



FCC

Office of Legislative
and Intergovernmental Affairs

*LDW
Dones
Sudow*

To: *Tom Friedman*

Organization: *WH*

Fax: *456-7431*

Phone:

From: *Don Erbach*

Date: *4/7*

Time:

Fax: 202-418-2806

Phone: 202-418-1900-1916

This cover sheet is Page 1 of 14 pages.

RC: LPFM

If there are any problems with this transmission, call 202-418-1900.

The information contained in this facsimile message is privileged and confidential information intended only for the use of the intended recipient named above. If you are not the intended recipient, you are hereby notified that any copying of this communication or dissemination or distribution of it to anyone other than the intended recipient is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone and destroy the original message. Thank you.



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

April 7, 2000

OFFICE OF
THE CHAIRMAN

The Honorable J. Dennis Hastert
Speaker
U.S. House of Representatives
H232 Capitol
Washington, D.C. 20515

Dear Mr. Speaker:

I write to express my opposition to H.R. 3439, the "Radio Broadcasting Preservation Act of 2000," as amended and voted by the House Committee on Commerce on March 29, 2000. For the reasons I note below, I also respectfully request that you delay floor consideration of H.R. 3439 while the Commission reviews and resolves pending Petitions for Reconsideration of its low power FM ("LPFM") Report and Order filed with it in March by National Public Radio ("NPR") and others

This bill, if enacted into law, would severely restrict and could eventually eliminate the Commission's promising, community-oriented, non-commercial LPFM radio service. This new service is likely to benefit communities all over the country and is supported by churches, colleges, schools, local and state public safety and transit agencies, other local government entities, volunteer fire departments, local musicians, and various other community, non-profit groups. (See the enclosed sample of public comments describing how LPFM stations would serve their communities.)

Organizations in support of LPFM service include the AFL-CIO, the Communications Workers of America, the United States Catholic Conference, the United Church of Christ Office of Communications, the Consumers Union, the Minority Media Telecommunications Council, the National Federation of Community Broadcasters, and the National League of Cities. Strong support for LPFM also comes from nationally known musicians like Bonnie Raitt, the Indigo Girls and Ellis Marsalis, Chairman of the Louisiana Music Commission. Finally, the LPFM service has been editorially endorsed by such leading daily newspapers as the Los Angeles Times, The New York Times, and The Washington Post. (See enclosed editorials.)

I request the delay in House floor consideration of H.R. 3439 for three major reasons.

First, H.R. 3439 is premised on several false allegations, misleading technical arguments, and engineering misinformation put forth by opponents of LPFM service, primarily about potential LPFM station interference with existing broadcast stations. Their "sky is (or soon will be) falling" arguments are designed to scare and mislead rather than inform Members of Congress about the new LPFM service. I am enclosing an FCC Fact Sheet responding to these false allegations, arguments, and misinformation.

The Honorable J. Dennis Hastert

Page 2

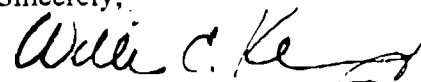
Second, the specific provisions of H.R. 3439 will reduce by more than 75% the number of LPFM stations the FCC will be able to license in the coming year and increase the likelihood the Commission will lack the authority to license additional LPFM stations in coming years. H.R. 3439 will significantly reduce the possibility that the diverse community groups noted above will ever receive an LPFM license to serve their local communities. H.R. 3439 may also eliminate what The New York Times in an editorial on March 31, 2000, described as a "powerful antidote to the increasing concentration of radio broadcasters." This growing consolidation of radio station ownership which LPFM service seeks to counteract is marked by the fact that the top four radio groups own respectively 512, 443, 248, and 163 stations. If a pending merger is approved, the largest radio station group owner will own over 800 radio stations nationally. Moreover, as the Congressional Research Service noted in a recent report, between 1995 and 1998, the number of radio station owners decreased 18.8%. (See G.W. Bass and R.M. Nunno, "Low Power FM Radio Service: Regulatory and Congressional Issues", March 23, 2000, at p. 7, n. 12.)

Third, I believe H.R. 3439 is not needed because FCC engineers, non-FCC experts on signal interference, and a majority of my fellow Commissioners and I are confident that the phased in licensing of LPFM stations we announced on March 27, 2000, in five stages over a 14-month period, will not cause harmful, undue interference to existing broadcast stations. I am also confident that the FCC's new Enforcement Bureau is well staffed to address and remedy quickly any minimal interference in the unlikely event that it should occur. The FCC did not rush to judgment in authorizing LPFM service. To the contrary, the Commission methodically developed a two-year public record replete with solid engineering analysis. I urge Congress to defer on LPFM service to the FCC, the expert agency in this area with 70 years of institutional expertise on signal interference protection and spectrum management.

For these reasons, I respectfully request that you delay floor consideration of H.R. 3439 so that the Commission can address the concerns of petitioners, especially NPR, during the current period of reconsideration of the FCC's LPFM Report and Order.

As always, I welcome the opportunity to discuss this matter with you personally if you have any concerns or questions. Please feel free to contact me directly at 202-418-1000. I am committed to working with you and other Members of Congress to implement policy initiatives such as LPFM service that promote competition and consumer choice for the American public we all serve.

Sincerely,



William E. Kennard
Chairman

Enclosures



Mass Media Bureau Policy and Rules Division

Commenters describe how low power radio stations would serve their communities.

"[LPFM] can be very beneficial to communities which are currently underserved or not being served at all. As an inner city church in a very diverse community, we would be able to reach out to persons who are in need. This has more to do with community activities than religion, though that is obviously an integral part of our mission."

- Comments of Immanuel Presbyterian Church

"A low powered radio station can serve as a learning tool for our school, develop possible career interests, and serve our community. The development of closer school and community ties is a desire sought by all schools. Low power radio could achieve this goal."

- Comments of Brookland High School

"[A] full time radio station licensed by the FCC would ensure stability in an otherwise fragmented community. ... The impoverished Haitian farm-working community is in desperate need of organization and stability. Without a media outlet to rely on, that community continues to sustain itself by word of mouth communication that is highly ineffective."

- Reply Comments of Mondellus Pressa and Haitian Community Radio

"In addition to the music and information programming, [a low power] radio station holds the potential to be a vehicle to build up our community following the difficult circumstances which we experienced in recent years, such as the riots in 1991. This station could also be a forum for reaching the elderly to inform them about important safety tips, as well as a forum for children's programming."

- Comments of Crown Heights Jewish Community Center

"[A low power radio license] would give us the ability to reach our entire student body and a small section of the community.... [Our internal station has] exceptional programming for a high school and a cooperative relationship with one of the largest FM rock stations in Portland. Century Radio could be an asset to the community. We have a Latino radio program engineered and hosted by two Mexican students. Our school radio and TV station effectively brings a diverse student body together."

- Comments of Century High School

"LPFM will provide a low-cost means of serving urban communities and neighborhoods around the United States, and it will go a long way toward addressing the unmet needs for community-oriented radio broadcasting.... In the Village of Harlem in New York County, where Abyssinian has served its community for many generations, LPFM has the potential to unlock the sometimes latent, but always vibrant, creativity and spectacular talent of the people of Harlem. LPFM can help to unite our local residents, while ensuring that their collective needs and concerns are addressed."

- Comments of Abyssinian Baptist Church

"[T]he new low power radio service proposed will offer superior and more dependable communication between the travel corridor user and the provider, and will complement those currently offered on the AM band."

- Comments of the Texas Department of Transportation

"Our goal is to have the opportunity to provide Mendon with a source for positive, uplifting music and radio programming, as well as public service messages and community information. The possibility that communities and schools across the country could provide such on-air resources is an exciting development in the world of radio!"

- Comments of Mendon Presbyterian Church Members

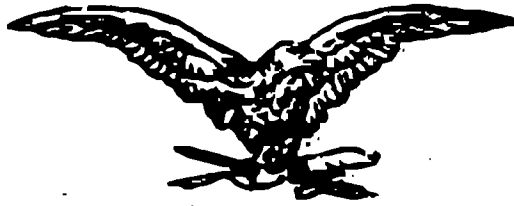
"In the hands of community-service organizations, we believe that these frequencies can play a vital role in distributing information to clients who often are too young, too old, too handicapped or too feeble to react properly to mailed or phoned information.... Studies indicate that this population, along with the general population, has easy access to fm receivers. In the hands of operators such as schools, welfare organizations, The Society For the Blind, Family Service agencies and etc the valuable spectrum would be devoted to its highest public service use."

- Comments of the Jewish Community Federal of Cleveland, Ohio

[Low Power FM Home Page](#) || [PRD Home Page](#) || [MMB Home Page](#)

Last Updated 3/31/2000

LOS ANGELES TIMES EDITORIALS



KATHRYN M. DOWNING, *Publisher*

MICHAEL PARKS, *Editor*

JANET CLAYTON, *Editor of the Editorial Pages*

Static Surrounds Radio Plan

Sen. Judd Gregg (R-N.H.) has been one of the most eloquent defenders in Congress of local control over public policy. "The basic themes that have made New Hampshire strong," he told legislators earlier this year, are "strong community involvement, commitment to individuals and family, [and] the sense of the state as a neighborhood."

