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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

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THE WHITE HOUSE

PRESS CONFERENCE

OF

PETER M. FLANIGAN, ASSISTANT TO THE PRESIDENT,

AND

CLAY T. WHITEHEAD, STAFF ASSISTANT

AT 12:00 Noon, EST.

MR. ZIEGLER: I think you have had a minute to read over the statement in which the President announces the Administration's recommendation on the utilization of communication satellites for domestic telecommunications services.

Peter Flanigan, Assistant to the President, has been involved in the study group which led to this recommendation. Tom Whitehead, on Mr. Flanigan's staff, headed up the study group. They are here to discuss it with you.

I think Peter can take it from this point.

MR. FLANIGAN: Ladies and gentlemen, the issue of Federal policy regarding the use of satellites in domestic communications has been unresolved since 1965. When this Administration came into office, we determined that now was the time to resolve that as far as the Executive arm of Government policy is concerned.

Mr. Whitehead headed a working group that directed itself for several months to the economic and technological questions involved, and on the basis of those studies we have worked to prepare a policy statement that was agreed upon by the agencies in the Federal Executive branch that are involved in these matters.

The proposals were sent today to the FCC, which will now consider, presumably, filings for the establishment of satellite systems. They will determine whether or not they agree with this policy statement.

It has, for your information, been discussed with Chairman Burch. It has not been put before the whole Commission. Chairman Burch has not committed himself. He said he sees no objection to it, but it would be improper to say that the FCC agrees with the complete policy.

The statement you have recognizes that a flexible policy is necessary if we are to stimulate to the most extent innovative effort by private industry. We encourage commercial systems to be put up as soon as they are economic. We don't attempt to direct private industry to put them up before they themselves believe they are economic.

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We very much stress the need to set up a domestic satellite system so that it will be competitive. We think that in this area, particularly with regard to special services, that competition can be the regulating factor with regard to rates.

We further recognize that this is an area in which technological change will be very fast. We will know a great deal more about it in a few years. The economics of it are still all prospective, at least as far as domestic communications satellites are concerned. We will know more about that in a few years and we recommend that after some experience in these areas are gained, they again be reviewed by the FCC. We are not trying to establish for all time what we think the appropriate policy should be.

Because the subject has been discussed over a period of time, I am sure some of you have some familiarity with it, and have a few questions you would like to ask. We will be happy to give you any answers we can.

Q When you speak of satellites for domestic use, domestic satellite systems, you are speaking of satellites for communications within the United States?

MR. FLANIGAN: That is correct.

As you know, we already have them abroad, run by INTELSAT, of which COMSAT is our member and is operating that system.

Q As for wanting this competitive, does this mean that your position is that somebody other than AT&T should be operating satellites? I mean, somebody as well as AT&T?

MR. FLANIGAN: We say they may operate satellites, not that they should. If they have an economic venture, they would like to engage in, they certainly should have the right to do so.

For instance, if somebody wanted to put up a special service satellite to carry television channels to be used for massive movement of data for computers, there is no reason on earth in our view that they should not have the right to establish such a system.

Q I use this only as an example, but if a network, for example, a broadcast network, T.V. and radio, wanted to put up its on satellites, it is this paper's position that they should be so allowed to do?

MR. FLANIGAN: That is correct.

Q Would this also include ownership and operation of ground stations?

MR. FLANIGAN: Yes, it is a system.

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Q How many separate systems do you think can be accommodated?

MR. WHITEHEAD: We looked at that in quite a bit of depth and it depends on a lot of factors, such as standards for antenna diameters, locations of the systems, which parts of the United States you want to serve. We concluded with the current economic state of the art, and serving the contiguous 48 States, that on the order of 15 to 20 satellite systems could be accommodated.

Q Is that just satellites or satellite systems?

MR. WHITEHEAD: Satellites.

Q How many systems?

MR. WHITEHEAD: That depends on how many satellites you want in your system. One system might have one satellite serving the contiguous United States and maybe another reaching out into Hawaii and Alaska. When you start talking about Hawaii and Alaska, you open up new orbital uses.

