

STATEMENT
of
COMMISSIONER JAMES H. QUELLO

RE: REORGANIZATION OF THE FEDERAL COMMUNICATIONS COMMISSION

As senior Commissioner and past interim Chairman of this Commission, no one places a higher premium than I upon a Chairman's prerogative - no, make that a Chairman's need - to have in place an organization that he or she finds workable in terms of both structure and personnel.

During my ten months as Chairman, I was most fortunate in being able to call upon an experienced and exceptionally talented FCC staff.

This experienced, dedicated staff was available to play an important role in any FCC reorganization. I commend Chairman Hundt's initiatives in structurally reorganizing the agency to respond to the growing new mobile radio industries and to better coordinate the growing importance of our international efforts in this oncoming era of global communications.

However, any reorganizational structure succeeds, fails, or flounders, with the people who staff it. In this regard, several new staffing positions have caused me some concern.

First, politically-appointed SES officials are realistic in recognizing that they will be replaced with a change in administration. That has been accomplished.

However, nonpolitical SES and high ranking government officials who have made FCC service their lifetime career should merit special consideration and sensitivity. This is especially true of those officials who through dedicated, efficient service, have received outstanding ratings year after year. I have always found that it is better to have one person working with you than three people working for you. This can only be accomplished by everyone feeling they are being fairly treated by concerned leaders.

I want to preface my comments today by stating that the senior management team affected by today's decision are held in my high professional esteem. I wish to particularly commend the latest key appointments of Regina Keeney, Kathy Wallman, Scott Blake Harris and Judy Harris. I believe Regina Keeney, with a distinguished communications record with the Senate Commerce Committee, is superbly qualified to be a bureau chief. It is ironic, however, that her appointment inadvertently foreclosed advancement for an exceptionally dedicated, effective current bureau chief of the Private Radio Bureau. More on that later.

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Most of the bureau chiefs and deputies I have worked with over the years and hold in highest esteem and that certainly includes Beverly Baker. However, I believe some of the shifts being made are troublesome at best.

For starters, I am concerned about the decision to move the incumbent Chief of the Field Operations Bureau to head the Office of Engineering and Technology. FOB is not only the eyes and ears of the Commission; it is also the FCC's face to a substantial part of the public. In my judgment, FOB has performed its critically important functions magnificently during the last decade, particularly at a time when our dire budgetary situation was so bad that our field installations often lacked enough money to buy gas for our vehicles, to say nothing of the equipment necessary to do the type of job we all would have wished.

Notwithstanding these limitations, which other executives might have found disabling, under Dick Smith the Bureau not only did its job, but did its job with resourceful expertise. I therefore find it perplexing that, just as the Bureau is beginning to enjoy the benefits of increased funding - which Mr. Smith, I might add, was quite instrumental in helping us obtain - he is being shifted from a Bureau that has performed so superbly and in which he has spent his entire FCC career. In fact, during the hectic early days of Cable Act implementation, Dick Smith volunteered the services of his staff to inform the public and enforce the rules, recognizing the cable bureau was understaffed and underfunded. To me, Dick Smith personifies dedication and an outstanding degree of expertise in a delicate and highly specialized area of the Commission's operations. Although I know he will be successful in his new assignment I, and many others who have had the benefit of his assistance through the years, know he will be missed in his former position.

I have similar concerns about the reassignment of the incumbent Chief of the Office of Engineering and Technology to a position within the Office of Plans and Policy. Dr. Tom Stanley has been outstanding in his service to several Chairmen, including this one, and I personally have been grateful for the ability not only to rely on his candor but also on his remarkable skill in making even the most complex technical proposition understandable to a non-engineer. We are all indebted to him for his contributions to the development of HDTV and PCS, which would not have developed as successfully without his leadership.

The mention of PCS raises another change that is to me the most ironic of all - that relegating the incumbent Chief of the Private Radio Bureau to a job as co-deputy in a new Wireless Telecommunications Bureau. Ralph Haller has nothing but my full admiration and thanks for his exhaustive efforts as Chief of the consolidated FCC PCS Task Force in initiating and fine-tuning the rules governing not only the new PCS

but also, incredibly, writing the intricate rules governing our highly successful new spectrum auctions. During the course of the past year Mr. Haller, who has served as Bureau Chief under four Chairmen, not only played a major part in the inauguration of a new multibillion-dollar PCS industry also played a major role in designing auctions which netted over \$800 million. One wonders what more he could have done to have retained his job or merit promotion.