Gregg, it would seem, would be the perfect champion of a plan by Federal Communications Commission Chairman William Kennard to give low-power FM radio licenses to churches, schools, PTAs and other community groups eager to have their authentic local voices heard above the growing din of commercial radio. Instead, Gregg is leading a vote tomorrow in Congress to kill Kennard's "micro-radio" plan. The weapon is a bill introduced in the Senate by Gregg and in the House by Rep. Michael Oxley (R-Ohio) to annul the micro-radio policy and prevent any similar plans.

Gregg accepted nearly \$8,000—a large contribution in a very small state—for his 1998 campaign from micro-radio's fiercest opponent, the National Assn. of Broadcasters, and has supported other NAB efforts.

The NAB claims that signal and static "bleed" from the low-power stations will harm their listenership. That claim is flatly contradicted by studies like the one that Ted Rappaport, an electrical engineering professor at Virginia Tech and leading authority on signal interference, presented to Congress last month. Rappaport said that "in the absolute worst case" only 1.8% of the micro-radio stations would bleed into existing station signals. Under Kennard's plan, such stations would be required to eliminate the interference or shut down.

Legislators are now throwing hard balls at Kennard's plan. Take the chairman of the House subcommittee on telecommunications, Billy Tauzin (R-La.), who received more than \$57,000 from political action committees representing broadcasters from 1989 to 1999, according to Common Cause. Tauzin said Kennard's plan proves that the FCC has become a "rogue agency" that should be "reined in. . . . It works for us, not the other way around."

Actually, the FCC works for the American people, not just powerful Washington lobbyists and the members of Congress whose reelection coffers they fill.

The New York Times

DATE

3/31/00

PAGE

A28

Static Over Low-Powered Radio

A House committee, egged on by the nation's broadcasters, passed regrettable legislation this week that would largely undermine the Federal Communications Commission's plan to give schools, churches and other community groups the right to set up low-powered FM radio stations. These stations would broadcast local ball games, municipal meetings or anything else they think their community wanted to hear. The idea is a good one. The commission wants to let non-commercial groups cater to audiences living within a few miles of the radio station, providing a powerful antidote to the increasing concentration of radio broadcasters. In recent years the number of radio station owners has fallen by about a fifth.

The broadcasters, including National Public Radio, do not like the commission's plan for creating hundreds of competitors, each needing only inexpensive equipment to give listeners local fare. The broadcasters do not say they want to stop competition. Instead they charge that the low-powered stations will interfere with existing broadcast signals by creating hissing noises or worse. The broadcasters filed a suit in federal court to stop the

commission's plan and distributed a compact disk on Capitol Hill that offered a computer-simulated example of interference.

The commission says the evidence provided by the broadcasters is bogus and a scare tactic to mislead politicians. Exhaustive engineering studies and the experience of actual low-powered radio stations, the commission says, prove that there will be minimal interference at worst. The chairman, William Kennard, notes that the commission was careful to keep the power of the new stations low and to space them far enough apart on the broadcast spectrum. With these protections, he says, there will be no significant interference.

If he is wrong and the signals of existing radio stations are degraded, Mr. Kennard says, he will move in quickly to eliminate the problems. To fulfill that promise the commission needs to require low-powered stations that interfere with existing broadcasters to eliminate the interference or shut down. Then the broadcasters would have nothing to fear from the commission's plan other than healthy competition from local groups who think they have something neighbors want to hear.

The Washington Post

DATE

3/30/00

PAGE

A20

Let Low Power Flower

THE FEDERAL COMMUNICATIONS Commission has announced the states in which so-called low-power radio licenses will be issued first. The District of Columbia and Maryland were both among the group selected in the FCC's lottery to begin what the commission hopes will be a great diffusion and democratization of the increasingly consolidated world of radio broadcasting. In low-power FM—which is sometimes called micro-radio—the cost of equipment is fairly slight, so community groups can run stations that reach small areas. The idea is to give access to the airwaves to those who don't now have any. Since the low-power stations will be non-commercial broadcasters using signal strengths of only a small fraction of the power of commercial radio, it doesn't seem like much of a threat.

Yet an immense lobbying effort has begun to stop the commission in its tracks. A bill that was sent yesterday to the floor of the House of Representatives would dramatically curtail the FCC's authority to issue low-power licenses. It is a bad idea.

The stated objection to low-power radio is that the relatively weak signals from these

small stations could bleed into those of existing broadcasters, causing interference or—even worse—cross-talk. The FCC disputes that this will be a significant problem, and the debate has become a competition among technical studies. Simulations done for the National Association of Broadcasters suggest that low-power radio could make stations all but unlistenable in certain locations. Radio manufacturers and some public broadcasters have also worried about interference. Studies by the FCC, however, show little interference and no cross-talk at all—even under those circumstances most likely to produce it. The commission's studies seem both more persuasive technically and less self-interested.

FCC Chairman William Kennard has pointed out that commercial broadcasters have a history of resisting new uses of the broadcast spectrum and citing alleged technical problems to stall them. If low-power radio causes problems, the commission will be politically accountable. But if the FCC—the agency charged with protecting the integrity of the spectrum—is persuaded that micro-radio will not cause difficulties, this potentially useful area should be allowed some space to grow.

FACT SHEET

Federal Communications Commission
445 12th St., S.W.
Washington, DC 20554

Low Power FM Radio Service: Allegations and Facts

ALLEGATION: "Rush to Judgment?"

Opponents allege the FCC has "rushed to judgment" in adopting the low power FM radio service ("LPFM").

FACT: There was no rush to judgment in the FCC's decision on January 20, 2000 to authorize LPFM service. In fact, all parties, including the National Association of Broadcasters and individual broadcasters, had ample opportunity over an almost two-year period to participate in this proceeding. Here are the facts:

- The FCC placed the initial petition for rulemaking in this matter on Public Notice on February 5, 1998, over two years ago.
- After extensive comment on the Public Notice, the FCC issued a Notice of Proposed Rulemaking on January 28, 1999. The NPRM established an unusually long, three-month public comment period.
- The NAB and its members then requested and were granted four extensions for more public comment. Other parties vigorously opposed some of these extensions.
- As a result of the FCC's granting all four of these extension requests, the original three-month comment period became a 10-month comment period, an extension of over seven months.
- Throughout the extended comment period and thereafter, the NAB filed voluminous comments, reply comments, technical studies, and other submissions, all of which were thoroughly reviewed by the Commission and its expert staff.
- For these reasons, the Commission on January 13, 2000, in a letter to Eddie Fritts, President, NAB, denied the NAB's request to delay further Commission consideration of the LPFM item beyond the January 20, 2000 open meeting.

ALLEGATION: "Crosstalk?"

Opponents allege that LPFM stations will result in intelligible "crosstalk" interference on nearby FM radio stations, *i.e.*, listeners will hear actual words being spoken on an LPFM station on a nearby FM radio station.

FACT: The type of "crosstalk" interference suggested by the NAB in its misleading CD demonstration on Capitol Hill, where you can intelligibly hear portions of both transmissions, is not likely to occur from actual LPFM stations operating on 3rd adjacent channels when the receiver is properly tuned to the desired station:

- Any such interference that might occur from an LPFM station would nearly always appear as noise or hissing, as shown in the FCC's own CD demonstration on Capitol Hill. The NAB "crosstalk" demonstration therefore does not represent actual FM radio performance and thus is meaningless.
- The NAB also incorrectly states that the FCC considers a 3% level of total harmonic distortion plus noise from interference to be acceptable. This also is wrong. The FCC Report and Order refuted a similar, previous NAB assertion and clearly indicated that the Commission based its evaluations on a 1% level. To continue to make the argument in its CD about an alleged 3% level of harmonic distortion in the FM band acceptable to the FCC can only be viewed as a deliberate misrepresentation by the NAB of the FCC's findings and analysis.

ALLEGATION: Not Addressing NPR Concerns?

Opponents allege the FCC is not addressing the concerns of National Public Radio about the impact of the LPFM service on protecting the inputs to NPR translators and interfering with radio reading services for the visually impaired.

FACT: The FCC, in fact, is seriously reviewing NPR's concerns during the current period of agency reconsideration of the new LPFM service, both with regard to translators and radio reading service issues:

- With regard to translators, the FCC indicated in its Report and Order that applicants for new or modified low power FM radio facilities will be required to protect the existing service of FM translator and booster stations. This protection is afforded through minimum separation requirements for co-channel stations, 1st adjacent channel stations, and 2nd adjacent channel stations.
- With regard to radio reading services for the visually impaired, some of these services have raised concerns about interference to their services from LPFM. Radio reading services, which carry newspapers and information aurally to the visually impaired, operate as sub-

carriers ("SCA") on FM frequencies. Just as FCC testing has determined that existing stations will not experience harmful interference, the Commission stated in its Report and Order on LPFM service, on p. 46, that sub-carriers on these frequencies should not experience harmful interference.

