

The Honorable James H. Quello

Remarks Before The

ASSOCIATION OF LOCAL TELEVISION STATIONS

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GOOD MORNING! I AM HERE THIS MORNING TO BRING YOU GREETINGS FROM YOUR FRIENDLY COMMUNICATIONS COMMISSION. ALTHOUGH THERE ARE TIMES WHEN THE GOVERNMENT DOESN'T SEEM SO FRIENDLY -- ESPECIALLY AT EIGHT O'CLOCK IN THE MORNING.

THIS IS A TOUGH ASSIGNMENT. I'M FOLLOWING GERALDO RIVERA, WHO SPOKE TO YOU LAST NIGHT. IN THE HOPE OF GETTING ON HIS SHOW, I WAS GOING TO DRAMATIZE MY APPEARANCE BY WEARING A DRESS THIS MORNING -- BUT ALL I REALLY HAVE IS EVENING WEAR. GIVEN THE PAST PROBLEMS AT THE FCC, I ONCE COULD HAVE APPEARED AS PART OF A DYSFUNCTIONAL FAMILY. BUT -- THE FAMILY HAS RECONCILED AND WE ARE WORKING TOGETHER CONSTRUCTIVELY TO IMPLEMENT THE NEW TELECOMMUNICATIONS ACT.

I WOULD LIKE TO THANK JIM HEDLUND, DAVID DONOVAN AND JIM POPHAM FOR GETTING ME UP SO EARLY. DURING WORLD WAR II, THE GERMANS USED TO GET ME UP EARLY TOO. I THANKED THEM WITH ARTILLERY. TODAY THE ONLY AMMUNITION I COULD USE WOULD BE A DISSENTING STATEMENT -- NOT QUITE AS EFFECTIVE.

SERIOUSLY, YOU SHOULD BE PROUD OF YOUR WASHINGTON TEAM. THEY ARE DOING A SPLENDID JOB. I READ IN COMMUNICATIONS DAILY LAST WEEK THAT THE MEMBERSHIP IS EXPANDING RAPIDLY -- A TESTAMENT TO THE FINE WORK BEING DONE IN WASHINGTON. IN FACT, I HAVE BEEN WARNED TO STOP USING THE TERM "MY BOY DAVE" BECAUSE I'LL BE CHARGED WITH RAMPANT NEPOTISM.

OVERALL, THE NATION AND THE INDUSTRY NEEDS A VOICE THAT FOCUSES SOLELY ON THE NEEDS OF FREE, LOCAL, OVER-THE-AIR TELEVISION STATIONS. YOUR NEW NAME -- ALTV-- ACCURATELY DEFINES YOUR MISSION.

WE HAVE BEEN EXTREMELY BUSY AT THE FCC IMPLEMENTING THE NEW TELECOMMUNICATIONS ACT. I WOULD LIKE TO TOUCH ON A FEW ISSUES THIS MORNING THAT WILL BE IMPORTANT TO YOU.

#### NETWORK AFFILIATE RULES

WE ARE REVIEWING RULES WHICH GIVE STATIONS THE RIGHT TO REJECT NETWORK PROGRAMS, PREVENT THE NETWORKS FROM OPTIONING NON-NETWORK TIME ON YOUR STATIONS AND PERMIT LOCAL STATIONS TO AFFILIATE WITH MORE THAN ONE NETWORK. THESE RULES HELP PROTECT THE AUTONOMY OF LOCAL STATIONS.

NOW I'M THE ONLY ONE IN THIS ROOM THAT REMEMBERS WHY THE RULES WERE ENACTED. MANY RADIO STATIONS WANTED TO PREEMPT NETWORK PROGRAMS TO BROADCAST THE 1939 WORLD SERIES, BUT COULDN'T BECAUSE OF NETWORK CONTRACTS. (BY THE WAY THE YANKEES BEAT CINCINNATI 4 GAMES TO NONE)

JUST BECAUSE A RULE IS OLD DOES NOT MEAN IT HAS LOST ITS IMPORTANCE. I'M LIVING PROOF THAT AGE DOESN'T NECESSARILY HAVE ANY RELATIONSHIP TO IMPORTANCE. IN FACT, WHEN SOMEONE ASKED ME FOR THE SECRET TO MY ACTUARIAL LONGEVITY, I HAD A SIMPLE RESPONSE "I'M LIVING TESTIMONIAL TO THE AGE-OLD ADAGE OF "ONLY THE GOOD DIE YOUNG."