This is not to indicate that I harbor any doubts about the qualifications or abilities of the new Chief of the Wireless Bureau, who performed brilliantly in crafting the complex cable legislation in the Senate. Rather, I am concerned about a process that gives short shrift to rewarding talented, creative incumbents for a job exceedingly well done. What effect will this have on overall morale?

Finally, I am concerned that the incumbent Chief of the Office of Small Business Activities is being shifted to the Field Operations Bureau. John Winston worked long hours and effectively in the interest of advancing the chance for small businessmen, minorities and women to advance in the ranks of telecommunications ownership. That is not an easy job. I hope he will bring his patented indefatigability and vast experience to his new job in FOB.

These do not exhaust my concerns over the staffing plan, but they are emblematic of them. I am also concerned over the futures of seasoned career staffers deserving of advancement who will not find it. I'm afraid we will lose some of them. They are losses that, even with increased funds for more hiring, this Commission can ill afford to take.

I would only say that a lifetime of management experience both in private industry and in this Commission have reinforced one management tenet in which I happen to fervently believe: If it ain't broke, don't break it. More specifically, I believe in appointing gifted people and letting them do what they do best. Several of the individuals at issue here have demonstrated what they do best over a period of years with outstanding ratings. At least by my judgment, not only was nothing broke, but they were performing exceptionally well. I think it a tribute to their talents that they will have the opportunity to show their excellence again as components of different teams. I simply would not have disrupted parts of the All-Star teams on which they now perform.

Personally, I am deeply indebted to that FCC team, incidentally also a Democratic administration team, for their remarkable accomplishment of an unprecedented number of major rulemakings in the ten months of a hectic interim chairmanship, particularly with so little time and so little funding.

I think it would be well to list several of the major accomplishments this All-Star team made possible during the ten-month interim Chairmanship. The team reallocated spectrum needed for emerging technologies. We initiated and issued spectrum allocation rules for PCS, the most momentous decision this Commission has made in a decade. We adopted rules for the new low-earth orbiting satellite service. We worked intensively with Congressional staff to secure spectrum auction authority. We also worked with Congress to develop the new law unifying the disparate regulation of private and common carrier mobile services into one cohesive Commercial Mobile Radio Service. With virtually no additional staff or funding the cable team beat the overwhelming odds and did over two dozen rulemakings within the statutory deadlines imposed by the 1992 Cable Act. The Commission staff and Mass Media team wrote the concluding chapter to the infamously contentious financial interest and syndication rules, issued a Further Notice to clarify broadcasters' responsibilities under the children's television rules, carried on enforcement of our children's television and indecency rules, and worked with the Congress to sensitize broadcasters and cable operators to the public concern with televised violence. These efforts went a long way toward securing for the Commission our first substantial budget increase in over a decade and also the authority to impose application and regulatory fees that should guarantee the Commission's fiscal stability for the future.

1993 was a remarkable year, but we must meet the exciting challenges of new technology in 1994 and the future. I hope this statement in some small way expresses my gratitude for the teamwork of those senior managers, past and present, who were so pivotal during the interim Chairmanship. And while I welcome the capable individuals who will join the ranks of our bureau chiefs, I cannot help but observe that the past team set a mark that will serve as a model of teamwork accomplishment.

Although I am concerned by some of the personnel changes, I generally agree with the restructuring. I pledge my cooperation and urge all personnel to support the restructuring and to dedicate themselves to help the FCC meet the exciting future challenges of developing the multichannel, multifaceted super-communications highway of the future.

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August 1, 1994

FCC ANNOUNCES ORGANIZATIONAL CHANGES

Chairman Reed E. Hundt today announced the Commission's intention to make the following organizational changes: create a Wireless Telecommunications Bureau; create an International Bureau; create an Office of Workplace Diversity; create a Competition Division in the Office of General Counsel; and move the Office of Small Business Activities out of the Office of Managing Director and have it report directly to the Commission.

Hundt first announced the changes in a 10:30 a.m. meeting with FCC employees in the Commission hearing room. That meeting was also broadcast over the Commission's internal television system.