- The concerns about radio reading services are related more to the technology of the receivers than to the signal itself. The Commission is currently testing a number of SCA receivers used for radio reading services that were provided to it by National Public Radio. If it is found that there is a significant potential for 3rd adjacent channel interference that will affect service provided through these receivers, the Commission can and will take steps to protect radio reading services.
- In this regard, we also note that only a relatively few FM stations provide radio reading services on their SCA channels. The FCC should thus be able to protect such services, if necessary, on a case-by-case basis.

ALLEGATION: Licenses Issued on March 27?

Opponents allege the FCC started to issue LPFM licenses on March 27, 2000.

FACT: On March 27, 2000, the FCC conducted a lottery to determine the order by state in which the Commission will accept applications for the new LPFM service. The first LPFM applications will be filed no earlier than late May and the first LPFM licenses will be granted no earlier than late August or early September.

ALLEGATION: Impact on Digital Radio?

Opponents allege that LPFM service will impede the development of digital radio.

FACT: The development of digital radio will not be impeded by the adoption of LPFM service:

- The proponents of the in-band, on-channel ("IBOC") digital transmission systems for FM radio have consistently indicated that they are engineering their systems to perform in the current FM radio environment. When compared to the current interference environment, LPFM will be a miniscule interference source because any effects it might have would occur in only very small areas.
- The engineering submission of a major proponent of digital radio, USA Digital Radio ("USADR") expresses no concern about 3rd adjacent channel protection. USADR's concerns relate to 2nd adjacent channel protection that would occur *outside* a station's protected contour.

- The IBOC systems will transmit duplicative information in both the upper and lower sidebands of an FM signal. If any interference were to interrupt temporarily the upper sideband, for example, the digital receiver will be able to provide service from the lower sideband, and vice versa.

ALLEGATION: Abandonment of Spectrum Management Mandate?

Opponents allege the FCC has abandoned its responsibility to maintain the integrity of the FM spectrum. They allege the administrative record in this proceeding does not support the conclusion that the new LPFM licenses will not result in unacceptable interference. They also allege that the FCC has conducted no proper studies and developed no satisfactory record.

FACT: In adopting the LPFM service, the Commission has taken a conservative approach in protecting existing FM service. Moreover, the new LPFM radio service has been subject to extensive public comment and engineering testing. The administrative record in this proceeding is thousands of pages long. It includes thousands of public comments as well as four major technical studies of 75 consumer FM radio receivers of various types and performance capabilities, including automobile radios, component tuners or receivers, portable radios such as "boom boxes," personal radios such as "Walkman" type units, and clock radios. For example:

- The FCC did not adopt its original proposals to permit 1000 watt, commercial LPFM stations and to allow LPFM operations on 2nd adjacent channels.
- In addition to specifying low power operations, the new LPFM rules provide a number of other safeguards to protect existing FM stations, such as limitations on antenna height and separation requirements for low power stations with respect to full-power stations operating on the same channel, on 1st and 2nd adjacent channels, and on intermediate frequency channels.
- The FCC also added a 20 km buffer zone to the required separation distances between LPFM and full service stations that are operating on co- and 1st adjacent channels. This buffer will provide an additional margin of protection for full-power stations that modify or upgrade their facilities.
- The LPFM stations will be of such low power, and the separation distances prescribed by the FCC for 100 watt stations are so conservative that if any interference occurs it will be no greater than the minimal interference accepted by the FCC and the listening public on current radio receivers.

- Over 400 full-power FM stations authorized prior to November 1964 do not meet the 3rd adjacent channel protection requirements. In 1997, the FCC grandfathered these "short spaced" FM stations. These full-power stations, which operate with only one or two channels between them and the next station on the dial, have consistently met the Commission's criteria for distortion-free signals.
- The separation requirements for 100 watt LPFM stations are also much more conservative than those which apply to existing, grandfathered low power "Class D" stations which have been successfully coexisting with full-power stations for many years.

ALLEGATION: Only Expensive Radios Tested?

Opponents allege the FCC only tested expensive radios before adopting the LPFM service.

FACT: The FCC study tested a wide range of 21 radios. These included both new and used car radios, boom boxes and low-cost home stereos. These 21 radios were certainly not fancy, high-priced radios—what some engineers call "lab queens." In fact, the radios tested included a couple of their own personal radios that FCC Laboratory engineers were about to discard:

- FCC engineers found that all of the radios we tested far exceeded the current interference protection standards for the 3rd adjacent channel.
- Moreover, all but two of these 21 radios we tested exceeded the current interference protection standards for even the 2nd adjacent channel which we nonetheless decided to retain, erring on the conservative side of our spectrum management mandate.

ALLEGATION: Impact on Minorities?

Opponents allege the LPFM service will have a negative impact both on minority, low-income listeners and on minority-owned radio stations.

FACT: LPFM service will benefit listeners in low-income, minority communities as well as the larger listening public. Moreover, minority-owned stations will not have to compete with LPFM stations for any advertising dollars since the new LPFM service is non-commercial.

ALLEGATION: Impact on "Pirate" Radio?

Opponents allege the FCC will be giving LPFM licenses to "pirate" radio operators.

FACT: The FCC under Chairman William Kennard has vigorously enforced the broadcast licensing scheme, and will continue to be vigilant in its enforcement. Those organizations that broadcast without a license in the past, or individuals serving as officers or directors of organizations which broadcast without a license, are ineligible for an LPFM license, unless they certify that they promptly ceased operations when notified of their violation by the FCC and, in any case, ceased operations as of February 26, 1999.

**FCC INITIATIVES
FROM DIGITAL DIVIDE TO DIGITAL OPPORTUNITY**

Connecting the Nation's Children and Communities...

The Erate is the embodiment of the fourth pillar in the President's Educational Technology Initiative.

By the end of this year, the Erate has funded nearly \$6.25 Billion of services and infrastructure to bring modern telecommunications to schools and libraries throughout the country.

Schools in rural and poor neighborhoods, those neighborhoods most likely to be on the wrong side of the Digital Divide, receive priority funding.

82% of public schools (over 78,000) received Erate funding in 1999.

51% of public libraries in the nation have received Erate funding in 1999.

After two years of the Erate, libraries have increased their connections to the internet by 48%.

Bringing telemedicine to rural communities...

The rural health care program has funded over \$3.5 million of telecommunications services to rural telemedicine facilities so that rural residents can have access to essential health care.

\$11.5 million in requested funding has been received this year.

Remote areas in Alaska and Indian communities in the West are examples of communities which benefit from health services supported by the Erate.

Giving People with Disabilities Access to the Digital Economy...

The FCC requires telecommunications equipment and services to be accessible to people with disabilities.

Our rules require everyday services like voicemail and interactive menus, which can act as a significant barrier to people with disabilities in conducting business over the phone,

to be accessible.

The FCC recently announced it will fund the provision of video relay services, which allow those who use American Sign Language to communicate with hearing customers over the phone, via broadband video service and a relay operator.

We have worked with industry to forge solutions to barriers created by the move to the digital age. At our request the digital wireless industry developed a technology that allows TTY users to use digital wireless services for the first time. We have also asked the Internet telephony industry to incorporate accessibility into the development of this emerging technology.

Promoting investment in broadband infrastructure for rural communities....

Forged agreements with companies seeking merger approvals to deploy advanced services in poor and rural communities.

We are collecting 'best practices' stories from communities around the country which have successfully built broadband infrastructure to share with other communities.

Promoting wireless technologies in rural areas, by applying more liberal ownership criteria to companies in rural areas.

Created the opportunity for local phone companies to build infrastructure across state lines where it would bring broadband facilities not otherwise available to a rural community.

The FCC recently allocated 30 Megahertz of prime spectrum for wireless service. The rules require licensees of the spectrum to build facilities in rural areas as well as urban areas.

Bringing modern communications technologies to Indian Country...

Chairman Kennard will propose to the full Commission making local, basic phone service available to income-eligible Indians in Indian Country for as little as \$1 a month through the federal Lifeline discount program.

We are holding a first of its kind training conference for Indian leaders in Fall 2000 - the Indian Telecommunications Training Initiative 2000. The seminar will cover the full range of issues from spectrum management to available federal assistance programs to how to evaluate technology options so that Indian communities can knowledgeably seek and obtain telecommunications services for their communities.

We will be announcing incentives for wireless carriers to extend service to unserved tribal areas.

We have launched an examination of our rules to determine how we can change our universal service programs to better serve Indian Country.

We have changed our rules to allow Indian-owned telephone companies to receive the full benefit of our Lifeline program which funds basic telephone service for the poor.

Bringing the airwaves to all Americans...