Q Did you say could or should be accommodated?

MR. WHITEHEAD: Could.

Q You are saying that the highest number of satellites you could have feasible over the United States would be 20?

MR. WHITEHEAD: If you wanted to serve the entire contiguous 48 States with one satellite, 20.

MR. ZIEGLER: I don't think that is clear.

Q Let me make an example. If I have a satellite system and it requires 10 satellites to use this system and put it up, does that mean that there will be room for only another ten satellites? How does this work?

MR. WHITEHEAD: What I am saying is that there is room up there for 15 to 20 satellites that will each cover all 48 contiguous States. A system that employed ten satellites would leave room only for ten more. However, it is important to realize that not every satellite has to cover the entire contiguous 48 States.

Q You mean there is only enough room up there for 20 satellites? There is a lot of space.

MR. WHITEHEAD: It depends on the antenna diameters, the power of the satellites. The 20 figure I gave you is for the current state of the art. We feel it is quite feasible to expand that with larger antenna sizes, with more powerful satellites, so that the resources could be expanded to cover 40 or 50 satellites.



Q How about regional systems, like a system covering New England, would that add to that 20 or so?

MR. WHITEHEAD: A system covering New England only would not have to use one of those 20 slots.

Q In other words, if you are willing to double your investment to cover the entire United States, you would have room outside of the space for the 20?

MR. WHITEHEAD: That is correct.

Q In the old days, they were saying these satellites would make possible ten cent calls all across the United States -- a call anywhere would cost ten cents, and you would almost eliminate the fixed rates. Is that sort of rate reduction in prospect now?

MR. WHITEHEAD: I truthfully don't know. It would depend on the economics of how the telephone companies used it in their system.

Q How radical an effect is this going to have on the cost and the convenience?

MR. WHITEHEAD: Based on our study, we are uncertain whether or not telephone companies will find satellites useful for their providing of telephone service. It is very likely, therefore, that this will have no impact.

Q What is the big impact, CATV?

MR. WHITEHEAD: Distribution of television signals and high speed data.

Q Can you make a similar statement about television? How soon might a network put satellites up and what advantages might that bring to television?

MR. FLANIGAN: Let me bring up the fact that the 1965 date was the date that ABC suggested they wanted to put up their own system. That is an idea of the kind of enthusiasm.

Tom, why don't you follow that up.

MR. WHITEHEAD: The current estimates are that we could have a system in operation in two years.

Q Is it economically feasible that they might do that?

MR. WHITEHEAD: I don't know.

Q What advantages would that be to somebody's television reception?

MR. WHITEHEAD: Essentially, none.

MR. FLANIGAN: I would like to get back to telephone call rates. That is a question that ought to be directed to the FCC who controls those rates. They have been authorized to make a substantial investigation in the systems and that will continue to be in the telephone companies' rate basis for the determination of rates.

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Q What we are getting at is a question of logic. Does it not stand to reason that if a telephone company would employ a satellite for longline calls that the cost of these calls should go down?

Q Or the profit of the company go up?

MR. FLANIGAN: If the investment in the satellite provides them with an ability to service the calls cheaper with regard to their whole system. I would think on the rates of users, that is a problem that the FCC addresses itself to and it is not one in rate cases, as you gentlemen know well, that the White House should involve itself.

Q Could I ask you about one of the key sentences in this statement? It says it is concluded that the Government policy is that we should go ahead with this, but there is no reason to call for an immediate establishment of a domestic satellite system as a matter of public policy.

That leads me to infer that somebody was in favor of this public policy of a satellite system. Could you give us a little background on that?

MR. FLANIGAN: Admittedly that sentence was added later and it was added for the reason that we are trying to say here that what we are clearing up is the Federal policy with regard to the use of these things. We are anxious to say now that our policy should not be inhibitant to the establishment of such a system by private enterprise. We are not trying to suggest that now is the time they must do it. They have to make up their own minds, based on the economic results to them of establishing a satellite system.