"The two biggest organizational changes we propose today are the creation of a Wireless Telecommunications Bureau and an International Bureau," Hundt said. "My initial sense that a Wireless Bureau was necessary was confirmed by last week's phenomenally successful spectrum auctions. A Bureau dedicated to the mission of wireless services will ensure that we remain on track with the licensing of PCS and with other emerging technologies. In addition, the issues facing the communications industry are almost never without international implications. Our International Bureau will better meet the challenges ahead as the FCC continues its role in international telecommunications, working with the Department of State and NTIA in the promotion of the Global Information Infrastructure."

Hundt also noted that many of the organizational changes are the result of suggestions from employees made directly to the Chairman or to Mary Beth Richards, Special Counsel to the Commission for Reinventing Government. This includes, for example, the Office of Workplace Diversity, which will report directly to the Chairman and other Commissioners and will handle the Commission's internal EEO program.

"It is a very exciting time to be at the Commission," Hundt added. "The work we do is vital to American businesses, consumers and even to school children. It is my hope that the organizational changes we announce today will help us meet our goal of serving these customers with efficiency and excellence, in the public interest."

(over)

Chairman Hundt announced the Commission's intention to make the following appointments as part of the agency's reorganization plan:

Regina Keeney, Chief of the new Wireless Telecommunications Bureau. She currently is the minority counsel for the Senate Committee on Commerce, Science and Transportation.

Ralph A. Haller and Gerald P. Vaughan, Deputy Chiefs, Wireless Telecommunications Bureau. Haller is the Chief of the Private Radio Bureau, while Vaughan is Deputy Chief of the Common Carrier Bureau.

Scott Blake Harris, Chief of the new International Bureau. Currently, he is the Chief of the Office of International Communications.

Roderick K. Porter, Deputy Chief, International Bureau. Porter is Deputy Chief of the Mass Media Bureau.

Anthony L. Williams will head the newly reorganized Office of Small Business Activities. He is the Vice President of W&J Management Company, Inc., which manages a group of telecommunication venture capital funds.

Thomas P. Stanley, reassigned as Chief Engineer from the Office of Engineering and Technology to the Office of Plans and Policy.

Richard M. Smith, Chief, Office of Engineering and Technology. He currently heads the Field Operations Bureau.

Beverly Baker, Chief, Field Operations Bureau. She will be reassigned from her current position as Deputy Chief of the Private Radio Bureau.

John Winston, Assistant Chief of the Field Operations Bureau. He currently serves as Chief of the Office of Small Business Activities within the Office of the Managing Director.

Kathleen M.H. Wallman, Chief of the Common Carrier Bureau. She will be reassigned from her position as Deputy Chief, Cable Services Bureau.

A. Richard Metzger, a Deputy Chief, Common Carrier Bureau. He has been serving as the Acting Chief of that Bureau.

Gregory J. Vogt, Deputy Chief, Cable Services Bureau. Vogt will be reassigned from his position as Chief of the Tariff Division, Common Carrier Bureau. **William H. Johnson**, Deputy Chief for Policy, Cable Services Bureau. Johnson is being reassigned from his position as Deputy Chief of the Mass Media Bureau.

(over)

Renee I. Licht, Deputy Chief, Mass Media Bureau. She is currently serving in that position on an acting basis.

James Olson, Chief of the newly created Competition Division in the Office of the General Counsel. Serves in same position in the Cable Services Bureau.

Robert A. Peck, a Deputy Chief, Office of Legislative Affairs. He is Group Vice President, Government Affairs, for The American Institute of Architects.