The FCC created a new kind of radio service, low power FM, which will make local community based programming available to in a few mile radius exclusively to communities-based broadcasting.

We are aggressively implementing the 1999 SHVIA in order to promote competition and consumer choice.

Indian Lifeline Service Fact Sheet

PROPOSAL: Increase the current discount on basic, local phone service for income eligible members of federally recognized tribes in Indian country so that local service is \$1 month.

This proposal:

- Eliminates lack of affordability as a barrier to local phone service, by making local phone service available to all members of Indian Tribes for a dollar per month.
- Encourages the build out of necessary infrastructure. Companies will now have the predictable, secure revenue stream necessary to warrant facilities construction in areas previously regarded as high risk and unprofitable.
- Will attract new entrants and new technologies to provide service to these communities.

Background

- In 1985 the FCC created the Lifeline Program which provides discounts on basic telephone service of up to \$8.00 to all income eligible telephone customers.
- States may increase the discount to these customers through state programs.
- Today, 5.6 million customers receive Lifeline service.
- The Lifeline program is included in the universal service assessment on interstate and international revenues of common carriers. The Lifeline component is about \$450 million a year.

Problem

- In spite of the discount, subscribership in Indian Country remains low.
 - Only 22% of Navajo Reservation households have a phone according to the 1990 census; Navajo Nation's more recent statistics show 27% of households with a phone.
 - Nationwide, penetration rate for Indians on reservations is 47%.
 - Penetration rate for United States is 94%.

- Low incomes make it difficult for Indians to have a phone even where facilities are available.
 - Average annual income on the Navajo Reservation is \$6,352.
 - Per capita income of American Indians on reservations or trust lands is \$4,478.
 - Per capita income for entire United States is \$14,420

Proposal

- Increase the discount to low-income members of federal Indian Tribes to bring basic service to \$1 for low income members of tribes.
- Revise the qualification criteria to insure that Indians are easily able to demonstrate eligibility for Lifeline discounts.
- We estimate this proposal will increase program costs by \$17 million; a 3.5% increase for the lifeline component of the universal service program; a .4% increase in the total universal service program.

TUESDAY, APRIL 21, 1998

The Washington Post

Dow Falls 26; Nasdaq Hits Another Record

Associated Press

NEW YORK, April 20—Technology and drug stocks rose sharply today, leading several market measures to new highs, but blue-chip shares pulled back as investors locked in some of last week's record-setting gains.

The Dow Jones industrial average fell as much as 76 points during the session, but a late rebound left the blue-chip barometer with a loss of just 25.66 points, to close at 9141.84. The Dow gained 90 points Friday to close at a record 9167.50.

Broad-market measures also reversed course late in today's trading, with the Standard & Poor's 500-stock index edging into record territory just before the close.

The Nasdaq Stock Market jumped to its second straight record high as bellwether technology shares rallied in advance of IBM's first-quarter profit report. The computer maker's results, released after today's close, squeaked past analysts' forecasts.

Drug stocks also posted big gains amid reports of an enthusiastic response to a new impotence pill introduced earlier this month by Pfizer, which surged 8-3/16 to 113 3/4.

IBM, up 3-7/16 at 111-3/16, and Merck, up 1 1/2 at 122 1/4, were the Dow's two strongest issues. But that

GLOBAL MARKETS			
YESTERDAY'S CLOSES ON MAJOR FOREIGN STOCK EXCHANGES			
COUNTRY	INDEX	CLOSE	CHANGE
Britain	FTSE 100	5,954.10	+0.54%
Germany	DAX Ibis	5,407.93	+1.53%
Brazil	Sao Paulo Bovespa	12,028.15	-0.67%
Mexico	Bolsa	5,166.37	+1.63%
Japan	Nikkei 225	15,697.10	-0.04%
Hong Kong	Hang Seng	11,151.63	+1.37%
South Korea	Composite	435.73	-1.35%
Singapore	Straits Times industrial	1,510.39	-0.31%
Indonesia	Jakarta composite	508.16	+0.05%

wasn't enough to offset a sharp decline in the financial group, which rallied Friday amid speculation that American Express might join the sudden binge of blockbuster mergers in that sector.

American Express, down 3/4 at 103 3/4, and J.P. Morgan, down 2 3/4 at 142 3/4, were the Dow's two biggest decliners. Travelers Group slipped 3/4, to 64 3/4, despite releasing a better-than-expected report on the first quarter.

Declining issues outnumbered advancing ones by an 8 to 7 margin on the New York Stock Exchange, where volume totaled 597.53 million shares as of 4 p.m., down sharply from Friday's 672.29 million.

The S&P 500 rose 0.93, to 1123.65, but the NYSE composite index slipped 0.10, to 584.01. Both measures closed at record highs on Friday.

The Russell 2000 index of smaller companies rose 1.80 to a record

488.81. The small-company-dominated American Stock Exchange composite index rose 3.58, to 747.95, surpassing its previous best close of 747.19 on April 3.

The Nasdaq composite rose 20.54, to 1887.14, led by Microsoft, up 2 1/2 at 94 1/2; Intel, up 1-5/16 at 76 1/2; and Dell Computer, up 2-3/16 at 69-11/16. The Nasdaq market also drew another boost from the sudden fervor for all things Internet. K-tel International, which recently announced plans to sell its music products on the World Wide Web, surged 12-15/16, to 41 1/2, as the most active Nasdaq issue.

Among other indicators:

- The price of the main 30-year Treasury bond fell \$6.88 per \$1,000 in face value. Its yield rose to 5.92 percent, from 5.87 percent on Friday.
- In late New York trading, the dollar was quoted at 132.15 Japanese yen, up from 131.79 late Friday, and at 1.8012 German marks, down from 1.8083.
- Light, sweet crude oil for May delivery settled at \$15.41 per barrel, down 5 cents, on the New York Mercantile Exchange.
- Gold for current delivery rose to \$307.90 a troy ounce, from \$307.60 on Friday, on the New York Mercantile Exchange's Commodity Exchange.

Radio's Next Wave?

FCC Opens Talks On Licenses for 'Micro' Stations

By PAUL FARHI
Washington Post Staff Writer

Nickolaus Leggett would like tens of thousands of people to have their own radio stations. All it would take, he figures, is \$500 worth of equipment for each, a tiny portion of the airwaves, and the approval of the federal government.

The radio stations Leggett has in mind would be small, no more than one watt of power each, or just enough juice to broadcast a signal for about a mile in any direction. But that would be enough, he says, to bring about a revolution in community communications, as civic groups, small businesses and talkative individuals pumped their messages out.

"Citizens have a right to get on the airwaves one way or another," he says. "... This is a great way to foster that."

Until recently, Leggett's proposal for "micro" stations languished in the back files of the Federal Communications Commission, which regulates use of the public airwaves. Lately, however, Leggett, an obscure technical writer from Reston, has begun to attract some powerful friends, as well as some powerful enemies, with his idea.

FCC Chairman William Kennard, who is eager to boost minority ownership of broadcast stations, has championed the Leggett proposal within his agency. In February, Kennard put the idea out for public comment, a first step in the FCC's lengthy approval process. When the comment period expires next month, Kennard said in an interview, the FCC could move to formally adopt it.

Earlier this month, Kennard

See FCC, C4, Col. 3

FCC, From C1

talked up the idea with the people most likely to oppose it, the country's commercial broadcasters. Speaking to the annual meeting of the National Association of Broadcasters in Las Vegas, Kennard said micro-broadcasting could be one way to counter the falling rates of station ownership by African Americans and other minority groups, and could inspire church groups, neighborhood organizations and small businesses to offer programming that ever-larger radio conglomerates ignore.

"I am interested in opportunity, and I am concerned that there are fewer opportunities for people to use the public airwaves to speak," Kennard said. "We've got to take a close look at this."

Selling the idea to the broadcasters' lobby isn't likely to be easy. Although some of the new stations might compete for advertising with established broadcasters, the association says its primary objection is technical rather than economic.

The organization, which represents some 10,500 AM and FM stations, argues that adding thousands of new stations would cause interference with the signals of established stations. Some broadcasters at the conference cited interference problems caused by unlicensed "pirate" stations, which illegally use low-power transmitters to broadcast into a community.

Edward O. Fritts, the NAB's chief executive, says it would be "folly" for the FCC to add new stations when the radio airwaves are already "overly congested."

Leggett's response: "Malarkey."

An amateur ham radio operator for 30 years, he says there's no evidence that micro stations broadcasting on licensed AM and FM frequencies would interfere with other stations.

Since the signals from the new stations wouldn't be strong enough to overlap with each other, he said dozens of them could share the same small portion of airspace in each city, much like cellular phone transmissions now do. Devoting just a small piece of the AM and FM band for this purpose, he says, would create "thousands and thousands" of new stations nationwide.

"We could use this for community-watch programs, or maybe to tell people that a tree has fallen down on Maple Street," says the 53-year-old Leggett, who came up with his plan last year after reading a Washington Post article about a "pirate" station. "Some of it could be [Spanish-language] programs or news of interest to people" in inner-city neighborhoods, he said. "Whatever the community wants."