TO MY MIND THE NETWORKS, ESPECIALLY NOW WITH FINANCIAL INTEREST AND SYNDICATION RIGHTS, EXERT CONSIDERABLE POWER OVER THEIR AFFILIATES. THE CORNERSTONE OF OUR BROADCASTING SYSTEM IS LOCAL SERVICE AND PROGRAMMING CONTROL. WHILE I HAVE SUPPORTED RELAXING MANY RULES DEALING WITH THE NETWORKS, (AND FRANKLY, I BELIEVE NETWORK CRITICS OVEREMPHASIZE THE BAD AND OVERLOOK THE MANY VITAL NETWORK SERVICES AND BENEFICIAL PROGRAMMING) ON THIS ISSUE I BELIEVE THE NETWORKS BEAR A HEAVY BURDEN TO JUSTIFY REVISING THE RULES AT THIS TIME.

## TV DUOPOLY RULES & LMAs

EVERY DAY LOCAL TELEVISION STATIONS FACE FIERCE COMPETITION FROM MULTI-CHANNEL PAY SERVICES. FIRST IT WAS CABLE, <sup>multichannel</sup> THEN DBS AND SOON FROM THE TELEPHONE COMPANIES. NOT ONLY DO THESE SERVICES HAVE SUBSCRIPTION REVENUES, BUT THEY CAN OFFER ADVERTISERS MULTIPLE CHANNELS AT DISCOUNT RATES.

THE NEW TELECOMMUNICATIONS ACT INSTRUCTED US TO REVIEW OUR LOCAL TELEVISION OWNERSHIP RULES. FOR YEARS THE FCC'S TV DUOPOLY RULE WAS JUSTIFIED ON PROMOTING DIVERSITY OF OWNERSHIP. THIS MADE SENSE WHEN TELEVISION WAS THE ONLY VIDEO PROVIDER IN TOWN. THIS IS NO LONGER THE CASE IN A MULTI-CHANNEL WORLD.

I HAVE BECOME INCREASINGLY CONCERNED THAT A SINGLE CHANNEL OF FREE-OVER-THE-AIR SERVICE MAY NO LONGER BE ABLE TO COMPETE IN THIS MULTI-CHANNEL, MULTI-FACETED COMMUNICATIONS WORLD. THE FCC'S OFFICE OF PLANS AND POLICY RECOGNIZED THIS PROBLEM BACK IN 1991.

PERMITTING COMBINATIONS AT THE LOCAL LEVEL MAY MAKE LOCAL STATIONS STRONGER AND KEEP MANY OF THEM -- ESPECIALLY UHF STATIONS -- ON THE AIR. FOR EXAMPLE, MANY OF THE TELEVISION LMAS HAVE PROVIDED STRONGER AND ADDITIONAL VOICES IN THE MARKETPLACE. THE NEW TELECOMMUNICATIONS ACT RECOGNIZED THIS FACT.

WE HAVE REACHED THE TIME WHEN UHF/UHF AND UHF/VHF COMBINATIONS MAY MAKE SENSE -- DEPENDING ON SIGNALS AVAILABLE IN THE MARKET. AT ALTV'S INSISTENCE, THE HOUSE VERSION OF THE TELECOMMUNICATIONS BILL WOULD HAVE PERMITTED THESE COMBINATIONS. THE FCC SHOULD TAKE THIS OPPORTUNITY TO EXAMINE THIS RULE AND MAKE REVISIONS THAT REFLECT TODAY'S MARKETPLACE REALITIES.

#### CARRIAGE ON TELEPHONE COMPANY VIDEO SYSTEMS

FOR YEARS I HAVE BEEN THE CHAMPION OF MUST-CARRY AND CHANNEL POSITIONING RIGHTS ON CABLE SYSTEMS. DUE IN LARGE PART TO ALTV, THE 1996 TELECOMMUNICATIONS ACT EXTENDED THESE RIGHTS TO NEW, TELEPHONE COMPANY OPEN VIDEO SYSTEMS.

THE FCC WILL ADDRESS THIS ISSUE IN THE NEAR FUTURE. AT THIS POINT, IT MAKES SENSE TO APPLY THE CABLE MUST-CARRY AND CHANNEL POSITIONING RULES TO TELEPHONE COMPANY VIDEO SYSTEMS. THIS WOULD PROVIDE REGULATORY PARITY BETWEEN CABLE AND TELEPHONE COMPANY VIDEO SYSTEMS. ALSO, IT INSURES THAT LOCAL TELEVISION STATIONS CAN BE SEEN BY THOSE SUBSCRIBING TO NEW TELEPHONE COMPANY VIDEO SYSTEMS. I HAVE LONG STATED THAT NO RE-TRANSMISSION PIPELINE SHOULD HAVE THE POWER TO PREVENT TV STATIONS LICENSED TO SERVE THE PUBLIC INTEREST FROM SERVING THE PUBLIC THEY ARE LICENSED TO SERVE.