Q Was there a faction or a force in the communications community that said it ought to be done as public policy?

MR. FLANIGAN: Do you mean it ought to be done by the public?

Q Right.

MR. FLANIGAN: Well, there was a point of view that one system only, strictly regulated, made available to all users, was a solution here. We thought that that was not as flexible, would not serve as well the public as the availability of the systems proposed here.

Q Wasn't that point of view advanced by COMSAT primarily and by AT&T at first?

MR. FLANIGAN: I think that is correct. They are aware of this, and perhaps are not universally enthusiastic.

Q They were briefed on this, I understand, yesterday. Were both COMSAT and AT&T briefed on this in advance?

MR. FLANIGAN: They have been informed. AT&T came in to see us and asked what was going on and we told them. It is interesting. This has not obviously be unknown in the communications industry that this problem was being considered.



AT&T told us when they came in here and requested an opportunity to talk to us, that their own position had changed rather substantially by virtue of this study, and that they were not discouraged by the direction in which this study was going.

Q Why should AT&T have any advance knowledge of the findings of this study?

MR. FLANIGAN: Because they called and asked about it.

Q If I called and asked, would I have gotten that advance knowledge?

MR. FLANIGAN: If another communications company called up and said they would like to express their opinion with regard to the study that was broadly reported to be underway, we would have said we would be glad to have your opinion.

Q But what you are saying is that you gave AT&T information about what was in your recommendation, which is different, I think.

MR. FLANIGAN: When they came in and said we believe that initially there ought to be one single system, we said, well, there is certainly an alternative to that. We think that you have to equally consider several systems with free entry, and they have continued to give us their opinion on this thing, and we have discussed the alternatives. We did not release to them, to my knowledge, the results of our policy discussions.

Q I thought that is what you were saying you did yesterday.

MR. FLANIGAN: I did not say that.

Q Didn't Mr. McCormack from COMSAT come over yesterday for a briefing?

MR. WHITEHEAD: We discussed it with him.

Q How about AT&T?

MR. WHITEHEAD: We discussed it with them.

Q Who is the AT&T representative?

MR. WHITEHEAD: Their Vice President for Government Relations.

Q What is his name?

MR. WHITEHEAD: Mr. Crossland.

Q How binding is this policy on the FCC?

MR. WHITEHEAD: It is not binding. The FCC is the regulatory agency, and this is our recommendation to them.

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Q When will they decide on this?

MR. WHITEHEAD: The Chairman has indicated publicly that he puts this high on his agenda.

Q How high?

MR. WHITEHEAD: You will have to ask the Chairman.

Q Does he have to have a request from some specific agency before the FCC can act or can they issue a statement of public policy first, and then entertain requests to go ahead with the system?

MR. WHITEHEAD: I believe they can do it later.

Q You said a moment ago we can have a system in operation in two years. What do you mean by that, one domestic system?

MR. WHITEHEAD: I am saying that from my conversations with the communications companies they indicate that it is technologically feasible to have a system operating in two years. It takes a two-year lead-time.

Q How do you respond to the COMSAT position that it is the only one under law that is entitled to launch a commercial satellite under its charter through the Congress?

MR. WHITEHEAD: Well, COMSAT has never really taken that position formally. We considered it at first, in looking at the act, and we concluded to the contrary.

Q You say no legislation is needed for this?

MR. WHITEHEAD: That is correct.

Q How are people going to get satellites launched?

MR. WHITEHEAD: NASA would provide launches on a cost reimbursable basis.

Q Are they authorized to do that?

MR. WHITEHEAD: They believe they are.

MR. FLANIGAN: Didn't they do it for COMSAT?

MR. WHITEHEAD: Yes.

MR. FLANIGAN: There are others who requested it, and they believe they have the right to do it.

Q Could the networks combine to put up one system which all of them could use or would each network have to put up a system of its own?

