

New Communications Study Possible

Washington—Nixon Administration may launch a new comprehensive study of communications policy.

This was indicated last week when the White House, in formally making public the massive report by a top-level interagency task force headed by Eugene V. Rostow, under secretary of state in the Johnson Administration, emphasized that it "in no way endorses the recommendations."

Appointment of the Rostow task force was announced by former President Johnson in a message to Congress in August, 1967 (AW&ST Aug. 21, 1967, p. 18). His Administration refused to release the report when it was completed last December, despite considerable congressional prodding.

Its controversial recommendations included:

- Formation of a single international communications entity by merger of Communications Satellite Corp., the international segment of American Telephone & Telegraph Co., RCA Globcom, ITT Worldcom and Western Union International (AW&ST Dec. 23, 1968, p. 15).

- Immediate establishment of a pilot domestic satellite system by Communications Satellite Corp., with ownership and control to be decided later.

- Development of an \$80-million satellite system to provide 10 South American countries with domestic service (AW&ST Jan. 13, p. 18).

- Rejection of a direct-to-the-home satellite broadcast system for the U.S. in favor of expansion of cable television.

VARIETY DAILY

July 24, 1969

Nixon Will Name Panel To Explore Satellite System

Washington, July 23—President Nixon is planning soon to appoint a group of government officials to study question of a domestic communications satellite system and report back with recommendations within 60 days.

FCC has had the problem for some time, and reportedly has been close to action several times, but now apparently will wait results of the White House study team headed by communications aide Dr. Clay Whitehead. FCC will be invited to observe the meetings of the panel of bureaucrats, to be drawn from agencies that might be affected by a domestic communications satellite system. The White House is known to feel time has come for some kind of decisive action.

There are a variety of problems involved with a domestic satellite plan, chief among them being ownership and control. ABC has proposed, for instance, a separate broadcast system that would also carry public broadcasting programs around the country to affiliates free. COMSAT, on the other hand, wants a complete communications package and it wants to extend its international satellite control to the U.S.

'SMALL WORKING GROUP' TO BE NAMED BY WHITE HOUSE TO STUDY DOMESTIC SATELLITE COMMUNICATIONS QUESTION; HOPES TO COMPLETE JOB IN 60 DAYS

The prospects of an early decision on the domestic satellite question by the Federal Communications Commission dimmed considerably last week when the White House announced that "a small working group" will take a look at the subject.

In a brief memorandum to FCC Chairman Rosel H. Hyde Tuesday, July 22, White House Staff Assistant Clay T. Whitehead said that "In our review of the telecommunications problems facing the nation and their implications for government policy, we have found the provisions for introducing communications satellites into U.S. domestic communications to be especially important.

"To assist the administration in further reviewing this area," Mr. Whitehead continued, "we are establishing a small working group and invite the FCC to participate in any way you deem appropriate.

"Our objective," he said, "will be to formulate within 60 days whatever administration suggestions or comments may be appropriate. We will be concerned, of course, with the general structure and direction of the industry and not with specific applications pending before the Commission."

While the concluding sentence seemed to suggest that the White House would not be concerned with the applications now on file with the Commission related to its domestic satellite inquiry, it appeared certain that no final action would be taken by the FCC in this regard while the White House-appointed group is making its own review of the subject of domestic satellites.

There were no further indications as to the membership of the working group, but it was understood that it would include representation from the Office of Telecommunications Management, the Commerce, Justice and Transportation Departments, and some other federal offices in addition to the FCC. The President's Science Adviser and the Council of Economic Advisers were also reported to have been asked to furnish members for the group.

The domestic satellite question has been long pending before the Commission, ever since the American Broadcasting Cos. kicked it off with a proposal in 1965 for its own domestic system. It has been the subject of a lengthy inquiry at the FCC, a subject of a number of Congressional hearings, and also was a main subject for consideration by President Johnson's task force on communications policy. During the August, 1967, to December, 1968, life of the latter, the Commission deferred any action.

Review Set Of Domestic Satellite TV

The White House plans to appoint a small inter-agency working committee on a sensitive subject for America's communications industry: domestic satellites.

The issue has been drifting around Government since 1965 when the American Broadcasting Co. first asked that it be allowed to build and operate a domestic system to transmit television programs.

With ABC's proposal as a stimulus, the Federal Communications Commission opened a wide inquiry into domestic satellites. The FCC's call for competing ideas elicited a long list of suggestions from many sources, including the Ford Foundation (which wanted to see domestic satellites used for public television), the American Telephone and Telegraph Co., and the Communications Satellite Corp.

The FCC has yet to decide the case, and key questions—ownership of the satellites for example—remain unanswered.

The new White House study group will add slightly to the delay. "Our objective will be to formulate within sixty days whatever Administration suggestions or comments may be appropriate," the White House told the FCC in a short memorandum last week.

Though the FCC acts as an independent regulatory agency, it can receive advice from the Executive Branch when broaching major new areas in national communications policy.

Regulators

White House gets into the FCC act

In a dramatic shift of regulatory philosophy, the White House has decided to get involved in the forthcoming decision on a domestic communications satellite system. In a surprise memorandum, it notified the Federal Communications Commission, which has responsibility for licensing such a system, that it plans to make a recommendation in 60 days.

Theoretically, the FCC, a quasi-judicial independent agency, could ignore the White House recommendation. But FCC decisions are based on the "public interest," and a statement from the White House—ostensibly representing the thinking of the President—is hard, if not impossible, to disregard. In addition, the President has the power to pick and renominate regulatory commissioners.

White House staffers say they are aware that the action is a break with tradition and intimate that the same procedure will be followed with cases before other regulatory bodies.

The Administration denies that it has lost confidence in the FCC. But White House aides observe that the commission seems incapable of making major decisions involving new technologies. This might indicate that the White House plans to streamline the FCC and the regulatory process in general.

The FCC also has yet to take action on two other issues: CATV and computers and their relationship with communications. Both were major issues in the Johnson Administration task force study that took more than a year to complete. No action has yet resulted from that study's recommendations.

Ignored. The White House will not interfere too much with the everyday regulatory agency functions. But it will provide guidelines to help the agencies define and protect the public interest.

Administration sources say that the FCC and some other agencies depend too much on "adversary hearings" between competing industry parties, and then attempt to reach a compromise without really ever giving the public due attention.

In the domestic satellite issue, the White House obviously lacks confidence

Corp. to hold meetings with all interested parties. Comsat would have to work out a compromise agreeable to all parties—users such as broadcasters, computer time-sharing concerns, and CATV operations, as well as the existing common carriers led, of course, by American Telephone & Telegraph Corp.

The White House thinks this plan needs more thought. That's why the FCC was asked to hold off until the Administration plan is formulated.

Clay T. Whitehead, the White House aide on communications, is preparing a memorandum to the Secretaries of Commerce and Transportation, the Attorney General, Council of Economic Advisers, the President's science adviser, the director of telecommunications management, and the FCC asking officials to designate staffers to serve on the panel that would write guidelines.

Questions. The White House doesn't know how deep the study will go. There are numerous outstanding issues on the domestic satellite system.

The first is who should own and operate the satellite itself. Comsat is the obvious candidate, but many regulatory matters must be cleared up, such as how to include the investment into the corporation's rate base.

Then there is the question of who should own the ground terminals. The terminals are many times more costly than the satellites, and their owners are able to determine the ultimate users of the system. AT&T would like to own the terminals or at least operate them in partnership with Comsat. But fear of AT&T bigness and near-monopoly causes some to urge ownership by Comsat or the major users of the system, such as the broadcasters.

Debate. Finally, there is a division of opinion over whom the satellite system should serve. One school holds that satellites should be reserved for what are called "special services." A special-service satellite would provide such specific services as links for broadcasters relaying programs from coast to coast, computer hookups, CATV program distribution, and perhaps telemail.

The opposite theory is that the system should merely offer long-haul communications services to all takers. This might compete with AT&T's long lines operation. It's estimated that any link more than 500 mi. or 1,000 mi. in length could economically be served by satellite. Shorter distances would be better served by traditional facilities.

The FCC has been frustrated by the problem for more than five years. Several times in recent months rumors went out that the commission's decision was imminent. Each time, apparently, the White House issued a "hold" order.

The Evening Star

WASHINGTON, D. C., TUESDAY, JULY 29, 1969

FCC Delaying Satellite Ruling On Request

By STEPHEN M. AUG

Star Business Writer

The Federal Communications Commission, at the request of the White House, decided today to hold up for at least 60 days any decision to set up a domestic communications satellite system.

The delay will give the Nixon administration a chance to study all sides in the long-pending case and make some recommendations to the FCC.

Hyde denied that the White House request constitutes any compromise of recent orders to presidential staff members to keep out of the decision-making processes of the independent regulatory agencies.

"This is somewhat different than routine" cases in which the FCC has the sole responsibility, Hyde said. "The satellite act places a very significant activity on the executive department as well as on us," he added, and "a bit of liaison is appropriate because of the unique nature" of the matter, he said.

Hyde said "we think the matter should move along as expeditiously as possible, but we still think the new administration ought to have at least a little time to consider the matter."

The domestic satellite issue has been before the FCC at least three years. The commission has heard a number of proposals urging various systems be set

up. Most recently, a task force appointed by President Johnson urged the FCC to set up an interim satellite system with Communications Satellite Corp. as manager.

Hyde said that "had it not been for the task force study it (a decision) would have been out before the end of that." The study was completed last autumn.

The White House group — on which Hyde and other FCC staff members will serve — is being set up by Clay T. Whitehead, a presidential adviser on communications. Whitehead, who holds a PhD degree in management from Massachusetts Institute of Technology, worked for the Rand Corp. in California before joining the White House staff.

Whitehead, in an exchange of correspondence with Hyde last week, asked the commission to join his working group in studying the problem. He indicated

that the group would have comments within a 60-day period.

Hyde declined to say what effect any White House recommendations would have on the commission's decision. "I would expect this agency to act promptly once we know what position the executive department will want to take. They might turn up something we would want to consider further," he said.

Business Week

August 2, 1969

Editorial

Time for a communications countdown

A solid, economic payoff to the American public is long overdue from one important area of the space program. The use of communications satellites to lower the cost and improve the efficiency of domestic television, telephone, and record communications could and should have started years ago.

The world of communications, however, works on political rather than technological schedules. Since 1962, when Congress finally produced the awkward compromise known as the Communications Satellite Act, there has been no perceptible progress toward putting satellites to work for business and the public within the borders of the U.S.

Last week, the Federal Communications Commission was on the verge of giving Communications Satellite Corp. a go-ahead for a demonstration project. Then, the White House slapped a 60-day hold on FCC. The new delay is to give Administration policymakers time to come up with yet another set of recommendations. But the 60-day period will also give all the communications lobbyists on Capitol

Hill time to rebroadcast the caveats and cautions that have stopped progress so far.

The problem, and it is time to face it directly, is that satellites will compete with and cause changes in existing broadcasting and telecommunications systems and practices. But the question for the Administration to ask is why any company capable of bringing off a project like a satellite communications system should not be allowed to participate.

Other countries aren't waiting. The Soviet Union has had a domestic satellite system in operation for several years. Intelsat, the international system, is working beautifully between many nations, including the U.S. Now, Canada, borrowing U.S. technology, rockets, and launch facilities, plans to have its domestic satellite network in operation in 1972, long before this country has anything working.

It's about time for the nation that watched television live from the moon to put its technology to work on getting a message from New York to Chicago.

BROADCASTING

April 14, 1969

Changes in making

White House staff isn't permitting grass to grow in its quest for means of cleaning up what's generally regarded as "that communications mess" in Washington. Following preliminary meeting with representative group of broadcasters (BROADCASTING, March 31) White House officials have had informal conversations with other authorities dealing with licensing and regulatory policies and composition of commission itself. Example: Last Wednesday White House Assistant Dir. Clay T. Whitehead, met with NAB President Vincent T. Wasilewski and Joint Board Chairman Grover C. Cobb in follow-up discussion. Presumably intention is to talk with smaller groups as focus narrows.

Meanwhile no new names are being mentioned for possible appointment to FCC. Report persists that chances are good that Commissioner Robert E. Lee will move into chairmanship when Chairman Rosel H. Hyde's term expires June 30. Candidacy of Robert E. Burton, special assistant to chairman of Comsat, reportedly is in forefront, with file now being examined at top-staff level. Mr. Burton was formerly with NBC and has won considerable broadcaster support.

Business Week, August 29, 1969

Washington outlook

AT&T may lose
bid for
terminals

The White House plan for a domestic satellite communications system may end up favoring big users—especially television networks—over American Telephone & Telegraph Co.

At issue is who is to own the lucrative ground stations that receive signals from the satellites. AT&T, which now has the land lines with which the new setup will compete, wants the plum.

But Clay Whitehead, the White House aide drafting recommendations for President Nixon, seems to favor giving the stations to another outfit.

■ ■ ■

Equipment/Engineering

Group probes satellite potential

White House task force seeks new ideas on the benefits of domestic birds

Broadcasters and other telecommunications organizations have been asked to help a White House task force on domestic satellites, organized in July.

In an Aug. 19 letter, Dr. Clay T. Whithead, a staff assistant to President Nixon, and chairman of the group, noted that the public record on domestic satellites over the last few years has been reviewed, but that the task force would be grateful for current ideas and information.

He warned, however, that since the FCC is responsible for authorizing specific operational systems the group is not concerned with specific proposals or the details of system designs. "Rather," he said, "our focus will be on the economic and institutional structure of the industry, the relationships between competition and regulation, and how new uses and services can be encouraged for the public benefit." He said the task force hopes to conclude its deliberations by Oct. 1.

The White House group consists of FCC Chairman Rosel H. Hyde, Dr. Russell Drew, technical assistant to Dr. Lee A. DuBridge, the President's science adviser; Dr. Thomas Moore, Council of Economic Advisers; William Merrill, deputy director for programming, national securities division of the Budget Bureau; Colonel Ward T. Olsson, Air Force satellite communications specialist on detail to the Office of Telecommunications Management; Donald Baker of the Department of Justice's antitrust division, and Dr. Willis Shapley, associate deputy administrator of the National Aeronautics and Space Administration. Also scheduled to be members are representatives of the Departments of Commerce and Transportation.

At the time the White House announced the formation of the group, it asked the FCC to postpone for at least 60 days any decision on a domestic satellite system. The commission agreed to this (BROADCASTING, Aug. 4).

Attached to Dr. Whithead's letter was a discussion of the issues that are under consideration. This read as follows:

"Benefit to the public from the economic and service potential of satellite technology:

"(1) What specific services that are not now available would be made possible and economically feasible through satellite technology?

"(2) What specific services now being offered could be provided more effectively through satellite technology, and what economic savings would accrue?

"(3) What institutional, technical, and economic arrangements, taken as a whole, appear most likely to assure full benefit to the public of domestic satellite potential?

"(4) What specific services and systems appear to offer the most immediate economic potential and how can they best be provided?

"Learning about the problems and possibilities of satellite services:

"(1) What information about technological capabilities and performance of satellite systems is needed to resolve

uncertainties about the technical and economic feasibility of potential systems?

"(2) What information about operational uncertainties is needed?

"(3) What information about economic and market characteristics is needed?

"(4) Specifically, what information or technological developments are needed over the next few years with respect to tradeoffs among spectrum utilization, orbit location, and cost to permit maximum utilization of communications satellite capabilities?

"(5) What of the above information can be obtained best by further research, experimental trials, or a pilot operational system?

"Incentives for innovation by communications firms to develop new telecommunications services and markets:

"(1) What government policies would be most effective in promoting development of new telecommunications services and markets by the private sector?

"(2) What research and development can be carried out by private enterprise to speed the development of

economically viable domestic communications satellite applications?

"(3) Is there research that can be carried out only by the government that would involve uncertainties or impediments to technological or market innovation by the private sector?

"(4) Given appropriate economic incentives and institutional arrangements, what new services, markets, or technologies could the private sector likely develop in the foreseeable future?

"(5) What institutional arrangements with respect to ownership and operation of communications satellites will offer the best balance between the rate of innovation and nondisruptive growth of the communications industry?

"Degree of regulatory control and impediments to technical and market innovation:

"(1) What type and degree of economic regulation (such as rate-base regulation, limits on entry of new firms, authorized user limitations, or limits on services offered) is now clearly necessary during the initial phases of domestic commercial satellite communications? What technical regulation, such as spectrum utilization, interference standards, or service standards?

"(2) Under reasonable projections of the economic and technological potential of satellite services, what regulatory policies appear most desirable for the long run?

"(3) Is it desirable to have regulatory policies with respect to telecommunications via satellite that are distinct and different from policies for terrestrial systems?

"(4) To what extent can competition, together with general regulatory guidelines, foster a more responsive industry than is possible with very detailed regulation?"

Stall on White House Study Stays FCC on Com System

By HAL TAYLOR

WASHINGTON. — The White House study of a domestic communications system will be delayed 2 weeks to a month beyond its previous target date of Oct. 1.

Dr. Otis Whitehead, White House staff economist, told *Electronic News* the delay is due to unrealistic previous estimates as to how long the study might take. It appears further delay is possible.

Meanwhile, informed sources report that the Federal Communications Commission is becoming increasingly irritated over White House interference, and the resulting delay in the program. The Commission was ready to announce its decision as to who should manage the domestic system last July when the White House decided to make its own study. Reportedly, FCC was ready to name Comsat Corp. to develop a pilot system aimed primarily at improving educational TV. In another communications development last

week, FCC is studying the problem of cable versus satellite communications. The Commission may issue a policy statement on the matter, later.

It is not known how inter-related the two issues are. Some insiders believe, however, that AT&T was one of the prime proponents of the White House study.

The Electronic Industries Association last week wrote the White House requesting an operational satellite system be developed concurrent with any further studies which may be undertaken.

The letter states:

"The Satellite Telecommunications Subdivision, Industrial Electronics Division, Electronic Industries Association, has read with considerable interest the list of comprehensive questions attached to your letter of Aug. 19, 1969. The subject of the domestic satellites system is indeed a complex one, and has been studied by many groups over the past decade. We would urge that further answers to the comprehensive questions be developed in parallel with a rapid implementation of a domestic satellite system. In this way, we benefit from the use of the system, and also would have available the results of operational experience. This parallel study and development would ensure, in our opinion, a more efficient and effective national satellite system.

"As before, the Satellite Telecommunications Subdivision urges there be no further undue delay in the implementation of the domestic satellite system. Indeed, the subdivision urged, as early as March of 1968, in a widely-distributed policy statement, that the United States lose no time in implementation of a domestic communication of satellite systems."

"We wish to emphasize the technology of a domestic system is well at hand. This is already demonstrated by successful satellite telecommunications," it concludes.

Comsat did turn a corner last year, with a profit of \$988,000 on its satellite operations. Until then, its communications business had run at a loss, and the company's earnings had come from investing its surplus capital in conservative investments like Government bonds.

Comsat never needed most of the \$200,000,000 that its original investors poured into it, because 67 other countries rushed to share in the cost of the satellite system by joining Comsat in an international consortium called Intelsat. The consortium theoretically owns the space craft, which the American company runs as Intelsat's manager and majority "stockholder."

Comsat would like to use its surplus of about \$124,000,000 to go into the satellite business within the United States. The company proposed more than three years ago that the Government allow it to launch two satellites for relaying television broadcasts and other communications within the continental United States. The Russians have since opened satellite communications within their own country, and the Canadians are well along in planning a domestic system of their own.

Clash of Interests

But a domestic American system runs into the clashing interests of telephone and telegraph companies, of radio and television networks, of individual stations, and of other interested parties. It raises questions of who will have a right to use the satellites, and who will own the earth stations. The American Broadcasting Cos., for instance, would like to own a satellite for network broadcasts. The Ford Foundation would like to see a satellite system whose revenues were committed to the support of educational television. The American Telephone and Telegraph Co. has urged the Government to view satellites as a supplement, not a replacement, for its expensive network of land lines.

A Federal Communications Commission (FCC) decision on granting the go-ahead on a domestic satellite system has been delayed over the years by a variety of study groups. The latest was appointed by President Nixon in July and it is scheduled to finish its report soon, leaving the FCC free to finally take action on the many domestic satellite proposals before it,

"To the extent that the company [Comsat] participates in a domestic satellite system, it could be a substantial source of future revenue," said Mr. Wigod, the stock analyst. "Assuming it is favorable, the commission's decision could have quite a positive effect on the stock."

Mr. Searles, however, says the "quality money" has already made the assumption that the Presidential committee will decide favorably for Comsat. "So the stock could be under a lot of pressure," he adds, if the committee doesn't meet these expectations.

Nobody expects the committee to advocate shouldering Comsat out of a domestic satellite system. The worst that could happen from Comsat's standpoint, says Mr. Searles, would be for the committee to suggest still more studies and delays. But that would be enough to put off many investors who believe it is time for Comsat to grow up. "It was a psychology stock for a while," said Mr. Searles. "It will now have to show some fundamental performance."

—MICHAEL MALLOY

COMSAT ADVANCES SATELLITE TV PLAN

Would Supplant A.T.&T. as
Prime Carrier of Shows in
Bid to Ease Congestion

By JACK GOULD

The Communications Satellite Corporation has informed the White House of its immediate readiness to construct and operate a domestic satellite television system that would serve commercial and non-commercial TV networks and ease the mounting congestion in the nation's communications facilities.

James McCormack, chairman of Comsat, successfully appealed to Clay T. Whitehead, special assistant to President Nixon, to declassify the plans so that he could discuss its details this week with the presidents of the Columbia Broadcasting System, the National Broadcasting Company, the American Broadcasting Company and the Corporation for Public Broadcasting. The meeting may be held on Wednesday, probably in New York.

Satellite Proposal

A major feature of the Comsat plan would be to supplant the American Telephone and Telegraph Company as the prime carrier of TV shows from coast to coast, but Dr. John V. Charyk, president of Comsat, predicted that the utility's ground relay facilities would be quickly occupied by other communications requirements.

Mr. McCormack went to the White House after learning last Wednesday morning that Dr. Frank Stanton, president of C.B.S., would recommend that expanding that the TV industry construct its private satellite relay system rather than submit to the demands of A. T. & T. for an increase of \$20,000,000 a year for the distribution of TV shows.

Even before Dr. Stanton spoke before the Audio Engineering Society at the New York Hilton, A. T. & T. issued a statement of its corporate position, saying that it was not immediately interested in constructing a new domestic satellite and suggesting that it would be "wise public policy" to entertain applications from all comers.

A. T. & T. has been the prime relay of broadcasting material since radio's earliest days and its unexpected statement clearly signaled a major electronic upheaval in American communications.

A. T. & T. is known to be sensitive over consumer complaints about the efficiency of its existing service to individual subscribers and business concerns. The company was said to be anxious to correct that condition before assuming new and highly complex ventures.

At the White House, Mr. Whitehead agreed to the declassification of the Comsat plan, originally submitted on Sept. 8, with the proviso that its contents be made known only to the broadcast presidents meeting with Mr. McCormack. Neither Comsat nor the TV networks would divulge or discuss the text, but a copy was obtained through other sources in Washington after the declassification.

Told that the plan had become independently known, Dr. Stanton said that the Comsat proposal had appealing financial features.

The networks would be spared the initial construction investment, which he had placed at about \$100-million,

and relieved of the cost of training maintenance crews.

In New York, the passive A.T. & T. attitude was explained by a high official on the ground that the thousands of miles of cable and microwave facilities now leased on a wholesale basis to the television industry might be used on a retail basis for individual customers. The earnings potential was described as possibly greater than the \$65-million a year sought from relaying TV.

The chief feature of the Comsat plan, would be to enable all users of a domestic satellite system to gain direct access to the system without going through the established commercial carriers, a policy that applies to the international use of satellites.

Eliminating the so-called "middleman" and his charges would make Comsat a full carrier in its own right, and able to offer its domestic service not only to TV but to press associations, radio television networks if they are eventually authorized, and other industrial users. If the ground facilities of A.T. & T. should become overcrowded, Dr. Charyk told the White House, Comsat would be in a position to lead a helping hand in carrying long-distance calls.

With the present state of satellite communications techniques, Comsat believes the domestic system could carry with reliability 14 TV channels, any one of which would be available to handle simultaneously as many as 1,800 telephone calls in an emergency.

Both domestic and international political considerations entered yesterday's developments. Isolated objections have been voiced to network domination of a private satellite television system, although Dr. Stanton had specifically acknowledged that the system

would be open to all rivals. Comsat, on the other hand, is a private organization chartered by Congress.

Ironically, A.T.&T. holds an excess of 20 per cent of Comsat stock but the shares are also widely held by the public.

Dr. Charyk specifically observed that transfer of United States domestic traffic to a United States domestic satellite system would lead to reduced ownership dependency on IntelSat, the international group controlling satellites in global use.

This step, he said, would alleviate foreign concern over United States domination of space communications, a sore point with many countries lacking the economic and technical resources for launching satellites.

The COMSAT plan dovetails closely with many of the hopes of the commercial networks and of the possible users.

For the efficiency of the whole system, COMSAT said that it believed it should own those ground stations that would send and receive signals to and from satellites. These might be placed in or near strategic cities generating the largest volume of television programs or other informational matter. For broadcasters interested only in receiving programs from the satellites, the operation could be a matter of choice, with either the owner or the satellite service assuming the job of maintenance.

The Comsat plan stresses that there will be continuing need for ground communication facilities, such as those operated by A. T. & T. But the corporation adds that not many more years can be wasted in putting into operation new space facilities capable of coping with the expected deluge of computerized data transmission, facsimile and other forms of recorded materials, as opposed to TV programs intended for general public consumption.

New FCC watchdog on Pennsylvania Avenue

Nixon administration will make itself felt in establishment of communications policy

The White House's public intervention into the FCC's consideration of domestic communications-satellite policy apparently preages a continuing effort on the part of the Nixon administration to keep a close watch on—and to exercise influence over—major developments in communications.

White House aides reject suggestions that the administration's plans for setting up a small committee of government specialists to review all aspects of the complex communications-satellite issue ("Closed Circuit," July 28) indicates a lack of confidence in the commission.

"The question of confidence has nothing to do with it," said one Presidential aide. "It's simply that this [communications-satellite issue] is a big one. It's one that we ought to concern ourselves with."

But he also indicated the White House would be interested itself increasingly in commission matters. "Big problems are looming on the horizon," he said. "It would be surprising if we didn't take a look at them."

He declined to specify which problems might attract the administration's attention. But the policy questions involved in the current inquiry into the relationship between computers and communications regulations might be one. The general question of spectrum management could be another.

Whatever the issue, the White House will not necessarily tackle it with a committee, as it is doing in the case of communications-satellite policy, the aide said. It might work through one of the executive agencies—the Justice Department, for instance, or the Office of Telecommunications Management—which would enable it to maintain a low silhouette. The aide said this technique has not yet been used.

The Department of Justice's antitrust division increasingly over the past several years has contributed comments to commission rulemaking proceedings and filed pleadings aimed at breaking up or preventing what it considers anticompetitive broadcast ownerships.

White House sources also dispute the notion that such interest is unusual or unprecedented on the part of an

administration. They noted that the Johnson administration established a task force on communications policy to make a comprehensive study of a host of communications matters.

Commission officials made no secret of their unhappiness over the letter from White House aide Dr. Clay T. Whitehead, notifying the commission that the White House was establishing a small working group that would review the domestic-satellite matter and issue a report in 60 days.

The commission has been studying the matter for four years and, according to some officials, was prepared to announce its policy determination regarding an interim system last year. However, although an independent agency, it felt obliged to await the results of the task-force report, which was completed in December. Then the commission felt it had no choice but to maintain liaison on the matter with the new administration which came into office in January and permit it to consider the matter.

Chairman Rosal H. Hyde, in responding to Dr. Whitehead's letter, reflected the commission's impatience. He noted that the domestic-satellite issue has been studied extensively by the commission and President Johnson's task force and that the commission feels "it is vital to proceed without further undue delays in the formulation of national policy in this area."

But he also indicated the difficulty a government agency has in saying no to the President by adding: "At the same time, we would, of course, welcome any further exchange of views or comments which the Chief Executive might wish to make in this new field."

Dr. Whitehead's letter indicated the committee would not focus on the commission's domestic-satellite proposal but, rather, on "the general structure and direction of the industry. . . ."

Dr. Whitehead, who will serve as chairman of the committee, had not yet named its members last week. He was planning to write the secretaries of commerce and transportation, the attorney general, the Office of Telecommunications Management, the President's Council of Economic Advisors,

the Office of Science and Technology and the FCC, asking them to name representatives to serve.

The commission's proposal for an interim system has not yet been made public. But it's understood it would provide for a multipurpose system that would be managed by the Communications Satellite Corp. ("Closed Circuit," June 2). Comsat, according to one source, would be given the responsibility of working out a mutually satisfactory agreement with potential users—common carriers and broadcasters, among them—on ownership and management of the system. The FCC reached no decision on ownership.

This proposal—apparently aimed at accommodating the conflicting views in part of the parties involved—is understood to have run into opposition from a number of quarters. Comsat reportedly feels that conflicting views of the parties would produce a stalemate; it believes it should be named the manager of the project, directed only to confer with other principals.

AT&T, the dominant carrier of voice and TV and radio traffic in the U.S. is said to be having second thoughts about the wisdom of a domestic-satellite system. The company three years ago proposed a single, multipurpose system as a pilot project, but, reportedly, it now feels there is a serious question as to whether such a system would be more efficient and economical for users than a terrestrial network. However, AT&T is agreeable to a pilot project that would permit its assumptions to be tested.

In addition, the hardware manufacturers—companies that build satellites and ground-station equipment—are said to favor establishment of a number of specialized systems for individual users (telephone, broadcasting, computer-data, among others) rather than one multipurpose system. Such a variety of systems, obviously, would provide a greater market for their wares.

It is not known whether or to what extent such interested parties have expressed their views to the White House. But it is known that the White House committee will obtain the views of industry representatives in its review.

(cont'd)

Besides questions involving ownership and management of the system, the White House is concerned over elements in the project which impinge on the President's responsibilities in the field of international relations. The use of frequencies assigned for satellite communications—4gc and 6gc—would have to be coordinated with the needs and plans of other nations. And some foreign governments as well as the International Telecommunication Union are said to have expressed so informal-

ly reservations about the U.S. plans for a domestic system. The State Department is currently developing the U.S. position on satellite communications to be presented at an international conference in Geneva in 1971.

In addition, a domestic communications satellite would be lofted into a synchronous orbit over the equator; and its "parking space" would involve the U.S. in negotiations with other nations planning systems of their own. Canada, for instance, has plans for a domestic system.

Telecommunications Reports

VOLUME THIRTY-FIVE, NO. 34, August 18, 1969

WHITE HOUSE 'WORKING GROUP' TO CONSIDER QUESTION OF DOMESTIC SATELLITE SYSTEM HOLDS FIRST MEETING; NINE AGENCIES TO TAKE PART IN DISCUSSIONS

The working group established by the White House to look into the subject of a domestic satellite communications system held an organizational meeting Friday afternoon, Aug. 15. Representatives of nine departments or agencies, along with White House staff members, participated in the group's first session.

Heads of the agencies chosen to be members of the group have been named as their offices' representatives, but in a number of cases persons with particular expertise or interest have been designated to serve.

Attending Friday's meeting were: Dr. Russell Drew, of the Office of Science & Technology; Edward Mitchell, of the Council of Economic Advisers; Donald Crabill, of the Bureau of the Budget; Col. Ward Olsson, of the Office of Telecommunications Management; Chairman Rosal Hyde and Common Carrier Bureau Chief Bernard Strassburg, of the Federal Communications Commission; Assistant Attorney General Richard McLaren and Walker Comegys, of the Justice Department; Dr. Willis Shapley and Dr. Walter Radius, of the National Aeronautics & Space Administration; Robert Scherr, of the Post Office; and Richard L. Beam, of the Department of Transportation. White House Staff Assistant Clay T. Whitehead called the meeting of the agency officials.

At the time the decision to establish a "small working group" was announced by the White House (TELECOMMUNICATIONS, July 28), it was stated that an objective of the group would be to "formulate within 60 days whatever administration suggestions or comments would be appropriate."

Reports of the working group's views as to the course to be followed in setting up a domestic satellite system were labeled as premature last week, with this point emphasized by the fact that the members had not yet held an initial meeting.

However, reports persist that the White House will suggest an entirely "fresh" look at the domestic satellite system question, which has now been a matter before the FCC for about four years. One report being circulated is that the Communications Satellite Corp., which has been considered the likely Commission choice as manager for a "pilot" domestic satellite program, would have its role downgraded, or even eliminated, in any final Commission action authorizing a go-ahead on testing a new system.

White House thinking in this regard, it was stated, is motivated by a desire to foster further competition in the provision of domestic communications common carrier services.

-End-

Telecommunications Reports

HYDE SAYS FCC WILL WELCOME VIEWS OF 'WORKING GROUP' ON USE OF DOMESTIC SATELLITES; HOPES TO BE ABLE TO 'PROCEED WITHOUT FURTHER UNDUE DELAYS'

An exchange of views on the use of satellites for domestic use is welcomed by the Federal Communications Commission, Chairman Rosel H. Hyde said last week in replying to the letter from Dr. Clay T. Whitehead, White House Special Assistant, regarding the formation of a "small working group" to look at the question (TELECOMMUNICATIONS, July 28).

At the end of last week, White House sources said that no final determination had been made as to the membership of the group, or when it would begin its assignment. In his memorandum of the previous week, Dr. Whitehead stated an objective of formulating within about 60 days "whatever administration suggestions or comments may be appropriate."

In his reply last week, Mr. Hyde noted that domestic satellites have been "the subject of a lengthy Commission proceeding," and have also been "studied extensively" by former President Johnson's task force on communications policy.

"We believe that for a number of significant reasons," the FCC Chairman declared, "it is vital to proceed without further undue delays in the formulation of national policy in this area. At the same time we would, of course, welcome any further exchanges of views or comments which the Executive might wish to make in this new field."

His letter concluded that "Your memorandum. . . indicates that we are in full agreement on both these objectives--a decision without further undue delay, and, at the same time, a full exchange of views so as to assure a result most benefitting the public interest. . ."-End-

---TARIFF FILED TO EXTEND ONE-MINUTE RATE TEST TO TULSA TOLL CENTER---

A tariff amendment extending to the Tulsa, Okla, toll center the one-year trial of one-minute billing for interstate direct distance dialed calls has been filed by the American Telephone & Telegraph Co. with the Federal Communications Commission, to be effective for a year from Aug. 31.

The experimental schedule, similar to those submitted previously for the Charlotte, N.C., and Louisville, Ky., toll centers, applies to interstate messages sent-paid from, placed collect, or billed to a telephone in the Tulsa exchange and 29 surrounding tributary exchanges. The latter are served by the Southwestern Bell Telephone Co. and five Independent companies.

-End-

NET INCOME OF THE NEW YORK TELEPHONE CO. in the second quarter of this year dropped \$3,889,000 to \$49,471,000, or 47 cents a share, compared with 54 cents a share in the same quarter of 1968.

-End-

What's delaying U.S. satellite communications?

The technology is ready and able. Only a decision from Washington is needed

By John H. Lippert, Jr., Washington, D.C. President, American Satellite Association

What's holding back U.S. satellite communications? The answer is simple.

It's a lack of action by the Federal Government. And the reason for this is simple. The Federal Government is not interested in satellite communications.

The Federal Government is not interested in satellite communications because it is not interested in the private sector. The Federal Government is not interested in the private sector because it is not interested in the private sector.

A lack of action by the Federal Government is the main reason why U.S. satellite communications are delayed. The Federal Government is not interested in satellite communications because it is not interested in the private sector.

The Federal Government is not interested in satellite communications because it is not interested in the private sector. The Federal Government is not interested in the private sector because it is not interested in the private sector.

The Federal Government is not interested in satellite communications because it is not interested in the private sector. The Federal Government is not interested in the private sector because it is not interested in the private sector.

The Federal Government is not interested in satellite communications because it is not interested in the private sector. The Federal Government is not interested in the private sector because it is not interested in the private sector.

The Federal Government is not interested in satellite communications because it is not interested in the private sector. The Federal Government is not interested in the private sector because it is not interested in the private sector.

(cont'd)

public-owned utility to develop and operate the U. S. portion of an international satellite telecommunications system. Subsequently Comsat was selected by the Satellite Telecommunications Satellite Consortium (Intelsat) now numbering 68 nations, to manage the global network.

U. S. common carriers and other interested industry groups accept Comsat's role in the international system but deny that it has the automatic right or authority to own and operate all domestic systems. They recognize the vast potential for TV, telecommunications, educational broadcasting and aeronautical communications and navigation support. The clash over who will operate a domestic satellite system is further tangled with future ownership of ground terminals.

Comsat believes it has a Congressional mandate through the act that established it as a "carrier's carrier." James McCormack, Comsat's board chairman, sums up the corporation position this way:

"In Comsat's view, it would be entirely without logic or economic sense to contend that the nation's only presently authorized operator of privately owned satellite facilities was ever intended to be excluded from the nation's first really large market for satellite communications. We are more than willing to provide all needed satellite services to all potential users, foreign and domestic. We have no other reason for being."

AT&T agrees that Comsat should retain control of satellite operations but says it should not own all supporting ground stations. Rather, terminals should be owned and operated, where appropriate, by the common carriers, AT&T says.

Not so, says Comsat's McCormack. Ownership of earth stations is "vital" to Comsat, he declares, since the young corporation "has no interest in any other communications medium and no other means of diversification."