#### CHILDREN'S TELEVISION

AS YOU KNOW, I HAVE BEEN AN OUTSPOKEN CRITIC OF IMPOSING QUANTITATIVE REQUIREMENTS FOR CHILDREN'S EDUCATIONAL PROGRAMMING. BASED ON STUDIES BY ALTV AND NAB, MOST STATIONS ARE ALREADY PROVIDING OVER 3 HOURS PER WEEK OF CHILDREN'S EDUCATIONAL PROGRAMS. IN A SPEECH BEFORE THE MEDIA INSTITUTE, I LISTED OVER SEVENTY EDUCATIONAL/INFORMATIONAL PROGRAMS THAT ARE CURRENTLY ON THE AIR.

I ALSO MENTIONED PBS STATIONS AND 1600 LOW POWER COMMUNITY WHO PROVIDE CHILDREN'S PROGRAMMING ALONG WITH CABLE CHANNELS AND THE AVAILABILITY OF VCRs NOW IN 84% OF HOMES. CERTAINLY, THERE IS NO MARKETPLACE FAILURE OR EVEN SHORTAGE OF CHILDREN'S PROGRAMMING.

GOVERNMENT IMPOSED QUANTITATIVE MANDATES REQUIRING BROADCAST OF SPECIFIC GOVERNMENT APPROVED PROGRAMS ARE NEITHER NECESSARY NOR CONSISTENT WITH THE FIRST AMENDMENT.

NEVERTHELESS, I WOULD HOPE THAT CHAIRMAN HUNDT, COMMISSIONER NESS, COMMISSIONER CHONG AND MYSELF COULD GET TOGETHER TO FIND A REASONABLE COMPROMISE SOLUTION. COMMISSIONER CHONG'S "EFFORTS" PROPOSAL IS WORTHY OF SERIOUS DISCUSSION. COMMISSIONER NESS HAS ALSO TRIED TO BE FLEXIBLE. CONTINUED DEADLOCK DOES NOT HELP THE INDUSTRY OR THE COMMISSION.



## TELEVISION VIOLENCE

WHILE I DISLIKE CONTENT REGULATION, I DO BELIEVE THE INDUSTRY HAS AN OBLIGATION TO REDUCE THE LEVEL OF VIOLENCE SEEN ON TELEVISION. THIS IS NOT NEW -- I HAVE BEEN SAYING IT FOR YEARS. AS A VETERAN OF REAL VIOLENCE IN WW II, IT'S DISTURBING TO ME TO SEE DISPLAYS OF BRUTAL CIVILIAN VIOLENCE AVAILABLE TO YOUNG VIEWERS ON TELEVISION.

FORTUNATELY, LOCAL TELEVISION STATIONS ARE BEGINNING TO MOVE IN THE RIGHT DIRECTION. THE INDUSTRY HAS BECOME MORE RESPONSIVE AND THE SITUATION APPEARS TO BE IMPROVING.

I'M HAPPY TO SEE THAT ALTV IS WORKING WITH OTHERS IN THE INDUSTRY TO DEVELOP A UNIVERSAL TELEVISION RATINGS SYSTEM. SEVERAL YEARS AGO YOU WERE THE FIRST BROADCAST ORGANIZATION TO ADOPT PARENTAL ADVISORIES. AT THE VERY LEAST, PARENTS NEED ADVANCED NOTICE TO HELP PROTECT THEIR CHILDREN FROM GRATUITOUS AND EXCESSIVE VIOLENCE. HOWEVER, WITH YOUNG PUBLIC TASTE AS IT IS TODAY, I'M

AFRAID A LOW RATING MAY HAVE THE SAME EFFECT AS BANNING THE BOOK IN BOSTON YEARS AGO WHICH PRACTICALLY MADE IT A BEST SELLER.

I URGE YOU TO USE YOUR BEST EFFORTS TO MAKE THIS SYSTEM WORK. THIS MUST BE A PRIVATE -- NOT A GOVERNMENT -- RATINGS SYSTEM. IF YOU FAIL TO DO SO THEN THE GOVERNMENT MAY MOVE FORWARD WITH MORE ONEROUS REGULATIONS.

#### ADVANCED DIGITAL TELEVISION

I WAS AT THE FCC WHEN DIGITAL TELEVISION WAS JUST A DREAM. WE ENCOURAGED THE INDUSTRY TO DEVELOP DIGITAL TELEVISION -- YOU DID IT. WE BEAT JAPAN IN THE TECHNOLOGY RACE. IT'S HERE.

DIGITAL CONVERSION WILL BE COSTLY -- \$8 TO \$12 MILLION PER STATION. YOUR COMPETITION IS DEPLOYING IT. YOU KNOW SHIFTING TO DIGITAL WILL BE A COMPETITIVE NECESSITY. MOST TELEVISION STATION OWNERS I HAVE TALKED TO ARE READY TO MOVE FORWARD.