Leggett has proposed licensing would-be micro-broadcasters without charge, with preference given to people residing in the community in which the station would operate. He has also asked the FCC to

FCC - W 4U
set minimal technical requirements, so that stations could be operated with equipment costing as little as \$500. To prevent corporations from accumulating licenses, he would limit the number of micro stations one owner could have.

Kennard, a Democratic appointee, said he will review all the public comments before coming to conclusions on specific issues.

In the meantime, the idea is picking up some tentative support among the FCC's four other commissioners and from the Clinton administration. The FCC's inquiry "does not in any way, shape or form compromise" the rights of existing radio broadcasters, FCC Commissioner Harold Furchtgott-Roth, a Republican, said at the NAB convention.

Larry Irving, who heads the Commerce Department's telecommunications-policy arm, agrees with Kennard that the idea could increase localism and diversity.

The creation of thousands of specialized, hyper local stations would counter the radio industry's consolidation trend. A handful of giant radio companies—some of which own hundreds of big-city stations—have emerged since Congress enacted a law in 1996 eliminating restrictions on the number of stations a company can own nationwide.

The buying frenzy has driven prices of stations to record highs, making it difficult for small entre-

preneurs to get into the business. In February, for example, industry giant Chancellor Media Corp. paid \$72 million for WWDC AM and FM, which were among the last major family-owned stations in Washington. Chancellor, based in Irving, Tex., now owns eight stations in the area.

Public-interest groups have criticized the trend, saying big group owners place profit ahead of local community service and diverse programming.

The NAB countered with a survey last week from the nonprofit Advertising Council, showing that radio stations donated \$574 million last year in air time for public-service campaigns, an increase of 6 percent over 1996.

But these public-service ads often fail to address issues of local interest, according to the Benton Foundation and the Media Access Project, two Washington organizations that advocate wider public access to the media. Benton and MAP surveyed stations in five cities during February and March and found that only 0.35 percent of all broadcast hours were devoted to "local" public affairs shows.

Community-based mini-stations would be "a logical response to the demand for more and better local public service programming," said MAP's Andrew Jay Schwartzman. He adds, "We ought to change the regulations and let 10,000 flowers transmit."

The Washington Post

TUESDAY, APRIL 21, 1998

FCR

cc: EK/Tom/CR/
Julie F.

EW Ideas? -BR

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

November 6, 1997

Mr. Bruce Reed
Assistant to the President for Domestic Policy
2d Floor West Wing
The White House
Washington, D.C. 20502

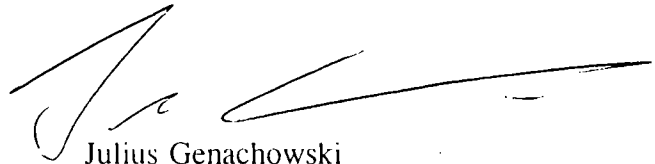
Dear Bruce,

I enjoyed our meeting the other day, as did Bill. Thanks for setting aside the time.

We chatted at the meeting about telephone penetration among different groups, and Bill asked me to send you the enclosed statistics. The contact for any follow up on this or other matters is Susan Fox, who can be reached in Bill's office at 418-1000. (I'm leaving the Commission soon.)

All the best.

Sincerely,



Julius Genachowski

cc: Susan Fox

Statistics¹

Household Telephone Subscribership in the United States

House -holds	Percentage w/ telephones	Percentage w/o telephones
-----------------	-----------------------------	------------------------------

Total	93.9%	6.1%
-------	-------	------

Annual incomes below \$5,000

Total	72.9%	27.1%
Whites	76.4%	23.6%
Blacks	66.0%	34%
Hispanics	64.4%	35.6%
Other ²	66.2%	33.8%

Annual incomes above \$75,000

Total	99.2%	.8%
Whites	99.3%	.7%
Blacks	99.2%	.8%
Hispanics	97.1%	2.9%
Other	97.5%	2.5%

¹These percentages for telephone penetration rates are the latest available from Industry and Analysis. Their current quarter report is not written yet. These percentages are as of July 1997.

²The Other category consists of Asian Americans and Native Americans. The percentages come from the FCC Telephone Subscribership Report--although Industry and analysis says that they are statistically unsound. They also noted that the Asian American population is concentrated in Hawaii, New York, and California.

House -holds	Percentage w/ telephones	Percentage w/o telephones
-----------------	-----------------------------	------------------------------

Racial Categories

Whites	95.0%	5%
Blacks	86.9%	13.1%
Hispanics	87.0%	13%
Other	92.4	7.6%

Cathy Sandoval indicated that Sen. McCain is most interested in Native American penetration rates. For rural Native Americans, their penetration rate is 55%, which is the lowest of any ethnic group. The Navaho Nation has a 35% penetration rate. For Navahoes in San Juan, Utah the penetration rate is 26.5%

Geographic Categories

Urban	(I requested that Industry and Analysis provide with this data. They are working at collecting it. When I receive it, I will forward it to you.)
Rural	

Marital Status³

Married w/ children	95.5%	4.5%
Married w/o children	98.1%	1.9%
Single woman alone	96.2%	3.8%
Single woman w/ children	82.6%	17.4%
Single male alone	87.8%	12.2%

³This data is the latest from Industry and Analysis. It is from 1993. These categories are for civilian (non-military) families.

House -holds	Percentage w/ telephones	Percentage w/o telephones
Single male w/ children	85.9%	14.1%

State Penetration Rates for Members of The Senate Commerce Committee

Arizona (John McCain)	93.4% ⁴	6.6%
Alaska (Ted Stevens)	93.5%	6.5%
Montana (Conrad Burns)	94.4%	5.6%
Washington (Slade Gorton)	96.6%	3.4%
Mississippi (Trent Lott)	89.8%	10.2%
Texas (Kay Bailey Hutchison)	91.7%	8.3%
Maine (Olympia Snowe)	97.4%	2.6%
Missouri (John Ashcroft)	93.7%	6.3%
Tennessee (Bill Frist)	94.5%	5.5%
Michigan (Spencer Abraham)	93.3%	6.7%
Kansas (Sam Brownback)	93.6%	6.4%
South Carolina (Ernest Hollings)	92.0%	8%

⁴These percentages are on a household unit basis. They encompass those households that actually have telephones in their units.

House -holds	Percentage w/ telephones	Percentage w/o telephones
Hawaii (Daniel Inouye)	94.6%	5.4%
Kentucky (Wendell Ford)	93.2%	6.8%
West Virginia (Jay Rockefeller)	93.4%	6.6%
Massachusetts (John Kerry)	95.7%	4.3%
Louisiana (John Breaux)	91.5%	8.5%
Nevada (Richard Bryan)	94.6%	5.4%
North Dakota (Byron Dorgan)	94.6%	5.4%
Oregon (Ron Wyden)	95.2%	4.8%

[I'm having Industry and Analysis to disaggregate these numbers for each state by race and rural/urban areas. I will provide them to you when they are ready]

Computers in the Home⁵

Whites	28.6%
Blacks	13.5%
Hispanics	13.1%

⁵Data from 1994 in survey by The Tomas Rivera Institute.

Computers in the School⁶

Whites	62%
Blacks	51% ⁷
Hispanics	52%

Small Business's Use of Computers⁸

	Total	Women -Owned	Minority -Owned
Desktops/personal computers	60%	52%	69%
Portables/laptops/powerbooks	10%	4%	20%
Computers with Modems	46%	38%	52%
Local area Networks	9%	4%	19%

Small Business's Subscription To Online Services⁹

America Online	36%	29%	31%
Prodigy	5%	-	14%
CompuServe	14%	5%	14%
Other	27%	33%	23%

⁶*Id.* Although the disparity between these numbers for computer use in school seems to suggest a move to equality in access, there still are quality of access issues. For instance, Cathy Sandoval has indicated that in the LA Unified School District for grades K-12, only 200 of 650 elementary schools have internet access. One teacher said that students only have one hour of access per week.

⁷In contrast, Chronicle of Higher Education article dated December 20, 1996 indicated that only 39% of Black students in public schools have access to computers in school as compared to 56% of white students.

⁸1996 Dunn & Bradstreet Survey of small businesses cited by Black Enterprise Magazine.

⁹*Id.*

Broadcast Stations ¹⁰	White	Minority ¹¹
AM Stations	96.2%	3.8%
FM Stations	97.2%	1.8%
TV Stations	96.8%	3.2%

Minorities now own 2.8% of all broadcast properties in the United States. Minorities own twenty-eight fewer broadcast stations than last year. The biggest decline has been in the number of FM stations; minorities owned 127 FM stations last year, as compared to 100 this year.

Women

Commerce does not keep broadcast license data by gender. During 1987-96, the number of firms owned by women in the communications/transportation fields increased by 140%.