Comsat is not opposed by just the U. S. carriers. Many foreign governments, members of Intelsat, argue that Comsat participation in a U. S. domestic system could constitute a conflict of interest. The reason: Comsat is the U.S. representative in Intelsat and controls the majority vote in all decision-

making processes; also, Comsat is the operational manager for the Intelsat global network.

Meanwhile, to get the system moving, Comsat has offered to begin establishment of an experimental domestic system using its own money. Later, if the FCC should so determine, it would turn the system over to another designated operator (with proper reimbursement).

Congress has held hearings with interested parties in an attempt to better understand the problem and determine whether or not additional legislation is necessary. To date it has found no such need.

President Lyndon B. Johnson established a task force in 1967 to develop recommendations for future U. S. telecommunications policy including satellite techniques. The group's report, completed last year, strongly urged initiation of a pilot or experimental domestic satellite communications system. The report, only recently released to the public by the next Administration, was put out without any endorsement of the findings. The FCC has deferred any decision on domestic satellite policy with the excuse that it would await the task-force report recommendation on future policy and, hopefully, some expression of direction from the President.

Further delays sought

The White House stepped in last month by requesting further delay (at least 60 days) of a decision until Presidential Special Advisor on Communications Dr. Clay T. Whitehead and his staff can review the domestic satellite system problems and industry proposals. It has also requested FCC cooperation and participation in the Whitehead study.

Ultimately, the FCC commissioners must weigh all recommendations and determine some course to follow. Their problem is further muddled, in the opinion of many experts, by the fact that the FCC may not have the legal power to decide the issue. Nevertheless, it is expected that a policy determination will be made shortly, though the real solution may come later in the courts.

On Dec. 16, 1968, Comsat filed

a proposal for a domestic communications satellite system and service with the FCC. It contained a comprehensive outline for an initial or experimental system but involved a two-phase program that included three generations of hardware. In short, the Comsat proposal was based on a long-term building-block approach in which experience can contribute to design improvement as the system grows.

The initial phase, called the Pilot Program, proposed a two-year effort during which up to four high-capacity multipurpose synchronous satellites, each carrying 12 transponders, would be deployed. These would operate in the 5925-to-6135-MHz band for receiving (up-link) and in the 3700-to-4200-MHz band for transmitting (down-link).

A total of 34 ground stations would be needed initially, including two extra-large stations in the New York City and Los Angeles areas. The large terminals would each employ two 85-foot antennas. Two other receive-transmit stations located in the southeastern and northwestern regions of the U.S. would use single 42-foot dishes. The remaining 30 smaller terminals would be for receiving only and would use dishes from 25 to 35 feet in diameter, depending on their locations.

Each satellite would be capable of handling 12 color TV channels, or 21,600 trunk-message channels (through the two 85-foot dishes only), or 9600 multipoint message channels (to 42- and 85-foot dishes only). All stations would support TV receiving.

For the Pilot Program, Comsat estimates a space-segment investment of about \$36 million and an additional \$22 million for the ground segment. It also estimates a two-year operational cost of about \$47 million.

The design of the present Intelsat IV satellite (now in development by Hughes Aircraft) will fit the requirements for the Pilot Program vehicle, in addition to serving the global Intelsat network as fourth-generation hardware.

Comsat emphasizes that, even with the early domestic system, it would be able to provide reliable and efficient 24-hour multi-channel transmissions to all time zones of TV network programs for distribu-

(cont'd)

tion to affiliate broadcast stations. Its proposal also asserts that the system will provide other "cultural and educational TV distribution, trunk and point-to-point telephone, telegraph, facsimile, data and other communications."

Ultimately, in its "1970 model" system, four satellites could be employed, each with a five-year lifetime. These would provide a total capacity of 48 color TV channels or up to 84,000 trunk voice-grade channels, or any combination of these. Earth stations would continue to be expanded so that, by the time all four satellites were in service, up to 180 ground stations would be operational. The firm estimates that by about early 1971 90 per cent of the U.S. TV-viewing public could be receiving satellite-relayed programs.

The Comsat technical plan next calls for four "1973 model" satellites, each having double the capacity of the earlier model and each having a six-year design life. This model, too, would operate in the 4- and 6-GHz bands but would also be capable of receiving at frequencies above 10 GHz. The more advanced satellite array, when fully deployed, would be capable of handling 96 color TV channels, or 168,000 telephone channels.

AT&T seeks growth system

Through its subsidiary, Bell Telephone Laboratories, AT&T also proposed in detail, late in 1966, a two-phase domestic system using multipurpose satellites and a very large operational capability.

AT&T noted that it seeks only to own and operate the ground station along with other U. S. common carriers. The satellite portion of the system, says AT&T could be owned and operated by Comsat.

For its initial system, which would cost more than \$250 million, AT&T suggests a concept similar to Comsat's proposed Pilot system. It would use two stationary satellites operating in the 4- and 6-GHz bands, with a capacity of either 12 TV channels or 9600 duplex voice circuits. Two major Earth stations would be needed, using 85-foot dishes—one in the New York area and one in the vicinity of Los Angeles. In addition, 73 TV receiving stations

would be required for national distribution of programs.

The second phase, however, involves new ground stations and highly advanced satellites to come into service in the early 1970's. The satellites would be large, on the order of 3000 pounds and would operate in the bands of about 4, 18 and 30 GHz.

The second-phase system would probably cost more than \$200 million, the firm estimates. This would include four satellites and their launch vehicles, plus extensive modifications to the existing ground facilities. But the firm is anticipating an expected spectrum congestion in the 4- and 6-GHz bands. It further believes that

satellites operating at these lower frequencies will not have sufficient traffic-handling capability to meet traffic needs anticipated by the mid-1970's.

The larger satellites each would have forty-five PCM (pulse code modulation) and 12 fm transponders. Each PCM transponder would be capable of handling 1344 simplex telephone circuits or one TV circuit; each fm transponder would handle one TV channel. The fm transponders would operate at the 4-GHz level while the PCM transponders would receive at 30 GHz and transmit down at 18 GHz.

AT&T estimates that 20 ground stations would have to be available for the advanced satellites at a total cost of nearly \$70 million.

(cont'd)



Checking out a satellite isn't simple. This mass of gear at Hughes Aircraft in El Segundo, Calif., is only part of the transportable systems test equipment needed to check out an Intelsat IV.

Total capacity of the system by the mid-1970's would be 83,000 voice circuits and 27 TV circuits. This should be sufficient, the firm says, until about 1980.

Ford wants educational TV relay

In mid-1966, the Ford Foundation submitted a proposal to the FCC for what it termed a "broadcasting non-profit satellite system." Essentially it would be used as an educational TV relay system to reach all areas of the continental U.S., as well as Alaska, Hawaii, Puerto Rico and the Virgin Islands. The multichannel system would have a high-quality TV color channel for each of 24 satellite microwave repeaters.

In the Ford concept, two satellites would be placed in synchronous orbit, and a third might later be considered for increased traffic capacity. The satellite design concept, prepared by Hughes Aircraft and Philco-Ford, calls for a craft weighing in at about 770 pounds and using an electronically despun antenna system.

The ground system would require up to 233 terminals of varying complexity for metropolitan areas, plus 10 mobile stations.

The last of the major proposals submitted to the FCC for consideration in the domestic satellite issue was one by General Electric that outlines a concept for establishment of a nationwide business-to-business communications system. The selling point for the GE approach is a greatly reduced cost for the transmission of data between business firms or within elements of a widespread organization.

A basic system for use over the U.S., says GE, would require only two satellites; one would be employed in stationary orbit for operational use and the other for backup.

Other plans more specialized

Other proposals for domestic satellites have been filed with the FCC during the last several years, but the majority are for special-purpose relay systems. For example, several of the broadcasting networks presented a joint plan for

TV distribution to cut their operating costs.

Aeronautical Radio, Inc., a firm providing communications for most of the commercial air transport firms, has sought an aeronautical satellite system to complement its existing communications network. Numerous other schemes have been submitted by the petroleum and trucking industries.

At least one publisher, McCall Corp., has entered the picture. Last summer the firm requested the FCC for exclusive use of one color TV channel from the Comsat Pilot Program to be used as a "magazine of the air" for selected audiences. Said Henry E. Bowes, McCall president: "The domestic satellite can have a profound and sweeping impact on our business, commercial and personal lives because of its reliability, flexibility and reduced transmission costs."

In addition to the magazine type of experimental programming, Bowes noted McCall's interest in using the satellite channel for transmitting computer data and for use in its printing processes.

For TV distribution purposes, American Broadcasting Companies, Inc., was the first to file with the FCC for a domestic satellite system. This was in March, 1966, and although the first filing was intended solely for ABC TV transmissions, the proposal later was modified to become a joint concept including the National Broadcasting Co. and Columbia Broadcasting System.

By the end of 1966, 19 separate proposals had been filed with the FCC for domestic systems. Several more have followed, with the GE proposal among the last. ■■



Drawn for Broadcasting by Sid Hill
 "Who suggested Little Orphan Annie in our kiddie vitamin spot? . . . The kid hasn't grown an inch in 40 years!"

BROADCASTING, Oct. 20, 1969

Is FCC to be downgraded?

Split on Nixon team: Commerce wants to assume spectrum management; Defense opposes scheme

One of the first tasks awaiting Dean Burch after he assumes the chairmanship of the FCC may simply be one of preserving for the agency the responsibilities it now has. For there are backstage maneuverings under way that could lead to its dismantling.

One indication of the problems lying ahead for the commission is the move on the part of the Commerce Department to carve out a major role for itself in telecommunications matters.

The Department of Defense, a major user of communications facilities, now stands as a major barrier to Commerce's plans. But forces have been loosed that appear likely to result in major overhaul of the nation's telecommunications-management machinery.

Triggering devices were the recommendations of President Johnson's Task Force on Communications Policy and the Bureau of the Budget last winter that telecommunications-management functions be centralized in the executive department.

The Commerce Department volunteered.

In letters to President Nixon on Feb. 3 and to one of the President's key aides, Peter Flanigan, on June 27, Commerce Secretary Maurice Stans suggested that Commerce be given the commission's spectrum-management functions—including frequency-allocation and geographic-assignment respon-

sibilities—and the policy functions of the Office of Telecommunications Management. That office, located in the White House, manages the portion of the spectrum reserved for a government use.

Indeed, Commerce, at least at one time, envisaged an even wider role for itself in telecommunications matters. A confidential report prepared for internal use indicated Commerce was considering seeking inclusion of the telecommunications functions of the State Department among its responsibilities.

The commission under Commerce's original proposal would be left with regulatory and rate-making responsibilities for common-carrier and noncommon-carrier services and with the selection of individual licensees.

Mr. Stans, who noted his plan would require congressional approval, is reported to have advised the President in his February letter that "mismanagement of the electromagnetic spectrum has resulted in valuable spectrum space lying unused and technical improvements unexplored." His plan, Mr. Stans said, would eliminate those defects.

However, the proposal reportedly received generally negative response from other cabinet departments. Only the Department of Transportation is said to have expressed approval. And Defense Secretary Melvin R. Laird, in

blunt language, expressed opposition even to a subsequent and toned down proposal of Mr. Stans.

The latest proposal, forwarded for comment to Mr. Laird on Sept. 2 in a "Dear Mel" letter, omitted any reference to the FCC. Instead, it would establish within Commerce a new agency that would incorporate the functions of OTM, research capabilities and an interagency "Telecommunications Policy Agency Committee"—all under a new assistant secretary for telecommunications.

Mr. Laird, who replied in a "Dear Maury" letter on Oct. 1, was "gratified" that Mr. Stans had apparently dropped his plans for seeking some of the commission's responsibilities. Mr. Laird said it would be inappropriate for an executive department to propose that it be given control over interstate commerce, insofar as telecommunications are concerned, which Congress had delegated to the commission. The Constitution assigns Congress authority over interstate commerce.

But the Defense secretary said the modified plan, in placing all or most telecommunications-management responsibilities within the Commerce Department or any other executive department, still contained disadvantages.

His principal concern stemmed from Defense's considerable need for communications. He said he could not see how the President "could delegate telecommunications-management functions, which vitally affect the armed forces and other national security agencies, to one of the executive departments, particularly one that is not primarily concerned with national security matters."

(cont'd)

doubt that, an executive department could provide "the requisite perspective for national or federal policy making." He said that "only the executive office of the President provides the proper environment for adequate consideration and development of telecommunications policy."

Mr. Laird's suggestion for improving management of the spectrum is strengthening the technical and research capabilities of OTM and the commission to enable them "to more effectively fulfill their responsibilities for allocating and assigning frequencies." He said the two agencies had developed "effective" means of coordinating their activities over the years.

Outgoing FCC Chairman Rosel H. Hyde was aware of Commerce's proposals when, in a speech to the International Radio and Television Society in New York last month, he recommended creation of a cabinet-level agency to incorporate all communications-regulations matters (BROADCASTING, Sept. 29).

What disturbed him was the prospect of an FCC stripped of its spectrum-allocation powers and left with its responsibility for licensing and regulation. Spectrum allocation, he said, is a most important tool, "and should and must be in the hands" of those charged with responsibility for regulating and licensing users of the spectrum. The kind of agency he proposed, he said, would provide for greater centralization—not fragmentation—which he said would be helpful.

It is not clear why commerce reduced the scope of its plan by excluding any reference to the FCC in Secretary Stans's Sept. 2 letter. Secretary Stans met with Mr. Laird in July, shortly before sending him copies of the earlier proposals that had been submitted to the White House. And Commerce officials with representatives of Secretary Laird in August. Reportedly, however, the Defense officials made no effort to influence commerce's position.

Furthermore, some Defense Department officials, wary of what they regard as an effort on the part of Commerce to engage in empire building, are not convinced Secretary Stans has given up on the idea taking over the commission's allocations and assignment functions. He is "still angling" for that responsibility, said one official. There seems to be no hard evidence for that view.

The White House has been studying the question of improving the nation's communications-management machinery almost since President Nixon took office in January. But no deadline for arriving at a solution has been fixed, and no proposal bearing the President's signature is in sight.

Some White House aides see some advantages in centralizing spectrum-allocation functions in Commerce or some other executive department.

It would provide for unified management of the spectrum, they say. In addition, spectrum allocation would be housed in "a larger organization with

more presidential clout." Budget problems would not be as severe as those that regularly face the commission and OTM.

However, problems of a kind reflected in Secretary Laird's reaction to Commerce's proposal remain. And overcoming that opposition would be difficult, in view of the size and influence of Defense. Perhaps for this reason White House aides said last week that "there is an awful lot you can do short" of Secretary Stans' proposal.

How short of that proposal remains to be seen. But government technicians in and out of the White House concerned with communications matters expect the Nixon administration to advance plans for an overhaul of the government's machinery for overhauling telecommunications management.

Equipment & Engineering

Now all networks want satellite

Stanton makes it unanimous with proposal for consortium in sky to counter AT&T

With the government moving—finally—toward basic policy decisions on establishment of a domestic communications-satellite system, the debate over who should own it, and what kind of system should be authorized, last week came full circle.

CBS President Frank Stanton, speaking in New York, called for a consortium of the three major networks to own and operate a \$100-million satellite system that would transmit the network's programs, and those of non-commercial television, to stations in all 50 states and the off-shore islands.

Four years ago, ABC kicked off the debate over ownership of a domestic system by petitioning the FCC for authority to operate a satellite system that would connect ABC affiliates across the country.

A year later, the Ford Foundation issued its proposal for a satellite system devoted to broadcasting, whose profits would be used to help support noncommercial television. And NBC has long urged establishment of a broadcasting-only satellite system.

The principal factor behind Dr. Stanton's plan—as it was behind those of ABC and NBC—is the cost of AT&T program transmission. And the cost is higher now. Under rates that went into effect Oct. 1, the networks are expected to spend some \$65 million on program-transmission costs annually, an increase of some \$20 million.

But one new and possibly significant element in the debate was AT&T's reaction to the Stanton proposal. It was favorable. "The wisest policy at this time would be to permit any organization or group interested in establishing a domestic system, including the networks, to apply for a license to establish and operate such a system," the telephone company said. However, it questioned whether a satellite system would be as economical, in comparison with terrestrial service, as broadcasters generally believe.

Previously, AT&T had opposed establishment of single-purpose systems. It had favored a single multipurpose system, under which common carriers would provide a wide variety of communications services—telephone, tele-

graph and data, as well as radio, television and others.

This has also been the position of the Communications Satellite Corp., which in addition argues that the Communications Satellite Act has created it as the nation's instrument in the operation of any communications satellite system. Comsat and AT&T and other carriers had differed mainly on the question of ownership of satellite-system ground stations.

Comsat last week showed no change in its position. A spokesman said that the company "welcomes the emphasis of CBS on the necessity for establishing a domestic-satellite system as soon as possible." But, he added, Comsat believes "that through appropriate governmental authorizations, arrangements can be established whereby Comsat can satisfy the requirements of the TV networks and meet their objectives."

This was interpreted to mean that if the FCC authorized the networks to deal directly with Comsat for domestic-satellite service, the networks could achieve their goal of reduced program-transmission costs without the expedi-

ture of \$100 million for a system of their own. The networks now are required by the commission to deal through the common carriers when they want international satellite service.

The FCC has been stymied for more than two years in an effort to adopt a policy providing for a domestic system. The commission staff prepared a draft order in the summer of 1967. It was shelved in August of that year when former President Johnson created his task force on communications policy to review all communications matters—specifically including those relating to the use of satellites.

The task force completed its work last December, but by then a new President had been elected, and the commission felt it would be improper to act on such a critically important matter without giving the new administration a chance to review it.

Finally, last July, as the commission was again preparing to take up the draft order, the White House asked it to hold off for 60 days until a specifically constituted committee could review the entire matter afresh. The committee, under the chairmanship of Dr. Clay T. Whitehead, presidential assistant, is now expected to issue its report next week—about 30 days late.

If the committee emerges with views substantially different from those being considered by the commission, presumably some negotiations would be required. The commission has the responsibility for adopting satellite policy. But, as a practical matter, it is unlikely that it would ignore the views of a committee that would be representing President Nixon.

The commission staff's draft order—on which the commission has not yet taken a vote—reportedly provides for a multipurpose system that would be managed by Comsat and in which users—common carriers and broadcasters among them—would have an opportunity to participate in ownership and management.

Dr. Stanton, who spoke before the Audio Engineering Society, referred to the four years that have already passed in governmental study and review as "bureaucratic inaction," and said:



Here's how a network-owned satellite system could cover the U.S., using two birds. In gutting CBS's support behind the creation of a network consortium, Frank Stanton avoided specifications last week. His aides said details were more properly to be arranged in three-network consultations.

"What a national waste."

There are no insurmountable technical or economic barriers to a domestic communications-satellite service, he said, adding: "Broadcasters want to cross the threshold into the era of satellite communications and cross it now." If the government were to move promptly on his proposal, he said, a system could be in operation by 1972.

Dr. Stanton provided few details of the kind of system he had in mind, possibly to avoid the danger of the other networks declining to endorse a proposal sufficiently well described to become known as "the CBS plan."

However, CBS apparently has considered the matter enough to put a price tag on it—\$100 million—and Dr. Stanton appeared confident the other networks would share its costs with CBS. He also proposed the Corp. for Public Broadcasting would be invited to join the consortium as a fourth and equal partner, with free access to the satellite system.

The proposal contemplates two satellites with 10 to 12 channels each, which means the system could accommodate as many as 12 networks. And Dr. Stanton noted that, with a satellite system at their disposal, the networks would be able to provide live network service 24 hours daily. Their broadcast day now runs 14 to 18 hours.

Dr. Stanton's proposal drew support from ABC and NBC, both of which recalled their earlier proposals. ABC said the Stanton plan is "essentially similar" to the one it had advanced and has continued to support. "We are happy to have Dr. Stanton's support," the network added.

NBC's president, Julian Goodman, expressed delight at Dr. Stanton's "strong public endorsement" of the concept "NBC has long espoused . . . Now, with the backing of all three network companies which are principally concerned with the distribution of radio and television programs," he said, "we hope the plan can be put into effect."

John W. Macy Jr., president of the Corp. for Public Broadcasting, hailed the plan as a "breakthrough in insuring the future of public broadcasting."

United Press International's president, Mirra Thomason, also supported the proposal, but suggested it be broadened to provide for communications facilities for the major news services and other news media. He also managed a back of the hand to AT&T in connection with the growing number of complaints being received about its service by noting that the kind of system he was suggesting would relieve the load "which has seriously affected AT&T's ability to provide efficient service to many of its customers."

All three networks, along with AT&T,

Gravel urges speed on domestic satellite

Senator Mike Gravel (D-Alaska) last week called for prompt implementation of a domestic satellite program that would provide the United States with a wider range of communications services.

Speaking at the annual meeting of the Inter-University Communications Council (EDUCOM) at Notre Dame University, the senator said responsibility for such a system clearly should be assigned to a single entity, whether Comsat, a private corporation or the government. He said that although Congress assigned responsibility for international satellite communications to Comsat, it has neglected to "clearly assign a similar responsibility to meet our domestic needs."

Senator Gravel has proposed for Alaska a temporary system that would employ a National Aeronautics and

Comsat and other interested parties have submitted their views on the domestic-satellite question to the White House committee. CBS did not call for a consortium, reportedly because studies had not yet been completed that would support the feasibility of such a proposal, but it did support the concept of a privately owned system.

Dr. Stanton's speech may have been timed to remind the White House committee of the broadcasters' views. But his principal motivation apparently was his concern over the new AT&T program transmission rates. The "recent 44% jump in the charge for AT&T's domestic transmission over its land lines and microwave systems makes an early start on a satellite system imperative," he said.

The legality of the new AT&T rates will be tested in a hearing ordered by the FCC. However, the networks presumably would not like to gamble on the outcome of that proceeding. In any case, Dr. Stanton has been advised by his experts that a three-network consortium could build and operate a domestic satellite system at a cost that would represent savings even under the previous AT&T rates.

AT&T, however, cast some doubt on that estimate in its statement last week. It said that its recent studies indicate that satellite costs "currently may be less favorable compared to terrestrial costs than appeared to be the case some years ago."

Questions about the economic feasibility of domestic satellites have been raised before. James D. O'Connell, telecommunications adviser to Presidents Johnson and Nixon, said two years ago that the presumed savings in such a

Space Administration satellite already positioned over the Pacific Ocean. The system would be used to deliver television to several remote Alaskan communities that are not now served by the medium.

The senator said his Alaska proposal could be the forerunner of a nationwide program.

"The utilization of communications technology in the U.S. has lagged far behind its potential," the senator said. Intelligently administered satellite communications, he added, could provide "an opportunity for solving the population problems of India, providing a vehicle for the acculturation of Eskimos in the far reaches of the Arctic, providing our ghetto population with the necessary training and education and bringing to all Americans cultural enrichment far beyond existing horizons." When the technology to implement this opportunity exists, he said, "what a crime not to use it."

system may not actually exist (BROADCASTING, July 3, 1967).

AT&T's about-face on the question of permitting creation of a variety of privately owned satellite systems is based on the belief that such a policy "would allow flexibility and incentive for creative private initiative, and would provide the most appropriate means for an orderly development of domestic satellites."

The company said it had not had time to study the CBS plan but "it would appear to merit consideration in the context of a careful appraisal of the most efficient use of the frequency spectrum and orbit space, as well as other relevant technical and economic factors."

AT&T added that "when it makes good technical and economic sense to do so," it will apply for authority to use satellites in its own operations.

The soaring costs of terrestrial program-transmission service were not the only reason Dr. Stanton advanced in urging a fast government go-ahead on authorization of domestic communications satellite system for broadcast service. He also invoked national pride.

He noted that Canada expects to have a domestic communications-satellite system in operation by 1972 and that India, which has virtually no television service, is proceeding with plans for a system that will beam educational television programs to relatively inexpensive receiving stations in 5,000 villages.

He also said that Japan, Australia, Brazil and Pakistan are busy with plans for domestic-satellite systems, while various organizations in Europe are studying the possibility of regional European satellite systems for telephonic

(cont'd)

and television
services.

"Is it not ironic,"
he said, "that the
United States, which
pioneered in space
communications, is
so slow in bringing
the benefits of sate-
llite technology to
its own people?"

Domestic Satellite Pot Boils

Past FCC Indecision on Domestic Satellite System Provides Take-Off Point for Renewed Action

By Robert J. Samuelson
Washington Post Staff Writer

The idea of establishing a system of domestic communications satellites is not new. As early as 1957, the Federal Communications Commission prepared to authorize an initial network. Had the FCC given its approval, the satellites might have become operational next year.

But the FCC remained silent, and now the earliest potential starting date is probably 1972. The satellite issue has since emerged as a classic case of governmental indecision—the result of divided federal responsibilities, complicated technical and legal issues, and powerful, competing industrial interests.

In 1967, the FCC deferred to the White House. Satellite communications appeared to be one of those grey areas of federal regulatory law, a confusing combination of "regulation" (the awarding of radio and television licenses, for example) and longrange national communications "policy." Though the FCC retained final jurisdiction, it felt it must await recommendations from the executive. In August 1967, President Johnson appointed a special Communications Task Force to study a long list of communications issues, including satellites.

Study Undertaken Again

By last December, when the task force had finished its report, the vicissitudes of politics had rendered most of the exercise meaningless. The Nixon specialists read the massive document, put it aside and began their own separate investigation. Nearly a year has passed.

That a system can be built is not disputed. For five years, the United States has provided the main support for an international satellite network, which has lowered transoceanic phone

rates and expanded international television transmissions (including those of the Apollo missions). Now supporters of a domestic system, frustrated by repeated delay, are pushing the White House and the FCC for a quick decision.

The Communications Satellite Corp. (Comsat), a Congressionally created corporation whose only business—and, therefore, whose very existence—is satellites, has always been an ardent advocate. More important is the renewed interest of the television networks. In 1965 and 1966, ABC and NBC enthusiastically embraced satellites as a means of transmitting television signals. The third network, CBS, was lukewarm. But this month, Frank Stanton, CBS's president, officially became a convert.

"Fainstaking technical work and great ingenuity went into the many proposals of 1965 and 1966. But to what avail? Now we are in the fifth year of discussion, analysis—and bureaucratic inaction. What a national waste!" he said in a well-publicized speech.

Higher Rates

What apparently provoked Stanton's calculated outburst was American Telephone and Telegraph's new, higher rates for television signals. The new charges will cost the three major networks \$20 million more a year, raising their total bill to \$85 million.

"We were bitten very badly on this go-round," says one TV executive of the rate changes. In the future, the networks see nothing but more increases from AT&T. This prospect apparently moved CBS to seek its independence from AT&T's land communications system.

"Before the new rates, CBS was reluctant to change," guesses another TV man. "AT&T's service is first-rate, and you don't like to shift from a known to an unknown."

(The increase must also be kept in perspective, as AT&T is the first to point out. According to the phone company, the change is the first major upward rate revision since 1948. And under the old rates, transmission charges declined from 3.8 per cent of the networks' total cost in 1954 to about 4 per cent in 1969, AT&T says.)

Within the next month, the White House, which has been studying the satellite problem intensively since summer, may give the networks satisfaction by proposing that a domestic system be approved. The question has never been whether, but how and when. And even a positive recommendation would still leave the difficult task of approving a specific system in the hands of the FCC.

Predicting Complicated

No one knows when the FCC will act, though most of the preliminary staff work has apparently been completed. The arrival of two new commissioners, including a new chairman, complicates predicting. Having recently been appointed by the President, the new members might accept the outlines of a White House recommendation; on the other hand, they might want to reevaluate the entire matter.

Such a reassessment could consume a great deal of time, for the questions which originally puzzled the Johnson task force and the subsequent Nixon study group are indeed complicated.

First, it is agreed that the government cannot allow anyone to launch his own communications satellite. The satellites would be placed in space 24,000 miles above the equator and orbit the earth at the same rate as the globe spins—therefore, they would remain stationary above one spot. Even if the government were to allow more

(Cont.)



INTELSAT III—Orbiting the earth 24,000 miles above the equator, communications satellites keep a fixed position in relation to the earth, and can relay signals to a large portion of the globe. Here is an artist's conception of an Intelsat III satellite, already in service for the international satellite communication system.

than one satellite system, experts agree that there are a limited number of satellites which could be "parked" without having one satellite's transmissions interfere with the others.

Second, no one knows how important a communications medium satellites will become. Television is regarded as the biggest early user, but some analysts have suggested that the satellites should be able to perform a variety of other tasks efficiently: transmit data between computers; transmit business letters and legal documents at rates which would eventually attract most important commercial mail from the Post Office; provide private television lines for businesses which feel the need for face-to-face, coast-to-coast conferences.

Finally, there are powerful interests vying for the right to own part, or all, of any prospective satellite system. If satellites assume a major role in filling future communications needs, any decision allocating ownership rights of the satellites and the ground stations (which send and receive signals) could eventually involve many millions in revenue annually. Some of the contestants include AT&T, television networks and Comsat.

At first, the networks asked that they be allowed to create a system to provide for their own needs. Other systems could satisfy other needs. Comsat and AT&T, in a fragile alliance, said that there should be one system and one system only.

Though they disagreed on the details of ownership, Comsat and AT&T argued that the costs of the satellite system could be spread most economi-

cally among many different users, including television. The limited "parking space" for orbits also favored the single system.

The networks feared (and still fear) that a single system would result in higher television rates. They believe that a general system—transmitting television, data, and telephone signals—would require a larger investment in complicated ground stations than a simple system which would serve only television. T.V. doesn't want to pay for that added investment.

The issue remains unresolved, and along with the companion question of who should be allowed to get into the satellite business, helps explain the extended years of study. Events of the past month, however, may make compromise a more likely possibility.

The most important change has been AT&T's abandonment of its one-system approach. "The wisest public policy at this time," the company said a few weeks ago, "would be to permit any organization or group interested in establishing a domestic satellite system—including the networks—to apply for a license to establish and operate such a system."

Why AT&T changed its mind is something of a mystery. The company cited recent studies on the economies of its land facilities. The capacity of microwave networks and coaxial cables for voice and "record" (data, telegraphic, facsimile) transmissions have expanded rapidly, reducing unit costs in the process. Consequently, AT&T said, "satellite costs currently may be less favorable . . . than appeared to be the case some years ago."

If AT&T is right, the network may reap smaller savings (than they expect).

When economies improve, AT&T said it might want to adopt satellites for some of its own services. Meanwhile, most satellite partisans suggest that the phone company, which has more than \$40 billion invested in its ground system, has a vested interest in delaying a satellite system.

In any case, AT&T's new position changed the balance of power. Comsat, having lost its strongest ally, is now scrambling to convince the television networks that it should be allowed to place a satellite system in orbit for them.

There are advantages for television. Comsat, with years of experience operating the international system (Intelsat), has the requisite know-how and a cash reserve raised by the sale of stock years ago. This would spare the networks the unpleasant experience of raising more than \$100 million during an era of high interest rates.

The television companies still don't want to bear the extra cost of a general system. At least one of them, NBC, has apparently proposed a plan to please both Comsat and the networks.

Under NBC's proposal, television rates would reflect the investment in only the satellites and the major earth stations (probably two or three) to send T.V. signals. The networks themselves would build the hundreds of small earth stations necessary to receive the satellite beams.

Then, if Comsat (or whoever owned the satellite system) wanted to make added investment for other communications services, it could. Rates for new users would simply be adjusted to account for this extra capital. And if enough additional users were attracted, the whole system, including the networks, would benefit from lower costs.



REPUBLICAN NATIONAL COMMITTEE

CARL L. SHIPLEY
MEMBER FOR DISTRICT OF COLUMBIA
1204 NATIONAL PRESS BUILDING
WASHINGTON, D.C. 20004
(202) 783-1847

January 7, 1970

Dr. Clay T. Whitehead
The White House
Washington, D.C.

Dear Clay:

Thought you might be interested in the
attached.

Sincerely yours,

Carl L. Shipley

CLS:dt
Enclosure

Nixon Is Readying New Look For U.S. Regulatory Agencies

By HAL TAYLOR

WASHINGTON. — The Nixon Administration is implementing a new policy toward regulatory agencies which threatens the traditional independence of those commissions.

The policy was revealed to Fairchild News Service® by Dr. Clay Whitehead, a staff assistant on the White House team, who is responsible for handling regulatory commission matters.

"We take the position that there has been too much separation between the regulatory agencies and the executive branch of the Government," Dr. Whitehead explained. "They don't consider themselves part of the executive branch."

The regulatory agencies include the Federal Trade Commission which looks over the shoulder of business, the Federal Communications Commission which rules on the activities of the communications and broadcasting industries, and others such as the U. S. Tariff Commission, the Civil Aeronautics Board, the Interstate Commerce Commission and the Maritime Commission.

Whitehead said that the separation between the commissions and the executive departments stems from political scandals in previous Administrations when executives have tried to influence decisions of the regulatory agencies.

THE MOST PUBLICIZED SCANDAL was during the Eisenhower Administration when Bernard Goldfine tried to influence a Federal Trade Commission case by giving gifts to Sherman Adams. At the time, Adams was Eisenhower's chief assistant.

Whitehead said that because of such scandals, people in the previous Administrations have been afraid to even talk to the staff of members of the commissions.

Whitehead said that the Nixon Administration agrees there should be no contact when the commissions are involved in quasi-judicial rulemaking or decisions. "It is still forbidden to have any influence there."

"There are, however," Whitehead continued, "a lot of important policy matters in which Congress wants the Administration, the regulatory agencies and Congress to work together."

"That's what we are trying to work toward," he added.

The new policy is most readily evident in the current consideration of the need for a domestic communications satellite to handle this country's burgeoning communication needs.

The Federal Communications Commission last summer was all ready to announce its decision as to who should be allowed to develop a domestic communications satellite system. The decision is important because the development program will be worth millions of dollars to the firm selected to do the job.

OTHER LUCRATIVE CONTRACTS lie in the firms selected to build and operate ground stations to transmit the signals to broadcasting and communication firms.

At the last moment, the White House intervened and the FCC decision was postponed. The White House said it would make its own study of the situation. That study would be made by a special ad hoc committee composed of representatives of the executive branch and headed by Dr. Whitehead.

The White House study was to be completed in six weeks. It has, however, continued to drag on week after week and now month after month. The latest estimate is that it will be completed after the first of next year.

The manner of its release also raises some serious questions.

The White House says it will not release the statement to the public. Instead it will be sent to the FCC.

IT IS CERTAIN that the FCC would never release the contents of any document submitted to it by the White House. As a result, the public will never know what influence the White House may have had when the FCC finally releases its decision as to who should build the system.

White House intervention has taken other forms. Caspar Weinberger who will take over as chairman of the Federal Trade Commission on Jan. 1 said that President Nixon has told him to change the commission into a consumer protection outfit.

Weinberger, who is supposed to direct an independent commission which makes up its own mind, has already declared he plans to carry out the President's wishes.

While no one would argue that consumer protection is not a fine goal, there appears to be a principle lost somewhere.

Shakeup in allocations controls?

White House memo suggests new Office of Telecommunications Policy that may pre-empt FCC's spectrum-assignment authority

Ever since the Nixon administration came into office, White House aides have been pondering ways in which national telecommunications policy-making could be strengthened. Their thinking hasn't jelled yet, but it has advanced to the point where it contemplates centralization of considerable authority for telecommunications policy and administrative functions in a new Office of Telecommunications Policy, which would be located in the White House.

For the FCC, this would represent a long-range threat to its spectrum-allocation authority; the White House is thinking in terms of the coordination, in time, of that authority with the powers of the OTP. In the meantime, it is clear, the commission would clearly feel the influence of the White House in its strengthened role in telecommunications.

These views are set out in a memorandum that presidential aide Peter Flanigan has distributed to affected government agencies, including the FCC, for comment. The comments will be considered by the White House staff before any recommendation is submitted to President Nixon.

The memorandum was made public by Representative Joseph E. Karth (D-Minn.), chairman of the House Subcommittee on Space Science and Applications, during hearings held to explore the question of whether government-developed technology in the field of domestic communications satellite is being exploited in the public interest. (BROADCASTING, Dec. 22).

Representative Karth did not say where he obtained a copy, and White House sources clearly regarded as unfortunate its publication. They said it

was "not even final" and had not been signed by Mr. Flanigan and other White House aides responsible for it.

The memorandum which was prepared with the assistance of the Budget Bureau and the staff of the President's Advisory Council on Executive Organization, stresses the present lack of effective telecommunications policy machinery in the executive branch.

It notes efforts of the director of telecommunications management, in the Office of the Emergency Preparedness, to exercise leadership in that area have failed. Agencies with operating responsibilities have questioned OTM's responsibilities and authority, the memorandum says.

The memorandum recommends scrapping the OTM (now headed by an acting chief, William Plummer) as well as the position of special assistant to the President for telecommunications, which is now filled by the director of OTM.

All policy functions not related to emergency preparedness would be transferred to the new OTP. And the director of the new office who would be appointed by the President, would serve as his principal adviser on telecommunications policy.

He would have primary executive branch responsibility for both national telecommunications policies and federal administrative telecommunications operations. Among other things, this would involve the preparation of economic, technical and systems analyses of telecommunications policies and opportunities in support of national policy formulation and U.S. participation in international telecommunications activities.

Most of the Frequency Management Directorate of the OTM would be transferred to the Department of Commerce.

A new Telecommunications Research & Analysis Center (TRAC) would be established in Commerce, under an assistant secretary for science and technology, to provide a centralized research, engineering and analysis service in support of spectrum management.