THE ECONOMIC RISKS ARE SIGNIFICANT. UNTIL DIGITAL TELEVISION SETS PENETRATE THE MARKETPLACE, THERE WILL BE LITTLE OR NO DIGITAL AUDIENCE. YOU MUST GRADUALLY SHIFT YOUR CURRENT ANALOG AUDIENCE OVER TO YOUR DIGITAL CHANNEL. FROM THE CONSUMERS' STANDPOINT, YOU DO NOT WANT TO FORCE LOCAL STATIONS TO CEASE ANALOG TELEVISION PREMATURELY AND OBSOLETE OVER 233 MILLION TELEVISION SETS.

AFTER ENCOURAGING THE INDUSTRY TO DEVELOP DIGITAL TELEVISION, I AM CONCERNED THAT THE GOVERNMENT IS NOW BECOMING AN OBSTACLE TO RAPID DEPLOYMENT OF THE TECHNOLOGY. LAST WEEK THE FCC STARTED A PROCEEDING SEEKING COMMENT ON THE ADOPTION OF A STANDARD FOR ADVANCED DIGITAL TELEVISION. HOPEFULLY, THE FCC WILL COMMENCE A PROCEEDING CREATING A TABLE OF ALLOTMENTS AND ASSIGNING DIGITAL CHANNELS TO LOCAL STATIONS. WE HAVE A PENDING PROCEEDING ON THE OVERALL RULES THAT WILL GOVERN DIGITAL TELEVISION. I HOPE THE FCC WILL MOVE AS RAPIDLY AS POSSIBLE TO CONCLUDE THESE PROCEEDINGS.

UNFORTUNATELY, DIGITAL TELEVISION HAS BEEN DRAWN INTO BUDGET AND OVERALL SPECTRUM POLICY DISPUTES. THE UNCERTAINTY CREATED BY THESE DISPUTES HURTS INVESTMENT AND DELAYS ITS DEPLOYMENT.

FOR THOSE LOOKING TO AUCTION RETURNED ANALOG TELEVISION, DELAYING DIGITAL DEPLOYMENT MERELY EXTENDS THE TIME WHEN THE GOVERNMENT CAN RECLAIM SPECTRUM. YOU CAN'T PLAY THE NINTH INNING OF A BASEBALL GAME BEFORE THROWING THE FIRST PITCH.

IT'S TIME TO GET MOVING AND BRING THE BENEFITS OF FREE, OVER-THE-AIR DIGITAL TELEVISION TO THE AMERICAN PEOPLE. I HOPE ALL BRANCHES OF GOVERNMENT WILL REACH A CONSENSUS TO GET THE BALL ROLLING.

IN REACHING THIS CONSENSUS, WE MUST RECOGNIZE THE ENORMOUS FINANCIAL AND TECHNICAL PROBLEMS CONFRONTING LOCAL AND ESPECIALLY, SMALL MARKET TELEVISION STATIONS. WHATEVER POLICY IS DEvised, IT SHOULD NOT INCREASE THE COSTS OF CONVERTING TO DIGITAL TELEVISION.

IT SHOULD NOT FORCE CONSUMERS TO PURCHASE NEW DIGITAL TELEVISION SETS LONG BEFORE THEIR EXISTING ANALOG SETS WEAR OUT. IT SHOULD NOT FORCE LOCAL STATIONS TO TERMINATE ANALOG BROADCASTS BEFORE THERE IS A SUFFICIENT DIGITAL AUDIENCE TO MAKE FREE OVER-THE-AIR DIGITAL TELEVISION ECONOMICALLY VIABLE.

#### CONCLUSION

IN SUMMARY, THE COFFEE HAS BEEN GREAT. I REMEMBER THE DANISH FROM MY FIRST CONFIRMATION HEARING IN 1974. SINCE THAT TIME, I HAVE SERVED UNDER SIX PRESIDENTS AND HAVE OUTLASTED COUNTLESS CONGRESSMEN, LOBBYISTS AND CEOs. I EVEN REMEMBER KEVIN O'BRIEN AS A YOUNG IRISH KID AND GREAT SALESMAN RUNNING WTTG-TV CHANNEL 5 IN WASHINGTON.

THROUGHOUT THIS TIME I HAVE BEEN GUIDED BY ONE OVER-ARCHING CONCERN -- UNIVERSAL, FREE-OVER-THE-AIR TELEVISION IS FUNDAMENTALLY IMPORTANT TO THE AMERICAN PEOPLE. THERE WAS A TIME WHEN FORMER FCC CHAIRMAN MARK FOWLER, A GREAT GUY BUT A LITTLE AVANT-GARDE ON DEREGULATION, SAID TELEVISION WAS NOTHING BUT A TOASTER WITH PICTURES. TODAY, WITH ALL THE CHALLENGES FACING LOCAL STATIONS, MY JOB IS TO MAKE SURE YOU DON'T END UP AS THE TOAST.

THANK YOU.