895

Remarks by Commissioner James H. Quello
Before the
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I'm delighted to be here at my ninth Intelevent appearance. I always look forward to this annual opportunity to renew longtime valued friendships, make new acquaintances, and to become better informed on important international communications issues.

The unofficial informal atmosphere of Intelevent is conducive to frank open exchanges of informative viewpoints and I appreciate your contribution to my global communications education.

So, I'm really happy to be here for an Intelevent update. Of course, as a fugitive from the actuarial law of averages, I'm happy to be anywhere. I have now lived eight years past the normal life expectancy in the United States -- a source of annoyance to some.

One final note about senior citizenship -- I have developed a much broader religious ecumenical sense. I now accept all religions. I don't want to blow an opportunity for some kind of merciful eternal salvation on a religious technicality.

I especially appreciate the generous introduction. They are usually the most impressive part of my speaking appearances. As a senior citizen, I'm gratified that age still commands some respect in this callous world. As I told my longtime friend Ron, I want to live a long time; I just don't want to get old.

Neither do we want the subjects of this informative Intelevent to grow old through repetition or through a detailed treatise at this closing luncheon. Global experts and the FCC Chairman have already done a superb job of elucidating "Globalization: Change, Competition and Winning Strategies."

Apparently, Ron believes like I do that the mind can only absorb what the seat can endure. So, with all the seating and absorbing the past two days, he has mercifully prescribed a 15-minute limit for my remarks for this closing luncheon. I'm selecting "change" and "competition" from your prescribed subjects for brief discussion.

The FCC today is confronting convergence of two types. The first type is technological. Profound changes in innovative communications technology are driving convergences between computers, telephony, and video, typified by advanced television and video dialtone. The second type of convergence is corporate: the past year has been a year of vertical and horizontal mergers and acquisitions. Even a brief survey of just one aspect of these convergences could consume several times the allotted time. So, let me confine my remarks to one Commissioner's views on (1) the recent communications mergers and acquisitions; and (2) the competitive broadcast and program production marketplace in America, and its implications in terms of broadcast regulation. My remarks on mergers and competition in America may provide representatives of other nations with an opportunity for comparison with what they are experiencing or may experience in the future.

The United States today is experiencing an unprecedented burgeoning in mergers and acquisitions in the broadcast, cable, entertainment and news fields. We already have the largest top three global giants in the entertainment and news field and eight of the top twelve according to 1994 revenue figures. (See attached chart.)

Now, the second and tenth largest companies in the 1994 table, Time Warner and Turner, announced plans to merge last week. The combined companies would form the largest communications company of its kind in history. The size and versatility of this largest of communications giants plus the seven other giants I'm going to mention later could make them more formidable competitors in global markets.

These mergers and acquisitions must first be approved by the FCC and also pass antitrust scrutiny by the Justice Department and the Federal Trade Commission.

Naturally, FCC Commissioners have been besieged by the press for opinions.

Last week six reporters stopped me on the street outside the FCC with notebook and pencil in hand to ask my views on the Time-Warner/Turner merger.

I mentioned we must have all the facts on hand before making a final public interest determination. There will be multiple ownership and cross-ownership problems to be resolved and the FCC will be required to make well-reasoned decisions that best serve the overall public interest. Also the FCC, too, must guard against undue monopoly power or market dominance.

At this preliminary stage, I don't want to prejudge any possible legal issues that may develop with regard to the Time-Warner/Turner deal.

However, philosophically, I don't think "big" in a large competitive market is necessarily bad. If there are 7 or 8 major competitors and no market dominance, "big" has the potential to be beneficial to the public like big supermarkets or big department stores. "Big" provides economies of scale and critical mass. It provides for additional financial resources with greater potential for developing advanced technology, more quality programming, expert news and news analysis, increased program diversity and more comprehensive public service.