FCC auctions have resulted in the sale of 495 licenses to women.

¹⁰United States Department of Commerce, Minority Commercial Broadcast Ownership in the United States (April 1997). The Minority Media and Telecommunications Council estimates that since the passage of the Telecommunications Act of 1996, minority ownership in broadcasting has declined by 15%.

¹¹Minorities own 322 of 11,475 commercial broadcast stations, representing 2.8% of total commercial ownership. Black ownership represents 1.7% of total commercial stations. Hispanic ownership represents 1.05% of total commercial stations; Asian ownership represents .03% of total commercial stations; and Native American ownership represents .04% of total commercial stations.

FCC

TO: Tom Freedman
202-456-6431

From: Julius Genachowski

Tom --

Take a look at the attached article. It's the kind of thing that Bill would find very interesting & that might be a source for policies, messages, events, etc.

-- Julius

From: Julius Genachowski
To: A14.A14.WKENNARD
Date: 9/23/97 2:40pm
Subject: FYI

From Wired News -- Very interesting....

Black Flight to the Net

by Steve Silberman

18 September 1997

The author of a new study reporting a US\$53 million surge in high-tech purchases by African American families in 1996 says that the rush of blacks to the online world is being driven partly by a hunger to find replacements for news and programming that have vanished during a decade of buyouts of minority broadcast outlets by huge conglomerates like Rupert Murdoch's News Corp.

Ken Smikle, president of Target Market News and author of the report, "The Buying Power of Black America," found that African American families are spending more than twice as much per household for online services as their white counterparts. That contributed to a total of \$751 million in high-tech purchases by blacks last year - nearly a five-fold increase since 1993.

"Over the last 10 years, black public-affairs programming has virtually disappeared" from the airwaves, Smikle said in an interview.

Although he described the flight of blacks from broadcast media to the Net as "a revolution ... that no one is seeing," Smikle was joined today in sounding an alarm about decreasing minority ownership of broadcast channels by Larry Irving, assistant secretary of the US Department of Commerce and head of the department's National Telecommunications and Information Administration. Irving told a convention of the National Association of Black-Owned Broadcasters in Washington that "minority ownership is melting away.... We need a renewed public examination and debate about the merits of minority ownership and diversity of voice in the media."

In its annual Minority Commercial Ownership Report, the agency noted the decline of minority-owned stations, clocking a loss of nearly 10 percent (28 stations out of 322) in the number of black-owned radio and TV stations in the past year. The report noted that, although "the decline in black ownership can be ascribed in part to the sale of US Radio, the largest black-owned broadcast company in the US, to Clear Channel Communications ... NTIA also believes that the underrepresentation of minority owners bears a direct relationship to a lack of access to investment capital, and the lack of legislation and policy initiatives that promote minority ownership."

Irving encouraged black broadcasters to "explore opportunities presented by new technologies" - specifically the Internet - as a means of getting minority voices heard in the "growing number of ways for people to get news, entertainment, and information."

"The ability to do audio and video streaming on the Net has opened up new opportunities for broadcasters," Irving said. "We must not continue to work merely with

yesterday's tools, but seize the opportunities afforded by new technologies and their applications."

Joseph Mouzon, vice president of sales and marketing for NatNoir, welcomed the news of the Target Market report, declaring that "the Internet is the Robin Hood of media. It's robbing from the rich the lock-hold they have on distribution of information and programming, and putting the means for that distribution in the hands of poor."

Disillusionment with TV and radio programming that is "of questionable quality for African American adults, to put it very kindly," is driving blacks onto the Net to find accurate representations of their lives and restore a lost sense of connection with local, national, and international black communities, Smikle said.

"Black AM talk radio stations have been an important way for people to stay in touch with local news of their communities, and with this latest wave of consolidation, they're disappearing," he said. "If I want to find out about the truth and reconciliation trials in South Africa, local and national news stations aren't going to touch it.... So where do you go? Chat rooms and black Web sites. On the Internet, I'm four clicks away."

Smikle also observed that while expenditures on hardware and online services increased this year, African American spending on software fell from \$108 million to \$88 million. Smikle believes that this is due to the trend of manufacturers bundling online software with hardware packages, and the fact that "there's not a lot of Afrocentric software out there. The real items of black interest are on the Net, and in places like the Black Voices forum on AOL. If you come up with software that meets the needs [of African Americans], you'll be virtually alone in doing so."

Smikle predicted that "the fundamental exchange of information between manufacturers and black consumers is going to happen online."

NetNoir's Mouzon believes that black owners of broadcast outlets shouldn't be vilified for selling out to mega-moguls like Murdoch. "It's not like these stations are being stolen. Murdoch is going to the owners and saying, 'I'll give you 10 times your revenue.' We're all out here to make money. You can't stop capitalism for some social reason."

Mouzon noted, however, that the Net can be a valuable organizational tool for blacks who are angry about underrepresentation.

"Last year, Murdoch's Fox TV network canceled the two highest-rated black shows, *New York Undercover* and *Living Single*," Mouzon explains. "It was only because of a huge outcry from the black community that those shows were restored. Some of that outcry was driven by the Internet gathering steam."

"When bandwidth increases," added Mouzon, "you're going to have the producers of those shows going to the Net, delivering them right to the people who want to see them. They won't have to play the Murdoch game."

Mouzon hopes that advertisers heed the implications of the Target Market study. "I need Madison Avenue to recognize that ... it's less expensive for Honda to target an affluent African American on the Internet than on TV or radio."

Though an Associated Press report on Tuesday about "The Buying Power of Black America" enthused that the study disputes "concerns that black households are being left behind in a computer-oriented world ... [and] suggests they are quickly driving onto

the information superhighway." Smikle is careful to note that "there is a real need to be concerned about low-income households and their ability to have access" to the technology.

A report released by the Educational Testing Service in May painted a grim picture of low-income black students being left in the virtual dust by the computer revolution in schools. The US Department of Education recommends that the ratio of students to computers in schools be 5 to 1, but in schools where minority enrollment is more than 90 percent, that ratio is a dismal 17 to 1, and 30 to 1 for high-tech rigs with enhanced graphics and video capabilities. At the poorest schools, 35 students fight for the use of a single computer. Richard Coley, a researcher for the ETS, told The Washington Post, "The kids with the most needs are getting the least access."

Organizations like Herbia Hancock's Rhythm of Life, and Plugged In, in predominantly black East Palo Alto, California, are on the front lines of the battle to give poor kids a ramp up. Offering access to the Net, computing classes for adults, after-school programs, and even such basic resources as the use of copy machines, Plugged In, supported in part by donations from Silicon Valley giants like Intel and Hewlett-Packard, serves the needs of those who can't afford the hardware, much less monthly fees for online services.

Instructor Rebecca Matthews said that low-income families from as far away as San Francisco (30 miles north) call the organization, pleading for the loan of a computer for their children's use. For those who are being "forced off the welfare rolls by welfare reform," Matthews said, "having access to a computer is access to a whole new world. They need these skills to get jobs."

Matthews points out that the embrace of Internet technology by the main traditional vehicle of information exchange in the African American community - the church - is adding to the push for blacks to get online. "Since slavery, churches have always been the medium for getting social and economic news around. In the last year, several churches have asked us to build Web sites for them.... When the churches open their doors to the Net, people get computers in their homes."

Noting that "middle-class African American families are making the same sacrifices [to buy computers] that they made to get hundred-dollar sneakers and Nintendo 64s," Smikle foresees a huge potential for companies that would market last year's high-tech models to middle- and lower-income black families.

"Car dealers figured that out awhile ago, after they started offering five- or six-year leases on cars to clear the lots. Who do you think was buying those cars when they got turned back in?" Smikle said. "If you've got a 486, that's all you need. The first company that figures this out is going to make a killing."

"Black people have never been scared of technology. We're early adopters," Mouzon observed. "Whether you're talking about pagers or cellular phones or the Net, we gravitate toward anything that helps us communicate effectively because we like to talk."

CC: A15.A15.LBAYNES, A20.A20.RPEPPER, A14.A14.SFOX, A8...

Commissioner of Statistics Becomes One Temporarily

By John M. Berry
Washington Post Staff Writer

Katharine G. Abraham spent her last day as commissioner of labor statistics packing up and moving out of her office yesterday because the Senate has not yet confirmed her reappointment.

Unlike most other senior federal positions, the head of the Bureau of Labor Statistics serves a set four-year term and is not allowed to remain in the job pending confirmation. She had to vacate her office because she is no longer authorized to have access to sensitive data, such as the monthly unemployment figures, prior to their public release.

The White House sent Abraham's nomination to the Senate Labor Committee only last month. A committee spokesman said no date has been set for a confirmation hearing. With Congress planning to adjourn next month, Abraham might be out of her office until sometime next year.

Meanwhile, some key, potentially controversial decisions for the agency are pending, such as whether and how to adjust the consumer price index (CPI) and others on BLS's federal salary survey. And the absence of a commissioner is not going to help morale within the agency, which has

suffered because of the recent public debate over the accuracy of the CPI and complaints about the accuracy of some other statistics, such as those tracking productivity.

