

Remarks by Commissioner James H. Quello

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Thank you. Generous introductions are always the most impressive part of my speaking appearances. In fact, some introductions have been so captivating I could hardly wait to hear what I was going to say. Anyway, today it's my job to speak and your job to listen -- I just hope you don't finish before I do.

My remarks today may present quite a challenge to your listening concentration. You see I'm not familiar with the particulars of your business. So, I'll take refuge behind an old Arabian proverb that says "never give advice in a crowd." I'll add to that -- particularly to a crowd that knows much more about the subject on hand than you do. Fortunately, you are not substantially regulated by the FCC, but we are charged with regulating communications industries that affect your business--television, cable, radio, foreign ownership of media, telephone service including the 900 problems and the ever contentious financial interest-syndication issue.

So today I'll give you a little personal background on my longtime FCC stewardship and then discuss several major communications issues from the perspective of a Washington regulator.

Anyway, we are breaking new ground in my appearance before you today. I know I'm by far the most senior active FCC Commissioner to ever appear before the EPM or any group! In fact, I am the most senior Commissioner to ever serve the FCC. I'm glad that I flunked retirement, and honored that President Bush remembered that I lost to him in tennis several times -- and reappointed me.

It all started last January when Chairman Al Sikes asked "How do you feel about reappointment? Your term is up June 30th."

I said "O.K., but I want to be wanted this time -- Al, you probably read that I have delusions of adequacy and also 70% of my marbles -- a good local norm in Washington. As a former practical broadcaster, there are many times I even feel useful."

Chairman Sikes said "Well, I want you . . . ." I considered that want a very significant want.

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Fortunately, many others also wanted me -- including some of your key contacts and your important clients. So with apologies to Bartles and James, I'd like to say "Thank you for your support."

In 1974, I broke all records for length of FCC confirmation hearings because I came from an industry regulated by the FCC. In July of this year, with the highly esteemed Senator Inouye chairing my confirmation hearing, I believe we established a record for the shortest hearing ever -- less than 15 minutes. When I see what happened to Justice Clarence Thomas and CIA director-designate Bob Gates, I'm grateful.

I suppose now as a very senior citizen I could stand a 10 year scrutiny of my past. Five years ago, I publicly admitted that at my age, I'm apt to play X-rated movies backwards because now I like to see people get dressed and go home.

Anyway, I believe I'm up to the challenges and mental turmoil of the job. However, physically -- anyone who says he can do at 75 what he was doing at 25 wasn't doing much at 25!

At my official swearing-in, I thanked the audience and said the widespread support was particularly gratifying because I had been at the FCC long enough to have voted against everyone at least once. The audience shouted back "Twice"! So twice it is - and if I find out who the S.A. lawyers were who did the shouting I might even be tempted to go for "thrice."

At reappointment time I always remember receiving a wire from longtime friend, Chuck Adams, author and former advertising executive stating "Congratulations. Hang in there until they name the building after you." I appreciate the sentiment but that honor has probably been pre-empted by distinguished Chairman Rosel Hyde or Bob Lee.

However, I might challenge them in the future when I achieve a dramatic distinction all my own. When my term expires in 1996, I plan to enlist the support of the grey panthers, the AARP and the Lew Wasserman Foundation for the Aging and be appointed the very first active wheelchair Commissioner! I have five more years to plot my course. Also, I believe I can be a formidable competitor in wheelchair tennis now in vogue.

As long as this is Los Angeles family talk, I want to share a senior citizen experience with you. You might benefit from it. Think twice before attending the 50th anniversary of your college graduating class. The former egghead academic boors are now richer than you are and making big grants to the University. Also

the misnamed "Dumb jock" athletes of your class appear with second wives half their age (your age) and also make big contributions to the University. However, I always make some contribution to the alumni club -- not so much for what the college did for me, but kinda in reparation for what I did to it when I was a reporter and editor vigorously implementing my journalism prof's principle of "Comfort the afflicted and afflict the comfortable." It took me 4 years to outgrow that rather narrow view. Then too, my wife, Mary, also a Michigan State grad, pointed to one of my former good-looking girlfriends and said "Ha -- she doesn't look so hot!" I said she sure looked hot when I was dating her. Another most memorable event was when the MSU Communication's Dean proposed showing a transcript of my college grades on a large screen as an encouragement to mediocre students. Fortunately, Dr. Hannah, the President emeritus, recalled I spent most of my quality time editing the college paper and working on the radio station -- 5000 watt WKAR.