In huge communications mergers, robust competition is an absolute must if the public is to be well served. If approved, Time-Warner/Turner will face active competition from numerous other aggressive communications conglomerates such as Viacom-Paramount; General Electric-NBC; Seagram-MCA; Fox; TCI; Sony-Columbia and also Disney-Capital Cities/ABC; Westinghouse-CBS, and Gannett-Multimedia, if these deals are also approved. To me or anyone acquainted with communications, this spells real robust competition.

In addition, large phone companies are acquiring or negotiating for substantial interests in program production and cable companies.

The American communications marketplace today is engaged in a multichannel, multi-faceted competitive era never envisioned before and probably unmatched anywhere in the world. Competition among communications giants should add even more program diversity to what is already a superabundance of program choices in America. We now have over 1500 full-power television stations, four broadcast networks and two additional emerging networks, 363 noncommercial educational stations, and more than 1600 low power stations providing local service. Also, cable TV now reaches 97 percent of all television homes and 63 percent of households subscribe. Cable currently has 135 program networks with 60 more in the planning stage providing an undreamed-of diversity of programming. We have DBS, MMDS and upcoming video dialtone systems that will augment and extend an already massive array of programming. Also vying for the eyes, hearts and minds of viewers are the Internet computer service and VCRs which are now in 82 percent of homes.

Legislation and regulation in America today must be updated to take into consideration the multiple choices now available to consumers. FCC regulation, particularly in broadcasting, should be based on the competitive realities of today and tomorrow's burgeoning multichannel, multifaceted marketplace -- not on the communications marketplace of 30 or even 5 years ago. I believe we are approaching the time to "privatize" government regulation in broadcasting.

Privatization is a much debated controversial issue among many nations in the world. Some might say that in the United States, broadcasting and practically all communications commercial services were privatized at birth.

However, broadcasting remains the most influential and yet the most regulated of all communications media. The call by some for content regulation of broadcasting under the banner of "deregulation" raises the specter of increased federal regulation of broadcasting.

Those who advocate this Alice-in-Wonderland "regulation is deregulation" approach must remind themselves that it was private investment, in fact risk capital, not government funds or regulation that developed broadcasting. About 45 years ago, free entrepreneurs received empty spectrum out of the air as a TV allocation. The only government contribution was this allocation of unoccupied spectrum which grew much more valuable years later with advanced broadcast technology.

The new licensees took the risk of developing a new video medium before TV sets were generally available in homes. They invested in buildings, equipment, personnel and TV programming without any initial source of advertising revenue. In fact, TV was an unprofitable exploratory investment for a number of years.

With free enterprise initiative, inventiveness and financing, they built the most comprehensive, most programming diverse and the largest TV broadcasting system in the world.

In the multimedia, multichannel competitive world of today, it is time for regulatory change. Broadcast regulation should be revisited and granted some practical relief. I make this statement on this international platform because numerous countries have sent representatives to the FCC to ask questions on broadcast regulation and some have even sought friendly advice. But regulation and deregulation in America are controversial issues.

The different FCC approaches to changing and updating rules makes for an untidy, contentious regulatory process. In this respect, a friend of mine once told me there are two things you should never watch being made -- sausage and FCC regulations.

Another thing you should never have to watch is an FCC Commissioner exceeding his allocated speaking time.

So with one aspect of major communications "changes" and "competition" briefly outlined, I rest my case. If you have any questions on these subjects, you are welcome to see me individually after the lunch.

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Table 1: Global Entertainment Giants.

| Company | 1994 Revenues | 1994 Profits |
|---|---|---|
| Walt Disney Co. + CapCities/ABC | $16.5B | $1.8B |
| Time Warner | $15.9B | -$90M |
| Westinghouse Electric + CBS | $12.9B | $105M |
| Dai Nippon | $12.1B | $495M |
| Toppan | $11.4B | $160M |
| Bertlesmann | $10.9B | $322M |
| Viacom | $10.1B | NA |
| Lagardere (Hachette) | $10B | $111M |
| News Corp. | $8.1B | $1.25B |
| TCI | $4.9B | $50M |
| NBC | $3.4B | $420M |
| Turner | $2.8B | $20M |

Source: Telecommunication Weekly Report