The threat to the commission's spectrum-allocation authority is contained in a section of the memorandum dealing with various considerations involved in any reshuffling of telecommunications responsibilities.

It reflects the view that a transfer of that authority now exercised by the commission to the proposed OTP has much to recommend it. Such a consolidation, it says, "would permit greater flexibility in assignment policies and eventually even more efficient spectrum use."

But, it adds, such a move poses problems: It would require legislation. It would raise concerns about political interference in the assignment of frequencies. And "it would inundate the new office with a highly routine workload (the FCC now processes 800,000 applications yearly, compared to 37,000 now handled by the OTM)."

As a result, the memorandum adds, "immediate consolidation of these responsibilities is not recommended." But, it says, "planning for eventual consolidation should be started."

The memorandum is critical of present government activities in spectrum allocation matters. It says the "current procedures . . . are highly inflexible and are increasingly creating a spectrum-

shortage crisis." It mentions specifically the land-mobile radio users, for whom the commission is considering opening up portions of the spectrum now assigned to UHF television.

Even before any transfer of authority takes place, the new OTP would have a voice in the development of spectrum allocation policy. It not only would be the final authority in allocating spectrum to government users—as the OTM is now—it would make recommendations for the allocation of spectrum space to nongovernment as well as government users. It would also develop with the commission "a long-range plan for improved management of the total radio spectrum."

Indeed, much of the memorandum reflects the view known to exist in the White House that the executive should play a distinct role in the operation of the commission (BROADCASTING, Aug. 11). In noting, for instance that "there is no effective policy-making capability for telecommunications in the executive branch," it says that "the administration is . . . largely unable to exert leadership or take initiatives in spite of vulnerability to criticism for FCC policies."

It also indicates concern about the lack of an office in government responsible for or capable of "reviewing the whole range of national telecommunications policies as expressed in legislation and in FCC policies." And it refers to the absence of machinery for dealing "expeditiously" with matters that are now the responsibility of the FCC such as pay television, CATV and domestic satellites.

The specific responsibilities that would be given OTP indicate that it would play an important role in FCC matters. It would be responsible for developing executive branch policy on regulatory matters and advocating it to the FCC as well as to Congress.

The White House memorandum is the second recommendation for reorganizing the government's telecommunications policy-making machinery to surface in the last two months. The first was a Commerce Department recommendation that the department be given the commission's spectrum-allocations authority as well as the OTM's policy functions (BROADCASTING, Oct. 20). That proposal was vigorously opposed by most of the cabinet departments in

comments requested by the White House.

At least one of those departments, Defense, is not expressing any opposition to the plan outlined in the White House memorandum. DOD is reported to have said that, barring any revisions in the proposal, it would endorse it.

Inside the FCC

The FCC and the White House

(Recently TELEVISION AGE Publisher, Sol J. Paul, had an exclusive interview at the White House with Presidential aide Peter Flanigan. In that interview, Flanigan described the emerging White House liaison with the regulatory agencies and with particular reference to the FCC. The following piece, written by TELEVISION AGE Washington editor, Jay Lewis, is the first of a three-part series on how the Administration is formulating its blueprint for expanding and strengthening executive decisions in the area of communications.)

Almost from the start of the Nixon Administration, White House staffers have been hard at work determining just how the Executive Department could move into a strong policy-making position vis-a-vis the various regulatory agencies, including the FCC. This task has been coordinated by Peter Flanigan, the urbane Assistant to the President.

Clay T. (Tom) Whitehead, a young, brilliant, 31-year-old MIT graduate, was selected to look into the FCC and a half dozen other agencies as well. A native Kansan, he is indicative of the young technicians that the President has gathered about him to formulate and implement policies. He came to the White House staff from the California think tank, the RAND Corporation. He is also a former MIT instructor in electronics and political science. Should some of his advanced ideas be adopted, it will drastically change the pattern and policy of broadcast regulations.

Whitehead makes no bones about the fact the White House is going to get into the FCC regulatory act.

"This notion of the 'independence' of the regulatory agencies," he says, "has gone too far." "There are areas in which the Executive Department can and should act."

He stressed that the Commission's exclusive domain in the adjudicatory process will be strictly respected. As a precautionary measure, Flanigan dispatched a memo to all White House staffers last May 21 which said "any executive interference" in the quasi-judicial function of the independent agencies "would be highly improper." The memo went on to say that "it is important to avoid even the mere appearance of interest or influence."

Whitehead explained that part of his task was to try to delineate more precisely the line between the policy-making and the quasi-judicial functions of the FCC and other agencies.

He said that the White House frequently gets calls from Congressmen who want to find out how a particular case involving a hometown station is coming along at the FCC. "Naturally," he said, "we tell them there is no way we can inquire about such matters."

But on the broad policy matters such as the question of domestic satellites, CATV and multiple ownership of

stations, Whitehead feels that the Executive Department should have a say.

"These are very important questions which relate to the public interest, and there is a clear-cut need for coordination between the Executive and the FCC," he said.

Referring to scandals of yesteryear, Whitehead said: "The Johnson and the Eisenhower Administrations overreacted to the improper interference in the business of the regulatory agencies and shied away from all dialogue.

"It had almost reached the point where there was no contact at all between the White House and the agencies . . . even when an important policy question involving both the Executive Department and the agency came up."

Whitehead said this strictly hands-off policy of the past has been discarded, and that the White House would move into areas deemed proper for the exercise of its influence.

"The President," he noted, "has an obligation to shape policies for the whole nation. The FCC and the other agencies are primarily concerned with policies related to the industries they regulate."

Following this new attitude, Whitehead is working on two projects affecting the FCC. One is the intra-governmental study group, of which he is chairman, charged with the task of coming up with a White House position on the domestic satellite program. The other is a broad-ranging survey on reorganization of the communications management system, a key part of which is the question of where the power over spectrum allocations should reside.

Close liaison with FCC

In addition, close liaison is being maintained between the FCC and Whitehead. "I was in close touch with Chairman Hyde," said Whitehead, "and will also be talking with Dean Burch frequently in the future." In this connection, the Commission sends Whitehead a monthly report on its significant actions.

The domestic satellites study is approaching completion, and Whitehead hopes to have it ready for submission to the FCC in the near future. The Communications Act gives the Commission full authority in this area by virtue of an amendment enacted in 1962, so the Whitehead study will be in the form of recommendations to the FCC.

Whitehead said that as a practical matter the spectrum function should reside in the Executive. Not only would the task receive more funding and effective attention, but as a matter of governmental policy it belonged under the wings of the White House.

In addition to the FCC, Whitehead also has charge of coordinating White House policies with the Maritime Commission, the TVA, Federal Power Commission, Water Resources Council, Intelsat and NASA.



Whitehead at his desk

In the picture

Like scores of other busy advertising execs, **Nadeen Peterson** has gotten into the habit of spending one or two hours a week at the gym.

The difference between most of the other agency exercisers and the new vice president and creative director of MacManus, John & Adams, New York, is that they're men and, naturally, Nadeen Peterson isn't.

The fact that MJ&A New York is perhaps the only major agency to hire a woman as its creative director doesn't surprise Nadeen Peterson quite as much as the fact that *she's* the woman.

"This past summer," relates the vivacious executive, "while I was doing some freelance work, Bill Chambers (general manager of MJ&A New York) said to me, 'Maybe you'll like it here so much you'll want to stay.' I had a feeling he'd offer me a job, but I was having such a ball freelancing that I wasn't quite ready to say yes. Then, one day, he said to me, 'It's the creative director's job.' Well, that's different! All I could think of was, 'He wants *me* to be creative director. Gee, what do you think of that?'"

Her positive reaction to Chambers' offer wasn't quite the same as the one she had in 1965 when she received her first big promotion—the first woman vice president of Tatham-Laird, New York.

"I went home and cried," says Nadeen. "The next day I called in sick and spent the next two days in bed. I felt awful. I was unmarried, getting on in years, I could see my life ruined—a dedicated old maid businesswoman. And that wasn't my ideal at all. In fact, I left Tatham-Laird a short time afterward, and moved to Foote, Cone & Belding—dropping the title and \$5,000."

That's all changed now. Nadeen is married, to Robert Kilzer, a creative group head at Dancer-Fitzgerald-Sample. They tied the knot on a Christmas Eve elopement in Aspen, Colorado, in 1966, so that washes out her old maid theory. Just for the record, she didn't stay down long, but got her vice president's bars back at FCB, then moved to Norman Craig & Kummel, where she was a vp and senior associate creative di-

rector, developing campaigns for Colgate, Maidenform and Shulton. (She has served under Chambers at both FC&B and NCK.)

Some of her other notable creative achievements were on the "Up, up and away" campaign for TWA, the "It has what it takes to take what it has to" promotion for Sears Roebuck luggage, and the cling-along hoisery push also for Sears.

A brown-eyed, raven-haired young woman who was born in Pennsylvania and raised in Miami, Nadeen Peterson is sure that if her advertising copy can be labeled as having this or that quality, it's that it reflects *her*.

"I have my own philosophy—people put into advertising what they're like. What's mine like? Well, I feel with what we're going through now—Vietnam, germ warfare, bombings, all that, you have to be pretty nice to people in your advertising. You have to be polite, charming, to get people to listen. People have too much after them now trying to grab them by the collar and hit them in the face with it. I believe a good selling point is somewhere between Jung's universal soul and Freud's super-sexual thing. I want to apply to copy a universal emotion, a *truth* that makes people say, 'Yeah, that's the way it is.'"

Nadeen's approach to attacking copy is just as incisive. "I believe in enlightened creativity," she remarks. "I feel it's impossible to whip up a campaign, a commercial, a slogan, unless you get your hands on everything that's available on your subject. I soak in it, read everything in print, talk to people on the street, ring doorbells."

Being married to another creative person doesn't often cause conflict at the dinner table, says Nadeen. In fact, it can be a blessing. "When I'm stuck, he helps me out. When he doesn't want to talk about something he's working on, we don't discuss it. We have too much mutual regard for each other to let it become a problem."

Once, however, there was a conflict of interest. It happened when Nadeen was working for FC&B, which was about to lose the TWA



Nadeen Peterson

No tears this time

account. Eight other agencies were invited to submit bids, one of which was McCann-Erickson, Kilzer's shop at the time. FC&B was manfully trying to keep the account and Nadeen had discussed it with her husband. When McCann entered the picture, Kilzer was asked to help out on a presentation. The conflict of interest was quickly resolved. "Bob went to his boss and laid it on the table that he had discussed a plan with me, and asked to withdraw. That was that."

MJA New York's \$24 million in billing is now divided about 60-40 in favor of print. Nadeen expects that to change, as many of the agency's clients, like Westclox, Saranwrap, Holland American Lines and Binaca may be about to test tv for the first time. The cd is happily excited about the prospect. "Tv is an absolute killer," she says. "It can put a product right in your lap. Properly used, it can reach out and say, 'Here it is. Now don't you want some of that?'"

In her new job, Nadeen will supervise about 30 people. They are divided into three creative groups, each with a creative group head.

Her initial impression of MJA's creative work is that it's quite good. "We don't need a creative overhaul," she says, "We're just putting along, making some excellent commercials. I think this job's going to be easy." ■

The FCC and the White House

(Recently TELEVISION AGE Publisher, Sol J. Paul, had an exclusive interview at the White House with Presidential aide Peter Flanigan. In that interview, Flanigan described the emerging White House liaison with the regulatory agencies and with particular reference to the FCC. The following piece, written by TELEVISION AGE Washington editor, Jay Lewis, is the first of a three-part series on how the Administration is formulating its blueprint for expanding and strengthening executive decisions in the area of communications.)

Almost from the start of the Nixon Administration, White House staffers have been hard at work determining just how the Executive Department could move into a strong policy-making position vis-a-vis the various regulatory agencies, including the FCC. This task has been coordinated by Peter Flanigan, the urbane Assistant to the President.

Clay T. (Tom) Whitehead, a young, brilliant, 31-year-old MIT graduate, was selected to look into the FCC and a half dozen other agencies as well. A native Kansan, he is indicative of the young technicians that the President has gathered about him to formulate and implement policies. He came to the White House staff from the California think tank, the RAND Corporation. He is also a former MIT instructor in electronics and political science. Should some of his advanced ideas be adopted, it will drastically change the pattern and policy of broadcast regulations.

Whitehead makes no bones about the fact the White House is going to get into the FCC regulatory act.

"This notion of the 'independence' of the regulatory agencies," he says, "has gone too far." "There are areas in which the Executive Department can and should act."

He stressed that the Commission's exclusive domain in the adjudicatory process will be strictly respected. As a precautionary measure, Flanigan dispatched a memo to all White House staffers last May 21 which said "any executive interference" in the quasi-judicial function of the independent agencies "would be highly improper." The memo went on to say that "it is important to avoid even the mere appearance of interest or influence."

Whitehead explained that part of his task was to try to delineate more precisely the line between the policy-making and the quasi-judicial functions of the FCC and other agencies.

He said that the White House frequently gets calls from Congressmen who want to find out how a particular case involving a hometown station is coming along at the FCC. "Naturally," he said, "we tell them there is no way we can inquire about such matters."

But on the broad policy matters such as the question of domestic satellites, CATV and multiple ownership of

stations, Whitehead feels that the Executive Department should have a say.

"These are very important questions which relate to the public interest, and there is a clear-cut need for coordination between the Executive and the FCC," he said.

Referring to scandals of yesteryear, Whitehead said: "The Johnson and the Eisenhower Administrations overreacted to the improper interference in the business of the regulatory agencies and shied away from all dialogue.

"It had almost reached the point where there was no contact at all between the White House and the agencies . . . even when an important policy question involving both the Executive Department and the agency came up."

Whitehead said this strictly hands-off policy of the past has been discarded, and that the White House would move into areas deemed proper for the exercise of its influence.

"The President," he noted, "has an obligation to shape policies for the whole nation. The FCC and the other agencies are primarily concerned with policies related to the industries they regulate."

Following this new attitude, Whitehead is working on two projects affecting the FCC. One is the intra-governmental study group, of which he is chairman, charged with the task of coming up with a White House position on the domestic satellite program. The other is a broad-ranging survey on reorganization of the communications management system, a key part of which is the question of where the power over spectrum allocations should reside.



Whitehead at his desk

Close liaison with FCC

In addition, close liaison is being maintained between the FCC and Whitehead. "I was in close touch with Chairman Hyde," said Whitehead, "and will also be talking with Dean Burch frequently in the future." In this connection, the Commission sends Whitehead a monthly report on its significant actions.

The domestic satellites study is approaching completion, and Whitehead hopes to have it ready for submission to the FCC in the near future. The Communications Act gives the Commission full authority in this area by virtue of an amendment enacted in 1962, so the Whitehead study will be in the form of recommendations to the FCC.

Whitehead said that as a practical matter the spectrum function should reside in the Executive. Not only would the task receive more funding and effective attention, but as a matter of governmental policy it belonged under the wings of the White House.

In addition to the FCC, Whitehead also has charge of coordinating White House policies with the Maritime Commission, the TVA, Federal Power Commission, Water Resources Council, Intelsat and NASA.

Tele Tige

By HAI KAYLOR

WASHINGTON: — A thorough reworking of the nation's telecommunications management policies is imminent, beginning with an Administration policy statement on domestic satellite communications.

The proposed reorganization plan is now being circulated among

interested agencies.

Dr. Chas. T. Whitehead, a 31-year-old White House staff engineer, once mentioned as a possible successor to former Federal Communications Commissioner Reed H. Hyde, last week said he is hopeful it will win first approval early next year.

"We're talking about reorganizing to beef up the Executive Branch," he said.

This is significant, Dr. Whitehead feels, because telecommunications is going to become more and more important to public policy.

Dr. Whitehead said, categorically, that he opposes moving the management of the radio spectrum into the Commerce Department and he does not think some super cabinet level department should be established.

This apparently means that the Office of Telecommunications Management may be pulled out of its organizational slot as a White House staff position and made a separate and independent body.

Whether this means that some of FCC's management authority on the civilian side of the telecommunications management will also be moved into the new office is not known at the moment.

He said that while the statement would not tell the Federal Communications Commission who should build and operate the satellite portion of the system, it probably will have something to say as to who should be permitted to own ground stations.

He said the White House decision to get involved in the decision-making process for the system reflects a basic change in the Nixon Administration's approach to regulatory agencies.

Whitehead, who is an electrical engineer with Bachelor's and Master's degrees from the Massachusetts Institute of Technology,

says the Nixon Administration has taken the position that there is too much separation between the regulatory agencies and the executive branch.

Whitehead notes that the regulatory agencies do not consider themselves a part of the Executive Branch.

"That comes from some of the political scandals of previous Administrations when some people in the executive branch tried to influence decisions in the regulatory agencies. As a result, some people in previous Administrations have even been afraid to carry on a conversation with someone in the regulatory commissions."

The young executive said the Nixon Administration has continued the policy which calls for absolutely no contact in any of the regulatory commissions' quasi-judicial functions. He said, however, that there are many other areas where it is clear that Congress wanted the Administration, the regulatory agencies, and Congress to work together.

"That's what we're trying to move toward," the official declared.

He said the Administration believes that the domestic satellite system is one of those policy questions in which it should be involved. "We tend to get involved when there are economic and political considerations."

Whitehead says he works closely with Lee Durbridge, the President's science adviser. The cooperation has included work on the Atomic Energy Commission's uranium enrichment plan, the domestic Comsat and some of NASA's programs.

Whitehead reportedly is moving on to a new job on the Nixon staff, but his exact duties have not yet been spelled out. It appears, however, that he will continue to be involved in scientific matters.

At the moment, other than the domestic Comsat and telecommunications management he said that the White House is not considering any other programs completely electronics in nature.

He added, however, "I'm sure there will be some coming along." He received his S.B. and S.M. degrees from the Massachusetts Institute of Technology both in electrical engineering. He received his Ph.D. in management, also from MIT, with concentration on long-range planning and policy analysis, economics, and research and development management. While at MIT, he taught courses in electronics and political science.

He has served in the U.S. Army, attaining the rank of captain. He worked on Army chemical defenses and conducted study of the threat to the U.S. from biological weapons and implications for defense decisions.

He was a consultant for the Rand Corp. in California where

he worked on arms control problems, NATO air defense policies, and in-space checkout of the Apollo spacecraft. Whitehead later worked at Rand on the planning and organization of a policy research program on health services and other domestic policy areas. He has also served as a consultant to the Bureau of the Budget.

Following the election in 1961, Dr. Whitehead assisted on transition matters and served on the President-Elect's task force on budget policies. He has been on the White House staff since January 1969 where he has been working on regulatory agencies, Federal policies toward various sectors of the economy, and the space and atomic energy programs.

Telecommunications

Reports

December 22, 1969

'WORKING GROUP' REPORT ON DOMESTIC SYSTEM TO GO TO FCC AFTER JAN. 1

The report of the White House "working group" on the domestic satellite communications system is now completed, but its transmittal to the Federal Communications Commission will not come until after the start of the New Year, a White House spokesman said late Friday, Dec. 19. Still pending are final "sign-offs" of the document by several members of the special group, it was understood.

Present plans, it has been said, are for the White House to send the group's report without comment to the FCC, which is to make any public dissemination of it.

Capital Hill and other sources familiar with the document as it evolved through several drafts have said that it is couched in general terms, and does not contain as specific and precise recommendations and comments as some persons might be anticipating.

There are not believed to be any directives to the Commission as to just what its decision should provide.

-End-

Leak About Telecom Office Expected to Delay Program

By HAL TAYLOR

WASHINGTON. — The premature disclosure of the proposed establishment of an Office of Telecommunications Policy (OTP) in the White House is expected to slightly delay Nixon Administration implementation of the plan.

Originally, the plan was to be announced early next year. White House aides, however, are furious details of the plan were leaked to the press. As a result, the official announcement of the reorganization plan is expected to be delayed.

Details of the plan were revealed when Congressman Joseph Karch (D., Minn.) made public a memorandum which was being circulated by the White House staff to various executive agencies.

It calls for breaking up the old Office of Telecommunications Management in the office of Emergency Preparedness and reconstituting it as the Office of Telecommunications Management. The OTP will be set up as an independent office in the White House.

The new office, according to the White House memo, will permit the executive branch to play a more aggressive role in shaping national communications policy in many key areas such as cable antenna television, domestic and foreign communication satellite systems, the U. S. telephone network and the increasingly important computer/communications industry.

The new office would assume responsibility for coordinating all of the Government communications policy.

It would also research issues before the Federal Communications Commission and present recommendations to the Commission.

The FCC, however, by law is an independent commission. It is not known how the seven commissioners would react to White House proposals. It should also be pointed out that the President names the members of the Commission and it is unlikely they would completely reject White House advice.

The White House staff is also considering adding some of the FCC's responsibility to the OTP. It notes that while switching the FCC responsibility for management and allocation of the civilian radio frequency spectrum would be a "political" issue, it still feels it should be considered and possibly accomplished at a later date.

The White House memo says the new office is needed because there is now "a serious lack of effective machinery for dealing expeditiously with domestic telecommunications issues."

It's possible, however, that as communications become more and more important, the responsibility and size of OTP may be considerably increased.

The White House proposal would also set up a telecommunications research and analysis center in the Commerce Department. It will perform telecommunications research which may be initiated by its own staff or the White House.

The White House proposal is a setback for both the Transportation and Commerce Departments. Both of those agencies had proposed that it assume responsibility for telecommunications management.

It also rejects the major recommendation of the Johnson Administration ad hoc study committee on national communications policy. That group wanted a super cabinet level agency to be set up to manage telecommunications policy.

Titanic Battle

Intra-governmental contest over management of portions of communications spectrum apparently has narrowed to control of allotments to government agencies between Defense Department, which has been dominant for many years, and Commerce Department, seeking to establish its own beachhead. FCC, initially in cross-fire, stands to retain its control over nongovernment allocations, with new Office of Telecommunications Policy (slated to succeed Office of Telecommunications Management) to continue under White House aegis as President's advisory group, with possibly increased stature. Division of executive branch responsibilities must be resolved by President, who soon will act on new Task Force report prepared under direction of Clay T. Whitehead, of White House Staff. (Story page 57).

There's still speculation about successor to General James O'Connell, recently retired director of telecommunications under both President Johnson and President Nixon. In running are Ralph L. Clark, veteran engineering executive on O'Connell staff, Will Plummer, acting chief, and Fred Norris Jr., one-time associate director of present OTM now president of Tele-Sciences Corp., Washington, and Richard P. Gifford, GE executive and chairman of Joint Technical Advisory Committee, who has been factor in campaign to shuffle some TV frequencies to land-mobile services.

Burch Plans Sweeping Study of FCC

By HAL TAYLOR

WASHINGTON.—A sweeping study of the organizational structure of the Federal Communications Commission and its responsibilities is in the works.

Dean Burch, FCC chairman, said in an interview here that he wants to examine the question of what the real function of the Commission should be.

Some of the questions he wants answered are (1) what should the FCC be doing that it's not, (2) should some of the Commission's present responsibilities be dropped, (3) can the Commission do more to protect consumers, and (4) is the public getting its money's worth from the Commission?

Mr. Burch said the Commission already has the authority to hire the personnel it needs for the study.

"As soon as I get people in the slots, will be off."

He said there are lots of major issues before the Commission, including the computer inquiry, the conglomerate study, the role of cable television (CATV) and the emerging character of the communications common carrier industry which finds more and more people wanting to compete with the Bell System.

As far as his personal approach to his job as chairman of the Commission goes, Mr. Burch says that while he may be considered a conservative politically, he doesn't think conservatism or liberalism has any special meaning as far as broadcasting is concerned.

Regulating.

"I'm not interested in regulating for the sake of regulating. I still believe that it is proper for a person to make a profit. I'm also convinced that just because someone is a Commissioner it doesn't mean that he has a supernatural right to know what is best for everyone."

Mr. Burch is not disturbed by White House plans to set up a new Office of Telecommunications Policy.

The plan was disclosed recently when Peter Flanagan, a key Nixon aide, circulated a memo among various Government agencies outlining the organization and responsibility of the new office.

Mr. Burch said he has seen the memo and "I'm not as disturbed about the memo as some people."

The chairman's comments indicate that he does not plan to oppose the establishment of the office. Other Government officials have yet to comment on the memo, but it is believed opposition will come from the Department of Commerce and Transportation.

No real indication as to the size of the opposition will be known until Congress returns from its holiday recess on Jan. 19.

The new office, as proposed by Mr. Flanagan, will be primarily responsible for representing the executive office on communication issues pending before the FCC. It is also possible that the new office will someday assume the FCC's responsibility for managing the civilian side of the radio spectrum.

The FCC was established as an arm of Congress. As a result, some Congressmen may oppose the establishment of a new office which might someday usurp some of the FCC authority.

No Question

Mr. Burch says there is no question that the Commission is concerned with a mix of legislative and executive matters.

"I don't think the memo says the President will set policy. It only indicates that the executive branch has an interest in some of the issues before the Commission," he continued.

"I think the President has an interest in them and I welcome the views of the White House."

He said that among issues in which the President has a legitimate interest are the domestic communications satellite system, the implications of the International Satellite Consortium, and "the real effect of radio and television programming."

While the latter appears to bring him perilously close to flying into the teeth of the censorship charges aroused by Vice President Agnew's recent criticism of TV news programming, Mr. Burch is quick to deny it.

"I am against censorship," he states flatly, "for a couple of reasons."

"One is censorship is prohibited by the Communications Act which originally established the FCC and the other is that I find censorship personally offensive."

"Besides, I don't think that anybody on the Commission is better qualified to determine what should or should not be broadcast than the people whose business it is."

Judicial Processes

Mr. Burch is also certain that White House interest in the Commission will never be exercise or indecision. "The last thing the White House would want to do would be to influence or inter-

fere with the FCC's judicial processes."

He has already listed three items which must be handled on a crash basis. One is the domestic communications satellite question on which he says the Commission will move within days or a week after it gets an input from the White House staff.

The other is the question of increased fees for all persons or industries using the Commission's services. This includes the license fees for TV and radio stations and the cost of filing a proceeding before the Commission by communication carriers and others.

The Commission is taking the action because the Bureau of the Budget has ordered that it be as self-supporting as possible. It now has a deficit of about \$15 million a year.

Mr. Burch said he expects the Commission will order a proposed rule setting the new fees on or about Feb. 1.

Land Mobile Services

February is also the target date for Commission action on the question of more radio space for the land mobile services, which includes taxis, police and other emergency vehicles.

In a time when moderates control the Republican Party, Mr. Burch makes no effort to hide his own beliefs or his heritage. His office walls are covered by six large 12x20-inch prints of beautiful black and white photographs taken of Arizona scenes.

Indians and famous landmarks. Each is personally autographed by the same photographer, Sen. Barry Goldwater.

He says the day Senator Goldwater was nominated for the Presidency was the most memorable event of his political life.

Mr. Burch, who later served as chairman of the Republican Party, said the nomination was the culmination of a lot of effort, a lot of work, a lot of money and a lot of time.

"It was of course an unsuccessful campaign, but one which I think will be treated probably more kindly as time passes."

Nixon Plan for Rival Domestic Satellites Seen Clashing With FCC Monopoly Policy

By WAYNE E. GREEN

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—If the Federal Communications Commission adopts the Nixon Administration's suggestions for allowing open competition in domestic satellite service, far more than just the FCC's regulatory policy in that area may be affected.

Some communications experts believe such a move also might put pressure on the FCC to reappraise its philosophy for regulating certain other types of communications where so called "natural" monopolies often are allowed to exist.

The White House, in a memorandum sent to the FCC on Friday, rejected traditional arguments the FCC has accepted in limiting competition in fields such as cable, microwave and international satellite communications. At the least, there are likely to be heated disagreements within the FCC over whether it can adopt the White House proposal without creating what one expert calls "glaring inconsistencies" in its regulatory policies.

The Administration said it couldn't find any technological advantage in allowing a single Government-regulated monopoly to control U.S. satellite service. The FCC, in contrast, frequently has supported the argument in regulate more economically than competitors can, make more efficient use of the already crowded frequency spectrum.

In addition, the White House memorandum said it didn't in this case accept the traditional argument that a regulated monopoly can operate more economically than competitors can. Satellite competition would encourage new and lower-cost services, the memo asserted, and "appears to hold forth greater benefit to the economy and the public than would a single chosen instrument."

The White House essentially concluded that the FCC should allow any "financially qualified" applicant to establish a domestic satellite system—when can be used to transmit television programs, computer data and other signals—as long as it wouldn't result in anticompetitive practices or harmful interference with other types of communications.

The conclusion differs greatly from that of a White House research task force set up several years ago by President Johnson. That group suggested that Communications Satellite Corp. be authorized to establish a pilot domestic sat-

ellite system; it's understood that an FCC staff study also favored allowing Comsat, the U.S. representative in the existing international satellite system, to manage an experimental U.S. operation. (Disclosure of the memorandum knocked Comsat stock down \$6.75 a share Friday to \$45 on the New York Stock Exchange.)

The FCC was at one time ready to implement a policy along these lines, but the Nixon Administration asked the FCC to delay final action until it could review matters and make its own recommendation. The latest memorandum, signed by a White House Special Assistant, Peter Plantgan, is the result of that review.

While the FCC isn't bound by the group's recommendations, they're expected to carry considerable weight because they come from the White House. In announcing the memorandum, a White House spokesman said FCC Chairman Dean Burch saw "no objection" to the recommendations although he couldn't speak for the other six FCC commissioners. Mr. Burch said only that the matter would get priority attention by the FCC.

Comsat said it was ready to provide U.S. satellite service and that it would "promptly" seek FCC authorization to do so. Most observers believe that no matter what policy the FCC finally adopts, Comsat will be first to establish a domestic system; it has the available cash plus the experience gained through its participation in the international system.

A number of other groups, including the television networks, have expressed interest in a satellite system, but their plans are less certain. The White House statement predicted that only a few groups initially would attempt to build satellite systems, primarily because of the large initial investment and complex technical planning required. A White House spokesman said a system could be operational in about two years if the FCC acts quickly.

It isn't clear how fast the FCC will move, although one FCC official said he expected action within 30 to 60 days. Meanwhile, Comsat is expected to continue pressing the FCC to name it as the single authorized satellite company. Commenting on the White House memo, Comsat again argued that it is the only commercial entity specifically authorized to use Government facilities to launch commercial satellites, and that it will take new legislation before any one but Comsat can operate a satellite system.

Satellites

The Nixon administration has urged the Federal Communications Commission to allow virtually open competition in supplying the nation with domestic communications via satellite. It's about time.

Under the administration plan, any individual or corporation having the financial and technical means would be permitted with FCC approval to set up, own and operate a domestic satellite system to serve its own communications needs or those of others on a rental basis.

In so recommending, the President is

relying on innovation and competition—rather than government regulation of a single, monopolistic organization—to provide the best service at the lowest possible price.

This would be vastly different from the regulated monopoly approach on which this country has come to rely more and more in such public utility areas as electricity and telephone service.

The White House has chosen wisely to abandon such an approach for the nation's first step into space communications for domestic use.

ELECTRONIC NEWS, MONDAY, JANUARY 26, 1970

Open Satellite Contest
Blow to Comsat, AT&T

By HAL TAYLOR

WASHINGTON.—The White House's recommendation that there be open competition in the development of a domestic communication satellite system has dealt a blow to both Comsat and AT&T.

Committee headed by Dr. Clay Whitehead, call for relatively open entry and rate competitions for those firms and organizations who want a satellite system and have the necessary financial capability.

The policy should be in effect for the next three to five years. After that time, the whole question could be reviewed by the Federal Communications Commission.

The recommendations are not binding on the commission which is charged with making the final decision as on who should put up satellite systems. FCC chairman Dean Burch has promised the commission will move quickly after receiving the White House input. As of late last week, however, the commission had no comment on the White House policy or how soon it may act.

Dean Burch, FCC chairman, in a statement issued after the White House release, said: "The Commission has been anxious to proceed to a final policy determination in this most important proceeding. We therefore welcome receipt of the executive's views. We intend to study carefully those views and the other submissions in the proceeding, and to arrive at an early decision. In short, this matter warrants and will receive the highest priority before the Commission."

Deals Blow.

The policy does deal a blow to both Comsat and AT&T. Comsat, which has responsibility for United States International satellite operations, had hoped to have a monopoly in the domestic market. It also hurts AT&T because it has added competition in such things as satellite communications, data and broadcasting communications—areas into which AT&T may have wanted to expand in the future.

The White House proposal also says that common carrier voice communications could be carried by the satellite system. It declares that rates for such services should not be permitted to subsidize terrestrial communication services.

It is believed that several groups and industries would like to put up their own satellites. Industry sources report that interested firms include GE, Hughes Aircraft Corp., Detroit and its parent company, Univac Computing, Western Union Telegraph and the broadcasting networks, ABC, CBS, and NBC.

Dr. Whitehead told a press briefing last week that a domestic system could require 15 to 20 satellites. If Hawaii and Alaska are included the total requirement could be 40 satellites.

(The stock market also reacted to the announcement, with Comsat stock dropping 6 1/2 points to 45 by late afternoon Friday.)

"Common carriers have informed us that satellites do not appear economic at present for the routine transmission of public message traffic."

Changed Mind.

Earlier, it was reported that AT&T told the White House it is not interested in putting up a satellite system. Peter Flanagan, a top White House staff man, told the press briefing, however, that AT&T has changed its position since the Administration began its study. He did not elaborate.

The White House memo said that the extensive, reliable and low cost terrestrial communications network already established in the United States makes domestic satellite systems competitive only where their unique capabilities offer significant advantages over terrestrial transmission.

"We therefore expect the initial number of potential offerors of domestic satellite services to be small."

It added that, "It appears that a diversity of multiple satellite systems as well as multiple earth stations will be required to provide a full range of domestic services."

Other major recommendations include:

Open competition should also rule ownership and operation ground stations in the system.

Facilities to be established by independent entities for their own private use should be required to demonstrate only the financial and technical qualifications to implement their system proposals. There should be no need to show the economic viability of the proposal.

COMMUNICATIONS

Competition for domestic satellites

Nixon's new guidelines
are essentially an experiment
to help fix future policy

For six months, virtually the entire communications industry has been waiting on tenterhooks for the White House to suggest guidelines for developing domestic satellite communication systems. Last week, after mulling the problem four months longer than originally promised, President Nixon announced a set of policies that look essentially Friedmanesque, if not downright laissez faire. The aim is to stimulate the development of satellite services by opening them up to competition with a minimum of regulation.

The recommendations were not wholly unexpected in the light of recent Federal Communications Commission decisions favoring more competition in the communications marketplace. But Communication Satellite Corp., which had counted on the White House to recommend it at least as operator of the space segment of satellite systems, had its hopes dashed—although it shows few signs of giving up. Its strongest argument is that Congress made it the chosen entity of the U.S. in communications satellite operations when it passed the Communications Satellite Act of 1962. But the act is specific only in regard to global and international systems. The White House seems to have carved out a separate category for domestic systems.

Economics. The possibility of too many operators worries both Comsat and some Washington communications planners. They feel that one system might be economically usable, but a multitude of competitors could be spectacular money losers and ultimately cause the plan to fail. Under traditional regulation, the FCC will not authorize a common carrier to operate unless it finds the applicant has a chance to turn enough profit to stay in business.

It is not easy to fit competitive business into the existing pattern of regulated communications. But the Nixon message suggests giving competition a try for a few years in the interest of coming up with better policy in the long run.

Broadly, the White House has:

- Rejected the notion that satellite systems are a form of natural monopoly. Rather, they should be allowed to develop freely to supply specialized services in competition with regulated carriers that enjoy a monopoly position for their regular operations.
- Dismissed the argument that limited resources, particularly the radio spectrum and orbital parking space, are insufficient to support many entrants. Rather, as many as 50 systems may be able to operate simultaneously.
- Decided that there is sufficient demand for new communications services to support competitive systems.

But before domestic satellites take to the sky, the White House policy will have some hurdles to cross. The first step involves gaining general acceptance by the FCC. Washington observers think the commission will take its time even though Chairman Dean Burch, a Nixon appointee, has promised rapid action. Little opposition is expected from the two most influential forces in communications outside the FCC—the American Telephone & Telegraph Co. and the National Assn. of Broadcasters.

Pleased. Indeed, AT&T appears delighted with the President's message. If the FCC follows the guidelines, AT&T will immediately apply for permission to set up its own satellite system to strengthen its present terrestrial network. Radio

and television broadcasters also were quick to approve the new policy, since it opens new options for them to distribute programming. The networks might put up their own satellite relay, lease channels from Comsat, or continue to use the terrestrial cables of AT&T's Long Lines Dept.

With AT&T intending to put up its own satellites, Comsat is likely to cut rates to a minimum to convince broadcasters to use its system. Broadcast revenues, in fact, could be Comsat's major source of income.

Other possible customers for satellite services such as community antenna systems, computer networks, and airlines are hoping the President's policy directive will yield a wider range of lower cost services suitable for their special needs.

Unhappy. Virtually the only howl that went up came from Comsat and its backers. The stock market interpreted the new policy guidelines as dire trouble for Comsat and the price of its shares nosedived 10 points to \$41.

Few insiders think that injecting a dose of competition will resolve very many of the long-term regulatory conflicts that bedevil the telecommunications industry. Allocation of satellite channels will add to crowding in the radio spectrum and no one now using terrestrial microwave, mobile radio, or broadcast frequencies is likely to want to give them up. Foreseeing this, the President's message suggests

The field of contenders
is likely to boil
down to the Big Two

that compensatory payments might be made to anyone whose system is disrupted.