William G. Barron, who has been deputy commissioner of the bureau for more than a decade, will take over as acting commissioner in Abraham's absence, as he did for nearly two years between the departure of Commissioner Janet Norwood at the end of 1991 and Abraham's arrival four years ago.

When Abraham, a University of Maryland economist, was first picked for the job by President Clinton in 1993, her nomination was so noncontroversial that the labor committee did not bother to hold a confirmation hearing.

It is not clear whether there is any opposition now, but some Labor Department officials fear there might be because of Abraham's resistance to making major changes in the way in which the CPI is calculated.

Many economists believe the CPI, which is used to determine cost of living increases in Social Security, federal pay, military pensions and other federal benefits, overstates inflation. The CPI also is used to adjust tax brackets for the effects of inflation.

As part of the drive to balance the federal budget, some members of Con-



Katharine G. Abraham, commissioner of labor statistics, moved out of her office because the Senate has not yet confirmed her reappointment.

FILE PHOTO

gress and some Clinton administration officials wanted the index changed to show a lower inflation rate. That would have trimmed future raises in federal benefits and increased tax revenue.

BLS has made some changes to improve the CPI, with more planned for the beginning of next year and others to come a year later.

However, Abraham rejected several other proposals, particularly ones for measuring quality changes in goods and services, on the grounds that BLS could not use subjective criteria in calculating the index.

Norwood, who is now with the Urban Institute, said she doubted that the CPI controversy is playing a role in Abraham's confirmation.

"People are beginning to understand the CPI problem better," particularly that the issues are "not so simple," said Norwood.

Barron said he is concerned that whether or not the CPI is a factor in Abraham's confirmation, a delay in

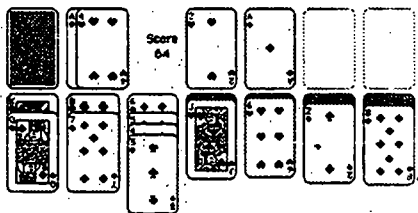
processing the nomination might make it appear that way.

"We don't want the staff here looking over their shoulder when they make technical decisions," he said. "That's a special problem when we are operating in a contentious atmosphere."

Asked about the delay, White House national economic adviser Gene Sperling said, "If some feel the timing was late, it was certainly inadvertent. It was a unanimous view of the top economic officials of the administration that her tenure should be renewed based both on her competence and the importance of maintaining BLS independence. We hope she will be reconfirmed as soon as possible."

Abraham declined to discuss her status or plans. "I am very pleased to have been renominated by the president and I look forward to talking with members of the committee that will be considering my appointment," she said. Labor Department officials yesterday were trying to find her a temporary position in another statistical agency.

A Reprieve For Gamers



Federal employees can keep on playing.

Congressional negotiators have

dropped a measure sponsored by Sen. Lauch Faircloth (R-N.C.) that would have required federal agencies to remove computer games—such as Minesweeper, a logic puzzle, and the card games hearts and solitaire—from all government computers.

The Faircloth ban, which was approved by the Senate in July, did not survive the recent negotiations between the Senate and House on the fiscal 1998 Treasury Department, Postal Service and general government appropriations bill.

But Faircloth, who contended that "it is absolutely ludicrous that the taxpayers are paying people to play computer games" in federal offices, is not giving up.

"I've received assurances that this issue will be studied so we can find the best and least expensive method of removing games from government computers," Faircloth said. "No one I've spoken with or heard from has yet to make the argument to me that these computer games are necessary."

—Stephen Barr

Agreement Precludes Lawmakers From Retirement System Switch

House and Senate negotiators agreed yesterday to exempt lawmakers from a plan Congress approved that would allow long-serving federal workers to switch retirement systems and potentially boost their pensions.

Under a provision added to the Transportation Department funding bill for the spending year that began last Wednesday, all other federal workers hired since 1983 would have a six-month period next year in which to switch from the Civil Service Retirement System (CSRS) to the Federal Employee Retirement System (FERS).

CSRS, which has been closed to new entrants since 1983, does not qualify recipients to collect Social Security benefits. The newer FERS allows for investments in stocks and Social Security

benefits in addition to a regular pension. Switching plans could have been a boon for longtime lawmakers who have qualified for the maximum benefits under CSRS.

Rep. David R. Obey (Wis.), the House Appropriations Committee's top Democrat, pressed for excluding lawmakers, saying few lawmakers were aware of the provision, added to the measure by Senate Appropriations Committee Chairman Ted Stevens (R-Alaska), when it was voted on last week.

"That created a problem in the eyes of many members of the House," Obey said. "They felt it was inappropriate as it related to members of Congress."

Lawmakers are sensitive to the appearance of increasing their own benefits.

—John E. Yang

The Washington Post
WEDNESDAY, OCTOBER 8, 1997

Collegiality Replacing Confrontation at FCC

Likely New Chief Kennard Is Consensus-Builder

By Mike Mills
Washington Post Staff Writer

The man in line to be next chairman of the Federal Communications Commission is known around the telecommunications industry as "Hundt without the horns."

When asked about the differences between William E. Kennard, general counsel of the FCC, and Reed E. Hundt, the boss he is set to replace, people who know both men point mainly to style rather than substance.

"His personality will be different from Reed's," said Richard Wiley, who was FCC chairman from 1974 to 1977 and now lobbies the agency. "He'll get along a lot better with his colleagues. It will be a lot kinder, gentler, more collegial environment than it is right now."

The Senate Commerce Committee is scheduled to vote today on Kennard's nomination as chairman, and congressional aides predict no opposition. The panel also plans to vote on three other FCC nominees, Democrat Gloria Tristani and Republican candidates Harold Furchtgott-Roth and Michael Powell.

While aides say all four would win easy approval on the Senate floor, Kennard may have trouble getting a vote. Sen. Jesse Helms (R-N.C.) may

block a vote on Kennard's nomination as part of his efforts to help a constituent businessman get an FM radio license. Phone calls to Helms's office seeking comment were not returned; Commerce Committee Policy Director Mark Buse said, "We're working with Senator Helms's staff to see if we can get his concerns addressed."

See FCC, C14, Col. 2

FCC, From C13

At the age of 40, and with 15 years inside the realm of Washington telecommunications policy, Kennard has proven he's a consensus-builder, a top-notch litigator and a dedicated civil servant, according to people who know him. He would be the first African American to run the FCC.

"When people meet with him, they feel they get a fair hearing," said Toni Cook-Bush, a longtime friend of Kennard's who lobbies the agency for the law firm Skadden, Arps, Slate, Meagher & Flom. "He's not one to rush to judgment, where you feel like it was a waste of time to go see him."

Now it's time for Kennard to show he can lead the FCC through one of the most crucial periods of the fast-changing telecommunications industry.

Kennard's FCC would likely be the one that decides when, and how, the regional Bell companies should be allowed into the long-distance business. Also high on his list would be defending controversial FCC rules, overturned by a federal court, that direct states to set certain pricing guidelines for local telephone companies that let new competitors use their lines and switches.

Lawmakers would be watching to make sure he untangles the current complex web of telephone subsidies in such a way that fosters competition without making rural telephone rates go up. And he would oversee broadcasters' transitions to new digital television and radio formats.

All that may leave little time for Kennard to press any further policy goals of his own, many analysts predict. "Bill's agenda will be predetermined from congressional mandates and inherited deadlines," said Andrew Jay Schwartzman, president of the Media Access Project, an advocacy group on broadcast policy.

Hundt was highly opinionated and often combative. Though he usually won unanimous decisions at the FCC, he often had to struggle to get them.

Hundt clashed frequently with fellow Democrat James H. Quello over such controversial issues as television ratings and the auctioning of broadcast licenses. Kennard, by contrast, would enjoy a solid 3 to 2 majority vote in cases where issues split along party lines.

Apart from the obvious personality differences, even Kennard concedes the distance between his views and those of Hundt is narrow. They are "different in degree, but as far as wholesale changes, nothing comes to mind immediately," he said at his confirmation hearing last week.

That comment was Kennard's only slight misstep before the Senate panel. Sen. John McCain (R-Ariz.) sharply asked Kennard to give it more thought and provide an answer in writing.

Kennard attended Yale Law School, and worked as a legal intern at The Washington Post Co. for a month in the

summer of 1979. After graduating in 1981, he worked as an attorney for the National Association of Broadcasters. From there he befriended then-NAB chief counsel Erwin Krasnow; both ended up at the law firm of Verner, Lippert, Bernhard, McPherson & Hand, where they represented broadcasters, cable television operators and cellular telephone providers.

Kennard was named general counsel of the FCC in December 1993. During his tenure, the FCC's win record in the U.S. Court of Appeals rose from 55 percent to 85 percent.