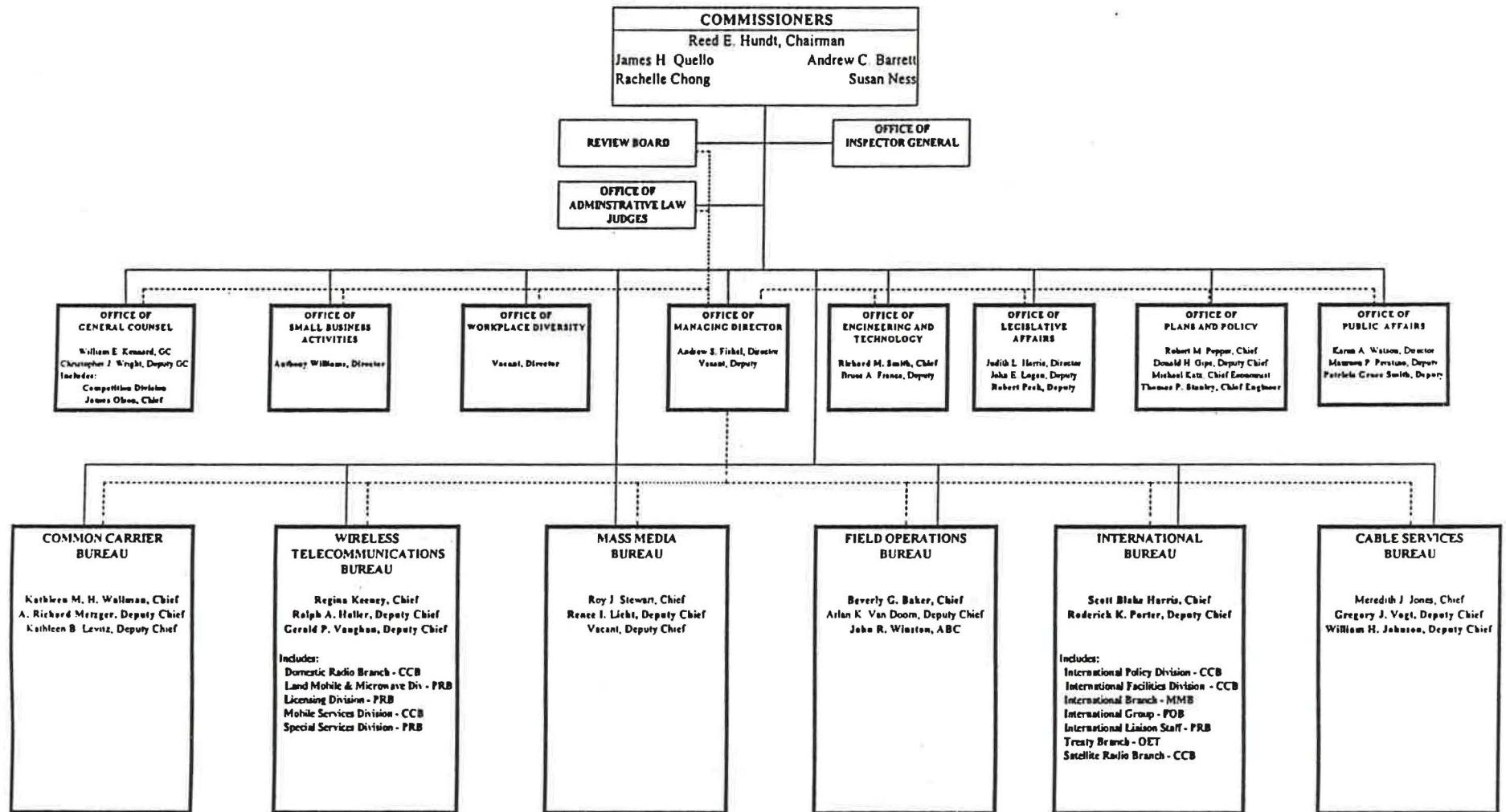
Patricia Grace Smith, a Deputy Chief of the recently reorganized Office of Public Affairs. She was the Acting Associate Managing Director - Public Information and Reference Services within the Office of the Managing Director.

An organizational chart of the proposed changes is attached. The reorganization will become effective once formal Commission, Congressional and Union approval has been obtained.

FEDERAL COMMUNICATIONS COMMISSION

8/1/94

— Lines of policy & judicial authority
 Lines of management & administrative authority



NOTE: PERSONNEL CHANGES ARE SHOWN IN BOLD.
 CHANGES ARE SUBJECT TO APPROPRIATE FINAL APPROVAL

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Image of unified board shattered

SENIOR COMMISSIONER QUELLO LEFT OUT OF LOOP ON FCC REORGANIZATION

The image of a unified board of commissioners at the Federal Communications Commission was shattered this week when senior Commissioner James Quello issued a highly critical statement articulating a host of concerns he has about FCC Chairman Reed Hundt's proposed reorganization of the regulatory agency.