Requiring such payments could put the cost of satellite systems higher than a Mars probe. Costs will range in the tens of millions of dollars for the space vehicle and launching alone. That, plus the price of ground stations which may need dish antennas 30 ft. in diameter, may put the tab on satellite systems up to \$100-million—beyond the reach of all but large consortiums of owners.

Uncertainties. There are factors besides high initial cost which may discourage companies from entering the space communications business. Consortiums that put up their own systems would not be entirely free from regulation, even in the beginning, if the White House guidelines win acceptance. They recommend, for example, that if a group of companies within one industry puts up a shared system, it must agree to accept all competitors from that industry who wish to participate. That could lead to the familiar wrangles before the FCC over such matters as eligibility, cost allocations, use charges, and security of information.

The White House recommendations are intended as short-term guidelines to help define future permanent policies. The suggested timetable is only three to five years. After that, the whole area is to be reexamined to see where regulation should be applied. Most unregulated companies will be likely to think twice before committing large chunks of capital to satellite projects that might end up regulated or merged with other systems a few years hence.

Initially, there are three almost certain contenders—AT&T, Comsat, and the broadcasting networks—and just two if the networks should decide to go with Comsat. Both Comsat and AT&T have vested interests, technical experience, regulatory savvy, and financial staying power. But if it boils down to them, it is unlikely that competition will replace regulation to the degree the Nixon advisers hope. ■

NEWSWEEK
February 2, 1970

THE MEDIA

Open Skies

For ten years now, communications satellites have been spinning overhead, bouncing television, telephone and other electronic signals from one continent to another. But no satellite has yet been able to relay signals from one U.S. city to another, simply because the U.S. Government has been unwilling to make up its mind who should operate a domestic satellite. Last week, in a move that is likely to have widespread effects on the economics and operations of U.S. communications, President Nixon took a stand against a domestic satellite monopoly. Instead, in a memo to the Federal Communications Commission, the White House recommended an "Open Skies" policy under which virtually anyone could have his own domestic satellite system as long as he had the money and the technical expertise.

The decision rests with the FCC, which may well prove agreeable. But it could still be tested in the courts by an aggrieved Communications Satellite Corp. (Comsat), which contends that it alone was authorized by Congress to operate any U.S. satellite. The White House memo sent Comsat stock plummeting 6½ points.

Although fifteen to twenty such satellites can hang comfortably in U.S. airspace without interfering with one another, it is unlikely that American skies will soon be filled up. Few organizations can afford the minimum of \$16 million that the National Aeronautics and Space Administration probably will have to charge for satellite launchings, let alone the costs of maintaining a complex communications system that can run up to \$35 million a year. But to the three major commercial television networks these prices now look like a bargain. American Telephone & Telegraph, which transmits their signals from city to city through its land lines, has raised their collective phone bill to \$65 million a year.

With a jointly owned satellite containing thirteen or fourteen channels, the networks figure, they could rent space to outsiders for transmitting such signals as wire service copy and computer data. (Adapting a Ford Foundation plan, they have offered to give public TV a free ride.) Accordingly, executives at all three networks were enthusiastic about the President's Open Skies plan. "It is practical, realistic," said CBS president Frank Stanton, "and should remove the roadblocks which have been delaying a satellite system." One executive, in fact, said that the networks were already hiring engineers to get the job started.

THE DENVER POST

A blow against Comsat

THE Communications Satellite Corp. (Comsat), a public-private telecommunications firm, has often been pointed to as a model type of organization for dealing with national public service problems.

The Nixon administration, for example, has lately been considering a Comsat approach (dubbed Railpax) as means of reviving essential railroad passenger service between major cities.

Yet despite growing acceptance of this approach, the White House last week issued a policy statement encouraging the development of commercial domestic satellite communications systems by any and all companies "to the extent that private enterprise finds them economically and operationally feasible."

The policy statement does not preclude Comsat from participating in the establishment of such domestic systems, but it certainly dilutes Comsat's role.

Ironically, Comsat has the greatest experience and expertise in commercial telecommunications service, and any private firms seeking to enter the domestic satellite market would undoubtedly have to borrow know-how from Comsat.

We wonder if this is what Congress envisioned when it established Comsat in 1962 as a special public firm to spearhead development of a satellite system for worldwide telecommunications.

The new White House policy completely overturns a 1968 presidential commission report which proposed that a single pilot domestic satellite system be used to test the market.

Of course, the Federal Communications Commission, which has the final say, does not have to adhere to the new White House statement. But it is highly unlikely that Dean Burch, the new FCC chairman appointed by President Nixon last year, will oppose the administration's position.

WE WOULD have preferred to have seen Comsat, with its known resources and public service orientation, given a chance to determine in orderly fashion whether a domestic satellite system was feasible.

It is difficult to see at this point how the expected wild scramble among companies, aimed particularly at soliciting business from the television networks, will best serve the public interest.

ELECTRONIC INDUSTRIES
ASSOCIATION (EIA)
WEEKLY NEWSLETTER
February 2, 1970

EIA Hails Satellite Policy As 'Sound'

EIA's Industrial Electronics Division, which has long been encouraging a policy statement from the government on domestic satellites, last week hailed the White House pronouncement on telecommunications as well-reasoned and sound.

"I think it is one of the few statements on this subject that has sound philosophic and economic underpinnings," IED Staff Vice President John Sodolski said.

The White House position paper issued on Jan. 23 threw the door wide open to free competition for the construction of satellites for domestic communications services.

The position is expected to be well received by manufacturers who will inevitably find more buyers for their equipment and services.

The Industrial Electronics Division's Satellite Telecommunications Subdivision has scheduled a meeting at EIA headquarters on Feb. 17 to discuss industry views on the new government, free com-

THE NEW YORK TIMES, SUNDAY, FEBRUARY 1, 1970

Who'll Share That Pie in the Sky?

By JACK GOULD

THE average television viewer whose only concern is what he sees on the screen can relax for a few years in light of all the legalistic and technical arguments about the future of satellite TV. The latest White House memorandum on the use of space essentially promises only one thing — more delay — after which it would take at least two years to get a satellite TV system operating.

The Nixon Administration's memorandum to Dean Burch, chairman of the Federal Communications Commission, says that communications satellites should be developed and operated on a competitive and private basis. This was an adroit evasion of the real issue. Matters have been brought to a head because the three major commercial TV networks want to avoid the constantly rising rate increases imposed by the American Telephone and Telegraph Company. The rates cover the relay of shows from coast to coast over facilities on the ground. Two satellites could perform the same function and theoretically bypass, at least in part, dependence on A.T.&T. But even with satellites, A.T.&T. would still be necessary to relay programs from studios to and from the transmitting and receiving components of a satellite system.

Meanwhile, if a viewer cares deeply about the unseen hardware that brings him soaps and situation comedies, the situation is complicated by the existence of the hybrid organization called the Communications Satellite Corporation, or Comsat, in which A.T.&T. and other carriers own chunks of stock along with the general public. Comsat holds that new legislation is required if it is not to be the chosen agency for satellite development but merely one of several parties competing for franchises in the sky.

Comsat always was a bit of a screwball set-up and there was a filibuster in Congress, in which the late Senator Estes W. Kefauver took part, against giving away the space projects, which taxpayer money really made possible, to profit-oriented groups. The final set-up was in the nature of a compromise to get the satellite business moving.

Peter M. Flanigan and Clay T. Whitehead, Presidential assistants, have now reopened this can of worms. There are

some lawyers who believe their memorandum will not only set off a new round of chaos about satellites but even raise questions as to whether its intent contravenes the Federal Communications Act of 1934. In fact, there are reliable rumors that the networks might bypass satellites entirely and investigate whether they would erect their own ground system. In that case, the red tape might last indefinitely.

The consensus is that it will take the large resources of the networks, with their need for day-in, day-out relay service, to form the economic backbone of any new system. It is the networks' dream to get out from under the economics of A.T.&T. on the theory that, in the long run, having a system of their own would be cheaper.

Not unexpectedly, the networks and the hopeful entrepreneurs of cable television cheered the White House memorandum, but it remains to be seen whether the chains will advance the risk capital of some \$30-million needed to launch two orbiting satellites.

Chairman Burch, who has already shown a talent for untangling complicated communications matters, will have his hands full in trying to resolve the satellite confusion. The White House espousal of the role of free enterprise may be more appealing on the surface than in practice; in a faint echo of the A.T.&T. position, the Nixon Administration doesn't promise immediate miracles and suggests that satellite policies should be adopted for three to five years and then reviewed. Such a hint of uncertainty normally has limited appeal to free-enterprise entrepreneurs who don't like to see the rules changed after they have made investments.

The White House memorandum, which thus far is purely advisory and not binding on either the FCC or Congress, speaks eloquently of free enterprise exploiting the potential of space communications and then carefully notes the regulatory role of the FCC. The notion of free enterprise developing space for its own needs has many pitfalls, including potential monopoly, that could cause trouble. For example, what would be the fate of potential users who only needed the facilities for a few hours a day?

In this regard, Comsat's thinking does

make some sense. With a satellite of adequate capacity, there would be room left over for marginal users. If A.T.&T.'s virtual monopoly on the ground periodically raises a fuss, it seems questionable whether the ideal solution is a similar arrangement in the sky.

As the White House memorandum admits, yet doesn't admit, the utilization of public property—the airwaves, no matter how far above earth—does not fall within the same bounds as free enterprise in the sale of products. In the decades ahead, the space frequencies could become as crowded as today's normal radio and TV channels and it will be up to the FCC to apportion the available room equitably.

Meanwhile, it will be of major interest to see how many entities in communications affirm their readiness to put up whopping amounts of cash where to date there have been only publicity releases. The White House memorandum understandably raised doubts about the future of Comsat, with a consequent drop in the value of its shares on the New York Stock Exchange.

It is ironic—and whether it is for good or ill can be argued endlessly—that in the discussion of satellites there is never so much as a mention of the lonely taxpayer who really made it all possible. He is expected to sit idly by and watch huge concerns reap the harvest of long-range dividends. Without the billions spent on the space program, communications satellites would still be on the drawing board. It would not seem amiss to suggest that communications interests who stand to garner fortunes from space communications be taxed a few pennies to be restored to the Treasury and used for other social purposes of major priority.

Free enterprise is not just a synonym for unhindered industrial adventure; John Doe, who is reminded of his participation four times a year by the Internal Revenue department, is responsible for the contributions that have made it all possible. If the outcome of space communications is merely that "Green Acres" is distributed differently, Mr. Doe has a right to be skeptical about the yards of bureaucratic legalisms that will flow out of Washington for months and perhaps years to come.

THE WALL STREET JOURNAL, FRIDAY, FEBRUARY 6, 1970
Side Effects of Satellites

The White House has just suggested a revolutionary approach to setting up domestic communications satellite systems. In a memorandum to the Federal Communications Commission, the Nixon Administration proposed:

Anyone who has the money should be allowed to establish a satellite system, as long as such a system would not result in anticompetitive practices or cause harmful interference with other types of communications.

That may not sound especially revolutionary, since in most lines of enterprise anyone can try his luck if he has the needed cash. But in the FCC's territory, as well as in most regulated industries, it surely would be a radical approach.

As a matter of fact a Johnson Administration task force earlier had recommended that Communications Satellite Corp., which represents the U.S. in the existing international satellite setup, be authorized to establish the pilot domestic system. The system could be used to transmit television

programs, computer data and other signals.

The feeling apparently was that a single system would make more "efficient" use of the available spectrum. In a similar way, of course, the FCC and other regulators carefully consider markets to determine just how many competitors any given market can "support."

In many cases — transportation is the notable example—the overly protective regulators have by no means assured universal prosperity for the businesses involved. Some of them get so thoroughly tangled in governmental red tape that they strangle.

There's no doubt that competition can at times be messy, even appearing wasteful as some enterprises fail. Yet up to now no better way has been found to assure the general public of the best possible products and services at the lowest possible prices.

If competitive satellites could make that point for all regulated industries, it could be their most important message.

To Amplify Executive Voice

Nixon Plans Office Of Communications

By Robert J. Samuelson
Washington Post Staff Writer

The White House yesterday proposed the creation of a new office to oversee the government's vast communications network and give the executive a stronger voice on important issues of communications policy.

Most of those issues would still be settled by the Federal Communications Commission—the independent regulatory agency established by Congress in 1934—but the White House apparently hopes that presidential recommendations would carry weight with the FCC.

Though yesterday's official announcement did not specify what policy questions would be explored by the new office, a confidential memorandum, made public in late 1969, named a few likely possibilities: cable television, the nation's telephone system, and the rising communications demands of computers.

At a press briefing yesterday, White House officials indicated that the new office would steer clear of specific regulatory disputes—the disposition of radio and television licensing disputes before the FCC, for example.

The President's plan for the office will automatically go into effect in 60 days unless disapproved by one house of Congress. White House aides, who have discussed the proposal with key Congressmen, report no signs of significant opposition.

If it is established, the new office is likely to turn first to the government's own extensive communications apparatus, knowledgeable sources said yesterday.

The U.S. government is the largest consumer of communication services in the world. Last year, according to official figures, private lines leased from the major common carriers (primarily the American Telephone and Telegraph Co. and Western Union for domestic services; and AT&T, International Telephone and Telegraph, Radio Corporation of America, and Western Union for international services) cost the government about \$450 million.

Moreover, private communications and electronics equip-

ment (including computers) represents a mammoth annual investment—about \$12.8 billion in 1969 alone.

Just how this enormous network should be regulated has been a source of constant controversy within the government. And whatever approach is adopted obviously has an important fallout on the communications industry.

The new Office of Communications would displace the existing Director of Telecommunications Management (DTM), which currently supervises the diverse communications requirements of different government agencies.

DTM has been criticized for being too passive in its oversight role. For example, DTM allocates parts of the radio spectrum among different governmental users, but a 1968 presidential commission found that the office lacks "clear authority" to make binding decisions.

THE WASHINGTON POST Tuesday, Feb. 19, 1970

THE WALL STREET JOURNAL
Tuesday, February 10, 1970

Nixon Seeks Creation Of Executive Office On Telecommunications

It Would 'Cooperate' With FCC
On Policy Reform, Notably in
Allocation of Radio Frequencies

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — President Nixon urged Congress to allow creation of a new office in the Executive Branch to help form and coordinate the Federal Government's telecommunications policies.

This proposed Office of Telecommunications Policy would assume and broaden the duties of an existing unit located in the Office of Emergency Preparedness.

In a reorganization plan sent to Capitol Hill, Mr. Nixon told the lawmakers the new office would take away none of the "prerogatives or functions" of the Federal Communications Commission. However, the President said he

hoped the two would "cooperate" in achieving certain policy reforms, especially in their procedures for allocating portions of the crowded radio frequency spectrum.

The new office, he said, "would enable the executive branch to speak with a clearer voice and to act as a more effective partner in discussions of communications policy with both the Congress and the Federal Communications Commission."

While the FCC would retain its current power to assign spectrum space for civilian use, Mr. Nixon said the new office would assist the White House in preparing "recommendations" to the FCC on such assignments. In addition, the new office would assume the duties of the existing telecommunications office in allocating space for Government use.

FCC Chairman Dean Burch said he expects that some would interpret the White House's proposal as a "first step" toward usurping other FCC functions, but that "I don't so interpret it." Mr. Burch said he welcomes any plan aimed at ensuring that Government and civilian spectrum allocations "dovetail," and that "appropriate" use is made of each.

There has been increasing speculation among Government and communications industry sources in recent months that the White House eventually would propose to consolidate all spectrum-allocation functions into one executive office.

The current reorganization proposal would become effective by executive order unless Congress disapproves within 60 days. The new office would be headed by a director and deputy director who would be appointed by the President, subject to Senate confirmation.

Mr. Nixon said the new unit would serve as the President's principal adviser on a wide range of domestic and international telecommunications issues. It would also help formulate policies for operating the Federal Government's internal communications systems, the President said, noting that the plan "should result in the more efficient operation of the Government."

Editorials

Handle with care

Implicit in the reorganization plan that Mr. Nixon submitted to the Congress last week is a larger role for the President in the making and execution of telecommunications policy. The question is whether the plan would give the White House enough power to make the FCC subservient to the Chief Executive's wishes.

That question really cannot be answered now. On paper it looks harmless enough. There would be an Office of Telecommunications Policy established in the White House. One of its functions would be to coordinate the federal government's uses of the radio-spectrum space allocated to it. No apparent harm in that; an improvement of efficiency in the management of government-occupied frequencies—which are roughly half of all the usable frequencies there are—is not to be discouraged.

Another function would be to advise the President on general policy regarding domestic and international telecommunications. Again more good than bad is promised. As the Chief Executive of a world power with a vital stake in technological progress, the President needs the best advice he can get.

A third function presents the question that cannot be answered now. The new office, as Mr. Nixon's own order described it, "would enable the executive branch to speak with a clearer voice and to act as a more effective partner in discussions of communications policy with both the Congress and the Federal Communications Commission." There is no intention, the President hastily added, to detract from the FCC's "prerogatives or functions." But there is the hope that the new office and the FCC "would cooperate in achieving certain reforms in telecommunications policy, especially in their procedure for allocating portions of the radio spectrum for government and civilian use."

In this language there would seem to be an invitation for an aggressive President to nudge the FCC a little harder than Presidents have been able to nudge it in the past. As has been proved in other situations, presidential powers need not be explicitly defined in law to be exercised with considerable effect.

But the test of the new Office of Telecommunications Policy must await its future actions, assuming the Congress allows it to come into being as proposed. The independence of the FCC is not literally challenged by the language of reorganization, and there is probably no good reason for the Congress to shoot the plan down now. If in the future an FCC showed signs of rolling over at presidential command, that would be the time for Congress to act.

ELECTRONIC NEWS, MONDAY, FEBRUARY 16, 1970

House to Mull Nixon Telecom Policy

By HAL TAYLOR

WASHINGTON. — Congress is going to hold public hearings on President Nixon's proposed Office of Telecommunications Policy.

No date has been set for the hearing, but it is expected to be held later this month.

The hearings will be held by the House Government Operations Subcommittee on Executive and Legislative Reorganization, headed by Rep. John Blatnik (D., Minn.).

He said: "Telecommunications has become a major Government activity in recent years and may well deserve the upgrading in organizational arrangements that this reorganization plan proposed."

"There are, however, many crucial factors involved which must be carefully studied by our subcommittee before we recommend to the House whether or not the plan should be accepted. I have asked our staff to make the necessary preliminary investigations."

Thus far, no significant opposition to the new office has surfaced.

"Good Thing."

John Sodakid, staff vice-president of the Electronic Industries Association's Industrial Products Division said, "It looks like a consolidation of executive responsibility might be a good thing."

Other industry officials feel the hearings are a good idea because there are some ambiguities in the President's message to Congress which should be clarified.

One is exactly what role the Commerce Department will play in telecommunications policy and technology. Another is the question of the interface between the new office and the Federal Communications Commission.

President Nixon sent his reorganization plan to Congress on Feb. 9. If Congress does not disapprove, the reorganization will be effective in 60 days.

President Nixon told Congress: "As the largest single user of the nation's telecommunications facilities, the Federal Government must also

manage its internal communications operations in the most effective manner possible."

He said that accordingly he is submitting a reorganization plan which will abolish the old Office of Telecommunications Management in the Office of Emergency Preparedness and establish the new Office of Telecommunications Policy.

The President said the new office will serve as his principal adviser on telecommunications policy, helping to formulate Government policies concerning a wide range of domestic and international telecommunications issues.

Guidelines.

He said the office will also help formulate policies and coordinate operations of the Federal Government's own vast communications systems. "It would, for example, set guidelines for the various departments and agencies concerning their communications equipment and services. The office will also direct the assignment of those portions of the radio spectrum which are reserved for Government use," President Nixon continued.

"The new office would enable the executive branch to speak with a clearer voice and to act as a more effective partner in discussions of communications policy with both the Congress and the Federal Communications Commission."

Nixon Administration officials denied that this means discussions with FCC could lead to censorship of broadcasters or to illegal pressure being placed on the commission.

The new office will also make recommendations to the Bureau of the Budget on funding for communication systems and research and development programs.

The office will have a director and a deputy director plus a staff which reportedly will be smaller than that of its predecessor, the Office of Telecommunications Management (OTM). Apparently, the White House does not plan to transfer all of the personnel of OTM.

There also has been no announcement of who will serve as director of the office. The White House said late last week that it still had several candidates under consideration.

FCC Policy Seen Smiling On Carrier Competition

ATLANTA. — FCC policy likely will favor more common carrier competition in the future.

Bernard Strassberg, chief, Common Carrier Bureau of the Federal Communications Commission, told members of the Association for Systems Management that they could expect a "more accommodating policy environment."

Speaking here at the Association's seminar on telecommunications and the computer, Mr. Strassberg noted that recent decisions indicated this trend. The Card-O-Phone decision was pointed out as an example.

"But this does not mean that all the other proposals we have before us are home free," he warned. "We do feel that our old tariff just simply is not sen-

sible from a business standpoint, and the whole concept of treating things case by case should be junked. We want to see our policy completely rewritten."

"There is too much innovation today to treat every case separately," he continued. "This discourages advances that would be extremely useful to our communications systems."

Mr. Strassberg noted that the Commission had really not had too much occasion in the past to introduce new systems.

"We wanted experience with new systems to go with all our theory," he noted. "We need

to see if introduction of a new system really will foul up the existing networks the way everybody's been saying it will."

He said a proposal for a nationwide switching network for data transmission was currently before the Commission.

"Of course, the common carriers are objecting to its strenuously. We have made no decision as yet. We have to understand that many of the problems we are having today stem from our 'analog' or voice-related communication system having to handle digital data. This analog system is now giving way to a digital system. What the Commission must ask is: Can the existing carriers move fast enough and are they moving in the right direction?"

Mr. Strassberg also said the FCC is receptive to President Nixon's "Open Sky policy" regarding satellite systems. "More so than in the past," he said.

He cautioned, however, that any such system would still have to be authorized.

"With satellite systems, a lot depends on the interface with the terrestrial network."

VARIETY

Wednesday, July 22, 1970

Pastore Ponders Use Of Spectrum & OTP Vs. FCC

Washington, July 21.

With Dr. Cay T. Whitehead sailing on toward easy Senate confirmation as the first director of the White House Office of Telecommunications Policy, Sen. John O. Pastore (D-R.I.) took the opportunity of the confirmation hearing last week to admonish him and his Executive Branch colleagues to stand up to the Defense Dept. and make it justify its hogging of the radio spectrum or else give up the space it has.

Pastore has long been bugged by the Pentagon's slice of the spectrum, which he thinks is held in idleness pending an emergency need that never comes. He said that he hopes that "someone in the White House will be strong enough to speak to the Defense Dept."

The youthful Dr. Whitehead's new post replaces and expands that of the Office of Telecommunica-

tions Management, and Pastore exhorted Whitehead to spearhead the long-overdue development of a comprehensive U.S. communications policy. He also urged him to encourage the FCC to get moving on the subject of a domestic communications satellite. On all policy matters, Pastore noted, all of Whitehead's effort "will be a futile exercise" unless he has the ear of the President, who is the one man "who has the power and right of command." The last head of the OTM, Pastore wryly noted, didn't see the President once after the day he was sworn in.

Whitehead touched briefly on the question that communications experts here are puzzling over—just how much will his office impinge on the duties of the FCC? The White House assures one and all that no sapping of authority is intended at all, that the OTP will simply represent the President in filings with the FCC. But it is universally recognized here that those filings are bound to carry enormous weight. All that Whitehead said on the subject was that in early planning for his new office the possibility of taking over the (all-important) function of spectrum allocation from the FCC was debated and discarded.

FCC's new chairman, Dean Burch, and to Peter Flanigan, the President's chief contact with the independent agencies. They recognized what would have been provoked at confirmation hearings if a purely political appointment had been made.

Another nomination awaiting Senate confirmation is that of Clay T. Whitehead, 31-year-old White House assistant, to be the first director of the Office of Telecommunications Policy. Important as the predecessor Office of Telecommunications Management at the White House was, the new office can be infinitely more than a housekeeping operation, depending upon how well it works with the FCC and the military, which are seldom on the same wavelength where frequency allocations are involved. Mr. Whitehead's nomination, which was premised upon intellectual and academic excellence, is likely also to win swift Senate confirmation.

Even with the expected 4-3 GOP control, life won't be easy at the FCC. While Commissioner Cox usually paired in his dissents with barnstorming Commissioner Nicholas Johnson, an admittedly regretted political accident of the Johnson administration, he was respected by his colleagues, including Chairman Burch, as a hard worker and a legal scholar.

As for Nick Johnson, the administration wants to ignore him. He is regarded as a gadfly that has lost its sting. The Johnson term runs until June 30, 1973, and presumably he will be allowed to waste time and taxpayers' money until then.

This is no time to look for miracles. The outlook improves only to the extent that Chairman Burch should be better organized to approach big issues in a more reasoned manner; that the persuasive and intelligent voice of Commissioner Wells will be present hopefully for a full term, and that the newly structured FCC and the newly endowed OTP will work in reasonable harmony toward a larger and more effective use of the available spectrum, satellites included, under our free-enterprise system.

Takeover

Troubled broadcasters should breathe a little easier now that the Nixon administration has chosen its regulatory team, subject, as always, to the advice and consent of the Democratic-controlled but not necessarily hostile Senate in the sensitive area of communications policy.

They should breathe easier because of what might have been. President Nixon wisely was persuaded to shun purely patronage considerations in effectuating the parlay that drafted the able incumbent, Commissioner Robert Wells, former Kansas broadcaster, for the new seven-year appointment in succession to Democrat (but more nearly Populist) Kenneth Cox. The credentials of 42-year-old Sherman E. Unger, general counsel of the Department of Housing and Urban Development, tapped for the remaining 11 months of the Wells term, seem excellent.

Credit for this orderly transition must go largely to the

July 29, 1970

Whitehead Expected to Get OTP Nod

WASHINGTON, D.C. — The Senate's expected confirmation of Dr. Clay T. Whitehead to be director of the Office of Telecommunications Policy (OTP) brings that office, added to the

White House staff earlier this year, closer to full operation.

What the new directorship will mean to the teleprocessing user is still unclear. None of the announcements to date have

made specific reference to data transmission questions. Whitehead's background gives no clue as to his thinking in that area of telecommunications policy and he was unavailable for comment.

Whitehead has been on the White House staff since the start

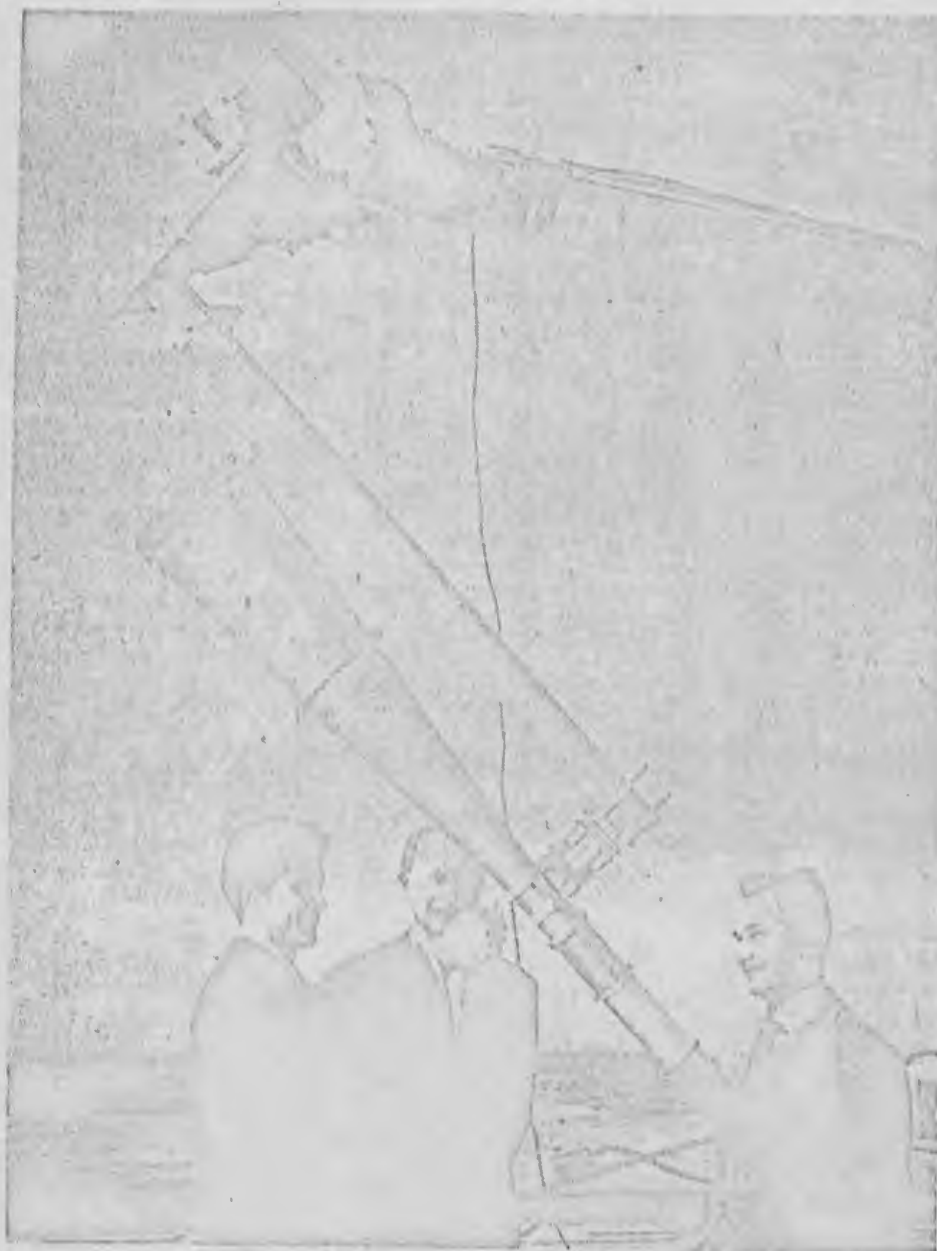
Communications

of the Nixon Administration, working with the Rostow report on telecommunications, and international and domestic satellite policy, and drafting the Administration's reorganization plan under which OTP came into existence.

Whitehead agreed to take on the OTP directorship only after his own choice for the job, William Niscannon of the Institute of Defense Analysis, ran into opposition.

Although the OTP is supposed to be an advisory body, its impact could be significant. When the office was first proposed, Whitehead felt that OTP "will not affect the responsibilities and authority of the FCC." On the other hand, White House "fact sheets" distributed at the same time said the office would prepare "administrative recommendations to" and have "effective cooperation with" the FCC on "policy matters."

Intentionally or not, "administrative recommendations" are almost sure to affect the FCC's work.



United Press International

COMSAT—Engineers working on the \$72-million Intelsat 4 Communications satellite program inspect the satellite's cone-shaped antenna at a Hughes Aircraft Co. hilltop test range in Los Angeles. The antenna

will ride atop the four Intelsat 4 satellites being built by Hughes and subcontractors from 10 different countries, under contract to Communications Satellite Corp. (Comsat). First launch is scheduled early 1971.

Coordination Is Aim

Communications Revision Planned

By Robert J. Samuelson
Washington Post Staff Writer

The White House intends to establish a new office which would attempt to co-

ordinate federal policy in the complicated—but increasingly important—field

of communications.

The new bureau, to be called the Office of Telecommunications Policy, is intended to allow the executive branch to play a more aggressive role in shaping national policy on a variety of key communications issues: cable television, the nation's telephone network, satellite communications and the rising communications demands of computers.

Word of the proposed office spread here this week

after an internal White House memorandum was made public by Rep. Joseph E. Keith (D-Minn.). Though details of the proposal may change, its general outlines appear firm, the memorandum indicated.

"Serious Lack"

The memorandum, circulated in the White House by Peter Flanigan, special assistant to the President, said there is now a "serious lack of effective machinery for dealing expeditiously with domestic telecommunications issues."

Most communications issues now fall under the jurisdiction of the Federal Communications Commission—acting according to laws established by Congress—and the new office would not immediately supplant the FCC in any area.

Instead, it would research issues pending before the FCC and attempt to present policy recommendations to the commission, according to the memorandum. The government's executive branch, though it doesn't now systematically attempt to guide the FCC, still receives criticism for FCC actions, the memorandum said.

Just how much weight the FCC would give the new office's proposals is impossible to say. The seven members of the commission are all appointed by the President,

and the federal government itself is the world's largest communications customer.

The Department of Transportation now plays a comparable advisory role before two regulatory agencies that deal with transportation—the Civil Aeronautics Board (the airlines) and the Interstate Commerce Commission (trains, trucks, and buses).

In addition, the new communications office might ultimately seek to assume some of the FCC's existing powers, and the memorandum mentions one area where a transfer might take place: allocation of the frequency spectrum for different uses, such as commercial radio, television, private two-way radio services and government communications needs.

Assumes Responsibility

The new office would assume responsibility for coordinating all the federal government's communications needs, replacing the existing Director of Telecommunications Management (DTM) in the Office of Emergency Preparedness.

Page 4

The proposal for a new White House office appears to represent a setback for Secretary of Commerce Maurice Stans, who had recommended that all communications policy decisions be centralized in the Commerce Department.

Under the present proposal, however, the Commerce Department would establish a Telecommunications Research and Analysis Center, which would conduct technical research at its own initiative and by direction from the White House.

TECHNOLOGY

AN INTERNATIONAL JOURNAL

WILLIAM BAZZY • Publisher

INTRODUCTION

Part I of this article in the September issue not only attempted to bring into focus the inseparable natures of markets and technology, but also to make all managers aware of the changing structure of these markets and the technological arena. New companies are being formed at a rapid rate; yet, in essence, there remains the old pattern which does not recognize the changing functions necessary to comply and compete in this international marketplace. Even those companies who have grown in spite of themselves have come to realize that the marketplace has now become enigmatic.

The international arena has lost its original luster, and the complexities of marketing around the globe have caused modern-day management groups to stumble because they ignore basic facts. Many years will elapse before a solution is found to the political and economic forging of the European nation. Recent reports indicate that Great Britain now has reduced its trade imbalance, is more favorably structured in its technological strength and financial position, yet is losing its interest in joining the European Common Market nations. The South American and Asiatic countries have been so involved in their own political complications that little has been accomplished in bringing these areas together as economic entities.

Since some U.S. managers have somewhat downgraded their European efforts and since Europeans have only made rather marginal inroads in marketing to the U. S., besides the various economic barriers that have been introduced in some of the European countries as well as in the U. S., there has been a tendency in the last twelve months to lessen international activity with a resultant negative impact on the electronics industry.

These factors have hit home in rather dramatic fashion. Those companies who depended a great deal upon Europe being an important part of their market now find it difficult to compensate for the drop-off of that volume. The thesis in the report of Part I was that to replace this business would require an additional effort on the part of managers in all companies. To maintain the growth factor that the investing community has come to expect and demand of the technological companies would thus be even harder to accomplish in the days ahead.

Added to this pattern is the difficult financial picture among the countries of the Western World. The devaluations and re-evaluations of the various monies that

have taken place over the last six months have created much consternation. Renting money has become extraordinarily expensive and those companies who wish to borrow in spite of the interest rates find money in short supply. Hence, many marketing men have forecast a diminishing level of business for 1970. All of these factors have created a rather timid attitude in management with its attendant psychological pressures to hold back and tighten belts.

THE CHANGING MARKETPLACE

For the past two years the *microwave journal* staff has been reporting the subtle and changing climate in the military procurement picture as well as the lack of interest by the microwave community in recognizing the new and rapid changes that are coming about in the commercial areas affecting the microwave business. It has been frustrating to see the lack of sophisticated effort by these managers to examine the realities of these changing patterns and adjust their business activities accordingly. The microwave community is so military-oriented that it will take a cataclysmic force to shake it out of its lethargy.

Before delving into the commercial side of the business, a quick examination of the military budget as it has now been proposed for 1970 and beyond gives a fairly clear picture of what the microwave industry will be required to do over the next several years. The situation is now completely different from that which existed in the past. Without question the Vietnam conflict stimulated the replacement and Spares business for older systems. Some new systems, especially in the countermeasures and electronic warfare fields, introduced new concepts, new requirements and new sockets. The bulk of the business that did materialize for the microwave companies was in the retrofit and replacement procurement programs. The changing political and military picture now in the States has begun to reduce the importance of this business, as we predicted over a year ago. These companies depending primarily on the Spares business are already experiencing difficulties. In talking to many of the sales managers, marketing groups, etc, it has been notable that they seem not to have recognized the apparent change.

There has been considerable confusion in the budget now in its final stages of approval in the U. S. Congress for military needs over the next fiscal period. The

public position of congressmen and senators, the pressure of the Administration for retention of allocated funds for new defense systems has caused serious delays in approving funds for the next fiscal year. It is needless to evolve any thesis on the political aspects of the congressional debate because the pattern has been established, tactical needs are being reduced and strategic systems are now being funded. This pattern became evident in late 1968 and by 1970 major reductions in field military activities will be replaced by increased expenditures for new Navy, Army and Air Force equipment. Production procurements will be down and engineering content will and is now on the increase.

Commercial business is now materializing for the microwave companies as the F.C.C. and other agencies continue to open the communications system to more competitive actions.

A.T.&T. announced a capital expansion program for 1970 that will amount to approximately \$6 billion.¹ Cable and microwave equipment alone will amount to \$1.6 billion.