I don't want to belabor all the positive aspects of senior citizenship but there are a few. First, you have had time to develop a becoming sense of self unimportance. Handy at Congressional oversight hearings. Then too, most of the communications press seems to respect age -- fortunately in my case, they stopped using the lethal device of quoting me exactly verbatim. I could not possibly survive that drastic kind of press abuse. (Quote Goethe on aging if time permits.)

In my early years in Washington, I said FCC stands for From Crisis to Crisis. It is truer today than ever. There has been a veritable explosion of contentious issues and mind-boggling technological developments in communications. I could list several dozen but just for openers consider: political broadcasting, telco-cable, attic-to-basement broadcast improvement, DAB, HDTV, DBS, MFJ phone restrictions, retransmission consent-must carry and of course, our recent reconsideration of financial interest and syndication rules.

I believe the obvious effect of advanced technology on marketing will be the ever-increasing number of program channels available to specific demographic groups. This will enable marketing and advertising groups to more efficiently concentrate on specific demographic audiences.

FCC issues and developments must be addressed in the swiftly changing and ever-evolving communications environment. Our regulations must consider the greatly increased competitive environment for communication services. Today broadcasting spectrum scarcity has been replaced by program channel abundance with many more oncoming channels which reach specific demographic audiences.

For example, several years ago TV listings in newspapers typically carried three networks plus one or two independent and PBS stations. Today in all major papers -- for example The Washington Post and The Washington Times -- or in my former home town, the Detroit News and Free Press, now carry daily listings of 25 to 30 channels of programming -- in the process promoting the competitive and increasingly popular cable services. This multi-channel abundance in a competitive marketplace certainly de-emphasizes any possible charges of undue media control or lack of diversity by broadcasters.

A recent survey reported by Chairman Al Sikes revealed that an average hypothetical person, aged 34, working and living in a typical urban area has access to a 36 channel cable system, nine over-the-air television signals, and 24 AM and FM radio broadcast signals. He can subscribe to one of nine long-distance carriers, to one of two cellular radiotelephone services (directly or via five cellular resellers) and seven paging companies (including two national service providers). Other radio alternatives available range from Citizens Band (CB radio), to specialized mobile radio (SMR), to some two dozen private radio services loosely limited to members of affinity groups. Also there is access to satellite-transmitted communications through a backyard receive-only earth station.

Our typical average American ordinarily has 2.2 TV sets in the home (80 percent color), 6 radios, a CD player and a video cassette recorder (VCR). This all amounts to far greater individual choice and opportunity in communications than ever before.

Legislation and regulation today must take into consideration the multiple communications choices available to consumers. FCC regulation should be based on the competitive realities of today and tomorrow's burgeoning multi-channel marketplace -- not on the communications marketplace of 20 or even 5 years ago. This makes for a contentious and sometimes an untidy regulatory process. (In this respect a friend of mine several years ago told me there are two things you should never watch made -- sausage and FCC regulations.)

My response to the very first pre-hearing confirmation question asked by the Senate majority placed a high priority on implementing advanced multi-choice technology.

You may be interested in this perceptive first question. It read "What should be the Commission's priorities for the next 5 years?" My reply was "I believe the Commission's highest priority in the next five years will be the orderly, compatible implementation of the advanced technological services of telecomputing, fiber optics, DBS, DAB, HDTV, cellular and

personal phone service. Advanced technology often outstrips society's ability to integrate it into our already complex, sometimes expensive communications systems. The rate and extent of technological development will be determined by consumer acceptance and affordability, commercial practicalities, legislative and regulatory actions and by the service's beneficial contribution to total public interest.

"I believe preservation and enhancement of the all-important free universal over-the-air broadcast service should continue to be the mainspring of American mass communications . . . . In their deliberations, commissioners should apply the simple principle of the best service to the most people at the most reasonable, practical cost." (End of quote)

The FCC is taking some initial well-considered steps to update regulation and to implement advanced technology. In the radio area, we are looking at the issue of AM improvement, in a timely "attic-to-basement" review of the radio ownership rules and at digital audio broadcasting, or DAB. In television, we are still digesting the excellent report prepared by the Office of Plans and Policies -- Broadcast Television in a Multichannel Marketplace -- and have issued a Notice of Inquiry seeking comment on the implications of this study on the future of television and on our regulations. Also, our Advisory Committee on Advanced Television Services has begun testing HDTV systems, and we hope to adopt a standard by mid-1993.