Quello's statement, the complete text of which follows this report, strongly suggests that Quello, a 20-year FCC veteran and former interim FCC chairman, was never an active player in helping Hundt formulate the reorganization plan. Indeed, Quello had no insight whatsoever as to the nuts and bolts of Hundt's plan

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NEW PROPOSED WIRETAP LEGISLATION SLATED FOR 'FAST TRACK' TREATMENT

Congress is poised to take up a compromise version of wiretap legislation sought for more than two years by the Federal Bureau of Investigation, according to highly reliable sources. The proposed legislation was slated to be introduced this week as a so-called "fast track" bill, meaning that both houses of Congress will take it up simultaneously, quickly moving it through the appropriate committees and on to a vote by the full Congress.

The draft legislation, the complete text of which follows this report, is the product of efforts by industry, law enforcement -- i.e., the FBI -- and key congressional committee chairmen to reach an agreement about

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AUCTIONING SUCCESS NOT NECESSARILY OMEN FOR PCS REVENUE WINDFALL

The enormous success last week of auctioning spectrum for narrowband paging services will not necessarily translate into the U.S. government raising substantially more revenue in the upcoming auctions for personal communications services (PCS), according to officials close to the Congressional Budget Office, which is charged with determining revenue estimates used for congressional budgeting.

CBO estimated that last week's auctions for narrowband nationwide paging and Interactive Video and Display Services (IVDS) auctions would raise about \$500-million. The combined auctions actually brought in more than \$800-million. The question therefore arises whether the current CBO revenue estimates for

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HUNDT SIGNALS HE IS OPEN TO AUCTIONING BIG LEO SATELLITE SPECTRUM

The chairman of the Federal Communications Commission, Reed Hundt, last week signaled he is open to auctioning spectrum for those satellite companies that want to offer low earth orbiting (LEO) services, much the same way that the commission last week auctioned spectrum for paging services and will auction spectrum for personal communications services (PCS). Moreover, Hundt said the commission would not have to get permission from Congress to conduct auctions for satellite services.

At a hearing before the House telecommunications & finance subcommittee, Rep. Michael Oxley (R-OH) wanted to know why the Big LEO companies can't resolve their differences the same way the companies

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In testimony before Markey's subcommittee . . .

BELLSOUTH EXEC FINDS GOOD REASON FOR RBOC TO EMBRACE SAFEGUARDS

In a hearing before a key House subcommittee last Friday (July 29), a senior Bell Company executive strongly pressed for strict safeguards to protect consumers and ratepayers from possible anticompetitive abuses that could be employed by monopoly interests. But Herschel Abbott, BellSouth's general counsel for Louisiana, did not make the comments in connection with any venture his employer was pursuing; rather he made them as part of testimony before the telecommunications & finance subcommittee, chaired by Rep. Ed Markey (D-MA), which was exploring whether to amend the Public Utilities Holding Company Act (PUHCA)

that were discussed at the subcommittee hearing, he said.

While any mention of "preferences" for competing companies may not be welcome news to Comsat, the company emphasizes that the congressional hearing revealed that many members are in line with the company's thinking on the need to privatize Intelsat. The source said it is significant that when it comes to transforming Intelsat into a private corporation, many members responded positively. "There was support from subcommittee members that this is desirable and should happen as quickly as possible," he said. "If we can privatize Intelsat and Inmarsat quickly, most of the [controversial] issues go away."

Inmarsat, another international satellite consortium, generally has focused on maritime services but has recently expanded to provide aeronautical services, such as phone service on airplanes, as well as land mobile services around the world.

QUELLO LEFT OUT OF LOOP ON REORGANIZATION PLAN . . . begins page one

"until 30 minutes before it was announced," according to a source very close to Quello.

Quello, who served as acting FCC chairman after Al Sikes stepped down from the post following George Bush's 1992 Presidential election defeat by Bill Clinton, played virtually no role in formulating the FCC's reorganization plan, sources close to Quello maintain. In fact, Quello did not learn of Hundt's final decision in the matter until a top-level official from the chairman's office visited the senior commissioner barely a half hour before the announcement was aired Monday morning (Aug. 1) over the FCC's internal television system, according to sources.