The Carterfone decision² and the more recent announcement allowing Microwave Communications, Inc., to establish a dedicated service for business groups between St. Louis and Chicago was followed by the same group requesting a larger service to be established between New York City and Chicago. Both decisions are having a profound effect on the communications industry.

In October a further application was made to F.C.C.³ by the University Computing Co. for authority to con-

struct and operate a nationwide public data transmission system. The proposed network would cost about \$375 million and the system would include 255 microwave stations and 10 district switching offices. The company has established a subsidiary, Data Transmission Co., to file the application with F.C.C.

DOMESTIC SATELLITE COMMUNICATIONS-USA

The question of the Domestic Satellite System is now being considered by many nations, not only the U.S.A. The Task Force on Communications recommended in their lengthy report that this issue should be resolved quickly. They recommended that Comsat be given the responsibility for this entire program.

The F.C.C. and the White House in the early part of July of this year issued an announcement as follows:

July 22, 1969

MEMORANDUM FOR

Mr. Rosel Hyde
Chairman
Federal Communications Commission

In our review of the telecommunications problems facing the Nation and their implications for Government policy, we have found the provisions for introducing communications satellites into U.S. domestic communications to be especially important.

To assist the Administration in further reviewing this area, we are establishing a small working group

and invite the FCC to participate in any way you deem appropriate. Our objective will be to formulate within about sixty days whatever Administration suggestions or comments may be appropriate. We will be concerned, of course, with the general structure and direction of the industry and not with specific applications pending before the Commission.

Clay T. Whitehead

In a further meeting with Dr. Whitehead there was detailed discussion on the entire communications structure.

At the present time the position of Director of the Office of Telecommunications is still open. The recent retirement of General James D. O'Connell has left the office vacant. It appears that a successor, whoever he is, will have a formidable problem in attempting to consolidate a telecommunications policy for the government using the OTM as the major instrument for this effort. Dr. Whitehead indicated that the problem of the domestic satellite field was an issue that had to be resolved considering the total country's needs as well as the impact on national policy. To stress the considerations now underway, Dr. Whitehead showed us the correspondence with the F.C.C. on the subject of the domestic satellite business:

July 23, 1969

Dear Mr. Whitehead:

This is in reply to your memorandum dated July 22, 1969, noting the importance of the domestic satellite field and the establishment of a small working group to assist the Administration in reviewing the area, with the objective of formulating within about 60 days whatever Administration suggestions or comments may be appropriate.

I fully agree on the importance of the domestic satellite issue. As you are aware, this field has been the subject of a lengthy Commission proceeding (F.C.C. Docket No. 16495) and has also been studied extensively by the Executive (e.g., report of the President's Task Force on Telecommunications). We believe that for a number of significant reasons, it is vital to proceed without further undue delay in the formulation of national policy in this area. At the same time, we would, of course, welcome any further exchange of views or comments which the Executive might wish to make in this new field, so important to the "public interest in the larger and more effective use of radio" (Section 303 (g) of the Communications Act of 1934, as amended).

Your memorandum of July 22, 1969, indicates that we are in full agreement on both of these objectives — a decision without further undue delay and at the same time a full exchange of views so as to assure a result most benefitting the public interest — and that the objectives are not inconsistent but rather can and must be achieved. I look forward to the continuation of our important and useful liaison to achieve the above objectives.

Sincerely,

Rosel H. Hyde
Chairman

December, 1969

The following are the representatives on the White House Working Group:

OST	Dr. Russell Drew
CEA	Dr. Tom Moore
BOB	William Morrill
OTM	Col. Ward Olsson
FCC	Bernard Strassburg
Justice	Don Baker
NASA	Willis Shapley
Commerce	Walter Hinchman
P. O.	Robert Scherr
DOT	Richard Beam

The overall aspects of the telecommunications policy and the need for an effective agency to interrelate all of the decisions now requested with their impact on the economy of the U.S.A. as well as the world brings added emphasis into this problem and its totality. It is not our part as yet to move ourselves into the political considerations, but to indicate that the communications explosion has now reached proportions that require clarification by the regulatory agencies. It also indicates the substantial levels of business that are now opening up to the entire microwave community.

AIR TRAFFIC CONTROL

Air Traffic Control is approaching critical proportions in all nations around the globe. Ground-based radars, air anti-collision techniques, communications via satellites for navigation as well as traffic information handling are now being funded.

Harbor surveillance radars, communication networks linking these traffic centers for the shipping laws have been operating in Europe for years. Now the U.S.A. has finally recognized the urgent requirements needed to avoid further catastrophic problems and to improve cost efficiencies in shipping. These new areas of business are moving rapidly from engineering into production orders.

These new developments in the commercial fields need to be examined at greater length, but for now it becomes obvious that the microwave manufacturer must recognize the new potential opportunities unfolding. At times it appears that the average microwave company is being dragged, kicking and screaming, into this commercial business of communications.

There are many other commercial opportunities beginning to materialize as our economy moves ahead. Those decisions outlined in this report can only give a brief glimpse into the totality of business actions which are of paramount importance to this field. Since the military budget is the one area most microwave manufacturers understand, efforts are present to evaluate segments of that budget at this time, but over the months we will take as many of these new and expanding programs and deal with them in some depth.

REFERENCES

1. Wall Street Journal, Sept. 5, 1969.
2. Carterfone, FCC Decision, Message Toll Tariff No. 263, July 29, 1968.
3. Wall Street Journal, October 30, 1969.

COMMUNICATIONS REPORT

BY STAN BENJAMIN

WASHINGTON (AP)--THE WHITE HOUSE RELEASED WITHOUT COMMENT TODAY A TASK FORCE REPORT RECOMMENDING GREATER COMPETITION IN THE DOMESTIC TELECOMMUNICATIONS INDUSTRY.

THE TASK FORCE RECOMMENDED GREATER CENTRALIZATION IN CERTAIN ASPECTS OF COMMUNICATIONS--PARTICULARLY IN THE INTERNATIONAL AREA AND IN MANAGEMENT OF THE FULL SPECTRUM OF BROADCASTING BANDS.

IT RECOMMENDED "CONSOLIDATION OF THE SPECTRUM MANAGEMENT FUNCTION IN A SINGLE EXECUTIVE AGENCY" WHICH IT DID NOT NAME--PERHAPS A NEW ONE.

THE POSSIBILITY OF A NEW CABINET-LEVEL DEPARTMENT OF COMMUNICATIONS HAS BEEN SUGGESTED IN EARLIER SPECULATION ABOUT THE REPORT.
JA144PED MAY 21

79

WASHINGTON -- ADD COMMUNICATIONS REPORT (77)

THE TASK FORCE, HEADED BY FORMER UNDERSECRETARY OF STATE EUGENE ROSTOW, WAS SET UP IN AUGUST 1967 UNDER PRESIDENT JOHNSON. THE REPORT WAS DELIVERED TO THE WHITE HOUSE LAST DECEMBER, BUT JOHNSON DID NOT MAKE IT PUBLIC.

PRESIDENT NIXON'S PRESS SECRETARY RONALD ZIEGLER, IN A REGULAR NEWS BRIEFING BEFORE THE REPORT WAS RELEASED, SAID ITS ISSUANCE "DOES NOT INDICATE THAT THIS ADMINISTRATION ENDORSES THE REPORT."

HE SAID THE NIXON ADMINISTRATION IS CONTINUING TO REVIEW COMMUNICATIONS POLICY QUESTIONS AND THE TASK FORCE REPORT WILL BE CONSIDERED ALONG WITH OTHER STUDIES.

NUMEROUS GOVERNMENT AGENCIES NOW HANDLE VARIOUS PHASES OF COMMUNICATIONS ACTIVITY.

ON THE QUESTION OF COMMUNICATIONS POLICY, THE REPORT SAID: "POLICY SHOULD CONTINUE TO RELY LARGELY ON THE SPONTANEOUS INITIATIVES OF PRIVATE BUSINESS AND NONGOVERNMENTAL RESEARCH,

SUPPLEMENTED WHERE NECESSARY BY GOVERNMENT-SUPPORTED OR SPONSORED RESEARCH AND DEVELOPMENT," IT SAID.

"THE MAIN CONCERN OF POLICY IN THIS FIELD SHOULD BE TO IMPROVE THE EFFECTIVENESS OF REGULATION WHERE REGULATION IS NECESSARY, TO REMOVE UNNECESSARY RESTRAINTS ON PRIVATE INITIATIVE, AND TO PROVIDE AS FREE A FIELD AS POSSIBLE FOR THE IMAGINATION AND ENTERPRISE OF INNOVATORS."

JA153FEB MAY 21

80

WASHINGTON -- ADD COMMUNICATIONS REPORT (79)

THAT MEANS GREATER FREEDOM FOR NEWCOMERS TO COMPETE WITH ESTABLISHED SERVICES.

THE TASK FORCE FAVORED ESTABLISHMENT OF COMMUNITY ANTENNA TELEVISION SERVICES AS A COMPETITOR IN THE MARKET WITH EXISTING BROADCASTING, FOR EXAMPLE.

IT ALSO URGED THAT "GREATER OPPORTUNITIES SHOULD BE OPENED FOR SUPPLIERS OF SUPPLEMENTARY SERVICES" IN THE USE OF COMMON CARRIER FACILITIES, WITH TARIFF REGULATIONS DESIGNED TO KEEP THE COMMON CARRIERS THEMSELVES IN THE RUNNING.

THESE TWO ISSUES--CATV AND SUPPLEMENTARY USES OF COMMON CARRIER LINES--ARE AMONG THE TOUGHEST NOW UNDER CONSIDERATION BY THE FEDERAL COMMUNICATIONS COMMISSION.

THE TASK FORCE SAID ITS RECOMMENDATIONS WOULD INCREASE THE BURDEN ON THE FCC, WHICH SHOULD BE ENLARGED, ENRICHED WITH HIGHER FUNDING, AND STRENGTHENED THROUGH AMENDMENTS TO THE 1934 COMMUNICATIONS ACT, ITS BASIC LAW.

IN THE INTERNATIONAL FIELD, THE TASK FORCE RECOMMENDED "A SINGLE INTERNATIONAL TRANSMISSION ENTITY, AND . . . A CONSOLIDATION OF TRANSMISSION AND SWITCHING FACILITIES DESIGNED TO BRING ABOUT SUCH AN ENTITY."

THE RIVALRY BETWEEN SATELLITE TRANSMISSION AND UNDERSEA CABLE "UNDER THE CONDITIONS PREVAILING TODAY DOES NOT PROMISE THAT SOCIAL BENEFITS WILL BE SUFFICIENT TO OUTWEIGH THE COST OF UNECONOMIC INVESTMENT DECISIONS."

JA156FEB MAY 21

Welcome to the 1970s! New decades bring new departures—and a quickening of hope and speculation about better and more promising times ahead. The Sixties began with the election of a young President of the United States and evolved through unwanted violence to the "youthquake" and a great (and frequently angry) debate on the country's priorities. And now Americans are hoping that the Seventies will see those arguments transmuted into some orderly agenda for action.

Ask me about the 1980s and I'll give you some hard answers that will hold up. But right now, we're at the foothills of a very, very high mountain and we're just testing our gear for the climb. In this decade we'll make slow and even painful progress, followed by a great leap forward in the 1980s."

What is involved here is nothing less than a new, emerging human right: The Right to Knowledge. There's simply more to know today than ever before in human history, and men are deter-

mined to possess it and to savor it. The electronics industry, in a recent report, stated: "The mushrooming growth in available information and the demand for access to this information is bringing about a revolution in communications which will produce a profound change in the way society is structured and in the way we live."

A vice president of the National Association of Broadcasters, William Carlisle,

puts it this way: "Communications have progressed from evolution to revolution to explosion." It is now certain that the electronic gadgetry that will come into common use during the rest of this century will alter not merely our viewing habits, but the character and content of our lives.

But let's slow down to the 1970s—one decade at a time, if you please—and see if we can get a handle on it. First of all, by 1979 there will be 225 million Americans, which is 22 million more than we have now. Forty-two million of those will be between the ages of 15 and 24, and if they're anything like the current crop of 15-to-24s, we know what that's going to mean.

We'll be richer: more than half of →

HERE COME THE '70S!

And with them a startling
communications revolution that will
change the way you live

By Neil Hickey,
Richard K. Doan and David Lachenbruch

"Don't never prophesy," Josh Billings advised, "for if you prophesy wrong, nobody will forget it, and if you prophesy right, nobody will remember it." Nonetheless, we can't resist—as the Nation this week takes its first uncertain step toward 1980—venturing a few cautious predictions about life in the 1970s: about the so-called "communications revolution" and television's role in it. In preparation, the authors have quattered the terrain like eager bird dogs. We interviewed scores of broadcasters, legislators, scientists, Federal regulators and sociologists. One response was surprisingly common. After a slow, thoughtful shake of the head, the interviewee would say:

"The 1970s? That's a tough question.

continued

American households will have incomes of at least \$15,500 a year. Seventy million homes will have TV sets instead of today's 59 million, and 80 per cent of those will be color. We'll be chiefly urbanized, with 80 per cent of our citizens living and working in metropolitan areas. A huge, 100 per cent increase—to \$2 trillion—will be apparent in the Gross National Product.

In spite of the continuing youthquake, there will still be plenty of adults around—about 125 million, in fact, age 25 and over—and we'll all be looking for new ways to spend our added income and our added leisure time. The TV industry believes that viewing time will rise to 7 hours per household from its current 6; travel experts insist that Americans will be spending \$12 billion for trips abroad (up from \$4.7 billion in 1967); adult education will surely be on the rise; and our colleges will be groaning under a load of 10 million students, instead of the current 7 million.

But what about the shape of this modern phenomenon called television, which, since the 1940s, has insinuated itself so thoroughly into the very texture of American life? The seeds of drastic change—having been planted unobtrusively in the green acres of TV's outback—are showing their first few buds, which will doubtless prove to be hardy but slow-blooming perennials.

Potentially, the most colorful blossoms in this arbor are: 1) satellite transmission of TV signals, 2) cable television, 3) publicly supported, noncommercial television, and 4) TV-related gadgetry for home use. It's mostly the interrelationships among those elements that will determine what "television" will be like by 1979.

Consider: TV in America as currently constituted is principally a delivery system—something like an ICBM rocket—by which three giant broadcast companies (called networks) deliver a payload (large audiences) to a specific target (the advertiser). The bigger the

payload, the bigger the pay-off.

Toward the end of the 1970s, that structure will already have started to erode into meaninglessness. Even now, technology has made it an anachronism, but the various guardians of the status quo are perpetuating and numbingly it until an orderly program for evolution can be agreed upon by all the interested parties. Nothing wrong with that. But the clock ticks on, and each day the possible gets one step closer to the probable.

"Why is television so banal so much of the time?" a high network official is fond of saying. "Don't blame me, it's the fault of the system." The sad part is that he's perfectly right. Fortunately, the system shows signs of evolution.

Says the president of a cable television company in the Midwest: "We've simply demanded too much of our commercial television in this country. It can't be all things to all people, because the way it's set up now, there just aren't enough commercial TV channels to satisfy every taste. The combination of satellite transmission and cable television may change all that. Right now, it's as though we had this huge, six-lane superhighway available to us, and we're all trundling down it on a child's tricycle, trying to haul a load which rightly belongs to a tractor trailer. How long we're destined to pedal along in this rather foolish fashion is in the hands of our legislators, the FCC, the White House, the courts, the Justice Department, the Communications Satellite Corporation, the CATV entrepreneurs, the National Association of Broadcasters, and the American Telephone and Telegraph Company."

What he means is that "the times they are a-changin'" (in Bob Dylan's words) and the 1970s are destined to be a decade of jockeying for position by a panoply of vested interests, each of which has a big stake in the Communications Revolution and how it's going to alter life in America.

YOUR HOME WIRED FOR SIGHT, SOUND

First, let's take a look at community antenna television, that creeping vine which began 20 years ago as a scheme to bring better reception to fringe areas and to import a few extra channels to homes that were receiving only one or two. At this moment, about 2300 such systems serve 3.6 million subscribers, but one reliable estimate has it that by 1980 there will be 7500 systems wired into 30 million households; and revenues (mostly from monthly subscription fees) are expected to rise in that same period from today's \$300 million to \$3 billion a year.

That's big potatoes; but even so, the consensus is that by the end of the 1970s CATV's potential will still be in its early adolescence. The TV industry is "looking over its shoulder much as newspapers and movie exhibitors did when radio and TV appeared," said Sol Schildhouse, the FCC's resident

CATV expert, at a recent symposium. "One might expect the TV industry to be self-assured. But it is not. Instead, the mood seems to be one of anxiety and uncertainty about the future."

Nobody doubts that commercial TV's collective brain trust will find ways of adapting to the new technology. But it must look to the day when most American homes will be wired for sight and sound, receiving 50 or 75 TV channels, with the enormous potential which that capability implies for minority-interest programming: handling the family's varied needs via special hook-ups with stores, banks, airlines and post offices; plugging into college-credit courses for home study; reading the day's newspapers off the face of the tube and receiving automatic print-out copies of pages one wishes to preserve; tapping the almost infinite resources of computer-fed storage banks for data on every imaginable subject.

So far, the effect of FCC pronouncements on CATV has generally been to retard its growth in the big metropolitan areas of America, where an "adequate" measure of over-the-air service already exists. (A recent FCC ruling →



continued

did, however, order cable operators to originate their own programming, starting in 1971, as well as retransmitting that of orthodox broadcasters.) This fact has induced a certain amount of understandable paranoia among cable entrepreneurs, who recently insisted (in a published statement titled "The FCC and CATV: Overkill") that "the FCC has



frozen CATV nearly to death."

Still, the infant cable industry has on its side a formidable array of distinguished partisans. For example:

A 15-man, blue-ribbon task force set up by former President Johnson reported in December 1968 that cable TV held out the promise of a new age of television "so structured that a wide variety of needs, interests and tastes can be achieved at low cost . . . In the absence of restrictive Government policy, cable television will probably continue to grow rapidly. Those willing to pay will be able to enjoy the benefits, in terms of greater variety and diversity of programming. . . ."

The Justice Department's antitrust division last April laid down a few ground rules of its own which would, it said, "maximize competition" and "promote the ultimate goals of diversity, efficiency and innovation in communi-

cations." The goal, said Justice, was to help CATV become a "fertile source of original programming, and provide the diversity . . . that cannot be obtained over-the-air because of limited spectrum space."

• A special task force appointed by New York's Mayor John V. Lindsay, and headed by the Ford Foundation's Fred Friendly, urged in September 1968 that New York establish a city-wide complex of cable systems "as rapidly as possible" in order to "help meet the expanding needs of a modern urban society. . . ."

• Perhaps the most dramatic and detailed proposal for the future came from a pair of Rand Corporation consultants named Harold J. Barnett and Edward Greenberg, whose 1967 paper called "A Proposal for Wired City Television" envisioned a national system of wired cities interconnected by satellite or some other inexpensive relay.

• The most recent major testimonial to cable TV's bright future came from the Electronic Industries Association, which, in an October filing with the FCC, forecast that the 1990s would be the decade of the "wired nation," when so-called broadband communications would take over many services for homes, businesses, schools, government and private institutions. John P. Thompson of the Arthur D. Little, Inc. research organization, who was chairman of the EIA committee, said he didn't foresee the disappearance of TV and radio, as we now know them, before the turn of the century. Commercial over-the-air broadcasters derived scant comfort from his timetable.

"Cable television is where the action is," said Frederick Ford to TV GUIDE in a recent interview in his Washington office. Ford is the former FCC Chairman who until recently headed the National Cable Television Association, and who has been plumping (as has another former FCC Chairman, Rosel Hyde) for a cabinet-level Secretary of Telecom-

communications who would preside over the whole tangle of private and governmental communications functions. "Nobody really knows where it's all going," Ford says. "We don't yet know where the big entrepreneurs will put their money. There's no prototype for what's happening. It's a frontier. This is indeed a revolution in communications."

One of the most bullish prognosticators about CATV's role in the 1970s is Irving Kahn, whose TelePrompTer Corp. is one of the Nation's biggest cable systems. "Politicians will soon realize that cable TV offers them the best means of reaching their constituencies," Kahn says, "since they can do it on almost a neighborhood-by-neighborhood basis. And we in cable television believe that political broadcasting should be free. Television until now has been predicated on a scarcity of channels. But cable reverses that,

and we now have an economy of plenty instead of one of scarcity."

Kahn believes that in the 1970s communications will begin to replace transportation. The time will come, he says, when people will travel only for pleasure and rarely for business. There won't be much reason to budge, once the "home communications center" is in full operation and one can shop, study, conduct business and be entertained without leaving the living room.

He's in agreement with most industry observers that pay television (with a per-program charge for individual attractions, rather than a monthly maintenance charge) is not destined to burgeon in the 1970s, except as a "piggy-back" service to cable subscribers. "It's a combination of cable television and satellite relay that will undermine the old order," Kahn insists. "That's the big story of the 1970s."

THE WORLD WILL BECOME A VILLAGE

"I foresee larger satellites over the Pacific, Atlantic and Indian Oceans. As we get to the latter part of the 1970s, costs for satellite usage will go down dramatically, and we'll be able to handle many more channels of TV." The speaker was Dr. Joseph V. Charyk, president of the Communications Satellite Corporation, chatting with TV GUIDE at his headquarters in Washington.

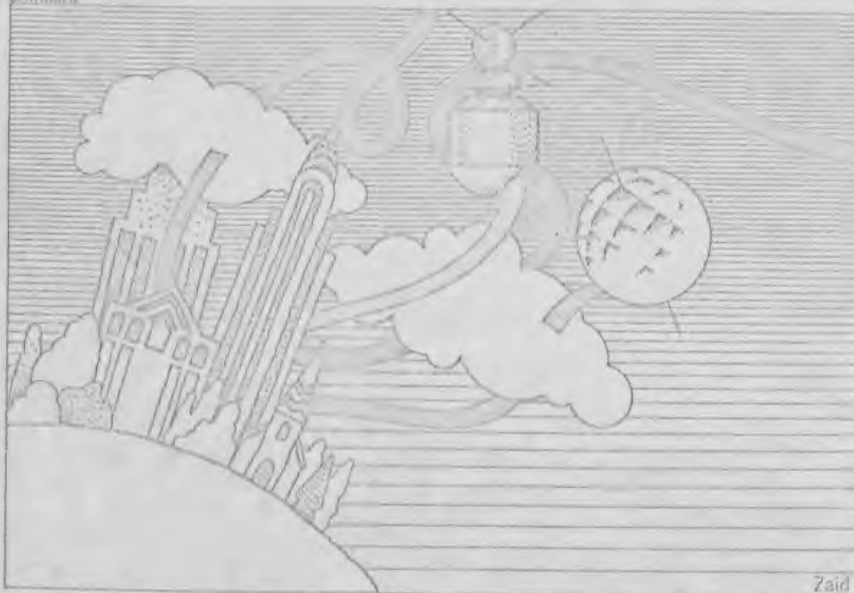
"By the end of the 1970s, the networks will be distributing their programs by satellite instead of by terrestrial lines. We'll have enough channels so that we could broadcast every NFL and every AFL football game every Sunday to all parts of the country if we wanted to." That's rotten news for the Nation's housewives, but it illustrates the potential of satellite relay for expanding our choice of programming, especially in conjunction with CATV. "A combination of satellites and CATV could

do some pretty dramatic things," Charyk said. "It will be possible to interconnect all of the cable systems to present an almost unlimited number of programs."

It's nearly eight years now since the first live transatlantic television broadcast—a makeshift affair which endured (22 minutes) only while the Telstar satellite was in range of a pair of earth stations, one in Europe and one in the U.S. Now, we have progressed to a full-scale international communications system with three synchronous satellites in fixed positions over the Atlantic, Pacific and Indian Oceans and a large network of earth stations. By 1980, we'll have vastly more powerful satellites and many times the number of earth stations now operating.

So far, no domestic satellite hovers over the U.S. to cleanse and clarify the country's communications problems. In 1965, ABC asked permission to —

continued



Zaid

launch its own private satellite for the relay of its programs. Later, the Ford Foundation proposed a domestic satellite to handle all network programs cheaply and educational programs free. Only last October, CBS called for a three-network consortium to own a satellite and thus beat AT&T out of a \$20-million increase it was asking for transmitting network programs. Then Comsat chimed in and said it was ready and able to launch such a "bird" any time the White House gave the OK.

But at this writing there's still no agreement among all the interested parties as to just how and when the U.S. will get its own satellites for use here at home. President Nixon is known to have a strong personal and political interest in the uses of satellite broadcast; his October message on U.S. Latin-American policy went to Central and South America via satellite, and his Nov. 3 speech on Vietnam had a vast international audience. Indeed, he is the first President to have a resident expert in the White House on satellite affairs: a gentleman named Dr. Clay T.

Whitehead, who even now is busy writing a much-awaited report for the President on satellites.

A few Washington insiders say that President Nixon is already planning for the day when he can have a public exchange of views via satellite with such figures as the Prime Minister of Great Britain, the Chancellor of West Germany and even the Premier of the Soviet Union. "The audiences for such confrontations, coming right into the world's homes, would be vast," says one observer. "Think of the interest in such a thing! Remember, in 1966, 400 million people watched the World Cup soccer match between Great Britain and West Germany; 300 million saw the opening and closing ceremonies of the Olympics; and 500 million watched the Apollo 11 astronauts on the moon."

Pondering the feasibility of such publicly distributed summit meetings, we put the matter to James C. Hagerty, who was President Eisenhower's press secretary and who now is a vice president of ABC's parent company and thus privy to the network's thinking on the

usage of satellites. "Sooner or later it's bound to happen," Hagerly said earnestly. "And it will be a great thing for world understanding when it does. The belief here [at ABC] is that McLuhan is right in saying the world is turning into a village. Things are moving and they're moving fast—at a geometric rate. This is the age of the engineer."

Hagerly also sees the new satellite technology as a potentially crucial instrument of peace-keeping and disarmament. "You can't hide much these days," he says, hinting that spy satellites could easily detect breaches in any disarmament agreement between the U.S. and the Soviet Union. "You can't build missile bases overnight, nor inconspicuously," Hagerly says.

One future development is sure to be the so-called "broadcast type" of satellite capable of placing a television signal directly into a home receiver or into a simple and inexpensive community "earth station" atop an apartment building or in a village. Such satellite-to-set transmissions will require more complex international agreements on global broadcasting than we have now. But already the first application of that capability is in preparation: in 1972 the United States and India will hoist a synchronous satellite which will hover 22,300 miles over the Indian subcontinent and be used to distribute instructional television programs—on agriculture, hygiene, birth control, among other subjects—to about 5000 villages. That startling collision of Space Age know-how and an illiterate Asian peasantry will dramatize some of the brilliant promise of satellite technology as a civilizing and unifying force.

"It's all accelerating like a snowball going downhill," says Comsat's Dan Karasik, who serves as that organization's manager for television development. "By the end of the 1970s, I can't think of an event of any importance that won't be on television world-wide. We'll see a world broadcasting union with

operating centers going 24 hours a day, planning and sharing programs. We'll see a new welding of Asia, Eastern Europe, the United States, Latin America and Africa. Maybe we'll see a daily or twice-daily world-news round-up, with live reports from many parts of the globe—wherever news is happening. The world will be one big mixing pot. And culturally, we'll all be much richer people because of it."

Next month, the 70 nations of the International Telecommunications Satellite Consortium (Intelsat) will meet in Washington to plan for the coming decade and beyond. In June 1971 scores of nations will meet in Geneva for the World Administrative Radio Conference, which will open up new frequencies for use by satellites. By 1975 a whole new generation of satellites—the Intelsat IV series—will be in operation. They'll be five times as powerful as the currently orbiting Intelsat III's, with an average capacity of 6000 circuits and 12 television channels. For the first time, the Satellite Age will be shedding its swaddling clothes.

A 1969 report by the Twentieth Century Fund on "Communicating by Satellite" hints at some of the possibilities for the 1970s. "The prospect of satellite broadcasting has stirred imaginations," it declares. "It has given rise to the hope, particularly in the United States, that it will permit a fresh start, providing an opportunity to break away from the economic structure—and cultural mediocrity—of present-day television broadcasting. It also has generated wishful visions of people all around the world witnessing major events as they happen, sharing cultural experiences, and learning about the ways in which all men live and work. And it holds out the promise that it can be utilized to help educate and inform the millions held back in the developing countries by illiteracy, by antiquated work practices, and by anachronistic traditions."

continued

ADD EVR, SV TO YOUR STOCK OF INITIALS

From today's role as a dispenser of entertainment, news and a little education, most experts fully expect your television set to evolve into a tidy "communications center" for the home. The electronic circuitry and display screen of the TV set are capable of taking over many new duties, and by the end of the decade, the set should be well along in its journey from today's passive "appliance" to an active, multipurpose electronic link between the home and the outside world.

As extra channels become available to viewers, the set will develop some fascinating new uses: it surely will become a two-way device, either in com-

special talk-back circuit in the cable-connected TV set itself. You'll be able to shop without leaving home because several channels will be devoted entirely to displaying the wares of local merchants, which may be ordered either by phone or by pushing the proper talk-back button on your set. Billing will be handled automatically by computer.

A true democracy may be closer at hand because your TV set's two-way feature will allow drastically greater participation in local events, and the expressing of your opinion on local and national affairs. Watching a town meeting on TV, a viewer can participate in the discussion via telephone or vote by pressing a button.

The telephone itself will become a sight-and-sound device, with its own picture tube for two-way eyeball-to-eyeball conversations. Bell Telephone already has installed Picturephones in some business offices, and as one Bell

Nixon's Influence Is Already Apparent in the Government's Independent Regulatory Agencies

By CHRISTOPHER LYNN
Against the New York Times

WASHINGTON, Jan. 13—A large part of the policy-making layer of government is purposely insulated from sudden shifts of Presidential power in the so-called "independent" regulatory agencies. But Richard M. Nixon, like other Presidents before him, is finding the take-over process—even in these protected corners of Washington power—quicker and easier than it looks in the textbooks.

President Johnson did not try to make it easy for Mr. Nixon. Almost until he left the White House Mr. Johnson kept filling up regulatory gaps with Democrats. His actions reached the point where the late Senate Republican leader, Everett McKinley Dirksen, accused Mr. Johnson of "loading" the commissions and told him, shortly before the 1968 election, "I can read it in your face that you expect Dick Nixon to be the next President. That's why you want to put a millstone around his neck."

Nonetheless, vacancies have a way of popping up even faster than the fixed commission terms expire. And at the end of his first year in office, President Nixon has either Republican majorities or Republican chairmen (in most cases both) in virtually all of the major regulatory agencies.

Control Not Assured

Whether any President actually controls the agencies is a sensitive question. On some issues the agencies can indeed be independent; on other issues they are more responsive to Congress than to the President.

Yet through the appointive power that is his alone, President Nixon has filled several dozen agency jobs with men who will write his record in the regulation of television and telephones; the flow of money and the flow of natural gas; the administration of shipping, trucking and airline rates; and the protection of consumers in supermarkets and the stock market.

Mr. Nixon's appointments to the agencies have many of the qualities of his Administration generally—and of the Cabinet departments where Presidential authority to hire and dismiss the policy-making staff is automatic.

His partisan loyalty is clear: all but one of his major regulatory appointments have been Republicans, and when he had to name a Democrat to the Securities and Exchange Commission he chose former Representative A. Sydney Herlong, a Florida conservative long identified with business interests.

A number of the persons he has appointed previously worked with the industries they now regulate. Secor D. Browne, chairman of the Civil Aeronautics Board, is one of Mr. Nixon's few recruits from academia. Mr. Browne was a professor of economics at the Massachusetts Institute of Technology and had also been a consultant to the Boeing Company and Pan American World Airways.

Helen Delich Bentley, a newspaper reporter and columnist, identified herself passionately with the plight of the merchant marine and had also done public relations work for steamship companies before her appointment to head the Federal Maritime Commission.

No Career Intimates

Some of the persons appointed by Mr. Nixon have specifically "political" backgrounds—like Dean Burch, the chairman of the Federal Communications Commission, who led the Republican National Committee through the Goldwater campaign of 1964. Yet none of them has been intimately involved with the political career of Mr. Nixon himself.

The composite ideological stance of the Nixon regulator is clearly somewhere to the right of the middle of the road. Interestingly, the man in whom liberals express most faith is Clayton W. Weinberger, the new chairman of the Federal Trade Commission, who comes directly from service

as finance director under Ronald Reagan, the conservative Governor of California.

In other cases, where it is too early to analyze a pattern of formal decisions, the mere appointment of quiet conservatives—like John N. Macdonald to the Federal Power Commission—has already been enough to slacken the pace of agency activity and reestablish the traditional Republican preference for inviolate regulation.

No generalization about the Nixon appointments holds true all across the board. Over the strenuous objections of Clifford L. Alexander Jr., the former head of the Equal Employment Opportunities Commission, the President asserted his right to name his own agency chairman. Yet at the Atomic Energy Commission, he retained as chairman Dr. Glenn T. Seaborg, a Democrat appointed first by President Kennedy and reappointed by President Johnson.

At the National Labor Relations Board, an agency where Mr. Nixon has not yet appointed any of his own men, he has let Frank W. McCulloch, a Democrat, stay in the chairman's seat and has so far not filled the vacancy left by Sam Zagoria, a liberal Republican, last month.

The decision not to reappoint Mr. Zagoria, a former newspaperman and aide to Senator Clifford P. Case, New Jersey Republican, illustrates the fact that the nominal Republican tie does not guarantee equality

with the Administration. In fact most of the Republicans now serving in the independent agencies got their original appointments from Presidents Kennedy and Johnson, and many of them will be retired when their terms expire.

Bornes and Brown Control

Even among the Republicans, Mr. Nixon himself appointed, there are different degrees of closeness. For example, Dr. Arthur F. Burns, the new chairman of the Federal Reserve Board, had been Mr. Nixon's chief counselor on monetary issues, by request, William H.

Brown 2d, the new chairman of the Equal Employment Opportunities Commission, was an unconfirmed nominee of President Johnson's when President Nixon dismissed Mr. Alexander and accepted Mr. Brown to succeed him.

Kenneth C. Davis, a professor of administrative law at the University of Chicago, who advised the Kennedy Administration on its regulatory appointments and has studied the process before and since, considers that a large measure of confusion and paradox is part of a classic pattern.

"Through the years, White House policy planning in the regulatory area has been very slight," Professor Davis said in an interview last week. "I don't see any reason to modify that generalization for the Nixon Administration." He explained:

"The considerations in making appointments are a combination of an individual's political point of view and the Administration's discharge of political obligations.

"The White House often has a pool of men to whom they owe jobs and they put them

in jobs as the vacancies occur—and then they and the appointee himself start finding out where he stands on the issues."

One reason the pattern of Nixon appointments remains less than explicit is that the President has not publicly identified himself with the selection process.

Standard Not Clear

Mr. Nixon, who proclaimed "extra dimension" as the mark of his Cabinet officers, has stated no broad standard for his subordinate aides. He has rallied his Government to no New Frontier, nor has he plunged personally into the workings of the domestic administration as President Johnson did.

John W. Macy Jr., the chief recruiter for the Kennedy and Johnson Administrations, enjoyed publicizing the theory

and technique of his searches. But Peter M. Flanagan, the Nixon Administration's talent scout, does not give interviews.

And unlike President Kennedy, who commissioned the late James M. Landis to draw up a master plan for the regulatory agencies, President Nixon has not published any broad charter on regulatory policy to serve as a guidepost for the Administration.

The closest Mr. Nixon has come to a general statement on regulation was his campaign pledge, addressed to leaders of the securities industry, to end "heavy-handed bureaucratic regulatory schemes" at the Securities and Exchange Commission.

Broadly, reform of the regulatory process has not appeared high on the list of Administration priorities.

The record at the Federal Communications Commission shows how a new Administration can signal a new era even before it has full control. Democrats still have a 4-to-3 majority at the commission, but Mr. Burch, as chairman, has the authority to hire and dismiss key staff personnel.

Further, the expectation that Commissioner Kenneth A. Cox, a Democrat, will be replaced by a Republican when his term expires next June, combined with the slow process of commission business, means that the balance of power on the commission itself may have changed already.

In a flurry of decisions last month, the Democrats rallied a majority for short-term victories that revealed, more significantly, how the longer trend is against them.

When the commission told broadcasters to pay closer attention to legal problems and the concerns of their local audiences, the three Republicans expressed their "concurrent" qualified expression support.

The Democrats also succeeded in blocking the extension of the Gaylord family's Texas-Oklahoma media chain into Kansas, but the three Republicans indicated, in opposition, that they would be less anxious about regional media monopolies in the future.

And in the long-standing F.C.C. inquiry into the management of broadcast properties by conglomerate owners—an investigation that Vice President Agnew would seem to have encouraged with his attack on the concentration of media ownership—the Republicans on the commission voted together against the issuance of detailed questionnaires to 25 representative companies.

Inside the FCC

90 *Television/Radio Age*, January 12, 1970

8

Dean Burch priority list to see action, may be delayed to second half

Dean Burch's first Hundred Days have been occupied with immersing himself in the complexities of communications regulations, acquainting himself with the bureaucracy and the key members of the FCC staff, getting a briefing on current proposals. His precise stance on the various issues before the Commission is for the most part, still in the embryonic stages.