Kennard and Susan Ness, the only current commissioner who is not about to leave, are far more detail and process oriented than their predecessors, analysts say. Quello and recently departed commissioner Andrew C. Barrett were part of a fading tradition of back-room politickers at the agency, who brokered deals among industry giants but largely left policy details to staff.

In fact, the FCC seems about to turn into a convocation of policy wonks like never before:

■ Furchtgott-Roth would be the first PhD economist to serve as a commissioner; he helped draft the 1996 law that overhauled the telecommunications industry.

■ Powell has been chief of staff in the Justice Department's antitrust division, which among other things handles issues related to the regional Bell companies' impending entrance into the long-distance business.

■ Tristani is a member of the New Mexico Corporation Commission, the body that regulates phone service in that state.

"This is one of the most talented commissions ever put together," Hundt said in an interview. "To be honest, Susan, Rachele [Chong] and I came with not two pounds of experience between the three of us. This is a group that arrives with a lot of experience."

The Washington Post
WEDNESDAY, OCTOBER 8, 1997

The primary role of government in the New Economy is **consumer protection and information**.

- *Consumer protection:* The robust competition and pace of technological change in the New Economy provides us with many choices. Unfortunately, there are those – such as slammers and crammers -- who wish to exploit the marketplace with unscrupulous practices and outright deception.

Slamming (the unauthorized switching of one's phone service to another company) is the FCC's largest source of phone-related complaints. Last year alone, the FCC received more than 20,000 complaints, a 60% increase from the previous year.

In response, the FCC has issued approximately \$13 million in fines this year against slammers and even shut down a particularly delinquent company. Also, the FCC passed new rules that will go into effect early in this coming year:

If a consumer gets slammed, they are now absolved from paying the slammer's bill. Verification procedures for a switch in service have been tightened. "Welcome packages" (a system where the consumer had to respond to a junk-mail looking letter to avoid having service changed) have been banned. And now there are only three ways for a phone company to get final permission to switch service: a signature on an authorization form, an electronic authorization such as a call to a toll-free number, and verification done by a independent third-party.

Policy recommendations: The current rules are as stringent as they possibly can be. The remaining problem is one of enforcement capabilities. Presently, we have 26 full-time employees handling 77,000 complaints. It translates into approximately 2960 complaints per employee in 1998.

We need to take the policies that worked in our cities and apply them to cyberspace:

Zero tolerance for those who rather cheat than compete in the New Economy.

For egregious and intentional slammers and crammers, one strike and you're out.

And more "cops" on the beat with the resources to catch the worst offenders, stop new offenders quickly, deter those contemplating to break the law, and allow fair competition to flourish.

I urge the Congress to provide the FCC and the FTC with additional funding (FCC, \$5 million) so they can move from reactive enforcement to proactive policing.

- *Consumer Information:* Consumers need clear information so that they can make responsible and informed choices in the New Economy. In the world of convergence,

voice, video, and data services will increasingly come from the same provider and be on one bill. As bills become more confusing, so will the likelihood of fraud. You should be able to read your bill and know what you are paying for.

Cramming is the placement of additional, unexplainable charges on a phone bill. So far this year (1998), the FCC has received 4,225 complaints about cramming.

In response to this growing problem, the FCC has issued a Notice of Proposed Rule Making (NPRM) regarding truth-in-billing on telephone bills. In it, the FCC asked for comments on how phone bills can highlight any changes in service and which company is responsible for which part of the bill (i.e. local or long-distance).

In the NPRM, the Commission proposed that the name of a service provider be clearly and conspicuously identified with its charges and that each charge be accompanied by a brief, plain language description of the service rendered. And since consumers may fear that their service could be terminated for non-payment of questionable charges, the Commission also asked whether telephone bills should identify those charges for which non-payment could result in termination of basic telephone service.

Finally, the Commission stated its goal that bills contain clear and conspicuous disclosure of any information consumers need to make inquiries about charges. The Commission therefore proposed that each bill contain the name of each service provider, a business address, and a toll-free telephone number for the receipt of consumer inquiries and complaints.

After comments are collected, the FCC can vote on changing these rules (to happen in the coming months). However, there is a question of jurisdiction over these bills. The FCC has jurisdiction over the practices of long-distance carriers, but it is not clear whether the FCC has the authority to regulate the organization and presentation of information on local phone company bills.

Policy Recommendations: The President can urge the FCC to pass truth-in-billing rules, and ask Congress to give the FCC the authority or to pass legislation itself mandating truth-in-labeling for the Information Age (phone, cable, Internet, satellite, cellular). Just as Progressives in the beginning of the 20th century mandated clear labeling of the medicines we take and the food we eat, we must do the same for the central products of the New Economy.

The President can also announce the creation of a one-stop website and toll-free number to provide consumer information and link consumers to the appropriate place for enforcement action (FCC, FTC, Justice, states, etc). Presently, the FCC has a website with consumer information, but there is no central government clearing-house. Even most experts would not know to whom to turn with a complaint about their Internet service. This situation will become only more confusing as convergence comes.

FCC
Consumer

The primary role of government in the New Economy is consumer **protection** and **information**.

- *Consumer protection:* The robust competition and pace of technological change in the New Economy provides us with many choices. Unfortunately, there are those – such as slammers and crammers -- who wish to exploit the marketplace with unscrupulous practices and outright deception.

Slamming (the unauthorized switching of one's phone service to another company) is the FCC's largest source of phone-related complaints. Last year alone, the FCC received more than 20,000 complaints, a 60% increase from the previous year.

In response, the FCC has issued approximately \$13 million in fines this year against slammers and even shut down a particularly delinquent company. Also, the FCC passed new rules that will go into effect early in this coming year:

If a consumer gets slammed, they are now absolved from paying the slammer's bill. Verification procedures for a switch in service have been tightened. "Welcome packages" (a system where the consumer had to respond to a junk-mail looking letter to avoid having service changed) have been banned. And now there are only three ways for a phone company to get final permission to switch service: a signature on an authorization form, an electronic authorization such as a call to a toll-free number, and verification done by a independent third-party.

Policy recommendations: The current rules are as stringent as they possibly can be. The remaining problem is one of enforcement capabilities. Presently, we have 26 full-time employees handling 77,000 complaints. It translates into approximately 2960 complaints per employee in 1998.

We need to take the policies that worked in our cities and apply them to cyberspace:

Zero tolerance for those who rather cheat than compete in the New Economy.

For egregious and intentional slammers and crammers, one strike and you're out.

And more "cops" on the beat with the resources to catch the worst offenders, stop new offenders quickly, deter those contemplating to break the law, and allow fair competition to flourish.

I urge the Congress to provide the FCC and the FTC with additional funding (FCC, \$5 million) so they can move from reactive enforcement to proactive policing.

- *Consumer Information:* Consumers need clear information so that they can make responsible and informed choices in the New Economy. In the world of convergence,

✓

↙

voice, video, and data services will increasingly come from the same provider and be on one bill. As bills become more confusing, so will the likelihood of fraud. You should be able to read your bill and know what you are paying for.

Cramming is the placement of additional, unexplainable charges on a phone bill. So far this year (1998), the FCC has received 4,225 complaints about cramming.

In response to this growing problem, the FCC has issued a Notice of Proposed Rule Making (NPRM) regarding truth-in-billing on telephone bills. In it, the FCC asked for comments on how phone bills can highlight any changes in service and which company is responsible for which part of the bill (i.e. local or long-distance).

In the NPRM, the Commission proposed that the name of a service provider be clearly and conspicuously identified with its charges and that each charge be accompanied by a brief, plain language description of the service rendered. And since consumers may fear that their service could be terminated for non-payment of questionable charges, the Commission also asked whether telephone bills should identify those charges for which non-payment could result in termination of basic telephone service.

Finally, the Commission stated its goal that bills contain clear and conspicuous disclosure of any information consumers need to make inquiries about charges. The Commission therefore proposed that each bill contain the name of each service provider, a business address, and a toll-free telephone number for the receipt of consumer inquiries and complaints.

After comments are collected, the FCC can vote on changing these rules (to happen in the coming months). However, there is a question of jurisdiction over these bills. The FCC has jurisdiction over the practices of long-distance carriers, but it is not clear whether the FCC has the authority to regulate the organization and presentation of information on local phone company bills.

Policy Recommendations: The President can urge the FCC to pass truth-in-billing rules, and ask Congress to give the FCC the authority or to pass legislation itself mandating truth-in-labeling for the Information Age (phone, cable, Internet, satellite, cellular). Just as Progressives in the beginning of the 20th century mandated clear labeling of the medicines we take and the food we eat, we must do the same for the central products of the New Economy.

The President can also announce the creation of a one-stop website and toll-free number to provide consumer information and link consumers to the appropriate place for enforcement action (FCC, FTC, Justice, states, etc). Presently, the FCC has a website with consumer information, but there is no central government clearing-house. Even most experts would not know to whom to turn with a complaint about their Internet service. This situation will become only more confusing as convergence comes.