However, an FCC spokeswoman offered another perspective, saying that everyone at the commission -- from employees to commissioners -- participated in the process that led to the announced reorganization. According to the spokeswoman, three meetings were held at the commission in which all FCC employees were invited to participate. Additionally, Mary Beth Richards, special counsel to the Administration's Commission for Reinventing Government, has for weeks maintained an open-door policy at the FCC in an effort to ensure that "no one was left out of the decision-making process" regarding the reorganization plan, the spokeswoman said.

Even so, other sources at the commission and on Capitol Hill contend that most of the substantive portions of the reorganization plan were treated as closely guarded secrets by Hundt and his top advisers. Indeed, several Capitol Hill sources on Tuesday charged that Hundt did not inform the appropriate members of Congress, i.e., full committee and subcommittee chairmen who have FCC oversight responsibility, until moments before he made the public announcement on Monday.

The FCC spokeswoman disputed this contention also, saying that Hundt's office was in touch with congressional members and their staffs well in advance of Monday's announcement.

"If they're saying they told us in advance of what they were about to do, that's true," one key congressional staffer said. "But that advance notice wasn't weeks or days or even hours. It was a matter of minutes."

The staffer said that while key committee chairmen, such as Rep. John Dingell (D-MI), chairman of the Energy & Commerce Committee, and Rep. Edward Markey (D-MA), chairman of the telecommunications & finance subcommittee, were not enamored of the way Hundt went about informing them of the reorganization plan, they were nevertheless pleased with the specifics of the plan.

The decision to move Regina Keeney into the top slot at the FCC's new Wireless Telecommunications Bureau was particularly appealing to Congress, the staffer said. Keeney currently serves as minority staff counsel for the Senate Commerce communications subcommittee. Her boss, Sen. John Danforth (R-MO), plans to retire at the end of this year.

At one time, Keeney, who is well liked on both sides of the aisle, had been high on the Administration's short list to fill the seat vacated by former FCC Commissioner Sherrie Marshall. Quello is known to have strongly supported Keeney as Marshall's replacement. It remains unclear exactly why Keeney was passed over for the job -- which was ultimately given to Rachele Chong -- but some sources point to the fact that Keeney played a critical role in helping draft what eventually became the 1992 Cable Act and that opposition from the cable industry likely crushed any chance she may have had to fill the Marshall vacancy.

In his separate statement, Quello hailed Keeney as "superbly qualified to be a bureau chief," but added that it was "ironic her appointment inadvertently foreclosed advancement for an exceptionally dedicated, effective current bureau chief of the Private Radio Bureau," a reference to Ralph Haller.

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Haller was the FCC staffer who was principally responsible for orchestrating the commission's recent success in the narrowband spectrum auction (see related story).

A source close to Quello said a top aide for Hundt "gamed" the senior commissioner into quietly accepting the proposed Keeney appointment. According to this source, the Hundt aide reminded Quello that as former interim FCC chairman, Quello had been a strong supporter of Keeney when the Administration was considering her to fill the Marshall vacancy. Because Quello supported her then, there was no reason to believe he would not be equally supportive of her now, the source said.

While Quello is not necessarily unhappy about the proposed Keeney appointment, he would have preferred to have seen the job go to Haller or some other well-deserving FCC career staffer, the source said.

"He [Hundt] wanted to send Congress a positive message" in that the Administration had "refused to appoint anyone from the congressional staff to an FCC seat," one source said of the decision to offer Keeney the job. -- *Jim Rogers*

Statement of Commissioner James H. Quello

August 1, 1994

Re: Reorganization of the Federal Communications Commission

As senior Commissioner and past interim Chairman of this Commission, no one places a higher premium than I upon a Chairman's prerogative - no, make that a Chairman's need - to have in place an organization that he or she finds workable in terms of both structure and personnel.

During my ten months as Chairman, I was most fortunate in being able to call upon an experienced and exceptionally talented FCC staff.

This experienced, dedicated staff was available to play an important role in any FCC reorganization. I commend Chairman Hundt's initiatives in structurally reorganizing the agency to respond to the growing new mobile radio industries and to better coordinate the growing importance of our international efforts in this oncoming era of global communications.

However, any reorganizational structure succeeds, fails, or flounders, with the people who staff it. In this regard, several new staffing positions have caused me some concern.

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