He will have to wait until the second half of the year to push through some of his own proposals, when the Republicans will, at long last, have a majority on the Commission. The term of Commissioner Kenneth Cox is up on June 30, and the appointment of his successor will give the Chairman his 4-3 majority. All signs, however, point to a vigorous activity in the year ahead. The 42-year-old Burch has laid down a set of priority items he wants tackled as rapidly as possible.

They are:

■ Domestic satellite communications. This will have an immense influence on broadcast and common carrier communications.

■ Spectrum management. How should the spectrum pie be sliced for maximum efficiency and accommodation of new technologies? Also, who should have the authority—the White House or the FCC?

■ Domestic land mobile services. This ties in with the spectrum allocations problem, but is getting immediate separate attention because of the pressure on Congress by land mobile users and manufacturers.

■ CATV. Neither the FCC nor Congress so far has been able to come up with a satisfactory answer to the role this relative new technology should play in communications.

White House influence in spectrum allocations fight

The Commission is expected to act soon on the domestic satellite question. Before Burch and Robert Wells were named, the FCC was ready to announce its position, but was holding off at the behest of the White House, where an intra-governmental study was launched under the supervision of Dr. Clay T. (Tom) Whitehead. Once the White House recommendations are in, Burch can be counted on to push for early FCC action.

The spectrum allocations problem is a sticky one and promises to be around for a long time. A White House memorandum over the signature of Presidential Assistant Peter M. Flanigan, but reflecting Whitehead's spade work, urges a shift of authority of non-government use of the spectrum from the FCC to the Executive Department. But the memo notes the difficulties involved in such a move, including the need for legislation, and says it is in no real hurry to make the shift.

Burch is expected to go all out for more effective spectrum management by the FCC before conceding that the White House is better able to handle it. In order to do this, the Commission must have more money—a lot more. Later generation computers, skilled and highly paid personnel to operate them, will be needed. Burch's power of persuasion will be put to the test both before the Budget Bureau and the Congressional Appropriations Committees.

Land mobile services look for a chunk of the pie

Oral arguments have been set for January 22 and 23 on proposals to give domestic land mobile services portions of the spectrum allocated to UHF. The Commission might have proceeded to make a decision without the arguments. But the hearings will at least provide a summation of the arguments and provide an informed basis for a vote on the issue. Congress has been putting the heat on the Commission to resolve the issue.

The CATV interests are privately optimistic about the change of command at the FCC. The cable industry felt it was hemmed in by a temporary and restrictive policy during Rosel Hyde's administration. One of the FCC commissioners predicts that Burch will take cognizance of it.

Burch to push obscenity cases with DJ help

potential of cable by making the CATV task force a permanent part of the Commission's organization chart.

The FCC, under Burch's prodding, will undoubtedly take steps to deal with obscenity cases. In this, he will have the Justice Department's support. (Justice under the previous administration was loathe to prosecute obscenity cases.) Senator McClellan (D-Ark.) has announced hearings looking into the adults-only feature films in current television release, and Senator John Pastore (D-R.I.), Chairman of the Communications Subcommittee, shares with Burch his "gut" reaction against off-color fare on the airways.

Both Burch and Wells are in the process of being tutored on the hoary 50-50 rule-making which would curb network control of television programming during primetime. While the subject has been considered ripe for the Commission's decision, it is not on Burch's priority list.

Role of the chairman—first among equals

There is a move afoot at the Commission, at the staff level, to act on the one-to-a-market rulemaking. The Democrats, while they have a 4-3 majority, would like to push this through, but Burch is not particularly interested in pressing for quick action.

His vote against sending out questionnaires in the conglomerate inquiry, in addition to statements he has made, indicates his thinking in this highly charged area. He told his first press conference that ideally there should be a dispersion of ownership in broadcasting, but the Commission must deal with realities. This, he says, dictates against any extensive restructuring of the ownership pattern in broadcasting, particularly on a case-by-case basis, as exemplified by the Whelan decision.

The role of the Chairman is described by a fellow Commissioner as "first among equals." He presides over the Commission meetings, coordinates the work of the Commission, appoints individual Commissioners to serve on committees and to represent the government at international communications meetings. He sets the tone of the Commission, both internally and publicly. If he is a strong Chairman, his policies and position permeate the staff. He is, however, hamstrung by the bureaucracy, by the constant pressures from Congress, and by a certain built-in check on the freedom of his activity. For example, any appointment, by which the bureaucracy terms a grade 14 or more (\$18,400 a year and up), must be approved by the majority of the Commission.

Liaison with Capitol Hill and the White House

Dean Burch has two important things going for him. The first of these is his liaison with the White House. Very few Chairmen have had this relationship with the Chief Executive. Paul Porter had it with FDR. Newton Minow with JFK. During the Johnson administration, the furthest distance between two points was between the FCC and the White House.

Another asset that Burch brings to the job is his familiarity with Capitol Hill. He has already shown a great leadership potential in this highly sensitive post. His only gall to date has been the call to the network presidents requesting transcripts of the commentaries made after President Nixon's November Vietnam address.

Burch is a skilled administrator and he hopes to get the Commission's administrative machinery in tandem with the burgeoning nature of modern communications technology. This is a demanding task which will require hard, protracted study before major developments are forthcoming. There is the immediate problem of replacing some of the upper echelon personnel—those he believes are not pulling with him.

In the last analysis, it is the personality, energy and powers of persuasion that are the most important attributes of an active and constructive Chairman. There is every indication that Burch is amply endowed in these respects.

White House Readies Stand On Satellites

Open-Competition Position On U.S. Systems Reported

By STEPHEN M. AUG
Star Business Writer

The White House is reportedly ready to recommend that the Federal Communications Commission permit virtually wide open competition for construction and operation of one or more domestic communication satellite systems, it was learned today.

Barring last-minute changes, the recommendation is to be sent to the FCC in a week or two in the form of a memo.

Although it is not binding on the commission, such a recommendation from the White House expressing the administration's view obviously will have great weight when the FCC authorizes some form of domestic satellite system.

Although details were lacking, the White House is reported to have accepted some recommendations from two staff reports completed early last month, but kept private.

The staff recommended that any organization should be permitted to set up its own domestic satellite system provided it has the financial support to do so, could arrange for a launch from National Aeronautics and Space Administration, there is room for such a satellite system without endangering other uses for outer space, and there is frequency space available.

Hearings Probable

Presumably, the FCC would hold public hearings on competing proposals for the same type of satellite system. The commission would decide which of several applicants is the best-suited from economic and technical standpoints. It would also seek to maintain the most efficient use of limited frequencies available.

White House officials see no problems in obtaining launches from NASA for any organization the FCC approves. NASA has only 10 launches scheduled in all of 1970, and probably would be happy to have more work paid for through private sources.

If the competition policy eventually is recommended, it would represent a major change from recommendations made about a year ago by a White House communications task force appointed by President Johnson. It suggested —after a year-long study—that the FCC authorize establishment of a pilot domestic satellite program in which Communications Satellite Corp. would have primary responsibility.

Comsat, however, would be far from frozen out under a competitive system. The firm has had lengthy conversation with broadcasters, educational television officials, the news media and cable television firms offering to set up a domestic satellite system for their needs. The talks were held against a background of increased rates for such transmission services put into effect by American Telephone & Telegraph Co.

Common Carrier Field

The FCC itself has in recent months opened up for competition the field of so-called common carrier communications. Last August it authorized Microwave Communications Inc. to set up a private microwave radio system between Chicago and St. Louis which would compete with AT&T in renting out communications facilities to businesses — primarily of the plant-to-plant type.

The problem of a domestic communications satellite system has been under study by the FCC for about five years. The commission several times has been ready to recommend setting up such a system, but at least twice has held up action pending completion of a White House study.

U.S. network due to speed data

FCC permits sought for commercial microwave systems

By Martin Skala

Business and financial correspondent of
The Christian Science Monitor

New York

Unless government regulators permit more competition in communications, deteriorating public phone service in New York City and several other key urban centers may get worse before it gets better.

That's the view of a handful of small "Davids" who are eager to take on the giant American Telephone & Telegraph Company in meeting part of the nation's exploding communications demand. Knocking on the doors of the Federal Communications Commission in Washington, at least a half-dozen firms now seek licenses to set up commercial microwave systems around the nation.

Bottleneck seen by 1975

Though most plan to tie into phone-company lines locally, their high-speed communications links would provide industry with additional long-distance transmission facilities for sending computer data, facsimile, cable TV, and teletype messages.

Backers of the microwave systems argue that AT&T, despite impressive expansion plans, won't be able to grow fast enough to head off a communications crisis.

Unless new avenues are opened up to meet the specialized communications needs of business, predicts Seymour Joffe, president of Data Transmission Company, (DATRAN) industry will face a communications bottleneck by 1975. Mr. Joffe says the pressing demand for additional transmission facilities stems from the accelerating growth of computer-generated data.

Within 10 years, he says, computer experts expect the majority of this data to be shuttled back and forth over telephone lines to remote locations. One result will be a growing strain on the Bell System's capacity to provide an adequate number of interstate telephone circuits.

Network proposed

According to AT&T's own estimates, 75 percent of the interstate facilities required in 1980 have yet to be constructed.

To give large data users an alternative to telephone-company lines, Datran intends to establish a \$375 million, 33-city microwave network. Datran's parent, University Computing Company, is prepared to spend more than \$3 million to win FCC backing for the controversial plan to set up a "data only" communications system. It is designed to send information only in digital form, the language "spoken" by computers.



Data thrower

Microwave towers like this may become more common as new communications systems nudge their way into a pattern now dominated by one company.

Datran contends that a "Digital" network will be faster, more reliable and more economical for data users than phone-company lines. Since existing phone lines and switching equipment were built primarily to handle voice traffic, Mr. Joffe maintains, they represent "unsatisfactory compromises" when adapted for data transmission.

First leg approved

If the FCC were to give Datran's green light soon, he notes, the company might supply as much as 5 percent of the mushrooming data-communications market within the next 10 years.

In a parallel move, another microwave group is banding together to form a nationwide common-carrier network in competition with the Bell System.

Coordinator of the proposed 11,000-mile network of 16 interconnecting microwave companies, each organized regionally, is Microwave Communications of America (Mi-Com).

Bucking the concerted opposition of the Bell System and FCC indifference, it took Mi-Com's president, John D. Goeken, five years to win his first victory. In a split decision, the FCC last fall approved the first leg of the system—a \$2 million microwave route between Chicago and St. Louis.

Since then, similar regional systems, including ones connecting New York and Chicago and New England and Washington, have applied for FCC licenses. Ten more are being organized.

Some lines leased

If approval is granted—and Mr. Goeken is optimistic it will be—the \$700 million network would supply the bulk communications needs of hundreds of large data users. Typical uses of the system, which would compete with existing phone lines, would include transmission of educational TV programs, remote access to centrally located computer data banks, and radio communications to mobile units.

At present, some 80 percent of data transmission takes place over the dial-up switching system provided by the telephone industry. Many large communications users hold leased lines. These are separate from the shared public phone network. Some large airlines and railroads own costly microwave systems.

Most businesses, however, can't afford private microwave systems and few full-time leased lines. The microwave companies provide a more economical alternative by permitting a number of subscribers to share a single circuit, on a part-time basis, if they like. They also impose fewer restrictions than phone companies as to the type of terminal equipment that may be employed.

Signs of change

If the FCC permitted competition among common carriers, microwave proponents argue, business firms, educational institutions and television broadcasters would have a wider choice of "communications packages." And the phone companies could do a better job in meeting their primary responsibility—providing high-grade voice communications over wire and cable facilities.

As by far the biggest of the common carriers, AT&T isn't taking the competitive threat of the microwave companies lightly. At upcoming FCC hearings, AT&T intends to object to new licenses being granted to microwave firms.

The telephone giant maintains that the surge in data traffic, while substantial, can be met without disrupting the Bell System's voice network. This is one reason for the huge \$6.5 billion capital-expansion program in the works for 1970.

At present, computer transmission over phone lines accounts for less than 3 percent of all telephone activity. By 1980, AT&T contends, not more than 10 percent of an enlarged network capacity will be occupied shuttling data.

Service field explored

In the last analysis, it will be up to the FCC to determine whether regulatory policy should be relaxed to make room for the new microwave competition. In the past, the agency has looked on common carriers as "natural monopolies." It has often frowned on allowing more than one regulated company to serve a particular communications route.

But there are signs of change. Under the Nixon administration, industry observers say, the FCC is likely to widen the scope for competition. President Nixon's two appointees to the seven-man commission have already shown more flexibility than their predecessors.

One straw in the wind is last week's White House report supporting open competition in building a domestic satellite service. The report rejected the "single chosen instrument" argument, which in the past has made Communications Satellite Corporation appear as the logical party to develop the system.

While the FCC isn't bound by the White House's recommendations, they are expected to carry considerable weight.

The White House's idea of open entry and rate competition is applauded by the microwave backers. If applied in the selection of domestic satellite companies, they say, it would be hard to deny the same principles for ground-based systems.

IN THE NATION'S CAPITAL

Domestic satellite picture remains up in the air

Victor Block, Washington Editor

ORGANIZED CONFUSION, and an outcome that figuratively, as well as literally, remains up in the air. This is the situation surrounding the outlook for establishment of one or more domestic satellite systems, following White House recommendation for open competition in the field of satellite communications by private interests.

The White House memorandum recently submitted to Federal Communications Commission Chairman Dean Burch is not binding on that agency (TELEPHONY, Jan. 31, p. 10). However, its recommendations, coming from the administration, as they do, will carry considerable weight. Mr. Burch said the agency he heads welcomes receipt of "the executive's views and intends to arrive at an early conclusion." He said the commission will give the domestic satellite proposals "the highest priority."

As the FCC wrestles with what will be a difficult and controversial decision, no clear time limit has been set for a conclusion of its deliberations. Estimates of a time for reaching the decisions, provided by various agency sources, range from a minimum of some time this month to a maximum of 90 days. Some observers say the decision could take even longer.

What is clear is the fact that the White House recommendations, and the FCC's ultimate decision, will have a far-reaching effect on the future of domestic communications. A number of questions have been raised by the proposals, not all of which may be answered by the FCC at the time it adopts a satellite poli-

cy. Among these major issues are the following: *Monopoly policy.* Can the FCC adopt the administration's proposal for open competition in the domestic satellite field while continuing to limit competition in other areas of communications, such as cable, microwave, and international satellites? Some Washington observers predict that one result of FCC adoption of the administration's approach to domestic satellites would be growing pressure to reconsider the agency's philosophy for regulating communications in areas where "natural" monopolies are given the green light.

The administration position is that there is no technological advantage to be gained in having domestic satellite service controlled by a government-regulated monopoly. This appears to be in direct conflict with the traditional argument that a regulated monopoly can, in fact, operate more economically than competing private interests. At least one expert observer in Washington points out that adoption of the open competition approach for satellites would create "glaring inconsistencies" in the FCC's regulatory policies.

AT&T reaction. AT&T reacted to release of the White House recommendations by announcing plans to apply to the FCC for permission to use satellites as an integral part of its nationwide communications network (See p. 52). According to the announcement, the company foresees "close operational integration" of satellite and land facilities.

However, the AT&T statement

leaves unanswered several important questions. For example, the company did not indicate whether it will operate its own satellite system or lease circuits from another operator. An AT&T spokesman said such "details" will be clarified when the company discloses its over-all plans for the use of satellites, possibly within 60 days.

Comsat setback. What will become of the contention by the Communications Satellite Corp. (Comsat) that it is the only domestic commercial organization authorized by law to use government facilities for launching communications satellites?

There is little disagreement among observers—and among owners of Comsat stock, which has suffered a sharp setback—that Comsat is the biggest loser as a result of the White House statement. The recent administration proposals run counter to Task Force study ordered by former President Johnson which had recommended that the company have primary responsibility for establishment of a pilot domestic satellite system (TELEPHONY, Jan. 24, p. 11).

Comsat's reaction to release of the most recent recommendations has been to announce its intention to "file promptly with the FCC for authority to provide domestic satellite services" if and when the commission adopts the White House suggestions. Comsat went on to raise "a legal point" which it said emanates from 1962 legislation in which Congress "reserved to itself the basic power of authorization" for the use of government commu-

(cont'd)

communications satellite launching facilities. Comsat said establishment of a commercial satellite system by any U.S. entity other than itself "would require new legislation."

While early action by the FCC with regard to the White House recommendations appears likely, these and other questions remain to be answered by future events. A White House spokesman has indicated that even if the FCC acts quickly, it would require about two years of planning and construction before a satellite system could become operational.

White House aides also doubt that adoption of the new policy will result in a rush into the skies by competing satellite networks. They foresee instead a somewhat slower movement by a handful of companies into what they consider an economically questionable endeavor. Some experts predict the initial traffic will be sufficient to support only a single satellite system. The White House statement itself said that the initial number of potential offerers of domestic satellite service probably will be "small."

Another prediction is that the satellites will result in consumer benefits less dramatic than has been predicted in the recent past. Early in the 1960s, some forward-looking observers predicted the advent of 10-cent telephone calls between any two places in the country, made possible by satellite transmission. With the subsequent development of high-capacity cable and microwave transmission, one White House spokesman now says domestic satellites probably will have "no impact" on telephone rates.

What impact they will have on other aspects of the total communications picture remains to be seen.

Telecommunications Reports

February 9, 1970

SAMPSON SEES WHITE HOUSE STATEMENT ON DOMESTIC SATELLITES RAISING MANY QUESTIONS; COMSAT OFFICIAL POINTS TO PROVISIONS OF 1962 SATELLITE ACT

The White House statement on domestic satellite policy presents "many complex questions, almost as many as were confronting the Congress prior to the enactment of the Communications Satellite Act of 1962," George P. Sampson, Vice President-operations of the Communications Satellite Corp., said Friday, Feb. 6.

In an address to the annual convention of the National Telephone Cooperative Association in New Orleans, Mr. Sampson declared that "After four years of glacial progress in beginning a domestic satellite system, the White House memorandum suggests policies that may thrust us abruptly in wholly new directions.

"For example," the Comsat official said, "in place of the traditional regulated communications industry we now know, it is recommended that satellite communications systems be opened to 'competition,' permitting the market place to be the regulator. This opens the question of who is financially big enough to play the game; who will put up his own or a cooperative satellite system with the attendant costs and risks; what happens to the small users who can't afford to own their own system."

He pointed out that under the 1962 act "rather severe inhibitions are placed on Comsat requiring, among other things, open competition on all major procurements, division in the ownership of Comsat stock and the composition of our Board of Directors, and other limitations. By opening up domestic satellite service to free competitive forces, are these restrictions on Comsat now lifted from us?"

Comsat, under the "authorized user" decision of the Federal Communications Commission, is limited as to those to whom it can provide service, Mr. Sampson observed. Under the proposed White House policy of open competition, he said, the question is raised as to whether Comsat would be free to enter competitively into the terrestrial communications business.

"The White House memorandum," Mr. Sampson stated, "indicates that conservation of the frequency spectrum and the number of orbital parking spaces for satellites are not sufficiently significant problems to limit applications for domestic U.S. satellite systems. The question requires careful analysis as to whether a proliferation of systems might be in conflict with the interests of other countries such as Canada, Central America and Latin America, which may wish to use the spectrum.

"If there is a proliferation of systems to serve specialized needs, where do the developing areas, such as Alaska, fit into the picture?" he asked.

One recommendation in the White House paper which the Comsat Vice President described as "particularly attractive" relates to users of satellite services being able to put a portion of lease cost in the rate base, instead of under the category of "expenses." -End-

ARINC. URGES SEPARATE LICENSING OF EARTH STATIONS FOR AVIATION'S USE

Aeronautical Radio, Inc., in brief comments filed in the Federal Communications Commission's inquiry into the ownership and operation of satellite system earth stations, has emphasized that any action taken by the FCC with regard to the ownership of stations "should not preclude the ownership and operation by Arinc of earth stations using aeronautical mobile (R) frequencies. Such separate licensing of aeronautical communications facilities would be consistent with the practices of this Commission from the beginning."

Arinc's comments were filed to meet the original Saturday, Jan. 31, deadline set by the Commission, which has now extended the filing dates to March 4 for initial submissions and March 31 for replies. The postponement had been requested by Western Union International.

The comments by Arinc were confined to a relationship of the general policy questions raised by the FCC to future aeronautical satellite communications. Arinc took no position on the ownership of earth stations in the regular common carrier services. -End-

Satcom Policy Spurs Immediate Response

By Katherine Johnsen

Washington—White House policy declaration inviting all comers to compete for domestic satellite communications systems utilizing up to 15 slots in the synchronous orbit brought immediate responses from American Telephone & Telegraph Co. and Communications Satellite Corp.

AT&T said that it would apply for a satellite system integrated with its vast terrestrial network. The satellites would be used as backup in case of failure of cable or overland microwave facilities and for flexibility in shifting traffic during peak hours.

AT&T, which a decade ago constructed the pioneer Telstar communications satellite, would develop its own spacecraft. But the company said that in-house manufacture is not a foregone conclusion.

AT&T said it would start from scratch, ignore its former recommendations, and have the specifics of its new proposal prepared in 60 days. The company's positions have ranged from a 1966 plan for a \$500-million system to recent skepticism that domestic satellites are needed at this time.

Cosat Stand

Cosat promptly announced that it is "ready to provide any and all services to various appropriate users wishing to benefit from space technology."

Cosat's major problem is acquiring customers for its communications services. The corporation has had extensive discussions with broadcast networks, news wire services and newspapers, computer service companies, Western Union, airlines, community antenna television stations and others.

Cosat's preference is for a single multi-purpose system serving various bulk users, but the corporation is flexible on the matter.

Two other developments are:

■ **Broadcast networks.** American Broadcasting Co., Columbia Broadcasting System, and National Broadcasting Co. last week were completing negotiations on a study contract with an engi-

neering firm to determine the feasibility of an all-broadcast satellite system. The study includes general design of the system and a cost comparison with alternatives—such as lease from AT&T or a Cosat multi-purpose system.

For management and operation of an all-broadcast system, the networks are considering several possibilities. These include establishment of their own consortium, hiring Cosat, RCA Global Communications, or some other entity, or a new corporation.

■ **Hughes Aircraft Co.** The company is now evaluating its position on providing services as well as hardware to satellite users. This might involve lease of satellites to facilitate financing and monitor of satellites in orbit.

The White House policy declared that "any financially qualified public or private entity . . . should be permitted to establish and operate domestic satellite facilities."

The White House said that entities should be permitted to establish facilities for their own needs; join with related entities in common-user, cooperative facilities; establish facilities for lease to prospective users; or establish facilities to be used in providing specialized carrier services on a competitive basis.

"In particular," the White House said, "the potential economic impact of . . . satellite systems on terrestrial carriers . . . should not be a factor in the authorization."

Under the White House's competitive, equal opportunity policy, the operating rights of terrestrial spectrum users could be rescinded to accommodate new satellite systems.

The White House statement was a memorandum to the Federal Communications Commission.

The next step will be an FCC order establishing criteria to guide applicants for satellite systems.

Welcoming the White House views, FCC Chairman Dean Burch promised quick action. He said that "this matter warrants and will receive the highest priority."

FCC Commissioner Kenneth A. Cox told AVIATION WEEK & SPACE TECHNOLOGY that he thought the White House policy "underrated the virtues of regulation and overstated the virtues of competition."

Cox said that he was apprehensive about "blithely putting everyone on the same footing and not protecting the rights of the owners of existing terrestrial microwave systems."

Last year, a majority of the commission favored a single, regulated satellite system. Action was postponed while a White House study was made under the direction of Peter M. Flanagan, assistant to the President.

In the meantime, three new members were appointed to the seven-member commission.

Highlights of the White House policy include:

■ "Even 10 to 12 U.S. domestic satellites—a high estimate of likely early system development—would represent only a small fraction of the number which could be accommodated for western hemisphere use with the current state of the art."

(cont'd)

The White House said that the issue of radio resource scarcity for satellite communications has been "overstated to a significant degree."

■ "The most immediate potential for domestic satellite communications seems to lie in long-distance specialized transmission services—such as one-way distribution of radio and television programs or two-way exchange of high-speed data or other wideband signals among thinly dispersed users."

■ "For the foreseeable future, satellite communications systems will require large initial investments, careful technical and economic planning, and complex technical management capabilities. The extensive, reliable, and low-cost terrestrial communications network already established in the U.S. makes domestic satellite systems competitive only where their unique capabilities offer significant advantages over terrestrial transmission."

■ "It appears that a diversity of multiple satellite systems as well as multiple earth stations will be required to provide a full range of domestic services . . . We find no public interest grounds for establishing a monopoly in domestic satellite communications."

■ "It is possible that satellite services could, through cost-reducing innovation and competition, cause some existing services now surviving on a cross-subsidized basis to become uneconomic. . . . There seems to be no merit in protecting the suppliers of such services from fair competition. . . . A direct public subsidy would in most cases be less costly to the public than forced cross-subsidization and restraint of competition."

■ Competition should determine the rates charged for specialized satellite services, but the carriers should be required to serve similar users at equal rates on a non-discriminatory basis.

■ "We . . . recommend that . . . policies be adopted on an interim basis, such as three to five years, to permit vigorous exploration and development of satellite service possibilities. . . . At the end of the interim period, a full review of the policy and industry structure should be made."

■ "We . . . see no reason why the Communications Satellite Corp., established by Congress as the chosen instrument for U.S. participation in Intelsat [International Telecommunications Satellite Consortium], should not be permitted to compete for domestic satellite service on an equal basis. . . ."

THE NEW YORK TIMES, TUESDAY, FEBRUARY 10, 1970

Nixon Asks for an Office on Communications Policy

CHRISTOPHER LYDON

Special to The New York Times

WASHINGTON, Feb. 9 —

President Nixon moved today to equip the White House staff for the first time with its own experts on the multiplying issues of communications policy.

Under a reorganization plan that was submitted to Congress this morning, there will be a new Office of Telecommunication Policy in the executive branch, equal in rank with the President's staff panels on the economy, science and environment.

The new office will assume the responsibility, now located in the Office of Emergency Preparedness, for management of the Government's vast telephone and radio network. It is also designed to become the President's eyes, ears and voice before the independent Federal Communications Commission.

Ronald L. Ziegler, the White House press secretary, stressed that the new office would not be concerned with the content of broadcasting, and that its creation had no connection with Vice President Agnew's recent criticism of the communications media.

Nonetheless, under the head-

ing of "technical and economic" studies, the Office of Telecommunications Policy will be expected to tackle the central controversies in telephone and broadcasting regulation.

The future of cable, or community antenna television is perhaps the most important of the issues on which the White House hopes to assert new leadership.

Comparable policy questions, which have seemed to defy F.C.C. resolution and previously received only occasional attention in the executive branch, include regulation of pay television, diversification of media ownership, the balance of prime-time TV broadcasting between network and independent material and the encouragement of competitive challenges against the Bell Telephone System in specialized communications services.

Formal Recognition

The recommendation of an executive office for communications constitutes formal recognition that the F.C.C., often preoccupied with quasi-judicial proceedings, has lacked the staff and, according to some, the inclination to chart innovative policy at a time of

dramatic change and challenge in communications.

But the Nixon Administration's plan stops short of creating a Cabinet-level Department of Communications, an idea that was proposed in 1968 by President Johnson's communications task force and endorsed last year by Rosel H. Hyde just before he stepped down as chairman of the commission.

The reorganization that was proposed today would preserve the commission's final authority on regulatory issues, even those on which the Office of Telecommunications Policy did the preliminary research and stated its views.

The role of the new office was foreshadowed in the White House's participation in the continuing debate about the role of satellites in the domestic communications system.

The White House asked the F.C.C. last summer to postpone any decision on domestic satellites until the President had made his recommendations. Last month, the White House urged that satellite operations be opened to competitive free enterprise.

Clay T. Whitehead, a Presi-

dential assistant who drafted the policy memorandum on satellites, also prepared the President's proposal for the new telecommunications office.

Mr. Ziegler said that the President was prepared to nominate a director and deputy director of the new office soon, but he did not say who was being considered for the jobs. The office would have from 20 to 30 professionals on its staff.

The reorganization will take effect automatically in 60 days unless Congress vetoes it.

p-
he
as
de
m-
u-
n-
he
re-
w-

TheMedia

White House plans new policy office

**Purpose is to give President larger role
in shaping telecommunications regulation**

President Nixon has asked Congress to let him establish in the White House the resources he feels it needs to manage the federal government's telecommunications affairs—and to become a major factor in establishing national telecommunications policy.

The request, in the form of a reorganization plan submitted to Congress last week, reflects Nixon aides' long-held view that the President's overall responsibilities require that the White House have an impact on the FCC's management of the nongovernment share of the spectrum.

The plan was foreshadowed in a White House memorandum whose contents were disclosed in December (BROADCASTING, Dec. 29, 1969, "Closed Circuit," Feb. 9). It would operate in the White House an Office of Telecommunications Policy, which would take on, in expanded form, the duties now

assigned to the director of telecommunications in the Office of Emergency Preparedness.

The new office would serve as the President's principal adviser on telecommunications matters and help formulate policies and coordinate operations for the federal government's own vast communications system. It would assign frequencies to government users of the spectrum and carry out the duties given the President by the Communications Satellite Act.

In addition, the President told Congress, the new office "would enable the executive branch to speak with a clearer voice and to act as a more effective partner in discussions of communications policy with both the Congress and the Federal Communications Commission."

The President's message and White House aides stressed that there was no

intention to strip the commission of any duties or impinge on any of its prerogatives. Ronald Ziegler, White House news secretary, said the commission "will remain independent" and will "not be bound" by the views that the new office expresses.

However, the message expressed the hope that the new office and the commission would "cooperate in achieving certain reforms in telecommunications policy," especially in spectrum-allocation matters. "Our current procedures must be more flexible if they are to deal adequately with problems such as the worsening spectrum shortage."

The White House memorandum pre-saging the reorganization plan spoke of a "spectrum-shortage crisis" and mentioned specifically land-mobile radio, where a claimed shortage of spectrum has led the commission to consider opening UHF television frequencies

spectrum to land-mobile radio users.

Dr. Clay T. Whitehead, the White House aide who drafted the memorandum, told reporters last week that land-mobile radio was a "good example" of the kind of issue on which the new office might wish to make the executive branch's position known.

CATV and pay television are other examples of issues in which the new office might become interested, he said. Dr. Whitehead, in his memorandum, had spoken critically of the lack of machinery for dealing "expeditiously" with those matters.

The White House memorandum conveying the President's views on the kind of domestic communications satellite policy the commission should adopt is a close parallel to the kind of activity in which the new office would engage. Thus, that office would appear to be an institutionalizing, and strengthening of activities already underway at the White House.

The President's message appeared to reflect the dissatisfaction with the commission that was indicated in Mr. Whitehead's memo and, it spoke of a need, apparently not now being met, to keep pace with rapidly developing communications technology.

"The new office," the message said, "will enable the President and all government officials to share more fully in the experience, the insights, and the forecasts of government and nongovernment experts."

The reorganization plan contemplates the development of research resources that would provide the new office and the commission with the data they would need to reform allocations policies and procedures. A new office is to be established in the Department of Commerce that would "analyze and

keep track of" the use being made of the entire spectrum, the nongovernment as well as the government share. Dr. Whitehead said.

Dr. Whitehead, who drafted the memorandum on satellites as well as on the need for reorganizing the executive's telecommunications policy-making machinery, made it clear last week the White House has no qualms about seeking to influence the commission or other so-called independent agencies.

He noted that the executive branch, through the Department of Interior, has made its views on oil and gas policy known to the Federal Power Commission. And the Justice Department, which also speaks for the President, he added, has entered a number of FCC proceedings, adjudicatory as well as policy-making.

The President's reorganization plan appeared to cause no concern at the commission. Chairman Dean Burch, who had been kept informed of the White House plans for the new office and who had indicated approval of them, recognized the possibility the new office might evolve into an agency that would attempt to assume commission responsibilities.

But he said he did not expect that to happen. "I take at face value" the White House statement that "there is no suggestion of usurping FCC functions," he said, "If I felt it was a first step in that direction I'd feel differently." He regards the plan as a means of "beefing up" present White House activities which he regards as proper.

Commissioner Kenneth A. Cox described the plan as "harmless," from the commission's point of view. He noted that the commission could accept or reject views of the new office on their merit. And he indicated that he, at least, would not be swayed because of their origin.

The new office is to be headed by a director and a deputy, who are expected to be named soon. The reorganization plan becomes effective automatically in 60 days unless Congress vetoes it. Once it is effective, the President will issue an executive order specifically assigning the new office its duties.

Since most members of House and Senate were absent from Washington last week because of Lincoln Birthday celebrations around the country, there was no way of assessing congressional reaction to the plan. However, Mr. Ziegler said it had been discussed with "people on the Hill," as well as with Chairman Burch.

The proposal was referred to the Senate and House Government Operations Committees. Members of the House committee staff say a subcommittee will hold hearings on the plan but that no dates have been set or witnesses named.



Dr. Whitehead

2/23/70

Computer privacy issue raised on Nixon plan

President Nixon's reorganization plan for telecommunications lay temporarily dormant in the Senate and House Government Operations Committees last week, but not entirely out of sight. Representative Cornelius J. Gallagher (D-N.J.), a member of the House unit, filed a disapproval resolution designed to insure congressional consideration of two nonbroadcast issues: computer privacy and free telephone service for the legislative branch.

The congressman acknowledged that his resolution was basically a "technical step," and he expressed support for the President's plan. What he wants is some assurance from the executive branch that the two issues of concern to him will be "a focus of the vitally needed Office of Telecommunications Policy" that would be created under the plan.

Representative Gallagher said the new office will probably permit the government to deal more effectively with new computer technology—"but unless it includes the issue of privacy, it will probably be outmoded before it is established," he said. "In addition, I believe the Congress has been discriminated against (in contrast to the executive department) in the use of the free phone service provided under the Federal Telecommunications System."

The effect of a disapproval resolution is to prevent automatic passage of a reorganization plan. The plan becomes effective 60 days after it is submitted to Congress unless either house vetoes it. Before that can happen, a formal disapproval resolution must be introduced. Representative Gallagher's resolution is

the executive branch gives him the reassurance he requested.

The House Executive and Legislative Reorganization Subcommittee of Government Operations still plans to hold hearings on the President's proposal, but no dates or witnesses are set. The comparable Senate subcommittee has yet to announce its course of action.

The President's plan, submitted to Congress earlier this month (BROADCASTING, Feb. 16), would create a new Office of Telecommunications Policy in the White House. The office would take on the duties now assigned to the director of telecommunications in the Office of Emergency Preparedness. It would serve as the President's principal adviser on telecommunications matters and would help formulate policies and coordinate operations for the government's own telecommunications system. It would also assign frequencies for that system and execute the duties given to the President under the Communications Satellite Act.

In addition, the office is designed to "enable the executive branch to speak with a clearer voice and to act as a more effective partner in discussions of communications policy with both the Congress and the Federal Communications Commission," as the President

Although these words suggested that the chief executive might take a larger role in FCC matters, the commissioners do not regard that development as inherent in the reorganization plan and do not anticipate such usurpation of their power.

3/14/70

The New York Times

Published every day by The New York Times Company

ADOLPH S. OCHS, Publisher 1896-1935
 ARTHUR HAYS SULZBERGER, Publisher 1935-1961
 ORVIL E. DRYFOOS, Publisher 1961-1963



ARTHUR OCHS SULZBERGER
 President and Publisher

HARDING F. BANCROFT, Executive Vice President
 FRANCIS A. COX, Vice President
 ANDREW FISHER, Vice President
 JAMES RESTON, Vice President
 IVAN VEIT, Vice President

JOHN B. OAKES, Editorial Page Editor
 A. M. ROSENTHAL, Managing Editor
 DANIEL SCHWARZ, Sunday Editor
 CLIFTON DANIEL, Associate Editor
 TOM WICKER, Associate Editor

Telecommunications Policy

The proposal to create an Office of Telecommunications Policy in the White House gives belated recognition to the complexities of Government-regulated broadcasting. The new office would take over the broadcasting function and provide guidance on such nettlesome matters as telephone and telegraph operations, community antenna or cable television, and domestic and international satellites. Such guidance is sorely needed, especially in the competitive area of frequency allocations in the public interest.

The Administration has anticipated the functioning of the new office by jumping into the subject of satellite broadcasting over the United States with a proposal for development of satellites on a private and competitive basis. The prospect of satellite competition is salutary—but only the Government through

the Federal Communications Commission can regulate the role of common carriers in the skies and encourage higher standards of broadcasting on its precious property—the airwaves.

At present, the quasi-public Communications Satellite Corporation (Comsat) has developed a global satellite system that is used in international communications. No satellite system for domestic service has yet been approved by the F.C.C.; the commissioners are soon expected to decide which instrumentalities will be permitted to operate in this area. In any case, Federal regulations must apply on assignments, challenges and performance.

An Office of Telecommunications Policy can spur innovation and protect competing interests. It can encourage cultural, educational and local service by those who hold broadcasting franchises. It can see that the work of creators—authors, playwrights and composers—are not pirated by cable operators without compensation. It can help to expand the Corporation for Public Broadcasting so that the educational stations, now starved for funds, can originate programming and share their best local documentaries nationally.

And it can do so by establishing telecommunications policy that is neither restrictive, punitive nor unaware that broadcasting—especially if employing satellites—must be an instrument serving the public.

original law's provision promising the state to require voters to prove literacy in English impressed us as a mistake, one that would delay integration rather

FCC policy outlook: influences and trends

When FCC Chairman Dean Burch took office last Fall, he probably had shed any misapprehension that the Commission was a truly independent regulatory agency.