The OPP Report and the Commission initiatives have led some to say that broadcast television is a medium with a great future behind it. Increasingly there is talk -- some by network officials -- of the demise of one or more of the networks and even predictions about the end of free broadcast television. But, as I said when we adopted the Notice of Inquiry on our television rules, "any interpretations in the popular press about the FCC predicting the demise of broadcasting are a little premature. We are just beginning the comprehensive inquiry."

This is not to say that there is no cause for concern. I came to recognize during the finsyn proceeding that the troublesome economic and competitive environment facing broadcasters is forcing us, as regulators, to reevaluate some of our longstanding assumptions. Or, at least, it should force us to do so. Last week we completed reconsideration of finsyn. Now, it is up to the 7th Circuit Court. I truly believe the future of universal free TV is at stake. I was widely quoted eight years ago when I characterized Finsyn as a battle of the wealthy vs. the very rich. Today, I would have to change that to a battle of the wealthy vs. the not-so-rich networks. We should all remember the networks are still the largest distributors of universal free over-the-air programming. Surveys, TV critics, press articles and plain advertising facts all stress that network audience and

influence have drastically eroded the past five years. Networks should now be free to negotiate for programming or produce their own programming without having to overcome outdated regulatory roadblocks. My 36 page dissent tells it all!

The current network situation is presented explicitly and specifically by Ken Auletta, in his new book on the networks entitled "Three Blind Mice: How the TV Networks Lost Their Way" which characterized the changes in the network business as "an earthquake that struck as if in slow motion, cracking their foundations." He points out that since 1976, the three networks have lost one-third of their viewers, primarily to cable and VCRs! These shocks to the system, he writes, "registered a 10 on the Richter scale." I noted these changes in my separate statement on finsyn. Among other things, I pointed out that:

- In 1970, 2,490 cable television systems had 4.5 million subscribers; by 1990, 10,823 cable systems had about 54 million basic subscribers.
- In 1970, cable "networks" were virtually nonexistent; by 1990, there were about 90 basic cable networks and 17 pay movie channels.
- In 1970, VCRs did not exist as a consumer product; by 1990, they were installed in 66 million households. This represents about 72 percent of all television households. And there are more at this time -- November 1991.

As a result of these changes:

- By 1990, prime time viewing of the three networks had dropped from 90 percent to about 57 percent, and was headed downward. The "sweeps" period, ending last July, revealed that the network prime time viewing audience dropped below 50 percent -- the first time ever during a "sweeps" month. It has since regained a little, but the days of network dominance are past.

Then too, networks compete aggressively against each other as well as against cable, home satellite dishes, syndication, independent stations, movies, and VCRs. For example, expert financial analyst George Michaelis noted the revenues from the syndication of the Cosby show alone totals more than all three networks in the last two or three years (in the August 30th Investors Digest).

Also, Larry Gerbrandt of the prestigious Paul Kagan Associates praised USA Network in an September 15 edition of the New York Times. Mr. Gerbrandt estimated that USA Network, a 50-50 partnership of Paramount Communications and MCA, Inc. made \$70

million last year on sales of \$270 million. He said this year USA could make more than at least two of the three major TV networks.

Applying these trends to the coming decade, the OPP Report predicts that broadcast television will still remain a "reasonably prominent" feature of the American landscape. But it also finds, and I agree, that broadcasting "will be a smaller and far less profitable business in the year 2000 than it is now" and that the impact will be most severe in smaller markets. On the radio side, the NAB recently reported that more than half of all radio stations lost money in 1990!

The report concludes that if we change some of our rules, broadcasters could become "more effective competitors in an increasingly multichannel market." Consequently, our recent Notice of Inquiry on the future of television asks how the Commission can help -- or at least keep from hurting -- the TV situation. Similarly, the Notice of Proposed Rulemaking on radio seeks to remove technical and regulatory impediments to a competitive market.

