of our homes. Is this concept the equivalent of Bell's universally needed "electrical toy" once so disdained by William Orton or is it a pipe dream to be pursued at our peril?

Do you remember the "Picturephone" of the 1950s and 1960s? How long has it been since you used your Picturephone? We were led to believe that virtually everyone would be using one well before now. What happened? Some surveys indicate that the public prefers the privacy of regular non-picture phones.

One of the processes the Commission uses to answer questions such as the ones I've been asking is the "notice and comment" proceeding. We propose a course of action or we express an interest in a phenomenon and we ask communications experts and the public to tell us what they think. Out of these comments, we hope to form a consensus and then go forward with sound decisions that produce the greatest good for the most people.

As I have frequently mentioned in the past, both the potential and the problems of advanced technologies for the consumer are mind boggling. I believe the FCC must explore all possibilities for advanced technological consumer benefits and assure an orderly transition into the communications world of the future!