Just as no man is an island, neither FCC nor any other agency of government can function in a pressure-free atmosphere. There is no such thing as an autonomous governmental unit.

The framers of the Communications Act of 1934 intended to have the FCC operate in an atmosphere of splendid impartiality, subject only to Congressional oversight.

The FCC is part and parcel of the bureaucratic potpourri in Washington. It is a cog in the vast, complex apparatus which is the Federal Government. And, as such, it is subject to pressures to function as part of a machine.

When the Commission charts a regulatory course oblivious to these pressures, it can expect flak from both Congress and units of the Executive Branch which might be affected. The courts too are an important outside influence. The Commission will take its cue from court decisions and, as many constitutional lawyers and communication experts have observed, the courts can and do legislate as well as adjudicate.

The degree of influence on FCC policies from Capitol Hill and the Executive Branch depends on several factors: (1) the nature of the Commissioners—their susceptibility to pressure; (2) the regulatory issues peaking at any one point in time; (3) the interests of the Congressional Committees—particularly their Chairmen; (4) the attitudes and regulatory concepts of other agencies and the departments of the Executive Branch, including the President and his aides.

It becomes more complex by the fact that these government sources of pressure, to a greater or lesser extent, are, like the FCC, also subject to influences from interests which may affect their attitudes towards the Commission.

And, to make it more complicated, the Commission is presently caught in a vise between the industry groups, which are themselves often in conflict, and the current upsurge of ad hoc citizens organizations claiming to represent the listening and viewing public.

So any effort to trace the future trends of the FCC involves the assessment of many elements.

For all practical purposes, there are still three members of the Commission who are still relatively unknown quantities, and after next June,

Bartley, while conservative in most matters, has a populist approach to "bigness."

Robert E. Lee frequently crosses party lines. He has been the champion over the years of UHF. A few years ago he was most concerned with over-commercialization.

However, what has exploded at the Commission in the past few weeks has been an out-and-out political maneuverer rarely seen at the FCC.

Since the Democrats will lose their majority status within a few months, they are ramroding through proposals

impatience with the circumlocutions and delays in FCC procedures and administration.

Wells has asserted himself surprisingly fast and is generally regarded as showing great potential. Known is his opposition to CATV. Also, he believes that many of the administrative problems at the Commission can be solved by getting rid of dead wood.

The Justice Department's antitrust division has been consistently tough in recent years on acquisitions or mergers posing the possibility of monopoly in mass communications. There has been no discernible change of policy with the advent of the Nixon Administration and the naming of Richard W. McLaren as assistant attorney general in charge of anti-trust matters.

For example, comments have been filed by Justice in the one-to-a-market proceeding recommending that the FCC consider divestiture of broadcasting outlets held by newspapers in the same market. Following comments on the subject by the Department, the FCC has just launched rule-making on this issue. Cross-ownership of CATV systems and broadcast stations in the same area was also opposed in comments by Justice.

Over the years there has been sharp conflict between the FCC and Justice.

NBC's effort to get into the Philadelphia market by exchanging its Cleveland outlets for Westinghouse's radio and television stations in Philadelphia, plus a \$3 million payment to Westinghouse, was one such episode. The Department questioned the deal when it first came to light on grounds NBC might have used its network affiliation power to force Westinghouse to accept the arrangement. The FCC, then under the chairmanship of George McConaughy, ignored the Department and approved the deal.

Subsequently, Justice filed antitrust charges against NBC, and a chagrined FCC joined forces with the Department in an effort to save face.

The case eventually wound up in the Supreme Court which ruled against NBC and laid down a precedent binding to this day. The FCC, the high tribunal said, is the expert agency on broadcasting matters, but Justice has the upper hand in anti-trust situations.

The Justice Department delivered a bold punch to the Commission in the celebrated case of the proposed ABC-

"The FCC is part and parcel of the bureaucratic potpourri in Washington... It is a cog of the Federal Government."

there will be four—Burch, Robert Wells, H. Rex Lee, and the as yet unannounced person who will take Kenneth Cox's seat when it expires next summer.

But as the opinions, dissents and statements come out of the Commission, a pattern or philosophy of the three new Commissioners is being formulated. For example, on the adoption of the one-to-a-market broadcast rule, the vote divided along party lines, with Commissioners Robert T. Bartley, Kenneth Cox, Nicholas Johnson and H. Rex Lee voting for adoption, and Robert E. Lee and Robert Wells dissenting. Dean Burch concurred in part and dissented in part.

Then, on the launching of rule-making proposing divestiture of multimedia ownership, Robert E. Lee sided with the four Democrats, Wells dissented, and Burch concurred in part and dissented in part.

In the past, votes along party lines have been more accidental than premeditated. That is to say that the individual Commissioners vote their personal convictions. In some cases, these have followed along a political division, in others the lines crossed all over the lot. For example, Cox is concerned about CATV seriously injuring UHF. On the other hand, he favors more spectrum space for land mobile services which would vitally affect UHF.

that have been hanging fire for many months, some for many years.

Many of these proposals have been germinated and nurtured at the staff level, hopefully that some day in the bureaucratic process, they would see the light of day and be voted into law.

Chairman Burch, caught in this avalanche, is at present powerless.

Whether the G.O.P. majority when it takes over July 1 can reverse or modify some of the actions which are being bulldozed through the Commission remains to be seen.

As a Commissioner's experience lengthens, and he becomes more familiar with the complex communications problems, his views tend to change.

For instance, when Burch first came to the FCC, he appeared to be pretty bullish about CATV. Now, however, he is somewhat equivocal on the issue, having fathomed the depths of CATV regulation and made aware of the legal, philosophical and regulatory tangles.

The FCC Chairman appears, from some dissenting opinions in renewal cases, to give a broadcaster the benefit of a doubt—at least to the extent he would give a licensee a chance to resurvey his community needs if the first survey was found lacking.

At times, Burch's stance on substantive matters is obscured by his

The places, the people...

ITT merger. After much maneuvering the Commission okayed the merger only to find itself in the embarrassing position of being a defendant in a Justice Department suit . . . *the U.S. vs the FCC*.

Such incidents in FCC's history demonstrate the muscle which the Justice Department can exert in cases falling in the antitrust or anti-competitive areas. And any Commission made up of sensible men certainly would want to avoid tangling with the Department in light of the humiliating defeats in the past.

McLaren served notice from the day he was sworn in that he would pull no punches in seeing that the anti-trust laws were strictly enforced.

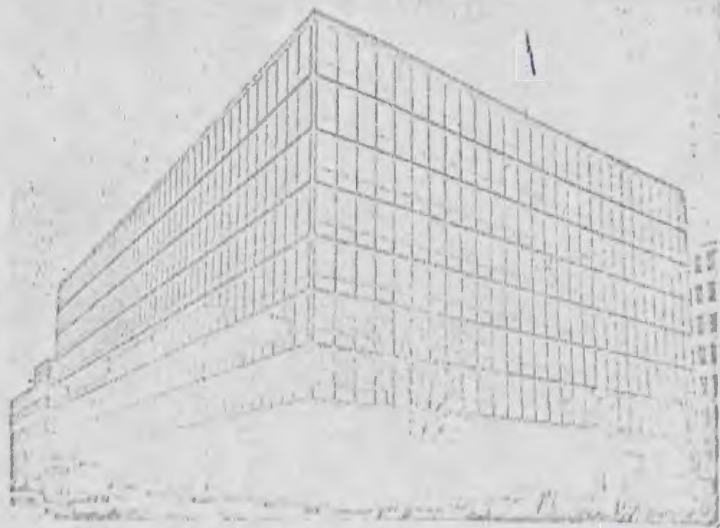
Despite the powers vested in the Justice Department and McLaren's section, the White House occasionally intercedes with its own policies. This occurred last year when the Justice Department opposed the Failing Newspaper Act whereby newspapers facing bankruptcy could make pool arrangements as a cost-reducing measure. However, the White House decided such opposition would be politically unwise and sent the Commerce Department to Capitol Hill to testify in support of the bill.

The White House currently is looking forward anxiously to next Fall's Congressional elections and has high hopes of gaining control of the Senate. Despite Vice President Agnew's attacks on the networks and newspapers identified with the Eastern Establishment, President Nixon doesn't want to alienate the nation's broadcasters and publishers.

The White House is intent on creating a new and closer relationship with the FCC, a relationship which will give it a stronger voice in communications matters.

The man who does the spadework in shaping the White House's stance on issues before the FCC is young Clay (Tom) Whitehead (TELEVISION AGE, December 1, 1969).

Whitehead is of the laissez faire school, believing that open competition is better than regulation. This was clearly apparent in the recommendations to the FCC for a domestic satellite system. Under the White House plan, anyone with the financial means could make application to operate a domestic satellite system. (The FCC statement on domestic satellites recently issued follows some of the White House recommendations. It is



FCC (above) feels pressure from many sources (see below)



*White House aide
Clay Whitehead*



*Congressional leaders: Sen. John O.
Pastore, I., Rep. Harley O. Staggers*



*Richard W. McLaren, Ass't
Attorney General, Anti-Trust Div.*



*Casper W. Weinberger
FTC Chairman*

an obtuse document that sounds almost like gamesmanship with the White House. Its net effect will be to delay for some time any domestic satellite system.)

Whitehead also believes that spectrum allocation in the commercial as well as the governmental area should come within the purview of the White House.

Apparently, Burch has gained the confidence of Chairman Harley Staggers (D-W. Va.) of the House Commerce Committee too. At least, this might be inferred from the fact that the Investigations Subcommittee headed by Staggers dropped what might have been a juicy public investigation into alleged wrong-doings by Station WIRE Indianapolis, owned by Don Burden, and handed the whole matter over to the FCC for an official inquiry.

However, Whitehead admits there are difficulties in the way of getting FCC's spectrum authority, mainly the necessity to get Congressional passage of legislation. The Communications Act specifically vests in the Commission power over all non-government portions of the spectrum. Congress is jealous about the regulatory agencies it created, and although most lawmakers would also like to see centralization of both government and non-government spectrum authority, they would have it vested in some government body under Congress' wing—like the FCC—certainly not in the White House.

One of Burch's first experiences as FCC Chairman in dealing with Congress was during the Commission's appearance on the Pastore bill. The controversy over this bill revolved to a great extent around the question of media concentration. It was drafted to remove what Sen. John O. Pastore (D-R.I.) called "the sword of Damocles" hanging over the heads of broadcasters as a result of the WIDH-TV decision which lifted the license of the Boston *Herald-Traveler* primarily because the station was owned by a newspaper.

Burch probably would have come out in support of the bill if it had any chance of passage, but hopes were fading that even the Senate would okay the measure.

After several weeks of consultations between Pastore's staff and Burch's aides, a proposal was adopted by the FCC in the form of a policy statement governing future renewal cases. The statement, in effect, says that if the present licensee has sub-

stantially met the needs of his community, he would be given the renewal over a competing applicant.

No matter who initiated this action, it extricated Pastore from a difficult situation. The spunky Senator from Rhode Island will undoubtedly be eternally grateful to Burch for pushing the policy statement through the FCC, enabling him to drop his bill as no longer necessary.

There are of course, limits to what the White House can do. The President sent to Congress earlier this year a reorganization plan creating a new Office of Telecommunications Policy with stronger powers over government frequency allocations. The office also has the responsibility of shaping White House positions on significant issues before the FCC.

When the reorganization plan was considered at a hearing by a House Government Operations Subcommittee, several lawmakers voiced concern about published reports that the White House would have "no qualms whatsoever" about intervening in FCC matters.

Whitehead was called to the stand to explain. He produced the memorandum sent by Presidential assistant

sometimes to offer advice.

Burch has acknowledged this relationship openly with the comment that he was happy to receive advice from anyone, including someone in the White House. There is no question—especially among those who know him well—that he is his "own man".

From a practical standpoint, the White House influence over the Commission—the power of appointment—is one method, but it has its shortcomings.

Usually, a man selected for an FCC vacancy has only a superficial knowledge of the sometimes highly complex problems before the Commission, as was true with Burch when he was tapped. No amount of sounding out his views on communications matters will guarantee his voting the White House line, because once immersed in the issues at the Commission, he will often change his mind, having more detailed knowledge of the problems.

The White House, through the Budget Bureau, also makes the decision as to how much money should be asked of Congress for the FCC, and inevitably cuts back on the Commission's recommendations. This year,

"Whitehead believes that spectrum allocation in the commercial . . . area should come within the purview of the White House."

Peter M. Flanigan last Spring to all White House staffers warning them not to poke their noses into adjudicatory or comparative hearings at the FCC or any other regulatory agency.

Nobody who remembers the ex parte scandals of the 1950's would be foolish enough to do what Flanigan warned against. Such representations to the FCC by a White House official would not only be unseemly, but illegal.

The Flanigan memo did not disclaim President Nixon's stated intention—as outlined in a congressional message—of getting into regulatory policies before the Commission by submitting recommendations for its consideration. It is known, however, that Whitehead keeps in contact with Burch from time to time, to find out what's going on at the FCC and

more than \$10 million was axed from the FCC's request. Congress can, of course, appropriate more than the Administration asks, but, in the case of the FCC, traditionally pares the request down below the Budget Bureau figure.

The FCC and the Federal Trade Commission maintain a liaison since there is overlapping jurisdiction between the two, mainly regarding false or misleading advertising as well as such practices as hypoing ratings. Robert Cahill, Burch's assistant, has the duty to keep in touch with FTC personnel working on matters affecting broadcasting. The decision as to which agency should act is made on the basis of the violation involved and the nature of the remedy to be used. FTC has the power to ask for injunctive proceedings against an alleged

advertising fraud, but the culprit advertiser can continue the practice until the case is litigated. FCC, on the other hand, has punitive powers ranging from small fines to short-term renewals and, infrequently, license revocation. There are times when both agencies move in simultaneously from different routes. This was the case last year when the FCC proclaimed the banishment of cigarette commercials from the airwaves, and the FTC announced rulemaking to require death warnings on all cigarette advertising, including broadcast commercials. The result was Congressional passage recently of legislation outlawing cigarette commercials—a law that overrides FCC promulgation—and authorizing the FTC to require that print cigarette advertising include the health warnings.

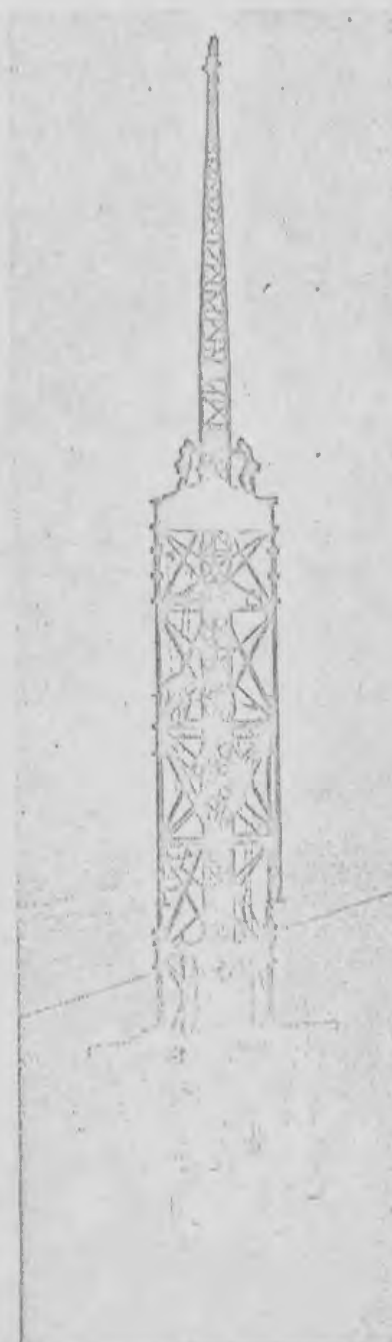
Finally, there is another, somewhat different relationship between the FCC and a branch of government—that of the judiciary, the third arm of government which has the last say as to whether agency action conforms to Constitutional strictures.

In our check-and-balance form of government the judiciary possesses great powers, exercised restrictively or expansively according to the justices making the decision.

For the FCC, the influence of the courts is real indeed. Cases which the U.S. Court of Appeals in Washington remand back to the FCC for either reconsideration or for a different decision altogether are not infrequent. The Commission naturally does not like to have a decision reversed by the appeals bench, just as a lawyer doesn't like a verdict against his client. So the legalists at the FCC try to make sure of precedents before the Commission renders an opinion on an issue.

One of the most far-reaching court decisions which will doubtlessly have a strong influence on the nature of FCC regulation as long as it stands as a precedent is last year's decision by the Supreme Court in the "Red Lion case. The court not only upheld the Fairness Doctrine along with its concomitant personal attack rules, but went out of its way to broaden the Commission's authority in programming. It stated flatly, in referring to broadcasting, that "freedom of the press from governmental interference does not sanction repression of that freedom by private interests."

This ruling opens up virgin fields



Issues facing FCC include land mobile services, the effect on VHF if land mobile is given low-band VHF channels, domestic satellites and cable tv.

for FCC regulation of what goes out over the airwaves, provided the Commissioners are disposed to take such steps. It caused at least one Commissioner, Robert E. Lee, to change his mind about the First Amendment's application to broadcasting from a strict constructionist approach to FCC's powers over programming to a perhaps reluctant concession that the Commission must indeed have such powers if the Supreme Court so decreed.

The celebrated WLBT case furnishes the most glaring example of the pressure that can be brought to bear on the FCC from the judicial branch. In 1966, the Court of Appeals for the District of Columbia, in an opinion written by now Chief Justice Warren Burger, overruled an FCC decision to renew Lamar Life Insurance Co.'s license for the Jackson, Miss., television station because the United Church of Christ and other co-complainants were not permitted to participate as parties-in-interest in the renewal proceedings.

Hearings were subsequently held with the church and other parties participating, and the FCC went along with the hearing examiner's recommendation that Lamar's license be renewed.

The case was again appealed to the Court of Appeals, and last June that bench, in the last opinion written by Burger before going to the Supreme Court, rendered a bombshell verdict.

It was not a simple remand of a case to the Commission for reconsideration. Rather, the opinion, couched in angry phraseology condemning the FCC, actually ordered the Commission to lift WLBT's license and hold hearings with new applicants for the facility to be invited, WLBT was allowed however, to file a new application.

Burger declared that the Commission's handling of the case "leads us, albeit reluctantly, to the conclusion that it will serve no useful purpose to ask the commission to reconsider the examiner's actions and its own decision and order under a correct allocation of proof.

"The administrative conduct reflected in this record is beyond repair," he added, ordering WLBT's license "be vacated forthwith."

The judgement stunned the Commission because it in effect demolished FCC's position as an "expert agency" and at least as far as

the WLBT case was concerned, the Commission was placed in the position of looking in three directions, the Judiciary, the Executive, and the Congress before any major decision, instead of just the latter two.

James Lawrence Fly, when he was Chairman of the FCC some 30 years ago, remarked that "no one has any idea of the tremendous pressures that are thrust upon an FCC Chairman. They come at him from all sides. It is impossible to describe the intensity, the weight and the volume of the requests for action."

"The WLBT case furnishes the most glaring example of the pressure that can be brought ... on the FCC from the judicial branch."

In the almost three decades since Fly's tenure, the FCC has certainly been the most publicized, the most pressurized regulatory agency in the Government. With the current technological developments, the role of the FCC becomes not only more important but more complex. And the seven men who run it are certainly among the most powerful in the nation.

The question of the media concentration now promises to be the hottest issue before the FCC and before the courts.

Within the Commission, the media concentration question has not only given rise to weird party-line divisions—as evidenced in both the one-to-a-market rule and the rulemaking on divestiture. Heavy pressures will be brought to bear on the FCC both from Congress and the Executive Branch on this issue.

On a case-by-case basis, the Democratic majority has generally taken a hard-nosed approach to any transfers of control which it thinks may lead to concentration of media holdings.

The question of newspaper ownership of broadcast facilities has long been debated by the FCC and in Congress.

Dean Burch believes the question of newspaper ownership should thoroughly be aired. The Democratic majority on the Commission has contended that there should be no affiliation between broadcast licenses and

newspaper owners. There is a counter opinion expressed by former FCC Commissioner Lee Loevinger, who was also one-time assistant chief of the Justice antitrust division. He maintains that the position against newspaper ownership has been rejected both by Congress and the FCC.

"This matter came up in 1952 when the Communications Act was being amended," said Loevinger in a statement before the Senate Commerce Subcommittee. "One amendment proposed to prohibit the FCC from discriminating between persons on the

basis of their ownership of other media. The Commission assured Congress that it would not discriminate against newspaper publishers."

"Experience has shown," Loevinger continued before the Senate Commerce Subcommittee, "that identification with the community, participation in community affairs and the ability to provide competent and objective news service is often greater on the part of newspaper enterprises than in those engaged in other businesses."

The issue of concentration of broadcast ownership has been before the FCC almost continuously since 1938 when it started the Chain Broadcast Investigation. The Commission has had multiple ownership rules since 1940.

FDR was stung by press

It was in that year that Franklin D. Roosevelt told Fly to "get the newspapers out of the broadcast business." FDR was smarting from newspaper editorials against his third term. The newspapers formed a committee under the late Harold Hough and fought the Commission's opposition to newspaper ownership. The FCC finally dropped its opposition in 1944.

And so the same issues keep reappearing in different trappings. But as the business grows, the issues become more complex and the pressures surrounding them are intensified. □

BROADCASTING

May 4, 1970

The setup (An Editorial)

A good many communications interests, including elements in broadcasting, were doing their best last week to head off the appointment of Dr. William Niskanen as director of the new Office of Telecommunications Policy in the White House. The resistance has logic on its side.

Whatever Dr. Niskanen's personal qualifications for the job, his professional associations make him unsuitable for it. He was an economist with the Rand Corp., which has strong ties to the defense establishment, in 1957-62. He was in the office of the secretary of defense in 1963-64. He has been with the Institute of Defense Analysis, which is under contract to the Defense Department, since 1964. If he isn't a captive of the military, he is at least in its debt.

The military is the biggest occupant of space in the radio spectrum. It sits on most of the government's frequencies—which add up to half of all the frequencies there are. It is constantly developing new modes of communication and constantly demanding more spectrum. To put a Dr. Niskanen in charge of advising the President on telecommunications allocations would be like installing Mickey Mouse as the President's adviser on the distribution of cheese.

**Administration's outlook
on broadcasting is
definitely cool**

A pattern is emerging piece by piece, of the relationship between the Administration and the broadcast industry.

Individually, President Nixon is on a first-name, friendly basis with several broadcasters who have advised him before and after his election. He also has a similar relationship with several prominent newspaper publishers.

But by and large, the Administration has a detached and suspicious attitude toward the entire news media. This is not a sometime thing, and it does not date specifically back to Vice President Agnew's blasts at the press last November. There were scars from the Nixon 1962 California gubernatorial campaign. Again, in 1964, Senator Barry Goldwater had some harsh things to say about the news media. John Mitchell, in private conversations, leaves no doubt as to where he stands.

In discussions over the past several weeks with presidential aides and with persons who have talked with the President, one definitely gets the impression of an extremely guarded approach towards the news media.

President Nixon is a political realist, but one cannot escape the fact that this attitude does exist around the White House.

The recent White House meeting between the President and the leading broadcasters, at which FCC Chairman Dean Burch was present, was cordial but not definitive.

**Taking a guarded
approach to news media**

The Administration is not pushing any anti-broadcast measures, but it is not going out of its way to help the broadcasters. This was certainly true also of the Johnson Administration.

Burch, it would seem, has the same guarded approach to the press generally, primarily because of his experiences during the Goldwater campaign. He feels that the fourth estate has power out of all proportion to the other three. It is for this reason that he believes philosophically that newspaper ownership of broadcast stations should be curbed.

Broadcasters might just as well face it. It doesn't appear as if they are going to get any help from the Administration on the present onslaught of FCC restrictive actions. One thing is certain, when it comes to broadcast regulation, there are no crystallized party lines. It is discouraging to the broadcaster to see conservatives and liberals joining forces in anti-broadcast activity. At the same time, at the FCC, the bureaucratic juggernaut keeps crunching along. A bureaucrat by his very chemistry is constantly thinking about ways to hit the industry again.

**Happiest man on the FCC
is Ash Bryant**

Probably the happiest man at the Commission these days is Ashbrook P. Bryant, head of the Office of Network Study, who has been grinding out material, holding hearings and preparing briefs for 10 long years. Chairmen have come and gone, but "Ash" Bryant keeps jogging along. These efforts finally culminated in the 50-50 rulemaking that will be finalized in the next few weeks. (The networks couldn't even get a one or two day updating session with the Commission *en banc*.)

The approach, therefore, has to be to Congress. Congress is certainly more responsive and more openminded than any other branch of the government. Every broadcaster in the U.S. should sit down with the congressmen and senators from his district and present the broadcasters' case. He should not rely on a third party to do it for him, and he should be in touch with these congressmen and senators several times a year.

This is the most effective way that the broadcaster can set up some kind of defense between himself and the FCC.

Cordially,

S. J. Paul

FCC aide defends commission's rights

No White House authority
for reorganization
seen under present law

President Nixon's plan to reorganize the executive branch's telecommunications-management machinery has come under public attack from the offices of the FCC as a "usurpation of legislative powers" already delegated to the commission.

The charge is not made by the commission, however, but by a commission aide, Edwin B. Spievack, in the lead article of the current issue of the *Federal Communications Bar Journal*. The article is entitled "Presidential Assault on Telecommunications."

Mr. Spievack, who is legal assistant to FCC Commissioner H. Rex Lee, stresses in a footnote that the article reflects only his own views, not those of the commission, individual commis-

sioners or any other staff member.

The commission itself appears to be experiencing some uneasiness about the President's plan, which went into effect two weeks ago (BROADCASTING, April 27). In comments filed with the Bureau of the Budget on a proposed executive order the bureau drafted for implementing the plan, the commission suggested that several provisions, as drafted would pre-empt some of its policy-making responsibilities as regulator of the private sector in telecommunication matters.

Mr. Spievack, who does not refer to the draft order in his article, finds no fault with the plan to provide—in a new Office of Telecommunications Policy, to be established in the White House—machinery for formulating policies and regulating operations for the federal government's own sprawling communications system.

But he described as a "radical departure from existing presidential authority" the expansion of the OTS role to include responsibility for formulating government policies covering the reorganization plan describes as a wide range of domestic and international issues." Perhaps most important, said, was the White House's assertion that the new office is to speak with a "clearer voice" in representing the executive branch in dealing with Congress and the FCC.

Mr. Spievack sees such a wider White House role in telecommunications matters as threatening "improper political encroachment upon the independence of regulatory responsibilities." He said that, so far as rulemaking proceedings are concerned, "administrative law is too fragile."

"While intended to preserve and protect public participation in the regulatory process of reaching decisions," he said, "it is easily overwhelmed by the power, prestige and influence of the President."

As a case in point, he cited the commission's change of direction on domestic communications-satellite policy. He noted the commission had abandoned plans for a pilot project in which the Communications Satellite Corp. would have a dominant role, as President Johnson's Task Force on Communications Policy had suggested, after receiving the Nixon administration's recommendations in January (BROADCASTING, Jan. 26).

However, the commission has not yet adopted those recommendations, under which it would permit virtually anyone with the necessary technical and financial qualifications to own and operate his own space system. It has opened the door to all applications—but it will not decide on the kind of domestic system it will authorize until after reviewing

the applications and supporting comments it receives (BROADCASTING, March 30).

He said nothing in the Executive Reorganization Act, under which the President acted, implies "an authority over the independent regulatory commissions." And the Communications Act, he added, vests in the commission authority over interstate and foreign commerce and the responsibility for formulating policy in the nongovernmental use of communications.

He noted that Congress can shift some or all of those powers to the President—but that it hasn't yet, and added: "On balance, therefore, the Reorganization Plan, without such legislation, tends to look like usurpation of legislative powers already delegated to the independent regulatory sphere."

The following is the opening statement made by Senator John O. Pastore at the Communications Subcommittee hearing on the nomination of Dr. Clay T. Whitehead as Director of the Office of Telecommunications Policy:

Today the Committee considers the nomination of Dr. Clay T. Whitehead to be Director, Office of Telecommunications Policy. Reorganization Plan No. 1 of 1970 abolished the Office of Assistant Director of the Office of Emergency Preparedness held by the Director of Telecommunications Management, and established in the Executive Office of the President the Office of Telecommunications Policy. At this juncture I wish to insert in the record a copy of Reorganization Plan No. 1 of 1970, and the President's letter of transmittal to the Congress.

It is apparent after carefully reading these documents that the Director of the Office of Telecommunications Policy has broad responsibilities. His office will, among other things, serve as the President's principal adviser on telecommunications policy, and help coordinate and formulate government policies concerning a wide range of domestic and international telecommunications issues; help formulate policies and coordinate operations for the Federal government's own vast communications systems; and enable the Executive Branch to act as a more effective partner in discussions of communications policy with both the Congress and the Federal Communications Commission.

For some years now, this Committee has urged the Federal Communications Commission and other interested government agencies to formulate an overall telecommunications policy. The rapid advance of communications technology including satellite communications, and the concomitant increase in the use of communication services have made the formulation of such a policy imperative if we are to achieve our goal of a nationwide, and worldwide wire and radio communication service with adequate facilities at reasonable charges.

In 1962 when Dr. Irving Stewart was nominated to be Assistant Director of the Office of Emergency Planning (Director of Telecommunications Management), he appeared before the Committee and I asked him a number of questions relating to the need for the United States to develop a national policy and position for dealing with other nations in seeking international telecommunications agreements; our need to formulate policies and plans for guidance in reconciling the conflicting interests and needs of government and private users of the spectrum space; and how the United States can develop policies and plans which would foster a sound and vigorous telecommunications industry in the face of new technical advances, changing needs, and economic developments.

Again in 1964 when James D. O'Connell, who was nominated to succeed Dr. Stewart, appeared before the Committee I asked him these same questions and expressed the hope that he would submit a report on frequencies used by the Government, and exert his best efforts in developing an overall telecommunications policy.

On October 19, 1966, the Office of Telecommunications Management submitted to this Committee a report on frequency management within the Executive Branch of the government. That report contained an appeal for an immediate implementation of a major planning program for the future allocation and use of radio spectrum.

In June 1966, the Office of Telecommunications Management, the Federal Communications Commission, the Department of Defense, and the Department of Justice, in a study on international communications submitted to this Committee concluded that the dynamic nature of the communications industry required that the FCC be given authority to take promptly such action as may be necessary to serve the national interest, meet the needs of public and the Government for efficient and economical communications service, and preserve the health of the industry. In order to achieve these objectives, it was recommended that the FCC, which has the power to change the communication industry's competitive conditions by authorizing new services and prescribing new rates, should also have the power to authorize necessary changes in the industry's structure. However, the provisions of the antitrust laws and certain sections of the Communications Act of 1934, prohibited this kind of restructuring. Therefore, the study made legislative recommendations. Specific proposals to implement these recommendations, however, were never forthcoming.

On August 14, 1967, President Johnson appointed a task force of distinguished Government officials to make a comprehensive study of communications policy. In his message to Congress, the President stated that the United States must review its past activities in this field and formulate a national communications policy. Accordingly, the Task Force was charged with examining a number of major questions affecting this policy.

The report and recommendations of this Task Force were submitted to President Johnson, but Administrations changed before it was released. Subsequently, it was released by the present Administration.

On March 2, 1966, the FCC instituted a Notice of Inquiry into the establishment of domestic communication satellite facilities by non-

government entities. I have repeatedly urged the Commission not to procrastinate in reaching a decision on this matter because the American people were the losers. In 1967, the Commission informed the Committee that it was withholding disposition of the domestic satellite question pending the comprehensive report of the Presidential Task Force on communications policy. The Commission finally announced that it was on the verge of resolving the issue in that proceeding early in 1969, but in July of that year the present Administration requested the Commission to withhold its action until it had completed its own study of the matter. The Administration's study and recommendations were submitted to the Commission six months later.

Then on March 20, 1970, the Commission issued a Report and Order and a Notice of Proposed Rulemaking in the proceeding it initiated on March 2, 1966. Despite the fact that applications to establish and operate domestic communications satellite facilities may be submitted for the Commission consideration pursuant to that Report and Order, the Commission has stated that as yet it is unable to determine what type of domestic satellite program could best be developed.

Many authorities contend that we are no closer to a resolution of this issue than we were in 1966. Whether or not this is so, the fact remains that a domestic satellite system is still sometime away and the American people are not receiving the full benefit of this technology.

Most recently, on June 10, 1970, the Commission instituted a Notice of Inquiry into the policy to be followed in future licensing of facilities for overseas communications. Heretofore, the Commission has licensed overseas communications facilities on an ad hoc basis.

I have purposely set out in some detail the history of this Committee's attempts to urge the interested agencies of government

to adopt an overall communications policy because it is apparent to me that their failure to do so has contributed significantly to many of the problems and uncertainties that we now face in the field of communications.

Lack of such a policy has, for example, raised serious questions whether the Commission's present ad hoc licensing of overseas communications facilities is conducive to efficient planning by the carriers. There is uncertainty as to how overseas surface communications facilities and satellite facilities can best be integrated to form a balanced communications system. The using public suffers as a consequence, and government users have stressed that reliability of this service is vital in time of crisis.

Legitimate questions have been raised as to whether the present division of ownership of overseas surface record communication facilities continues to be in the public interest. Divided ownership has resulted in the construction and maintenance of expensive, duplicating communication facilities which increase operating costs and result in higher rates for the user.

Moreover, our nation is in a relatively poor bargaining position on communications matters with foreign counterparts since we do not speak with a single voice. In this connection, I have repeatedly urged that this country not give away its birthright during the course of the current negotiations of the Plenipotentiary Conference on Definitive Arrangements for the International Telecommunications Satellite Consortium.

And, finally, as I noted previously, we are not fully utilizing the benefits of satellite technology in view of our failure to formulate and implement a domestic satellite program.

Now, Dr. Whitehead, I know that all of these issues cannot be resolved by the new office you have been nominated to head, nor can they be resolved by any one agency of government. But the President quite explicitly said he expected the Office of Telecommunications Policy to be a more effective partner in discussions of communications policy with both the Congress and the Federal Communications Commission. If there is any question, therefore, as to your authority or lack of it under Reorganization Plan No. 1, I would hope you would bring the matter to the Committee's attention today.

I cannot impress on you and the other agencies of Government strongly enough the necessity and urgency of developing an overall communications policy for the United States.

AVIATION WEEK & SPACE TECHNOLOGY
July 20, 1970

Satellite Policy

Appointment of Dr. Clay T. Whitehead as director of the new Office of Telecommunications Policy, directly responsible to President Nixon, is raising some hope in Congress and industry that there may now be some forward motion, instead of just motion, on a domestic satellite system and on policy for the satellite/cable mix for international communications.

At confirmation hearings last week on Whitehead's non-controversial nomination, Sen. John O. Pastore (D.-R. I.) apologized for voicing at great length his frustrations with the inaction of the Federal Communications Commission and the executive branch.

Sen. Pastore questioned whether a domestic satellite system is any nearer to resolution now than it was Mar. 2, 1966, when the case was instituted by FCC. "The commission has stated that as yet it is unable to determine what type of domestic satellite program could best be developed," Sen. Pastore said. "The American people are the losers."

Feeling the Heat

Regulatory Agencies, In Theory Independent, Face Nixon Pressure

His Suggestions, Task Forces Heeded on Policy Matters; Some Legislators Hit Role

White House Defends Moves

By WAYNE E. GREEN

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — After years of dawdling, the Federal Communications Commission was ready last summer to approve the start of a satellite system that could beam television and telephone signals all over the U.S. It planned to let Communications Satellite Corp., which manages the existing global system, initiate a pilot project to serve this country.

Then the White House called.

Delay action, the FCC was told, until the Nixon Administration could study the matter. By January, the White House had recommended that the commission change its plans and permit any financially able concern to put up a satellite, rather than just one firm. By March, the FCC had adopted a proposal similar to the White House recommendations.

This incident points up a fact of life in Washington. In theory, the regulatory agencies, created by Congress, are independent of the White House; in fact, they aren't. And, to the irritation of some Congressmen and some regulators, the Nixon Administration is boldly trying to influence regulatory policy more than any previous Administration did. Through direct White House suggestions to the agencies, through task-force proposals and through close liaison by a handful of special White House assistants, the Administration is getting its way with the agencies.

Controlling Staff Appointments

Currently the Federal Power Commission's Republican majority is delaying support of any legislative plan to solve the nation's electric-power supply problem because it's awaiting recommendations from a Nixon-appointed study group.

The White House is also reorganizing an office in the Executive branch into something called the Office of Telecommunications Policy, at least partly to give the FCC advice on policy matters—how the overcrowded radio airwaves can best be utilized, for instance. And it's exerting tighter-than-usual control over agencies' staff appointments, asking Nixon-named commissioners to clear their more important choices with the Administration.

The Nixon approach differs sharply from that of previous Chief Executives, who largely ignored the seven major agencies or at least kept quiet about any interest in specific regulatory policies. Lawmakers who consider the agencies as arms of the Legislative branch are accusing the Administration of encroachment on the agencies' independence.

Legislative history "clearly indicates that the Executive branch was not to be a part of the policy-making process," asserts California Democrat John E. Moss, chairman of a House Commerce subcommittee that deals extensively with matters affecting the Securities and Exchange Commission.