The solution to the problem of current regulatory imbalance is not to "even the score" by handicapping competitors. The Commission cannot help preserve broadcasting by trying to restrict the entry of new technologies like DAB, DBS, interactive services and eventually the myriad services of fiber optic transmission. If we have learned one thing over the years, it is that we should not -- indeed, we cannot -- stop new, improved, technologies and services. The only logical limitations will be consumer acceptance and consumer affordability.

The folly of thwarting advanced technology reminds me of a letter written to President Andrew Jackson in 1829 by Martin Van Buren when he was Governor of New York. Van Buren urged the President to forestall the development of "a new form of transportation known as 'railroads.'" If railroads were to supplant canal boats, the Governor cautioned, "boat builders would suffer and towline, ship and harness makers would be left destitute . . . not to mention the numerous farmers . . . employed in growing hay for horses." Also, "[i]n the event of unexpected trouble with England, the Erie Canal would be the only means by which we could ever move the supplies so vital to waging modern war."

Finally, Governor Van Buren argued that the new technology was a threat in its own right, that such railway engines "roar and snort their way through the countryside, setting fire to crops, scaring the livestock and frightening women and children" while traveling at "the enormous speed of 15 miles per hour." Van Buren concluded, "The almighty certainly never intended that people should travel at such breakneck speed." And he called on

President Jackson to create an Interstate Commerce Commission "to protect the American people from the evils of 'railroads.'"

Now, I don't know whether the almighty ever intended for us to have the choice between dozens or perhaps hundreds of television channels, but as Walter Cronkite used to say, "that's the way it is." I say we should welcome everyone to the party, but at the same time, make sure our rules do not inadvertently impose a higher admission fee on the original invitees. I believe that pioneers of industries that made large investments over the years developing communications in America deserve a priority opportunity to participate in advanced technologies affecting their business.

All the recent talk about the dire economic conditions facing the broadcast industry has led to questions about maintaining the quality of the programming, both news and entertainment. I have always believed that it is impossible for broadcasters to serve the public interest unless they have the economic viability and resources to do so.

But there is a larger question about programming quality. During my confirmation hearings last summer, Chairman Inouye pointed out that I had been at the Commission for 17 years and asked if I thought TV programming had become better or worse in that time?

I said it is a difficult question because it depends so much on personal program taste, also the FCC isn't supposed to regulate content. I did say the writing and modern production techniques are vastly improved, but expressed concern about excessive violence and sex on TV available to all age groups. I also expressed my belief that TV is playing a significant role in de-sensitizing society to violence, rape, murder and sexual promiscuity.

Of course, it is generally known that people dump on TV almost as much as they dump on lawyers. People generally refer to it as the "boob tube" or "idiot box." TV is the medium that Newton Minow called a "vast wasteland" 30 years ago and David Frost described as "an invention that permits you to be entertained in your living room by people you wouldn't have in your home." In a panel appearance opposing TV indecency and obscenity, I couldn't resist saying "Instead of prime time TV serving the public interest, we too often now have "slime time TV serving the public interest."

As you know, the FCC has a Congressionally mandated rule against obscene or indecent programming. It is generally known that I strongly support its enforcement within the bounds of the First Amendment. But I am talking about a far broader issue than that. It is again a question of everyday values being eroded

through the pervasive effects of entertainment programming--much of it produced by Hollywood Studios for cable and broadcasting.

"We are the nation's storytellers," said one Hollywood witness at our finsyn hearings last December. Well, I just have to believe that there are better stories to tell than what I see much of the time on TV and cable. I wonder what might be the effect on children who routinely witness murder, mayhem and invitations to casual sex as a nightly ritual in the name of entertainment. I have to wonder about the direction of our society when our fantasy lives are dominated by creative murderers, drug dealers, hookers and buckets of blood. One recent study found that the average child sees 25,000 murders on TV by the time he or she turns 18! Several weeks ago President Bush lashed out against TV violence and sex stating he is "convinced that TV excesses are having a bad effect on our children and family stability and learning."

Fortunately or unfortunately, depending on your point of view, this is not a problem that can be addressed very well by the government. Even President Bush recognized the First Amendment sensitivities by noting after his criticism that he is not free to make "all-encompassing decrees from 1600 Pennsylvania Avenue that fly in the face of people's rights." I second the statements made by Chairman Sikes and Commissioner Duggan at our July meeting when we adopted the future of television Notice of Inquiry. Both said that to a large extent, the fate of the TV industry is in the hands of those now running the business and that they could learn from those who have succeeded by presenting family-oriented programming.

