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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

Federal Communications Commission  
Office of the Secretary

In the Matter of )  
 )  
Review of the Policy Implications ) MM Docket No. 91-221  
of the Changing Video Marketplace )

COMMENTS OF THE  
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association ("NTCA") submits these Comments in response to the Notice of Inquiry in the above proceeding ("Notice") (DA 91-215), released August 7, 1991.

NTCA is an association of over 490 small exchange carriers ("ECs") providing telecommunications services to subscribers and interexchange carriers ("IXCs") throughout rural America. Some of NTCA's members provide video services as cable operators in their telecommunications service areas under the rural exemption in 47 C.F.R. § 63.58.

The Commission is seeking broad-ranging comments on changes in the state of the video marketplace and on the public policy implications of such changes. It requests comments on staff findings and their implications for core Federal Communications Commission ("FCC") goals such as localism, diversity, nationwide availability of video service, and the public interest standard for broadcasters. Staff findings are contained in the Office of Plans and Policy Working Paper #26, Broadcast Television in a Multichannel Marketplace ("Staff Working Paper") and referenced in the Notice. NTCA has the following comments on these issues

## DISCUSSION

### I. TECHNOLOGICAL DEVELOPMENTS IMPLY THAT VIDEO SERVICES SHOULD MOVE TOWARD GREATER USE ON FIXED FACILITIES AND VOICE SERVICES SHOULD MOVE TOWARD GREATER USE OF OVER THE AIR FACILITIES.

The Commission Notice refers to a number of technological advances which have changed the face of video distribution in the United States.<sup>1</sup> Fiber optics development and deployment should be added to the list of advancements included in the Notice. That advance is of significance to the Commission's interest in promoting localism, diversity and nationwide availability of video service.

Fiber optics provide essentially unlimited bandwidth capable of delivering multichannel video to the home and advancing the Commission's goal of nationwide availability of multichannel video services. The availability of multiple channels to numerous local markets far in excess of the typical multiplicity of broadcast channels gives fiber video distribution systems the inherent potential to promote localism and diversity interest more effectively than current broadcast and coaxial cable systems.

Henry Geller commented on the importance of fiber systems in achieving the Commission's goals in a recent report.<sup>2</sup> Geller observed that the American people now rely mainly on video for

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<sup>1</sup> Notice, at paras. 6 & 7.

<sup>2</sup> Geller, Henry, Fiber Optics: An Opportunity for a New Policy, a Report of the Annenberg Washington Program Communications Policy Studies Northwestern University (1991) ("Geller").

information and that this reliance will increase. Geller believes that the broadcast and cable regulatory models have failed to achieve the principle of diversity of Associated Press v. United States, 326 U.S. 1 (1945). The diversity principle announced in that case posits that the aim of the First Amendment is to foster "the widest possible dissemination of information from diverse and antagonistic sources."<sup>3</sup>

NTCA agrees with Geller's statement that "it is critical to the proper functioning of our democracy to have a video model in place that best reflects the underlying premise of the First Amendment - the Associated Press principle of diversifying as much as possible the sources of information coming to the American people."<sup>4</sup>

While the tremendous capacity of fiber appears to be best utilized for video services, developing mobile and personal communications ("PCS") technologies lend themselves to the voice services of the future. These radio services utilize air waves and appear well suited to an increasingly mobile society. The rapid development of cellular radio has demonstrated that there is a strong demand for mobile communications. Experts believe

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<sup>3</sup> 326 U.S. 1, at p. 20.

<sup>4</sup> Geller, at p. 24.

that the potential PCS market includes 50% of all U.S. households (currently 92 million) and approximately 60 million total users within ten years after PCS systems begin operations.<sup>5</sup>

II. THE COMMISSION SHOULD ENCOURAGE TELEPHONE COMPANIES TO EXPLOIT THE CAPACITY OF FIBER TO PROVIDE VIDEO SERVICE.

As stated above, LECs are well positioned to efficiently deploy and utilize fiber for video services. The public would benefit from LEC exploitation of fiber to provide video services. The unlimited capacity of fiber permits LECs to maximize use of that technology to the best advantage of the public. LECs are already providing local service. NTCA member LECs, in particular, serve small local service territories. It is good public policy and good economics to permit these small LECs to provide both telecommunications service and video services in their service territories either by separate coaxial cable systems or by provision of these services over fiber optic facilities utilized for telecommunications traffic.

NTCA has previously urged the Commission to expand the rural exemption.<sup>6</sup> It does so again and also again urges the Commission to recommend that Congress remove the cross-ownership ban entirely. Removal of the ban would allow telcos to provide cable service in areas where there is a public need and demand

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<sup>5</sup> October 1991 Report on Personal Communications Service by New York Department of Public Service, citing Arthur D. Little PCS Demand Assessment 1990, at p. 7.

<sup>6</sup> See, NTCA Comments in In the Matter of Reexamination of the Effective Competition Standard for the Regulation of Cable Television Basic Service Rates, MM Docket No. 90-4, filed February 14, 1991.

and to make choices about how to provide that service on the basis of efficiencies which meet public interest considerations.

III. THE FUNDAMENTAL BUSINESS OF THE BROADCAST AND CABLE INDUSTRIES ARE NOT THREATENED BY ENCOURAGING THE NATURAL EVOLUTION OF TELEPHONE COMPANY SERVICES.

The broadcast and cable industries are in the same business. Each of these industries sell information and entertainment, a software, not a hardware function. Telephone companies, on the other hand, own and operate distribution facilities which will increasingly consist of fiber optic cable. Fiber optics are inherently superior to over the air broadcasting as a delivery mechanism. The public should have the benefit of this superior system. Use of fixed facilities does not need to be a threat to "free" (i.e., advertising or public supported) programming." The Commission's localism, diversity and public interest standards can be met.<sup>7</sup> Selection of programming from the world marketplace for resale to subscribers by the owner of the distribution facilities doesn't restrict the market for information and education, it enhances it. The telephone industry has demonstrated vastly superior ability to operate fixed distribution plant, it is not in the public interest to prevent it from competing in the video market on the same basis as the cable industry.

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<sup>7</sup> Geller, at p. 24.

IV. CONCLUSION

For the above stated reasons, NTCA urges the Commission to examine the broader issues involving telco provision of video service along with its inquiry into other issues raised in the Staff Working Paper.

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CERTIFICATE OF SERVICE

I, Rita H. Bolden, certify that a copy of the foregoing Comments of the National Telephone Cooperative Association in MM Docket No. 91-221 was served on this 21st day of November 1991, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached service list:

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