MR. WHITEHEAD: Under this this policy, it would be their choice.

Q They could do either. But it is technically possible for all to use one system?

MR. WHITEHEAD: I believe it is.



Q Are there any anti-trust implications in that?

MR. WHITEHEAD: Yes, there are. In the memo to the Chairman, you will see a requirement that if a group of common users get together to set up a system, we believe there should be some policies that require them to allow some other similar user to come in.

Q Have they not indicated they want to do that as a threat to AT&T?

MR. WHITEHEAD: I don't know about their motives, but I think they are considering whether or not they want to do it.

Q Would this see the reduction of use in coaxial cables, microwave and other systems in commercial television?

MR. WHITEHEAD: No, we did not get into that at all. We were talking about how people should be allowed to get into the satellite business.

Q What is the criterion for somebody who wants to file, economic or technological?

MR. WHITEHEAD: That is set out in detail in our memorandum.

Q Is there a domestic satellite available now?

MR. WHITEHEAD: No.

Q They are all international?

MR. WHITEHEAD: Yes.

Q What is the possibility of the establishment of this for a public television network?

MR. WHITEHEAD: Well, I think if a system is set up for distributing television signals by COMSAT or AT&T or any other concern, I assume the public television network could buy space on that system. If the networks get together to set up their own jointly-owned system, then I think the corporation would consider joining with that.

Q What is the relationship of the domestic system to the INTELSAT system, as far as your policy is concerned?

MR. WHITEHEAD: There is really no necessary connection. It has to be technically compatible, of course.

Q Would the Ford Foundation subsidize public television with the network fees? Is there anything parallel to that in this?

MR. WHITEHEAD: As you know, the FCC is concerning itself with the question of rates for the corporation, and we view that as a separate matter.

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MR. FLANIGAN: It just is not touched here.

Q On the question of rates, could I get some clarification? In saying that economics should determine the rates, does this mean you are recommending the FCC should have no rate-making authority in the domestic satellite operation?

MR. FLANIGAN: That doesn't suggest it with regard to telephone companies and the like. We are saying if a satellite system is there, such as one that is set up to carry masses of information for computers, that should not be regulated.

Q But only the telephone aspect should come under rate regulations?

MR. FLANIGAN: That is right.

MR. WHITEHEAD: We are saying that they should allow competition to regulate until they see some reason to come in.

Q Don't all these have to go through the FCC first?

MR. WHITEHEAD: Yes.

Q And therefore, wouldn't they be in a position in the judging process to determine whether the rates are reasonable?

MR. WHITEHEAD: That is right, they would be. What we are saying is that on specialized systems, that should not be a consideration.

Q What are the advantages of the system if it doesn't include the TV and doesn't do anything to the telephone business?

MR. WHITEHEAD: It presumably would give some of the users of telecommunications system more flexibility and economic savings. We assume these economic savings would be passed in some way to the general public.

Q What makes you say that?

MR. FLANIGAN: Competition.

Q Mr. Flanigan, on the advantages, the theoretical advantages, would they include being fool-proof, as far as weather is concerned, do you know?

Let me go a step further, It is traditional in our country that during bad weather, snow and ice, in Washington and other parts of the country, that telephone service conks out, and families are stranded. Is it possible that our telephone systems could fall back on a satellite, for example? That is why I asked is it fool-proof.

MR. WHITEHEAD: It is not fool proof. Satellites have different weather problems than others.



Q So that is not what you have in mind?

MR. WHITEHEAD: No.

Q How many circuits could one of these domestic satellites have, how many transmission costs operate out of it?

MR. WHITEHEAD: That is a pretty technical question depending on design, system parameters and so forth.

MR. FLANIGAN: What we have proposed to the FCC is the Executive branch's policy with regard to the use of domestic satellites. It is up to them now to determine whether they agree with this policy and to accept applications from users and for the users to determine whether it is in their best interest now to build one of these systems.

THE PRESS: Thank you.

END (AT 12:28 P.M. EST.)