I agree that broadcasters could do better by listening to their audience. If they don't do so, the audience will begin to speak louder. This is beginning to happen through such groups as Terry Rakolta's Americans for Responsible Television, now an effective group of over 10,000 concerned citizens. Such groups are not asking for legislative or congressional intervention. Instead they take matters into their own hands by making their views known to broadcast and cable companies and by criticizing advertising support of objectionable programming. Some have called this a First Amendment threat. That's nonsense! To the extent such organizations are not calling for regulation, they are merely exercising their own First Amendment rights. In fact, in many personal appearances the past fourteen years, I have urged frustrated citizens groups to register their objection directly with the TV stations, cable systems and, most importantly, with advertisers. They frequently get positive results without Congressional or FCC intervention that can raise First Amendment concerns. If these citizens groups represent the views of a broad cross-section of the American public who are fed up with

what they see on TV, then producers, advertisers and broadcast executives would do well to listen. This is nothing more than the public marketplace at work and media executives who complain won't get much sympathy from me.

I don't want to give the impression all TV programming is bad. It is interesting to note that after spending six years researching and writing "Three Blind Mice," Ken Auletta said, "It has always been fashionable to sneer at television entertainment. I no longer do that, in part because I watch more television."

That brings to mind a call I received from an irate WJR fan about 20 years ago who insisted on talking to the manager. He said "I've been listening to your station for over 20 years and it stinks." Apparently he must have found some of the smells inoffensive -- I was tempted to send him a 20-year loyal listener pin.

In a more serious vein, some of the best programming ever produced is on the current network and cable schedules, on Fox, on CNN and on PBS. (I'll decline to name specific shows, if you don't mind.) News and public affairs coverage of war and revolutionary international developments was never better! Moreover, the recent events in the Soviet Union attest to the resilience of the network news organizations. NBC got the first dramatic footage of government soldiers retreating from Moscow; Diane Sawyer of ABC managed to interview Boris Yeltsin in the midst of the failed coup; CBS also provided special coverage of the events. Worldwide, the TV media presence has been cited as a key factor in bringing about overdue political-social freedoms and a positive and peaceful outcome. Both Mikhail Gorbachev and Boris Yeltsin have since proclaimed that "freedom of speech is a most important condition of progress in Russian society." To provide such public service-oriented programming is not without its costs. It is important to note that networks and TV stations gave up millions of dollars in advertising revenues to bring us the contentious Justice Thomas hearings.

There are many current examples of TV at its best -- in public affairs, news and public service contributions.

The most important challenge facing the Commission in the coming decade is to take care that our policies do not erode one of our nation's most valuable institutions: universal free over-the-air television available to all the public. Congress seems dedicated to this all-encompassing principle that best serves public interest and so should all of us.

Overall, it is a challenging time to be at the FCC. The FCC has offered me the most exciting and gratifying period of my career. This is a period of revolutionary growth, contentious developments and technological advancements in all fields of

communications -- and the best is still to come! The FCC's challenge will be the orderly practical implementation of advanced technology services of telecomputers, fiber optics, DBS, DAB and HDTV. We must deal, too, with the implications of increasing communications globalization.

In summary, the entertainment and information industry, advertisers, and government must work together to implement advanced technology and to maintain high standards and increase our communications leadership so that Americans remain the best informed, most gainfully employed and best served people in the world.

Thank you for your indulgence -- your good humor and courtesy chuckles are appreciated -- I have a final message by author Samuel Ullman on aging that I find inspiring I want to share with you.

" . . . In the center of your heart and my heart there is a wireless station; so long as it receives messages of beauty, hope, cheer, courage and power . . . so long are you young. When the aeriels are down, and your spirit is covered with snows of cynicism and the ice of pessimism, then you are grown old, even at 20, but as long as your aeriels are up, to catch waves of optimism, there is hope you may die young . . . . (at an advanced age) "

From a personal standpoint, when in the natural course of events I am eventually called by that all-time great regulator in the sky, it will only be the logical inevitable culmination of an exciting and challenging full life.

Thanks to all of you and to all my FCC associates for being such an important part of my exciting life. Best wishes to all of you for personal fulfillment in the exciting great years ahead. May the Lord be with you, but not too soon!

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