The Nixon Reasoning

Another Democrat, Massachusetts Rep. Tobet H. Macdonald, even warns that continued attempts by the Executive branch to either "overtly or covertly" influence the agencies will prompt Congress to "look into it and discuss it loud and clear." Mr. Macdonald chairs a House Commerce subcommittee that oversees FCC and FPC matters. Some officials of the agencies also grumble, although few are willing to talk publicly.

But Nixon men retort that it's high time regulatory agencies' policies are coordinated with those of the Administration so that national problems of increasing importance, such as transportation or communications, are given broad rather than piecemeal guidance.

"We're trying to see that the Executive branch and the regulatory agencies work together on policy matters," says Clay T. Whitehead, a former White House assistant recently named to head the new telecommunications office. "Congress clearly intended that." He adds that the Administration has no thought of infringing on Congressional prerogatives in the regulatory area.

The Political Risks

Nixon officials insist they're steering clear of quasi-judicial cases where individual companies are competing, say, for an airline route or a broadcast license. But they argue that the Executive branch clearly has a role to play on policy questions, where, as in the satellite case, an agency is considering regulations, guidelines, standards or procedures affecting whole industries—airlines or broadcasters or natural gas producers, for example.

Critics assert that if Mr. Nixon is able to strongly influence the agencies, he will in turn have strong influence over some big businesses that are regulated by agencies.

The political risks of any deep intrusion can be high, as the Eisenhower Administration discovered. White House intervention in regulatory matters became the major scandal of that Administration, eventually causing the resignation of President Eisenhower's chief of staff, Sherman Adams. He departed in 1953 following disclosures by House Democratic investigators that he had intervened at the SEC and Federal Trade Commission on behalf of his friend Bernard Goldfine, a New England textile manufacturer.

That case primarily involved quasi-judicial decisions which the Nixon Administration promises to avoid. But some regulatory experts believe it's tough in borderline instances to distinguish between quasi-judicial and policy matter, especially since some agencies use decisions on individual cases to establish policy.

"The river is clear on both sides," says Lee White, former staff assistant to President Kennedy and FPC chairman under President Johnson, "but it gets murky in the middle."

Nixon officials are confident there will be no trouble; one reason is simply that their involvement with the agencies is quite open and aboveboard. Moreover, they contend it was an overreaction to the Sherman Adams incident by both the Johnson and Kennedy Administrations that contributed to their general hands-off posture toward the agencies. "Since Sherman

Adams, there has been a great fear of having any intercourse at all," says Mr. Whitehead of the new telecommunications office. "We're trying to bring the balance back."

It's unrealistic, Nixon men argue, for Congress or anyone else to expect the President to make his appointments to the agencies and then forget about them. The agencies are dealing with broad, complex issues, they assert, and increasingly these questions are intertwined with policies of the Executive branch.

Both the Department of Transportation and the Department of Housing and Urban Development are involved in developing the Administration's rapid transit policy, he notes, but everything they do is "highly influenced" by the Interstate Commerce Commission, which can either make railroads keep their passenger trains running or let them be discontinued.

On almost any transportation matter, Mr. Whitehead adds, what the ICC and Civil Aeronautics Board do has to "hang together" with what the Transportation Department does. One Nixon appointee, CAB chairman Secor D. Browne, is currently pushing a plan to combine

the CAB, ICC and Federal Maritime Commission into a single transportation-regulating agency. The President's Advisory Council on Executive Organization is expected to recommend a similar plan.

The nation's electric-power pinch is another area where the Nixon Administration got involved because it felt the responsibilities of the Executive Branch and of regulatory agencies overlapped. The FPC, which regulates the power industry, is getting pressure from Congress to propose legislation for resolving the problem. FPC Chairman John Nassikas and his two GOP colleagues are resisting, however, until they get recommendations from a Nixon study group, which is considering how needed electric power facilities can be built without despoiling the environment.

"You can't just have the FPC authorizing power plants willy-nilly without consideration of environmental guidelines," says Mr. Whitehead. "And you can't have environmental guidelines without considering their impact on the power industry."

On somewhat similar grounds, the President last year asked the American Bar Association to recommend possible changes in the Federal Trade Commission's activities and organization; he requested the ABA study as part of his Administration's "extensive review of the Government's activities in the field of consumer protection." The association's report called for new FTC leadership, better planning and bigger appropriations. And this year, after Nixon-appointed Caspar Weinberger became chairman, he announced a major FTC reorganization partly designed to spur consumer protection. (Mr. Weinberger has since moved to a White House post.)

A crucial consideration in gauging the implications of Executive branch involvement in regulatory matters, is the way it chooses to intervene, experts say. The power plant task force, for example, and the ABA study of the FTC have drawn slight criticism, mainly because they are detached rather than direct involvements.

But sometimes the Administration manages to avoid raising many eyebrows even when it

(cont'd)

works closely with agency officials, as it did with the SEC on proposed legislation designed to protect stock market investors against brokerage house insolvencies.

One reason the Administration got involved is that the bill calls for \$1 billion in standby credit from the Treasury. But there was a larger reason too: The Administration was concerned with the impact that a financial crisis in the securities industry would have on the whole economy. "In the current economic climate, I don't see how we could not involve ourselves," says Peter Flanigan, special White House assistant.

It was a similar broad concern for society and the economy that brought the White House into the Communications Satellite matter, Mr. Flanigan insists. But the Administration drew criticism for the way it chose to express its views on domestic satellites. Instead of filing an official legal comment in the long-pending FCC inquiry, the White House submitted a publicly announced Presidential memorandum directly to Dean Burch, the FCC chairman ap-

pointed by Mr. Nixon.

Edwin B. Spievak, legal assistant to one FCC member, says that in skipping normal channels "the Nixon Administration no doubt discovered an extremely useful fact about the regulatory structure—its vulnerability to power relationships and its propensity to transfer de-

cisional responsibility elsewhere whenever possible."

The direct approach also bothered some Congressmen, including Rep. John D. Dingell. Asks the Michigan Democrat: "Why should the White House have any privilege not possessed by anyone else?"

Mr. Whitehead, who spearheaded development of the satellite memo, retorts that "the fact that it came from the White House suggests that it shouldn't go through normal channels." But, he adds, the White House visualizes using such an approach only on "truly major" policy issues. Presidential involvement would be "out of place," he says, in relatively minor regulatory matters.

The checks and balances system may be due for a change on FCC

Television, much to its own discomfort, is now providing a battleground for the venerable American clash of institutions known in civics text books as the system of checks and balances. The Executive Branch of the Federal Government, symbolized by the White House, and the Legislative Branch, perched atop Capitol Hill, are designed to keep a wary eye on each other, and in recent years their attempts at checking and balancing at times have passed the boundaries of civility.

Television's role in this fundamental process of political life currently is most obvious in the earnest struggle of influential segments of Congress to obtain television access to offset the immensely potent appearances of President Nixon to explain, defend and advance his policies. Both Sen. Edmund Muskie (D-Me.), an unabashed aspirant for the Democratic Presidential nomination two years from now, and Sen. J. William Fulbright, the Arkansas Democrat who is chairman of the Senate Foreign Relations Committee and a prominent opponent of White House policies in Indochina for two administrations, have claimed that the automatic access to television for policy pronouncements enjoyed by the President exercises so much influence over the body politic that Congress is relegated to a second-class status. Muskie and Fulbright—and a sizeable cadre of their colleagues—don't want the networks to freeze the President off television. They do want an equivalent shot at educating and influencing the public, however. The dispute is an active one and does not appear likely to abate soon.

President exerting more control over broadcasting

But television and its communications cousins also are central to another—and perhaps even more crucial—struggle between the White House and Congress that has not yet flared into such open combat: the Executive Branch's control over Federal regulatory agencies such as the Federal Communications Commission.

The Commission and its sister agencies hold the key to much of the Federal Government's power. The regulation of affected industries reaches into virtually every crevasse of American life. And the White House is developing a close working relationship with the FCC that may well make Congress jealous.

Regulatory agencies are referred to as "independent"—they are supposed to be "creatures of Congress" but outside the control of the reigning Administration. The independence is nominal at best, of course. Most obviously, the President appoints members of the regulatory agencies. The White House also determines what budgets—and for which specific projects—will be requested of Congress. In the past decade and more, events have conspired to make the White House very chary of meddling in FCC affairs. But it is now a new decade and many of those old Administration fears have disappeared. The attitude now seems to be one of willingness to accept the chore of setting national communications goals while leaving their implementation to the FCC. And, for the first time since Dwight Eisenhower was President, the Republicans are not only in the White House but are about to achieve a Commission majority.

Can't get a majority that easily

That majority is central, and it is also subtle. The observer outside—and even inside—the peculiar political ambience of Washington might be tempted to the easy cynical conclusion that President Nixon has but to snap his fingers to magically produce at least a four-three approval or disapproval of any communications issue that may find its way to the FCC meeting room. The reality of the bureaucratic ebb and flow is rarely that susceptible of analysis, and never that blatant. The fact is, if any Commission vote is ever resolved by a four-three margin in a fashion clearly to the advantage of President Nixon, and those four majority votes are cast by the Republican members of the agency, it will be the result of an improbable series of events that give a veneer of simplicity to circumstances. Even in the most amoral terms of power

Inside the FCC

(Continued)

politics, there is no legal way for any President to convey his wishes for a vote to a regulatory agency. There would inevitably be exposure if he did, as any competent politician instinctively would realize—not *inevitably*, of course, but the risk would so surpass the reward as to dwarf it. If one member were urged to advocate a position, another might decide it to be in the interest of all concerned to take an opposing viewpoint. Even political appointees tend to be conscientious and painstaking protectors of their vision of the public interest—a fairly plain fact often lost on those inebriated of cynicism—and even an indirect attempt at partisan weighting could backfire ignominiously.

Subtle situation unfolding on Commission

What may develop, then, is not a sophomoric caricature of Presidential influence, but a subtle, unpredictable, and possibly very defensible situation. The four GOP members of the FCC will be Chairman Dean Burch, and Commissioners Robert E. Lee, Robert Wells, and presumably new but unconfirmed Sherman Unger. All but Robert E. Lee are Nixon appointees, and that single exception on the basis of his record might be assumed to be a solid and dependably conservative Republican. None of the three new Republican members of the Commission is a political neuter; in fact, all have more than earned their partisan spurs. The prime example is Burch himself, who was chairman of the Republican National Committee. How, then, may it be considered defensible if four Republican members of the FCC vote in a fashion to excite the approbation of Richard Nixon? Very simple. The President *does* appoint Commission members. By virtue of his election in 1968, Nixon has changed the face of the government. The President has the right to appoint those he thinks will carry out policies beneficial to the welfare of the Nation—and if those policies happen to deviate from ones established by his political and philosophical predecessors, there should be no surprise at all.

Aside from the appointive route to Presidential control over the FCC, President Nixon has taken very positive steps to exercise more direct control. The chief focal point for this new assertion of Executive dominance is the Office of Telecommunications Policy, recently constituted via Executive reorganization of the relatively limited Office of Telecommunications Management. Clay T. Whitehead, a 31-year-old whose glittering academic credentials enchanted the Senate Commerce Committee, which promptly confirmed him, is directing a staff that will have two distinct but not separate modes of influence over the Commission. One is the weight of Presidential opinion; the other is research capacity.

Whitehead presents reasoned positions

Presidential opinion doesn't refer to Nixon getting on the telephone to Burch. What it refers to is the new willingness of the White House, through Whitehead and his staff, to express reasoned positions on communications issues. Even before the reorganization of the OTM, Whitehead asked for, and got, an FCC delay on policy decisions affecting domestic communications satellites. Prior to the White House intervention, it was reliably reported that the FCC would decide on a single domestic system, probably to be run by the Communications Satellite Corp.; after the White House intervention, which recommended various and competing systems, the Commission, in effect, asked for further proposals, keeping open the possibility of competing systems. The desires of the Executive Branch and the President of the United States simply cannot be ignored.

Little indication of what trend may portend

It is possible, therefore, that an era of White House domination of the FCC is dawning, and there is little indication of what that may portend. Partisan manipulation is imaginable, and so is a badly needed vigor in communications policy—and elements of the two together may be more likely still.

FORTUNE

April, 1970

New technology, surging demand,
and competitive threats to the
common carriers are moving
Washington toward new policy
decisions that presage...

THE COMING SHAKE-UP IN TELECOMMUNICATIONS

by Dan Cordtz

MAKING POLICY ON A THREE-PARTY LINE



Senator John O. Pastore



Clay T. Whitehead



Dean Burch

These three men play important parts in the remaking of the federal government's telecommunications policy. Senator Pastore, sixty-three, a Rhode Island Democrat and for fifteen years chairman of the Senate subcommittee on communications, has long tried to stir up greater interest in the subject "where the real power to deal with these things lies—in the Oval Room of the White House. I'd like to see the President briefed as thoroughly on communications as he is on military affairs." Whitehead, a thirty-one-year-old electrical engineer with a Ph.D. in management from M.I.T., is special assistant to President Nixon. He coordinated formulation of the Administration's policy statement on domestic satellites and was instrumental in planning the new Office of Telecommunications Policy. "Some charge us with influencing the commission," he admits, "but such an idea is outmoded. The President can afford to take a detached view. Sometimes the

FCC and Congress can't." The pivotal role belongs to Burch, a forty-two-year-old Arizona lawyer. He was a controversial choice last fall to head the commission, primarily because of his background as former Republican National Chairman and manager of Barry Goldwater's presidential campaign. Burch has already clashed with Democrat Nicholas Johnson, the most liberal of the FCC's seven members, but he has impressed other commissioners and staff members with his quick grasp of command, his capacity for work, his understanding of issues, and his determination to make the most of both the commission and his job. Certainly there is no sign that he plans to give away the FCC's power. "I'm an advocate of little government," he acknowledges, "but when government takes over an important function as a public responsibility, then it ought to do a good job of it. In many cases, there is simply no substitute for the FCC."

Communication—the exchange of information and ideas, from the indispensable to the trivial—is a central process of American life. It is the cement that binds together a disparate society, the nervous system of a sophisticated economy, the opium of a people addicted to human contact. In the U.S., to a degree undreamed of in most of the world, this exchange takes place by means of telecommunications. Americans have 109 million telephones, five times the number in any other country, and they average 700 calls a year. At the peak-load hour (usually mid-morning on a winter Monday) as many as 35 million persons are on the phone simultaneously in the East alone. Ninety-eight percent of all homes have at least one television set, which is turned on for an average of five hours and forty-two minutes a day. The telephone and TV are so universally regarded as necessities that some welfare departments even permit their indigent clients to pay for them out of their allowances. The computer, that necessary arm of business, has added an incalculably large new demand to an already overloaded telecommunications system.

Some social scientists argue that we already communicate far too much, that a sort of informational pollution is taking place. But in a highly centralized society becoming steadily richer and more populous, more and more information inevitably is going to be exchanged. Already, the convergence of explosive economic growth and unprecedented technological advances threatens a far-reaching shake-up of the \$19-billion-a-year telecommunications industry. The effects will be felt from the boardrooms of the nation's mightiest corporations to the highest councils of the federal government, and will create opportunities for a whole new generation of entrepreneurs.

Shielded from the rigors of competition by tight bureaucratic regulation, telecommunications until recently appeared to be a rather humdrum business with few conflicts to excite the passions of those who provide or use its services. Phone subscribers were generally happy, and critics of television found little popular support. Other services, such as microwave radio, were hardly noticed at all. But the tranquil days of a regulated utility are over. The time has come when government regulators must soon make fundamental decisions on four portentous and tangled policy issues:

► *Competition versus monopoly in the common-carrier field.* Two landmark decisions in the past year have undermined the once-secure monopoly position of American Telephone & Telegraph Co., Western Union Telegraph Co., General Telephone & Electronics Corp., and the 2,000 small phone companies that make up the nation's common-carrier network. The idea that competition should be substituted for regulation, especially in the transmission of computer data, has come from some influential sources—including the White House. The Federal Communications Commission must decide the extent of this competition.

► *Establishment of a domestic communication-satellite system.* President Nixon recently urged that the FCC permit anyone, with the inclination and the ability, to put up communication satellites over the U.S. This would be a radical departure from the international pattern of a monopoly like the Communications Satellite Corp., as well as from past domestic practice on the ground, where no one was allowed to duplicate the facilities of A.T. & T. If the commission takes the President's advice, it must balance the advantages of competition against the economies of scale. It must also decide how many satellites can go up, who will own them, and how they will be linked to the present terrestrial network.

► *Development of cable television.* The dogged opposition of TV broadcasters has kept a freeze on cable-system expansion since 1966. But a number of developments make some early liberalization inevitable. The commission must chart a course that will make the most of the cable industry's enormous potential but will also guard television broadcasters against serious and avoidable damage.

► *Allocation of the radio-frequency spectrum.* Almost escaping public notice, a bitter fight is raging between television broadcasters and a coalition of suppliers and users of two-way mobile-radio systems. Thousands of business firms, joined by local police and fire departments, are clamoring for additional channels to eliminate overcrowding that has turned radio transmission in some large cities into a babel. Specifically, they want a generous slice of the huge and largely unused frequency block now reserved for UHF television. A recently proposed compromise by the FCC has satisfied neither side.

The failure of government agencies to resolve or anticipate these problems has provoked periodic cries of alarm from industry and government study groups, as well as users of telecommunications services. The word "crisis" is once more being invoked freely. Discounting the hyperbole of special-interest groups, the feeling is strong in Washington that major policy decisions cannot be put off much longer without serious consequences.

4

While the FCC must provide most of the answers, and bears the brunt of responsibility for the day-to-day regulation of telecommunications, the executive branch and Congress are also importantly involved. Congress wrote the basic law embodied in the Communications Act of 1934, and each session it adds amendments to cover new situations or to give policy guidelines on specific problems. Lacking technical knowledge, most members neither understand nor care very much about telecommunications. A handful of subcommittee members in the House and Senate monitor the industry closely, provide a forum for discussion in public hearings, and exercise considerable influence on FCC policies through their power of oversight and control of appropriations.

The President's statutory responsibility in domestic communications is limited to selection of FCC commissioners and management of the large share of the radio-frequency spectrum reserved for use by the federal government (mostly the Defense Department). But for years he has been urged to pay more attention to larger telecommunications issues, most recently by the Task Force on Communications Policy appointed by President Johnson. Not all of the thick volume's recommendations pleased officials of the Nixon Administration, who inherited the report, but the idea of a greatly enlarged role for the executive branch was received with enthusiasm. This month President Nixon will establish his own Office of Telecommunications Policy. Its initial staff of twenty lawyers, engineers, and economists will conduct research studies and make policy recommendations in virtually every area of telecommunications—including those now regulated by the FCC.

The FCC can use the help. Its budget and staff have lagged far behind the growth in its work load since it was created in 1934. Only eighty-five professionals (accountants, engineers, lawyers) ride herd on all of the country's common carriers. One Republican commissioner says that a staff of 600 would be justified to examine A.T. & T. alone. To help ease the financial pinch, the commission recently proposed to raise by 500 percent the total fees it charges for permission to broadcast or to build and operate other telecommunications facilities. The boost would bring in another \$20 million a year—almost as much as the present FCC budget.

Money is not the only problem. Critics have long assailed the caliber of its appointees and the distressing tendency of staff members to identify their own interests with the industry regulated. Nicholas Johnson, the outspoken thirty-five-year-old commissioner who is the FCC's most vigorous internal critic, levels a somewhat different charge: "The basic attitude here is, 'I'm in a neutral position. Push me around.'" The commission, according to Johnson, thinks of itself as a cop directing traffic at the intersections—not as a planner charged with designing

a mass-transit system. Rather than identify and actively promote "the public interest," it seeks to mediate—or, if forced, to choose—among many clamorous special interests. Only a shift in the relative strength of special interests disturbs the status quo. This is precisely what is happening now in the common-carrier field.

The network's limitations

America's domestic telecommunications network consists of the 700 million miles of wire, cable, and microwave relays at A.T. & T., along with its 96 million telephones and the multibillion-dollar switching equipment that ties it all together. This is augmented by the telegraph and teletype facilities of Western Union, and the mostly local phone systems of G.T. & E. and some 2,000 small rural companies. Even as a system for communicating voice and telegraph messages, it is not without flaws. The continuing phone-service failures in New York City, experienced to a lesser degree in other large cities, demonstrate that. And Western Union has been assailed by customers and regulatory officials for slowness and unreliability in transmitting and delivering telegrams.

The network was planned and built, moreover, with few requirements other than phone and telegraphic service in mind. The advent of television called mainly for increased capacity in the available phone lines, since one TV channel requires a frequency band 1,000 times wider than a voice circuit. Coaxial cables solved the technological problem, and the obvious volume of the business (which now brings A.T. & T. \$65 million a year in revenues) readily justified the investment. Besides, coaxial cables are ideal for carrying telephone messages.

An altogether different type of demand accompanied the arrival of the computer age. So great is the computer's capacity that enterprising users soon saw the advantage of tying many terminals to a single remote computer, and the existing phone network provided the only readily available link. At present, 10,000 general-purpose computers are connected to an estimated 190,000 terminals by means of leased lines or over the common-carrier network. But by 1974 more than half of the 98,000 computers then in operation are expected to be linked by transmission facilities to 1,200,000 terminals.

There is no accurate measure, A.T. & T. officials say, of how much its network is now being used to transmit data. In terms of terminal-hours, the figure is probably not very high. Only 200,000 phones are equipped to handle data, which can be sent so rapidly that mere seconds are required for a typical transmission. A.T. & T., anxious to dispel any idea that new carriers of data may be needed, asserts that even by 1980 data will amount to only 5 to 10 percent of the peak network load. But the Stanford Research Institute, reporting last year to the FCC on the commission-ordered survey of computer needs, suggested this estimate is too optimistic. If teleprocessing continues to expand at the rate of the last five years, S.R.I. warned, the demand for data services could outrun the common carriers' ability to handle it.

Computer users, moreover, are not just worried about the future. Many are unhappy with present carrier service and its cost. The reasons lie in the phone network's technical limitations for data transmission and in the companies' traditional control and pricing practices. Computer users want the same sort of unrestrained switching as phone subscribers, but they want even better, more flexible service. The fifteen to thirty seconds required to complete a local telephone connection, for example, is a maddeningly long delay for them. They also want their circuits for only brief periods of time. But to ensure ready access to terminals, large processors of data must lease private lines on a twenty-four-hour-a-day basis at a cost of \$400 a month for one 200-mile voice-data channel. Until February, 1969, A.T. & T. would not even permit customer sharing of such lines; it still allows it only on a limited basis. For those dependent on the regular network, the three-minute minimum on long-distance calls—far more time than usually required—can be a heavy burden. With the cost of computer processing falling by 50 percent every four years, transmission costs are becoming an ever more important factor. A.T. & T. recently agreed to try out a one-minute minimum in a few selected areas, but this will not satisfy many data users.

The limitations of the phone network arise from the differing technical characteristics of voice and data signals. Wave patterns created by sound can easily be reproduced electromagnetically in what is termed an analogue signal. This is the way the telephone works. Such signals can also be broadcast by a radio or television station, and TV pictures lend themselves readily to analogue transmission. But the language of data is composed entirely of the binary vocabulary of the computer—a succession of "ons" and "offs." These are most efficiently transmitted by what is known as a digital signal. Instead of a complex wave pattern, a digital signal is a pulse meaning "on." The absence of a pulse means "off." The number of these signals that can be transmitted in a given time is limited only by the bandwidth of the channel. For a given bandwidth, moreover, a digital network can transmit far more data than an analogue network.

The telephone network, designed for the inherently analogue signals of the human voice, cannot transmit a digital signal directly. Data processors must install an adapter called a "modem" (named for its ability to "modulate" digital data into an analogue signal and "demodulate" it back into its original form). This obviously increases the cost of transmission. But there is still another problem. Digital pulses are much simpler than the complex wave patterns of an analogue signal. They are therefore not so easily distorted by the background noise that accompanies any electromagnetic transmission. In a phone conversation, the human ear tends to screen out noise and readily recognizes what is being said. But the computer cannot make such allowances. When a digital data signal is converted for analogue transmission over the telephone network, background noise sometimes distorts the signal so much that the computer misreads it. The result is an unacceptably high rate of error that can be sharply reduced by all-digital transmission.

Competition for Mother Bell

By the mid-Sixties a number of entrepreneurs concluded that they could provide services that some customers were demanding—and not getting—from A.T. & T. The first solid evidence that such enterprises might be possible came in June, 1968. The FCC unanimously compelled common carriers to permit subscribers to connect their mobile-radio systems to the phone network by means of converters made by a tiny Texas firm called Carter Electronics Corp. Some 3,500 of the devices had been sold before the phone companies in 1965 began to threaten users with ending their service. But Thomas F. Carter, the company's president, filed an antitrust suit in federal court, which referred the case to the FCC. Until the Carterfone decision, the phone companies had successfully prevented the attachment of "foreign" devices to the system, forcing subscribers to rent equipment from the phone companies. Subscribers can now hook up a variety of devices, ranging from antique-style phones to computer terminals. Some manufacturers have introduced cheaper substitutes for A. T. & T.'s \$5- to \$200-a-month Data-Phone modem. Not only does the ruling permit modems to be built directly into computers or data-processing equipment—a more technically satisfactory arrangement—but, it also makes possible the use of highly specialized modems not available from Western Electric, the manufacturing arm of A. T. & T.

A competitive network

A far more precedent-shattering development took place last August, when the FCC authorized construction of a specialized common-carrier microwave system paralleling A. T. & T.'s routes between Chicago and St. Louis. The decision climaxed a fierce six-year legal battle between the phone colossus and John D. Goeken, thirty-seven, who is the founder and president of a little company called Microwave Communications Inc. Goeken, who spent \$400,000 fighting the battle, contended that he would provide service not offered by the common carriers. He promised wider choice of bandwidths, greater speed, greater flexibility, a guaranteed maximum error rate, and prices as much as 94 percent cheaper than A. T. & T.'s. While the M.C.I. system will carry voice transmissions, too, its greatest appeal is to those who want to send data or a combination of data and voice messages. The battle is not over yet, as A. T. & T. has not exhausted all its legal remedies. But the decision touched off a flood of some 750 applications to offer similar services. M.C.I. itself now proposes a national system, with the next segment to link New York and Chicago.

The ruling also gave a fillip to the plans of University Computing Co., a Dallas-based supplier of computer services, to build a digital microwave common carrier for data transmission. Its proposed \$375-million transcontinental network, to be operated by a subsidiary, Data Transmission Co., would initially serve thirty-five major metropolitan areas. The objective is the capture by 1973 of 10 percent of the data market in those cities—worth an estimated \$200 million a year to Data Transmission. Unlike the M.C.I. system, whose microwave line ties into the phone network, Data Transmission would provide terminal-to-terminal service (with each subscriber accessible to all others) and would bypass the carriers in all but a few cities. A few years ago it would have been unthinkable for the FCC to permit such an encroachment on the carriers' protected preserve. But the Carterfone and M.C.I. decisions suggest that the tide may be running in Data Transmission's favor.

Who'll skim the cream?

Those decisions, however, posed other questions of public policy. Maintaining a healthy basic telephone network is an unchallenged first principle of the FCC. Equally accepted is the fact that it must be a regulated monopoly. Duplicate phone systems are totally unacceptable, on grounds of convenience as well as cost. But there may be possibilities for competition in specific aspects of the system. The Carterfone decision appears to come down heavily on the side of competition in the design and manufacture of equipment.

Much trickier is the question of permitting selective competitive service. It is axiomatic that common carriers, including those providing telecommunications, must charge rates below the high cost of furnishing service to subscribers in sparsely settled regions and make up their losses in densely populated, low-cost areas. If others are permitted to compete in only the low-cost territories (or in the provision of inherently low-cost services), the common carriers will not long be able to subsidize other customers. The extent to which such "cream-skimming" can be permitted is one of the knottiest problems with which the FCC must deal.

Some suggest that the carriers be freed to cut prices to meet such competition, so long as they do not actually subsidize their lower rates. There seems little doubt, for example, that A. T. & T. could match M.C.I.'s service and price. But regulators will need more detailed breakdowns on costs to be certain that such service is not provided at a loss. Even fair competition will reduce the carriers' capacity to give below-cost service to others.

Persuasive arguments are made that the carriers should be restricted to their traditional voice and telegraphic traffic, which seems sure to remain an enormous and steadily growing market. Simply keeping the U.S. in the forefront of telephone service will be a task worthy of the best efforts of A. T. & T., and even that could strain its financial and managerial capacity. The trend of FCC decisions suggests that this could be the direction of future policy.

Because some computer-service companies store and forward messages for their customers, the commission is also wrestling with the question of whether they should be regulated as common carriers. At the other end of the scale, what of the provision of computer services by the common carriers? Western Union, a holding company, is already in the business, through its subsidiary, Western Union Computer Utilities. But that is nothing compared with the potential competitive threat posed by A. T. & T. The company is busily installing gigantic computers for its own use—especially for automatic switching of telephone calls. When they are ready, they will have fantastic unused capacity.

Saving money with satellites

For more than five years, the FCC has been studying the domestic-satellite question, with pressure to move ahead mounting as international satellites proved themselves so impressively. By the time the Nixon Administration took office, the commission was reportedly ready to authorize a Comsat-managed pilot program. But the White House asked last summer that the FCC hold off action until a government reappraisal could be completed. In January the President recommended that the commission permit "any financially qualified public or private entity, including government corporations," to launch and operate communication satellites—for their own exclusive use or for general or specialized common-carrier service. It suggested that this policy be adopted on an interim, three-to-five-year, basis, but left little doubt that it regarded competition as the best ultimate course to pursue.

A. T. & T. contends that domestic satellites offer no immediate benefits to the average phone user. Long-line transmission accounts for only 17 percent of the cost of a domestic long-distance call. Switching is the largest cost item (35 percent), followed by local terminals (30 percent). Satellites, circling the earth at a height of 22,300 miles, will equalize the distance of all calls and will also equalize long-line transmission costs—but that will still be a relatively unimportant fraction of the total bill.

The White House message to the FCC, however, explicitly rejected the traditional A. T. & T. argument in favor of economies of scale. "At this stage of domestic satellite planning," it said, "it is not possible to identify major economies of scale." In any event, the statement added, there is little reason to protect services that are now not carrying their own weight—"even if the benefits of such cross-subsidization accrues to the public users rather than to private service offerings."

The FCC, while digesting the Nixon recommendations, asked would-be applicants to wait until it formulated some sort of policy. With the cost of a launch expected to be \$15 million, and the price of a satellite about the same, no one was likely to be trampled in the rush, anyway. Late last month, the commission announced its ground rules for applications. Even when the winners are chosen, however, appeals by disappointed applicants will probably delay a launch.

Satellite transmission may offer an attractive alternative to microwave for national data systems such as that proposed by Data Transmission. But its most immediate economies are in television, where the three major networks have estimated annual savings of \$8 million. It also holds out the possibility of practical development of competitive new national networks. If FCC restrictions are relaxed, moreover, prospects are good that a nationwide network of cable-television systems can be knit together. Such interconnection is prohibited under present rules, but there is reason to believe that they may be changed. Former Chairman Rosel H. Hyde and Commissioner Kenneth A. Cox have led opposition to cable development in the past. Hyde has now been replaced by Burch, who has publicly expressed sympathy for cable operators. And Cox will probably be replaced by a Republican when his term expires at the end of June.

An opening to the major markets

CATV (for community-antenna television) has long fascinated critics of commercial broadcast TV as the ultimate alternative to much they find objectionable about the present system, including low program quality, lack of diversity, and the high cost of transmitting educational and public-service features. Cable television, as the name implies, delivers a TV signal to the home receiver by means of a cable rather than the air waves. The cost of such systems currently averages \$5 a month. Since the price is generally justified by improved reception of normal broadcast channels, the provision of extra channels (twenty are possible with current technology) is essentially free. And the incremental cost of transmitting over these extra channels is so low that programming becomes practical for audiences too small to attract network producers or even local stations. This fact, and the audience fragmentation that it implies, so frightens commercial broadcasters that they have fought cable television with all of the considerable resources at their command.

In 1966, responding to the TV broadcasters, the FCC invoked jurisdiction over CATV and instituted rules so stringent as to amount to a freeze on the extension of cable service. It required any operator who wanted to import distant signals into the top 100 markets (with 89 percent of all TV sets) to prove that his action would damage neither any existing stations nor any that might later be established.

The order has hit the fledgling industry hard. "Many manufacturers of equipment," says an FCC official, "are teetering on the brink of disaster."

The cable operators have won some skirmishes. In 1966, United Artists sued Fortnightly Corp., a West Virginia cable operator, for using copyrighted material without payment. Backed by the National Cable Television Association, Fortnightly lost in federal district court, but two years later the Supreme Court ruled that cable-TV operators have no copyright liability. Safe from that threat but still facing an unsympathetic FCC, the N.C.T.A. decided the time was ripe for compromise. It opened negotiations with the National Association of Broadcasters and last summer the two groups concluded a tentative agreement under which cable operators would be permitted to import distant signals into any market with fewer than six local stations until that number is available to their subscribers. The N.C.T.A. agreed to pay for the signals its members relay and to give special protection to broadcasters in the top fifty markets. After a month, however, the N.A.B. backed down on the deal and the N.C.T.A. turned to Congress for help.

A friendly legislator, Democratic Senator John McClellan of Arkansas, has now introduced a bill to allow cable operators in the top fifty markets to bring in distant signals sufficient to provide subscribers with three network channels, three independent channels, and one educational channel. In other markets, one fewer independent channel is allowed. The bill also provides that any system can bring in the overlapping signals of nearby cities, and establishes a pooled system of compensation to copyright holders. Prospects for passage in this Congress are uncertain, but if it becomes law it would in the words of a senior FCC staff member, "give cable TV all it needs for the moment." It would open up some twenty major markets not now served by cable.

The possibilities of cable are breathtaking. If all of the homes that now have television sets were wired for cable reception, it would provide a network that could be used in countless ways. If the era of the home computer is ever to arrive, for example, it will almost certainly be via CATV, with the home television set as the information terminal. Cable capacity is great enough to make practical the facsimile reproduction of newspapers or magazines in the home, and to make TV transmitters available to almost any group with something to say. And one of the most attractive features of cable is that it uses none of the increasingly overcrowded radio-frequency spectrum.

Who gets the air waves?

Most of the radio communication in the U.S. takes place in the frequency range from 5 to 890 Megahertz. The last time this spectrum was divided up, in 1949, the federal government reserved several large slices for itself—totaling 34 percent of the available frequencies. The FCC divided up the rest, using a system of block allocations that apply over the entire country regardless of local demands for various radio services. It awarded small pieces to amateur radio operators, larger slices to marine, aeronautical, meteorological, astronomical, and other users. Slightly less than 5 percent went to the users of land mobile-radio systems and almost 60 percent to FM radio and television. Three sections, totaling 72 MHz, was awarded to VHF television (channels 2 to 13) and the entire block from 470 to 890 MHz was given to UHF broadcasters.

The motives behind this huge grant to UHF television were laudatory. Since FCC technicians agreed that no more than 600 VHF stations were possible without unacceptable interference, the commission concluded that a generous slice of the upper end of the spectrum would allow room for station proliferation and competition. But UHF transmission is at a disadvantage in competing with VHF. Equipment is more costly and, until implementation of the all-channel television-set law in 1964, very few receivers could pick up the signals. Even today, a bare majority of sets are equipped to receive UHF stations. As a consequence, UHF has never got off the ground. Only 182 commercial stations are in operation, and all but fifty-three are operating in the red. All but a handful of the profitable ones have network affiliations, which most UHF operators found impossible to get. Many UHF stations have gone out of business and others simply never began broadcasting.

The land mobile boom

In the meantime, the land mobile-radio business has grown enormously. In 1949, when the FCC made its allocations, only 86,000 transmitters were licensed. Today the figure is above three million, and it is expected to reach seven million in another decade. Complaints of crowding and interference have grown apace. In 1967 the manufacturers and users of two-way mobile radios formed the Land Mobile Communications Council to lobby for relief, and in 1968 they got the sympathetic ear of the House Committee on Small Business. A series of hearings across the country heard local officials and businessmen recount tales of woe and complain of the continued reservation of almost half the usable spectrum for UHF television. Last year appropriations subcommittees of the House and Senate pointedly told the FCC to get cracking on relief for the land mobile users.

But the TV industry is no novice at political pressure. Its Association of Maximum Service Telecasters, organized in the early 1950's, is fiercely resisting any effort to whittle down its share of the spectrum. The National Association of Broadcasters is also in the fray. One favorite suggestion of land mobile users is that *all* television should be moved into the UHF range and the vacated VHF space turned over to land mobile users, whose present equipment operates in this general frequency range. But the cost of converting from VHF to UHF telecasting has been estimated at \$150,000 per station. Millions of receiving sets would also have to be replaced or converted.

The FCC has proposed to sandwich some land mobile transmission between UHF channels, which are deliberately kept widely spaced to avoid interference. But this has made neither side happy. The commission is acutely aware that it enticed many investors to enter the UHF television business, and feels a strong sense of responsibility to the industry. Some commissioners also still believe that UHF can succeed when the stations are assured of being able to reach substantially all sets. Land mobile user complaints are sure to continue mounting, however, and some satisfactory solution must be found.

The outcome of all of these battles remains very much in doubt, but several things are certain: the stakes are high, the fighting will be fierce in the months to come and when the dust settles, the telecommunications industry will be a greatly changed business.

END

14